

ISO/TS 16949



27th Annual Report 2009-10



Yes, *we* can!

Corporate Information

27TH ANNUAL GENERAL MEETING

Date : September 18, 2010

Day : Saturday

Place : Baroda – Godhra Highway, Kalol, District Panchmahal, Pin Code – 389 330, Gujarat, India.

BOARD OF DIRECTORS

Harish Sheth Chairman & Managing Director

Arun Arora Independent Director

Satish Deshpande Independent Director

Ashok Kumar Jha Independent Director

Pratap Merchant Independent Director

Bhalachandra Naik Independent Director

Harshal Shah Non-Executive Director

Udit Sheth Executive Director

Shveta Vakil Executive Director

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COMPANY SECRETARY

Mihir Mehta

AUDITORS

M/s. Manesh Mehta & Associates, Chartered Accountants
Vadodara

BANKERS

Bank of Baroda
HDFC Bank

SOLICITORS

M/s. Wadia Ghandy & Co., Mumbai

REGISTERED OFFICE

Baroda – Godhra Highway, Kalol,
District Panchmahal, Pin Code – 389 330, Gujarat, India.
Website: www.setcoauto.com

CORPORATE OFFICE

2/A, Ground Floor, Film Centre Building,
Tardeo Road, Mumbai – 400 034, Maharashtra, India.

PLANTS

Baroda – Godhra Highway, Kalol, District Panchmahal,
Pin Code – 389 330, Gujarat, India.

Plot No. A/196, Phase I, ESIPL, Sitarganj, Village Lalarpatti,
District U.S. Nagar, Pin Code – 262 403, Uttarakhand, India.

REGISTRAR & SHARE TRANSFER AGENTS

Link Intime India Pvt. Ltd.
C-13, Pannalal Silk Mill Compound, L.B.S. Marg,
Bhandup (West), Mumbai - 400 078, Maharashtra, India.

INVESTOR GRIEVANCE E-MAIL ID

investor.relations@setcoauto.com



Man is made by his belief. As he believes, so he is.

~ Bhagavad Gita

About us



Global presence

Corporate office

Mumbai, Maharashtra, India

Manufacturing facilities

Kalol (Panchmahals), Gujarat, India

Sitarganj, Uttaranchal, India

Paris, Tennessee, United States of America

Haslingden, Lancashire, United Kingdom

Products portfolio

Clutch products & Systems

Pressings

Hydraulics (Pressure convertors)

Precision parts

Brands

The Company sells its clutches under the 'LIPE' brand

People

520 employees

India –450 employees

United States of America –38 employees

United Kingdom –32 employees

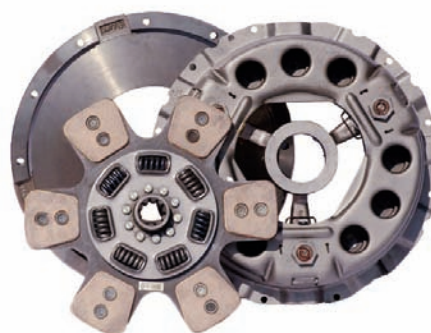
Listing

Our shares are listed on the Bombay Stock Exchange (Stock code: 505075). Our market capitalisation as on 30th July, 2010 was Rs. 2292 mn.

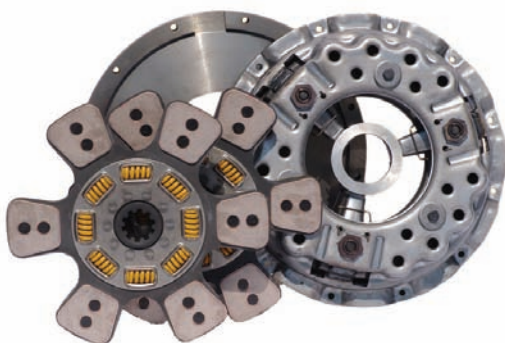
Our Products



12"/ 310mm Single
Diaphragm Spring, Push Type Clutch with
Organic Driven Plate



13"/330mm Single
Push Type Clutch with Ceramic and
Organic Driven Plate



14"/352mm, Single & Twin
Press Steel Cover, Direct Pressure Coil Spring,
Push Type Clutch with Ceramic and Organic Driven Plate



14"/352mm Single & Twin
Press Steel Cover, Direct Pressure Coil Spring,
Pull Type Clutch with Ceramic Driven Plate



362mm Single
Diaphragm Spring, Push Type Clutch with
Organic Driven Plate

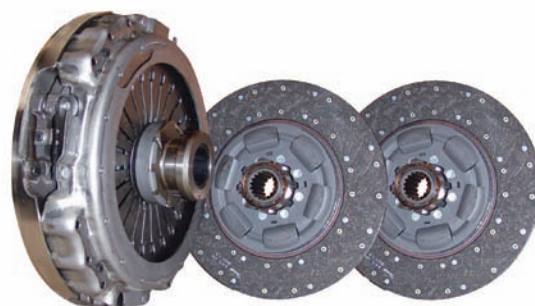


15"/380mm Single & Twin
Direct Pressure Coil Spring, Push and Pull Type Clutch with
Ceramic and Organic Driven Plate



395mm Single

Push Type Clutch with Organic Driven Plate



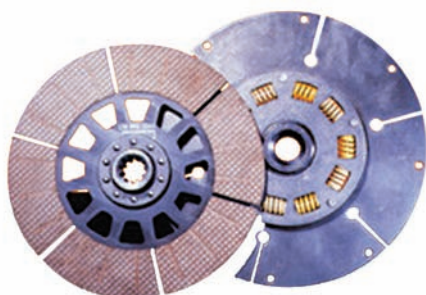
400mm Twin

Diaphragm Spring, Pull Type Clutch with
Twin Organic Driven Plate



16.5"/420mm Single

Direct Pressure Coil Spring,
Push Type Clutch with Organic Driven Plate



Oil Spray Disk/ Isolators



17"/430mm Single

Diaphragm Spring, Pull Type Clutch with
Organic Driven Plate

Performance highlights

Operational highlights

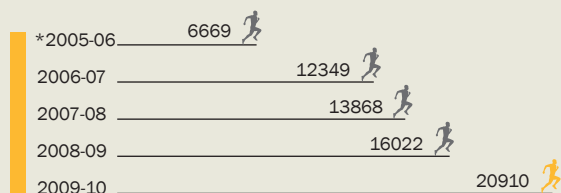
- Total production of clutch driven plate increased by **36.5%** to **0.49 mn** units
- Total production of clutch cover assembly increased by **42%** to **0.22 mn** units
- Tier-1 supplier to top reputed global MHCV players

