

Setting the **World** in **Motion**

SONA KOYO STEERING SYSTEMS LTD.

INVESTOR UPDATE

October 23, 2006

QUARTER ENDED SEP 2006



Strategies and Services for Stakeholder Success

Key Highlights

Financial Highlights (YOY)

- **Net Income from Operations up 65.1%** at Rs 1,392.6mn from Rs 843.6mn.
 - ✓ CEPS Sales to MUL increased to Rs 406.2mn with commencement of supplies for Alto & Wagon R
 - ✓ Hyundai Sales increased by 58.5% to Rs 169.2mn
- **Operating Profits up 48.0% to** Rs 145.2mn from Rs 98.1mn
- **Operating Profit Margin decreased to 10.4%** from 11.6% due to change in product mix
- **Profit after Tax up 68.7%** at Rs 63.7mn from Rs 37.7mn
- **Net Margins up to 4.6%** from 4.5% due to increased sales volumes despite:
 - ✓ Increase in interest cost to Rs 22.5mn as compared to Rs13.3mn in JAS'05 due to enhanced borrowings for capital expenditure and increased working capital requirements

Operational Highlights

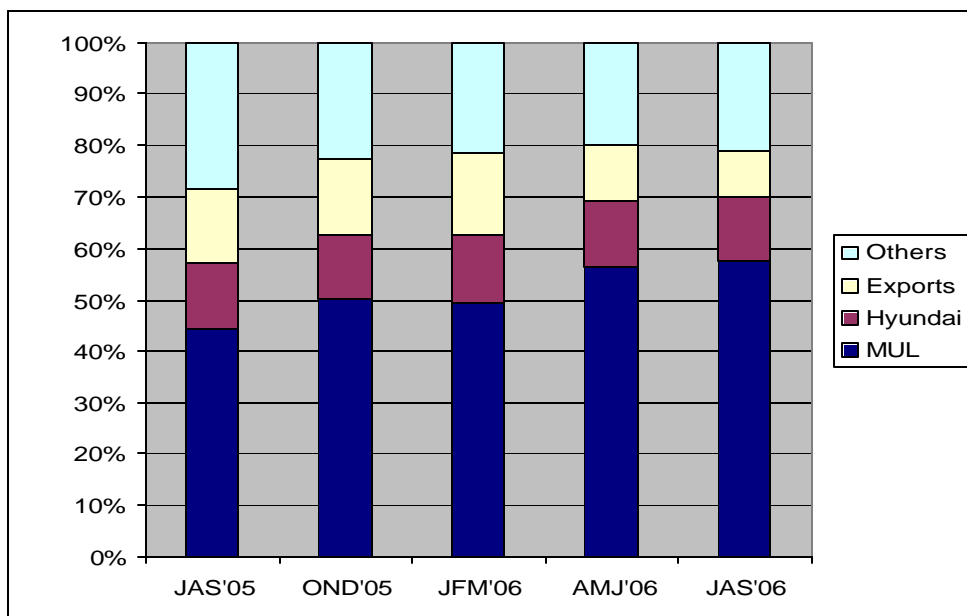
- Over 100,000 units of CEPS supplied to MUL in the half year ended September 30, 2006
- Construction work at Dharuhera on schedule. Unit to be operational in Q4 FY'07
- Technical Know-how agreement with Fuji Autotech France signed for the manufacture of next generation **Tubular Steering Column Shaft**
- Supplies to Fuji Autotech France commenced during this quarter

Other Highlights

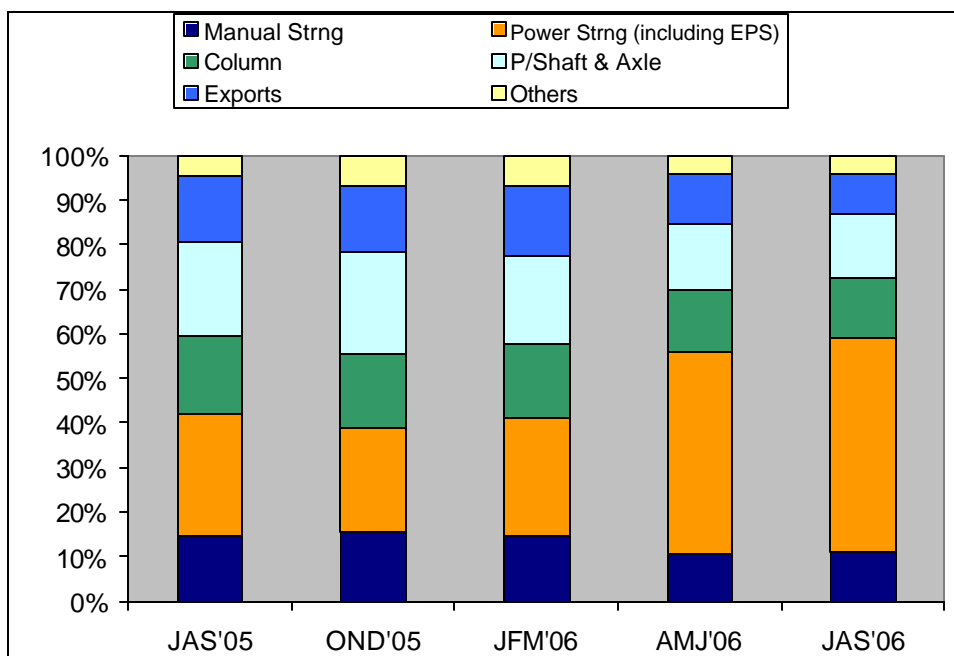
- The Board of Directors has approved and recommended to the shareholders to issue the following Equity Shares/ Warrants to the promoters and foreign collaborator on preferential basis to part finance the capex, at a price of Rs 67.10 per share/warrant
 - a) 4,628,105 equity shares of the face value of Rs 2/- each
 - b) 9,999,785 convertible warrants of the face value of Rs 2/- each to be converted into 9,999,785 equity shares of the face value of Rs 2/- each within a period of 18 months from the date of issue

