

RESULTS REVIEW

Sona Koyo Steering Systems Ltd.

Rs. 51

Q4FY07 results update

Analyst

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Nifty: 4167; Sensex: 14218

Key Stock Data

Sector	Auto Ancillaries
Bloomberg/Reuters	SONA@IN/SONA.BO
Shares o/s (m)	92.3
Market cap (Rs m)	4,709
Market cap (US\$ m)	115
3-m daily average vol.	91,566

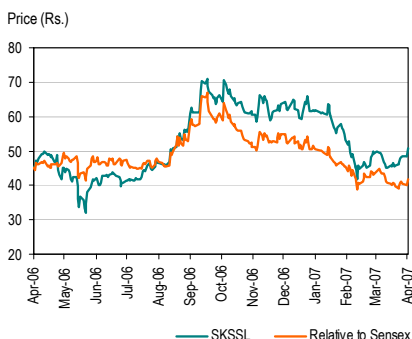
Price Performance

52-week high/low	Rs75/32		
	-1m	-3m	-12m
Absolute (%)	2.6	(17.7)	13.0
Rel to Sensex (%)	(5.7)	(17.2)	(9.1)

Shareholding Pattern (%)

Promoters	49.20
FII/NRIs/OCBs/GDR	3.51
MFs/Banks/FIs	3.49
Non Promoter Corporate	10.45
Public & Others	33.35

Stock vs Relative to Sensex



Highlights

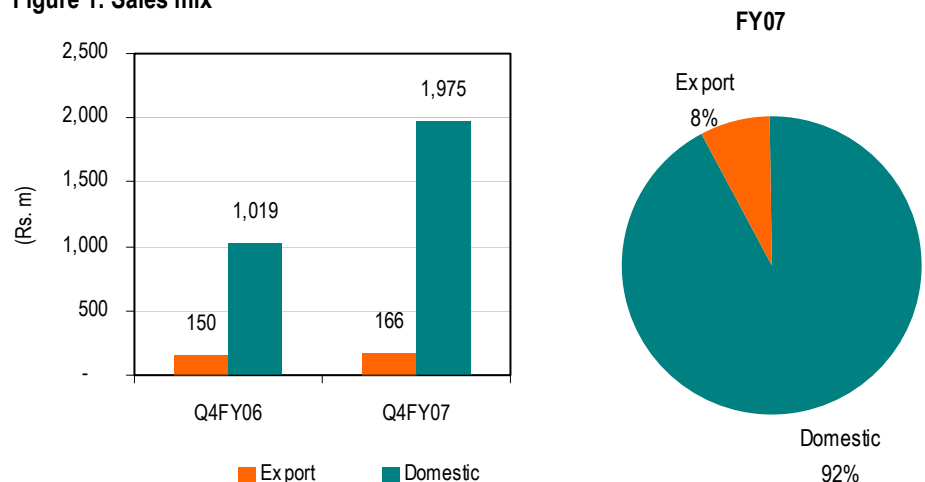
Sales climbed to Rs.2,140m, a strong growth of 83% YoY. Operating profits increased 57% YoY to Rs.216m. However, margins took a slight beating – a slip of 97bps from 10.8% to 9.8%. PAT for the quarter grew 79% YoY to Rs.110m.

Impressive topline growth

Sona Koyo Steering Systems Ltd. (SKSSL) has posted impressive topline growth of 82% YoY at Rs.2,146m as against Rs.1,180m recorded a year back. The domestic sales during the quarter at Rs.1,974m grew 94% YoY when compared to Rs.1,019m recorded in the corresponding quarter of the previous year. The substantial increase in the domestic sales is primarily on account of growing sales of its new product – Column Electronic Power Steering (CEPS) and general buoyancy in the sales of all the product lines.

Currently SKSSL is the only company in India manufacturing EPS columns, which would eventually be used in all B-segment cars.

Figure 1: Sales mix



Source: Company reports; IDBI Capital Market Services

Margins remain under pressure

The optimism in sales was fully reflected in the operating profits too. The operating profit was up 57% YoY to Rs.216m when compared to Rs.138m in the corresponding quarter. However, the EBIDTA margins took a slight beating during the quarter. The margins declined by 97bps to 9.8%. The squeeze in margins was mainly of higher import content in the Electronic Power Steering (EPS) columns supplied by the company.

Topline leads to bottomline growth

The impressive topline growth witnessed during the quarter paved for the surging bottomline. Reported PAT during the period under review grew a strong 79% YoY to Rs.110m when compared to Rs.62m in the corresponding quarter of the previous year.

Outlook

With India emerging as a small car hub, SKSSL, India's leading steering system manufacturer is fully poised for growth. Going ahead, we believe that the changing product mix towards power steering business (hydraulic and electronic) will be the key driver to look out for in the coming years. The stock is trading at 17.0x its FY07 EPS of Rs.3.0.

Table 1: Financial snapshot

(Rs. m)

Year-end: March	Q4FY07	Q4FY06	YoY (%)	FY07	FY06	YoY (%)
Net sales	2,140	1,169	83	7,042	4,093	72
Other income	6	11	(50)	27	32	-15
Total income	2,146	1,180	82	7,069	4,125	71
Expenditure	1930	1043	85	6447	3713	74
EBIDTA	216	138	57	622	411	51
OPM (%)	9.8	10.8		8.4	9.3	
Interest	22	11	98	87	51	72
Depreciation	32	30	6	124	107	16
Tax	52	39	33	139	88	57
PAT	110	62	79	277	163	70
NPM (%)	5.2	5.3		3.9	4.0	
No. of share (m)	92	44		92	44	
EPS (Rs.)	1.2	1.4		3.0	3.7	
CMP (Rs.)	51.0	51.0		51.0	51.0	
PE (x)	42.7	36.4		17.0	13.8	

Source: Company reports; IDBI Capital Market Services

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