Financial highlights for 2009-10

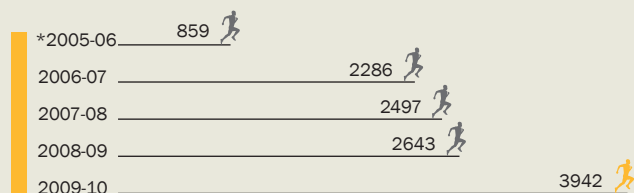
- Total revenues increased by **30.5%** to **Rs. 2.09 bn**
- Earnings before interest, depreciation and taxes (EBIDTA) increased by **49%** to **Rs. 394 mn**
- Net profits increased by **55%** to **Rs. 178 mn**
- EPS increased by **Rs. 7.17** to **Rs. 20.18**
- Cash profits increased by **65%** to **Rs. 259 mn**
- EBIDTA margin increased by **235 bps** to **18.85%**

5 year financial trends (Standalone)

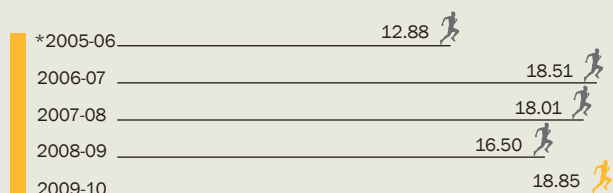
Sales (Rs. Lacs)



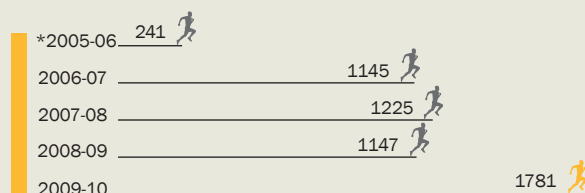
EBIDTA (Rs. Lacs)



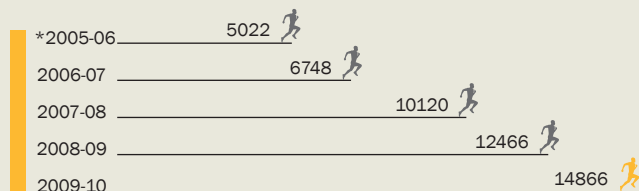
EBIDTA Margin (%)



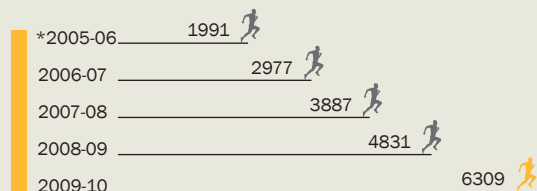
PAT (Rs. Lacs)



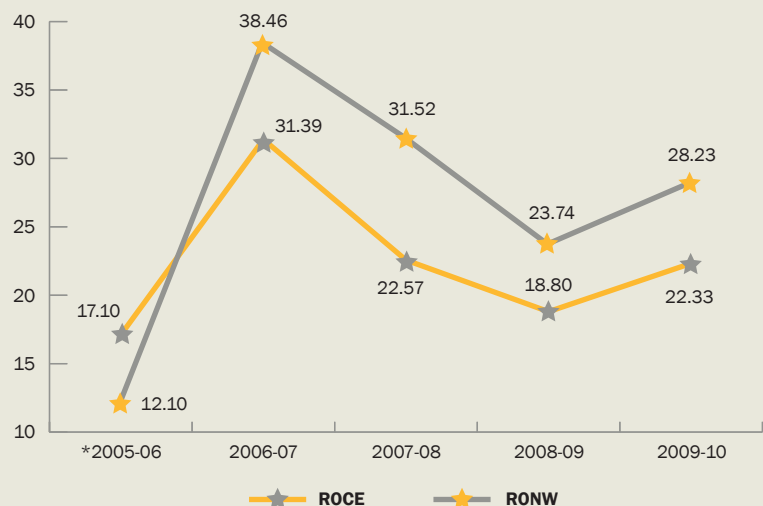
Capital Employed (Rs. Lacs)



Net Worth (Rs. Lacs)



ROCE & RONW (%)



*2005-06 - figures for 9 month period

Our journey so far...

1982

Incorporated as Gujarat
Setco Clutch Limited

1995-96

Commenced exports and
international business
operations

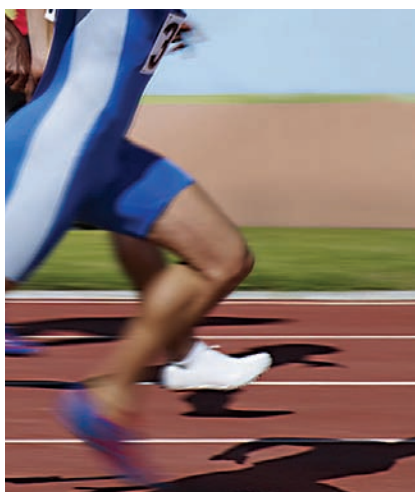
1999-2000

Crossed Rs. 100 mn
turnover mark



2000-01

- Signed a technical collaboration with LIPE UK, a division of Dana Corporation, USA
- Pioneered ceramic metallic clutch technology and offered to Tata Motors as an import substitute

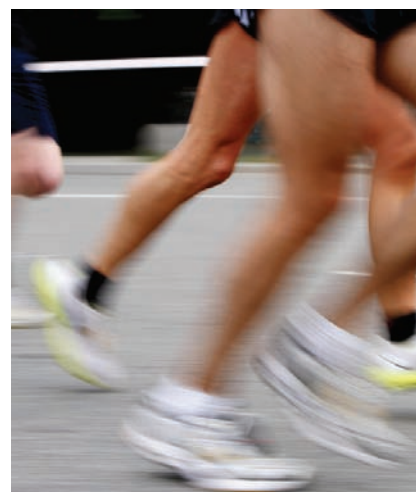


2002-03

Commenced
commercial supplies
to Eicher Motors

2003-04

Developed the
All India Service
Network



2004-05

- Crossed Rs. 500 mn turnover mark
- Started Commercial supplies of new age clutches to Ashok Leyland

2005-06

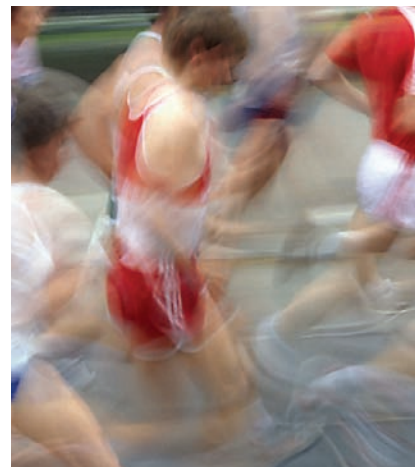
- New Vernon Equity Pvt. Ltd is issued 14.17% fresh equity
- Acquires LIPE Clutch Division (UK) from Dana Corporation (USA)
- Establishes a wholly owned subsidiary Setco Automotive NA Inc. (SANAI) in Paris, Tennessee for distribution
- Name changed to Setco Automotive Limited

2006-07

- Crossed Rs. 1 bn turnover mark
- Acquires US facility from Haldex AB Sweden for \$ 4.9 million through SANAI
- Established SETCO Foundation

2007-08

Set up Assembly operations in Uttarakhand (India)



2009-10

- Cross the 2 billion turnover mark
- Commenced operations in Press Shop in Kalol, Gujarat for developing clutches suitable to International vehicle manufacturers such as Volvo and Mercedes

Chairman's overview



Mr. Harish Sheth
Chairman & Managing Director

Dear Members,

The journey towards attaining excellence is marked by perseverance. On one hand, it offers a demanding terrain to test one's mettle; and on the other hand, it offers freeways to fulfill one's aspirations. However, the rough and the smooth patches are consistent companions, with one always leading to the next. The trait that separates the leader from the crowd is the ability to change gears at an opportune time and adapt quickly to a dynamic environment. Being a leading clutch manufacturer, adapting to change has been smooth and instinctive to us. The proof lies in the numbers – in the last decade, we have grown from a Rs 10 crore company to a Rs 210 crore company. Sales in the last 4 years have grown at a CAGR of 23.8 % whereas profits have increased at CAGR of 53.4%.