Revenue Analysis

Key Customers



Key Products



Share of MUL in total sales increased to 57.6% in JAS'06 as compared to 44.3% in JAS'05 due to supplies of CEPS

Power Steering (including CEPS) comprised 48.4% of sales in JAS'06 increasing from 27.1% in JAS'05

Financials - Quarterly

Profit and Loss Statement

Amount in Rs mn

Particulars	JAS'05	AMJ'06	JAS'06	% Chg QoQ	% Chg YoY
Net Income from Operations	843.6	1,161.2	1,392.6	19.9%	65.1%
Total Expenditure	745.5	1,036.4	1,247.4	20.4%	67.3%
(a) Consumption of Raw Material	566.9	870.2	1,006.7	15.7%	77.6%
(b) Increase/decrease in stock in trade	5.6	(28.8)	5.6	-119.4%	0.0%
(c) Staff Cost	65.1	81.3	91.2	12.2%	40.1%
(d) Other Expenditure	107.9	113.8	143.9	26.5%	33.4%
OPBDIT	98.1	124.8	145.2	16.4%	48.0%
Depreciation & Amortisation	29.9	35.8	34.1	-4.8%	13.9%
OPBIT	68.2	89.0	111.1	24.9%	62.9%
Finance Charges	13.3	32.4	18.9	-41.7%	42.1%
OPBT	54.9	56.6	92.2	63.0%	67.9%
Tax (including deferred)	17.2	19.8	28.5	43.7%	65.7%
PAT	37.7	36.7	63.7	73.4%	69.0%
EPS (Rs.)	0.43	0.42	0.72	72.2%	68.7%

* Net Income from operations includes other operational income

Key ratios %

Key Ratios	JAS'05	AMJ'06	JAS'06
OPBDIT/Net Income from Operations	11.6%	10.7%	10.4%
PAT/ Net Income from Operations	4.5%	3.2%	4.6%
Total Expenditure/Net Income from Operations	88.4%	89.3%	89.6%
Consumption of Raw material/Net Income from Operations	67.9%	72.5%	72.7%
Staff Cost/Net Income from Operations	7.7%	7.0%	6.5%

About Sona Koyo Steering Systems Ltd.

Sona Koyo Steering Systems Limited (SKSSL) is a technical and financial joint venture company of Koyo Seiko Company, Japan, the global technology leader in Steering Systems. With a Market share of 50%, SKSSL is the largest manufacturer of steering gears in India and is the leading supplier of Hydraulic Power Steering Systems, Manual Rack & Pinion Steering Systems and Collapsible, Tilt and Rigid Steering Columns for Passenger Vans and MUVs. SKSSL is the first steering systems company in the world to have bagged the prestigious Deming award, the world's most coveted honour for excellence in Total Quality Management. For more information please visit www.sonagroup.com

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Forward Looking Statement

Certain statements in this document with words or phrases such as “will”, “should”, etc., and similar expressions or variation of these expressions or those concerning our future prospects are forward looking statements. Actual results may differ materially from those suggested by the forward looking statements due to a number of risks or uncertainties associated with the expectations. These risks and uncertainties include, but are not limited to, our ability to successfully implement our strategy and changes in government policies. The company may, from time to time, make additional written and oral forward looking statements, including statements contained in the company’s filings with the stock exchanges and our reports to shareholders. The company does not undertake to update any forward-looking statements that may be made from time to time by or on behalf of the company.

Investor Relations Contact:

Mr. Satyendra Shukla / Mr. Puneet Jain
Four-S Services Pvt. Ltd.

409, Meghdoot,

94, Nehru Place - 110019

Email: Satyendra@four-s.com; Puneet@four-s.com

Tel. No. +91-11-41808168