2009-10 was an exciting year

While 2008-09 was a year of global recession, 2009-10 was a year of rejuvenation for the Asian economies, mainly on account of infusion of stimulus funds by respective countries. The US recovery was largely driven by fiscal and monetary stimulus and expected to clock a GDP

growth of 2.8% in 2010. The global recovery was largely led by China and India, on account of huge domestic demand and continuous thrust on infrastructure creation, further propelling demand within the core sectors. As per the Central Statistical Organisation's (CSO) advance estimates, the Indian GDP for 2009-10 is expected to grow at 7.2% in 2009-10, with the industrial and the service sectors growing at 8.2% and 8.7% respectively. With the improvement in the manufacturing sector coupled with ongoing infrastructure spends, the commercial vehicles industry posted strong growth during the year, with the sale of M&HCVs having increased by 33.5%. 2009-10 proved to be an exciting year for OEM-led businesses, with the segment registering higher than anticipated growth. The replacement market segment also continued to witness sustained demand. A clutch has an average life of 2 ½ - 3 years. With over 1.5 mn commercial vehicles sold during 2004-07, a strong replacement demand started to emerge during the year.

Our efforts yielded rewards

Being a preferred supplier to the top OEMs, the buoyant demand also translated into strong volume growth of our Company. OEM sales accounted for 36% of the Company's topline and registered a 64% growth during the year under review (as against a 33.5% growth in M&HCVs during 2009-10). Given our wide reach in key markets, we were able to post 18% growth in the replacement market business with the same accounting for 56% of topline. Overall, our topline increased by 30.5% to Rs. 2.09 bn and EBIDTA improved by 49% to Rs. 394 mn. Our net profits increased by 55% to Rs. 178 mn, while the EPS stood at Rs. 20.18 for the year. Our cost control initiatives, coupled with increased scale of operations were reflected in a 235 bps increase in our EBIDTA margin for the year to 18.85%.

The future holds opportunities

The Indian economy is estimated to grow at 8.5% during 2010-11. The growth in new CV sales is expected to remain buoyant in 2010-11 on account of heightened manufacturing activity, buoyant consumption, evolving distribution and service networks, easy availability of finance and road development programmes. The Indian M&HCV sales are expected to grow @ CAGR 15% over 2009-12E. This optimism has also been echoed with the entry of globally reputed automobile manufacturers

in India. At Setco Automotive, we have always believed in satisfying our customers to the best of our abilities. This has not only resulted in robust numbers but also strong customer relationships. Our well developed relationships with the leading OEMs in the country will further enable us to tap the Indian operations of globally-respected players, setting up bases in India. In addition, the sustained demand in the replacement market would also contribute to our performance in the coming years, owing to our wider reach and product quality. Going forward, we aim to further leverage our strengths to improve our market share. We will continue to focus on widening our product portfolio with better products and solutions for our clients.

Yes, we can!

Experience has taught us that every downturn leads to an upturn and every upturn poses the risk of a new challenge. We have posted growth consistently. Having grown to a consolidated size of Rs. 2.56 bn, we are consistently revamping our strategies to reach a Rs. 10 bn mark by 2015. In the coming 5 years, we have to grow ~4 times our existing size. The robust growth will be achieved through the following ongoing initiatives:

- Persistent strategy to maintain our leadership in the domestic markets by enhancing our product portfolio and increasing our market share with the global OEMs in India
- To expand product portfolio to cater to new clutch segments.

A holistic initiative to utilize the overseas R&D competence to develop new range of products, to strengthen our market share with the global major OEMs while simultaneously decreasing our 'time to market'.

- Develop and utilise the overseas presence in USA and UK to serve as global assembly and supply hubs to the major markets cater to overseas operations of global OEMs and also make inroads into the global replacement market across US, Europe, South east Asia, Middle East and Africa.

Our company has continuously evolved with markets, to not only meet our customer expectations but also work towards delivering stakeholder value. Change is inevitable but our belief is constant - **Yes, we can!**

Harish Sheth,

Chairman & Managing Director



**Yes,
we can!**



EVERY CHALLENGE DISGUISES AN OPPORTUNITY. EVERY FALL OFFERS A PROSPECT TO CLIMB HIGHER. EVERY RESISTANCE PRESENTS A REASON TO CHART A NEW COURSE. EVERY DEFEAT FUELS THE MOTIVATION TO WIN. LIMITATIONS AND POSSIBILITIES ARE THEREFORE, TWO SIDES OF THE SAME COIN. AS A RESULT, WHAT YOU SEE SOLELY DEPENDS ON WHAT YOU WISH TO SEE. OR IN OTHER WORDS, WHAT YOU SEE REFLECTS WHAT YOU BELIEVE IN.


Nearly three decades ago, when we at Setco Automotive, commenced our journey, all we believed in was 'the power of possibilities'. Then, being a small player, in a product segment dominated by well-established players, survival was not only difficult but was nearing impossible. Till only – we stopped thinking about our survival and focused on emerging as a market leader in the segment. With a goal in sight, every challenge was turned around into an opportunity – through dedication, determination, team-work, innovation, relationships and knowledge. And for the challenges that we couldn't prevail over – they greatly contributed to our learning process, which we as good students never forgot. Amidst uncertainties and hardships, the spirit to excel emanated from three words – Yes, we can!

What followed is a journey spanning close to three decades that not only established our credentials as a leading clutch manufacturer for the M&HCV segment and enabled us to evolve as a dependable partner, but also helped us create an organisation of achievers.

The journey to achieve excellence continues. A flat world offers endless possibilities to grow and to add value across segments through our skill sets. The challenges are evolving too – more frequent and global in nature. From being an Indian company, we have evolved into a multinational company - having presence in key global markets like India, Europe and America.

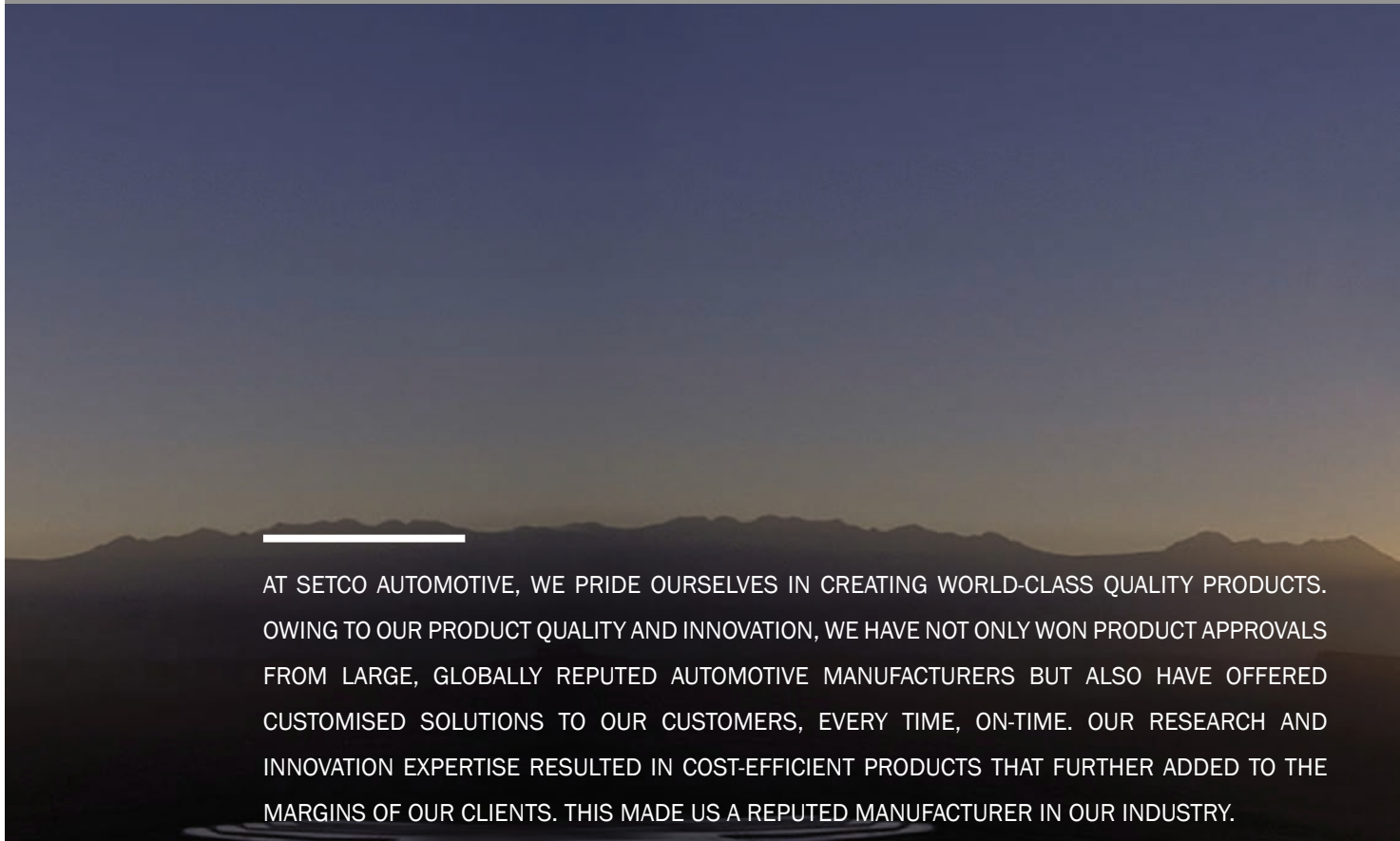
In the times of change, the one belief that has driven us since inception remains constant. A belief in making things happen. A belief in creating a difference. A belief of adding value. A belief that defines us - Yes, we can!

01 **Yes, we can!**



***Many people fail in their
dreams not because of their
lack of abilities but because
of lack of their commitment
to their dreams.***

~ Zig Ziglar



AT SETCO AUTOMOTIVE, WE PRIDE OURSELVES IN CREATING WORLD-CLASS QUALITY PRODUCTS. OWING TO OUR PRODUCT QUALITY AND INNOVATION, WE HAVE NOT ONLY WON PRODUCT APPROVALS FROM LARGE, GLOBALLY REPUTED AUTOMOTIVE MANUFACTURERS BUT ALSO HAVE OFFERED CUSTOMISED SOLUTIONS TO OUR CUSTOMERS, EVERY TIME, ON-TIME. OUR RESEARCH AND INNOVATION EXPERTISE RESULTED IN COST-EFFICIENT PRODUCTS THAT FURTHER ADDED TO THE MARGINS OF OUR CLIENTS. THIS MADE US A REPUTED MANUFACTURER IN OUR INDUSTRY.

Over the past number of years we have transformed ourselves from being just one of the suppliers to being a premier clutch supplier to globally reputed OEMs in India. A lot has happened for us to achieve this status in terms of our scale, our range of products and our global presence. Our consistent focus throughout has been on offering products and services of world class standard to our clients.

The Result: Today, we are able to cater to a growing demand from the industry through our production flexibility, process improvements, better efficiency, on-time delivery and higher capacity utilisation. Our unmatched dedication to customer service has enabled us to retain our clients despite industry cycles.

We are the preferred supplier of clutches to reputed CV manufacturing companies in India. We meet over 75% of the total OE requirements. Our ability to ensure customer satisfaction has also made us a choice partner for global players planning their foray into India.

02

Yes, we can!



***A satisfied customer
is the best business
strategy of all.***

~ Michael Leboeuf

WITH THE SUCCESSFUL ESTABLISHMENT OF THE LIPE BRAND IN INDIA, THE CHALLENGE WAS TO CONTINUOUSLY GROW AND IMPROVE. WE HAVE PUT IN PLACE A PROCESS ORIENTED ORGANIZATION THAT ON THE MANUFACTURING SIDE CONSTANTLY IMPROVES AND INNOVATES. WE HAVE ALSO WORKED TOWARDS GETTING CLOSER TO OUR CUSTOMERS. WE TRAIN OUR END-USERS ON HOW TO GET BETTER PRODUCT LIFE, GIVE THEM ON TIME SERVICE AND ACCESS TO US. THIS MODEL ALLOWS US TO SUSTAIN AND GROW WITH GOOD MARKET INTELLIGENCE.

We instilled a multi-pronged approach - of first creating capacities that would give us room to explore new markets and then to further expand presence into newer segments and geographies. The proactive effort to derisk the business model led to our entry into the replacement market for clutches. Clutch being the most abused component, needs to be replaced once in every 2.5 - 3 years on an average. We partnered with our existing OEM clients to cater the replacement markets using their distribution network. We acquired the LIPE brand to add value to our product portfolio. This cost-efficient business model enabled our clients to provide quality spares to the end users and it enabled us to create a sustainable source of revenues. As a result, we were among the very few auto component manufacturers to clock in a growth during 2008-09, one of the most demanding years for the global economy. Replacement market segment accounts for more than 55% of our total revenues.

In addition, we also expanded operations into UK and US through inorganic expansion. Our global R&D hubs enable us to implement and introduce global standards of products to our clients. Presence in the global arena also enables us to tap demand across geographies and ensure proximity to the consumer.

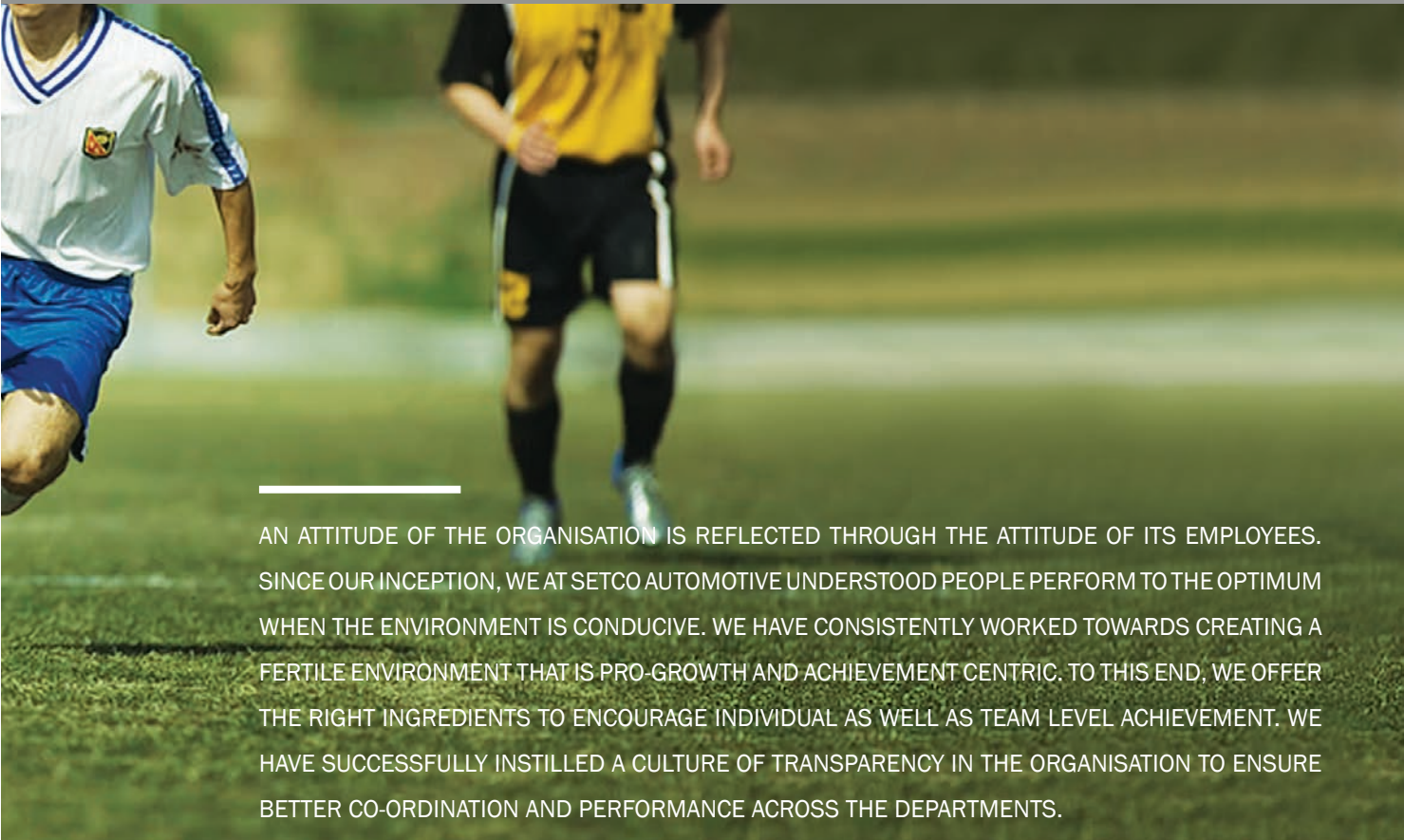
03

Yes, we can!



Team spirit is knowing and living the belief that what a group of people can accomplish together is much larger, far greater, and will exceed that which an individual can accomplish alone.

~ Dianne Arias



AN ATTITUDE OF THE ORGANISATION IS REFLECTED THROUGH THE ATTITUDE OF ITS EMPLOYEES. SINCE OUR INCEPTION, WE AT SETCO AUTOMOTIVE UNDERSTOOD PEOPLE PERFORM TO THE OPTIMUM WHEN THE ENVIRONMENT IS CONDUCIVE. WE HAVE CONSISTENTLY WORKED TOWARDS CREATING A FERTILE ENVIRONMENT THAT IS PRO-GROWTH AND ACHIEVEMENT CENTRIC. TO THIS END, WE OFFER THE RIGHT INGREDIENTS TO ENCOURAGE INDIVIDUAL AS WELL AS TEAM LEVEL ACHIEVEMENT. WE HAVE SUCCESSFULLY INSTILLED A CULTURE OF TRANSPARENCY IN THE ORGANISATION TO ENSURE BETTER CO-ORDINATION AND PERFORMANCE ACROSS THE DEPARTMENTS.

We have always been a value and ethics based organisation, and this has helped us preserve the soul of a small organisation even though we have achieved the corpus and dimensions of a mid-size corporate. For 80% of our employees, Setco is the first employer.

During the past year, we have dedicated many hours to training and development of the employees across the organisation. Employee satisfaction is intricately woven with performance management to get the best for the organization and its people.

Corporate Social Responsibility





A success of the business is not solely measured by its ability to generate profits, but also its ability to bring a positive change into the lives of its stakeholders. We at Setco have always believed in the power of inclusive growth. As a result, we have always dedicated a part of our efforts and resources in contributing to the key social causes relating to education, healthcare and environment. In order to streamline this process, we contribute 5% of the net profits annually to our CSR activities which are managed by the Setco Foundation.

The Company has laid a lot of emphasis on health and education especially for the rural masses. To take this forward, Setco has established three Anganwadis (Nandghars) in the backward Panchmahal district of Gujarat. These Anganwadis cater to over 240 under privileged children up to the age of six who receive basic education and health checkups. Additionally, pregnant and lactating women from the surrounding region who cannot otherwise afford the same, have access to the medical checkups being provided here as well as special nutrition. Seven more such Anganwadis are presently being planned which will allow us to contribute to the education of over 1000 children.

Setco has also adopted an ITI in Zalod (Gujarat) and undertaken its development and Upgradation with a vision to convert the institute into a self sustainable one which can readily deploy tradesmen of world standard.

We at Setco have always believed that proper empowerment comes from proper education. As a result, the Company also covers the full cost of education of the school going children of the Setco employees. Over the past 6 years, on an average 450 students have taken advantage of this scheme with over 160 students including 57 girls who have gone on to college through the support of the Setco Foundation. Our focus here has been especially on the girl child whose education we promote through a series of incentives as we feel that this will not only change the attitude and life of the child but that of the entire family.

Board of Directors' profiles



Mr. Harish Sheth, Chairman & Managing Director

Mr. Sheth is the founder of Setco Automotive. A core visionary of the Company, Mr. Sheth has been instrumental in transforming the Company from a single product/single location to a multiple product/multi location Company, catering towards a remarkable presence for the Company in the international market as well. Mr. Sheth has a Bachelors degree in Mechanical Engineering from the University of Michigan, Ann Arbor and an MBA (Finance) from the Columbia University, New York.



Mr. Arun Arora, Independent Director

Mr. Arora has been Executive Chairman with Edvance Learning Private Limited and Edvance Pre-Schools Private Limited. He is also the former CEO of Economic Times and President, Bennett & Coleman. Mr. Arora also holds an Advanced Management Programme Degree from the Harvard Business School.



Mr. Satish Deshpande, Independent Director

Mr. Deshpande has been a consultant with the Tata Economic Consultancy and is associated with various manufacturing industries in various renowned capacities, inclusive of a CEO of an export oriented engineering company. Presently Mr. Deshpande functions as the Vice President and advisor with New Vernon Advisory Services Private Limited, Mumbai for Equity investment opportunities in India. A guest lecturer with Symbiosis Institute of Management - Pune, he also holds a Green Belt – Six Sigma from General Electric Power Systems USA. Mr. Deshpande holds Management degrees from the prestigious IIM, Ahmedabad as well as ISB Hyderabad.



Mr. Ashok Kumar Jha, IAS (Retired), Independent Director

Mr. Jha is an IAS officer from the AP cadre. He retired as the Finance Secretary, Ministry of Finance, Government of India. He has also served extensively in the Ministry of Economic Affairs. Post retirement, he joined the industry as President of Hyundai Motors. Mr. Jha is a graduate from St. Stephen's college in Economics and holds a Masters degree from the Delhi school of Economics. He also holds a Masters Degree in Development Economics from the Australian National University, Canberra.



Mr. Pratap Merchant, Independent Director

Mr. Merchant is a former General Manager of Dena Bank. He retired as the Executive Director of the Bank of Baroda. Mr. Merchant is a commerce graduate and CAIIB – I by profession.



Mr. B. L. Naik, Independent Director

Mr. Naik has been associated with the Bank of Baroda in various capacities as the Branch head, Regional head, Zonal Head as well as the General Manager. He is a CAIIB by profession.



Mr. Harshal Shah, Director

Mr. Shah is the CEO of Reliance Technology Ventures Ltd and has a rich experience of 14 years of playing diverse roles while being associated with known brand as IBM Global Strategy (USA), Northstar Global Partners (USA), Infostakes, Inc. (USA and India), and Accenture (USA, Singapore and Hong Kong). Mr. Shah is an MBA from the Wharton School of Business. He is also a Truman Gray Scholar from MIT and MIT Sloan School of Management from which he earned two Bachelors' degrees: in Management, and Electrical Engineering & Computer Science.



Mr. Udit Sheth, Executive Director

Mr. Sheth started his career at Setco in 2002. A strategist by temperament, he has been responsible for Strategy and Business Development for Group Information Technology and the Joint Ventures of the Company. A key member within the M&A team, he has contributed to the Company's U.K. and USA acquisitions. Mr. Sheth is a Bachelor of Finance and MIS from Purdue University.



Mr. Shveta Vakil, Executive Director

Mr. Vakil has over 38 years of diverse experience ranging from Greenfield projects, setting up JVs, strategizing M&As etc. In his career path, Mr. Vakil has also been associated with Hindustan Unilever wherein he was extensively involved with the setting up of the export business of Agri Products of the Company. He has also been the Director & Vice President in Bunge India Pvt. Ltd., an American Transnational & Global Leader in Veg. Oils and Oilseeds. Mr. Vakil holds a Bachelors' degree from Mumbai University and has also pursued an Advanced Management Programme from IIM, Ahmedabad.

Management discussion and analysis

ECONOMY OVERVIEW

Stimulus packages announced by various nations kick started the revival of the global economy towards end 2009. Emerging economies such as India and China bounced back much faster. They lead the recovery from the front, on account of huge domestic demand and a continued thrust on infrastructure creation, thus further propelling demand within the core sectors.

As per the advance estimates of GDP for 2009-10 released by the Central Statistical Organisation (CSO), the Indian economy is estimated to have grown at 7.2% in 2009-10, with the industrial and the service sectors growing at 8.2% and 8.7% respectively, mainly driven by: rising per-capita income, urbanization, favorable demographics, declining household size and increasing job security. Barring any problems caused by the country's fiscal vulnerability, growth is expected to strengthen in subsequent years, as it will continue to reap the benefits of ongoing economic opening and gradual improvements in infrastructure.

Inflation was one of the biggest economic challenges during 2009-10. The initial inflationary pressure was predominantly conditioned by rising food and fuel prices, reflecting the impact of a deficient monsoon on agricultural output and the increase in international crude prices. With weekly food price inflation on a year on year base, reached to a maximum of 19.95% for the week ending 5 December 2009, inflationary pressures threatened the economic growth during the last two quarters in 2009-10.

INDUSTRY OVERVIEW

The Commercial Vehicle industry recovered with a strong sales growth in second half of 2009-10. The Recovery in the commercial vehicle industry was mainly on account of improved liquidity, improving economic activity as reflected by an increase in industry production, favourable impact of Government supported stimulus package and overall improvement in the financing environment. Following the severe demand contraction in Q3FY09 triggered by the liquidity crisis and weakness of economic activity, especially in the M&HCV category, the auto industry recovered substantially in FY10 and grew robustly at 40.2% over

previous year. Robust growth was seen in the third and fourth quarter as sales volumes grew at 97.11% and 84.39% y-o-y respectively. In the recent months, the growth has also been stronger supported by some pre-buying ahead of the expected change in emission norms.

Key growth drivers in coming years

INCREASING FREIGHT CAPACITY

Due to the upsurge in economic activities and strong momentum in GDP growth, freight capacity is expected to increase at a healthy rate. Generally, freight capacity growth is 1.25-1.5 times of the GDP growth. This high growth in freight capacity will create strong demand for CVs in the system.

BAN ON OVERLOADING

Enforcement of the ban on overloading by Supreme Court will significantly enhance the demand for trucks in the system.

LEGISLATIVE MEASURES TO PROPEL REPLACEMENT DEMAND

Legislative pressure on banning 15-year old trucks is likely to trigger the replacement boom. Transport associations have introduced Voluntary Retirement Scheme for old trucks. If these old trucks are to be replaced, it will create additional replacement demand for 1.1 mn CVs.

MASSIVE INVESTMENTS IN THE ROADS AND HIGHWAYS SECTOR TO SUPPORT GROWTH

Government investments in the roads and highways sector is expected to support growth in the commercial vehicle industry. According to the NHAI, India's road network is nearly 3.3mn kilometers. Approximately 65% of freight and 85% of passenger traffic is carried by the road network. Such massive investments will be positive for the overall demand.

Given the above factors, the MHCV Segment is likely to witness a major increase in demand going forward with sales expected to double over the next five years. This in term should help surge in our sales.

COMPANY OVERVIEW

About the Company

Established in 1982 by Mr. Harish Sheth, an entrepreneur,



Government investments in the roads and highways sector is expected to support growth in the commercial vehicle industry.



Setco Automotive Limited has since emerged as a leading Indian auto component company and one among the top five manufacturers of clutches for M&HCV in the world. Headquartered in Mumbai, the company has manufacturing presence across four locations, including 2 in India and one each in UK and USA. The company sells its clutches under the renowned 'LIPE' brand.

Corporate highlights 2009-10

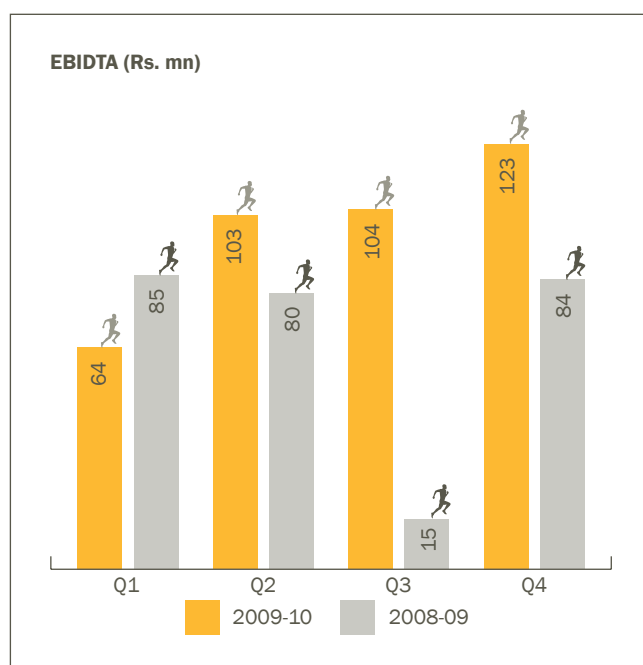
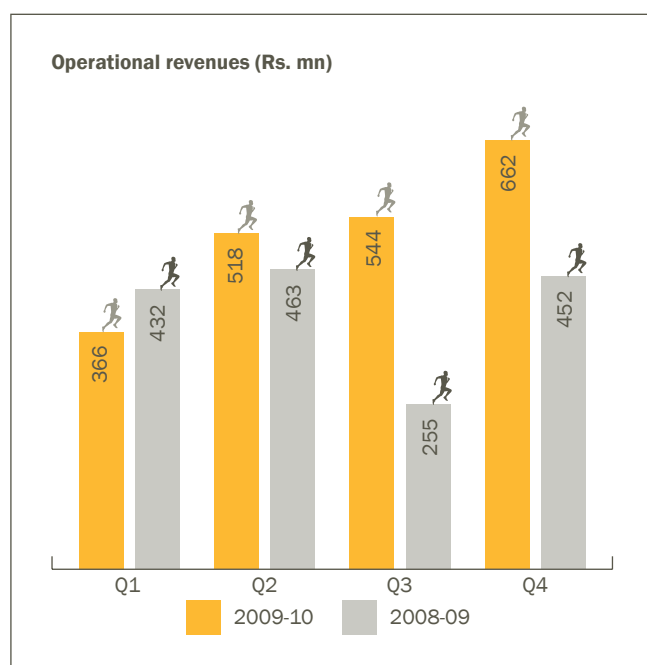
- The company crossed the Rs. 2 bn turnover mark
- Total production of clutch driven plates increased by 36.5% to 0.49 mn units
- Total production of clutch cover assemblies increased by 42% to 0.22 mn units
- Commenced operations in Press Shop in Kalol, Gujarat
- Total operational revenues increased by 30.5% from Rs.1.60 bn in 2008-09 to Rs. 2.09 bn in 2009-10
- EBIDTA increased by 49% from Rs. 264 mn in 2008-09 to Rs. 394 mn in 2009-10

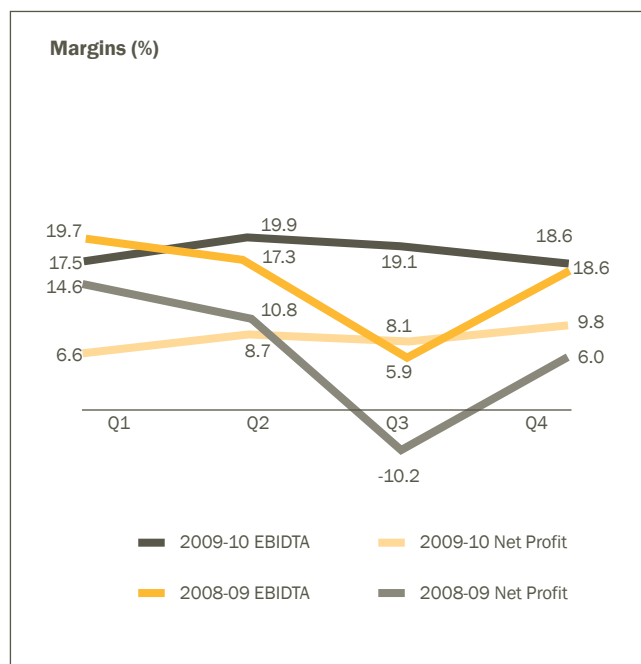
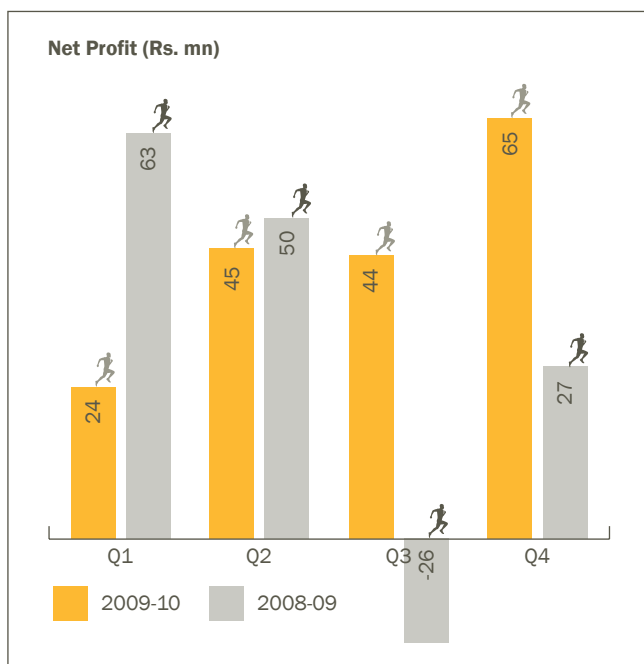
- Net profits increased by 55% from Rs. 114 mn in 2008-09 to Rs. 178 mn in 2009-10
- EPS increased by 55% from Rs. 13.01 in 2008-09 to Rs. 20.18 in 2009-10

Major developments during the year

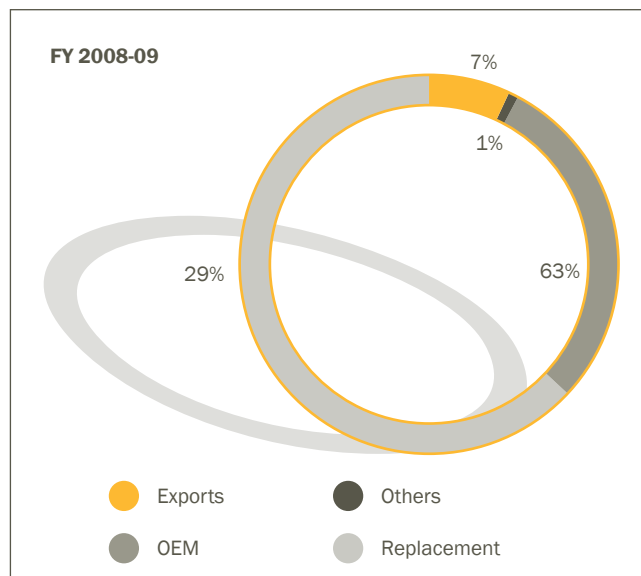
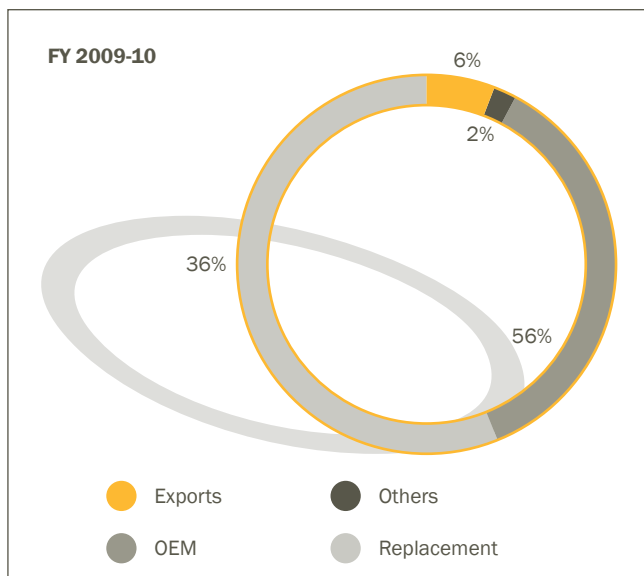
The year 2009-10 was a year of resurgence for the Indian economy. The results of the stimulus packages to Indian infrastructure became visible in terms of revived demand for commercial vehicles and construction equipment across industries. Being a preferred supplier to top M&HCV manufacturers in India, the company witnessed accelerated demand from the industry third quarter onwards, translating into substantial growth for the company during the year under review. 2009-10 was a year of firsts at Setco. The company not only recorded its highest revenues since its inception; it also recorded its highest production and EBIDTA during the year under review.

QUARTERLY PERFORMANCE





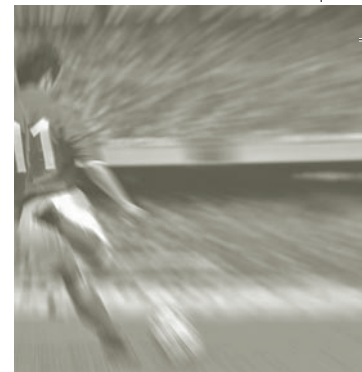
CUSTOMER-SEGMENT REVENUE



The company's growth was largely driven by the OEM segment that accounted for 36% of the total revenues during 2009-10 (against 29% during 2008-09). However, though the replacement sales increased by 18%, its share in the total sales decreased to 56% of the total sales in 2009-10 against 63% in 2008-09.



**The company has been approved as
the sole clutch provider for Tata's
World Truck series which were
launched in May, 2009.**



OEM segment

Being a preferred manufacturer to the largest M&HCV manufacturers in India like Tata Motors, Ashok Leyland, Volvo Eicher and AMW, the company benefited substantially in the wake of the accelerated demand from the Original Equipment Manufacturer (OEM) segment. The M&HCV segment during the year witnessed strong growth in wake of ongoing thrust on infrastructure, revival of the consumer's purchasing power, increased demand of goods and services across the country and judicial changes resulting in mandatory vehicle replacement. While the Indian OEMs contributed to the company's growth in terms of sustained demand; the company was also benefited from forging strong relationships with global OEMs setting up bases in India. During the year, the company has been approved as the sole clutch provider for Tata's World Truck series which were launched in May, 2009.

With the sustained growth in the economy, India has been witnessing a large influx of global automotive players, setting up operational units to tap into growth in the region. Being a preferred supplier having a relevant scale, the company is also witnessing increased attraction from these global players. During the year under review, the company was also approved as a supplier to world-renowned auto makers setting up base for manufacturing of MHCV in India.

Replacement or After-market segment

Automotive clutches have an average replacement cycle of 2 years. In recent years, with the influx of superior technology and increased quality consciousness, the demand for branded clutches in the replacement market has witnessed an increase. The company has expanded its share in the replacement market considerably by partnering with OEMs to leverage their distribution networks, leading to wider reach and higher revenues at optimised costs. This partnership with the OEMs has resulted in a win-win proposition for the company as well as the OEMs. While the company gets continuous access to the market at optimised costs, the OEMs offer superior clutches as replacement spares to their existing customer base, resulting in better vehicle efficiency.

Exports

The company currently addresses the replacement markets in overseas markets like UK, US, Middle East and Africa through the distribution network of its OEM partners. The company's total exports during 2009-10 accounted for 6% of the topline.

Expansion plans

During early 2009-10, the company completed its expansion programme by commissioning operations in the press shop at Kalol unit. This has brought in substantial operational efficiencies, quality improvement and reduction in outsourcing cost. During 2010-11, the company proposes to undertake a programme phased over the next two years, for debottlenecking the capacities and achieving higher efficiencies in its units. This apart the Company also proposes to focus on enhancing its R & D, investing designing and testing capabilities. The Company also proposes to set up a unit in an SEZ to cater to the growing export demand. The proposed expansion programme is for Rs. 700 mn and will be completed by 2012-13.

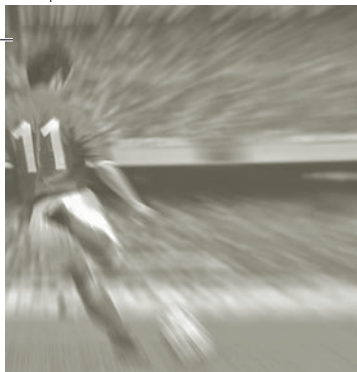
SWOT ANALYSIS

Strengths

- The largest manufacturer of new-technology MHCV clutches in India and among the top five in the world
- Two decades of proven expertise and focus
- Competence to offer and develop wide range of automotive clutches
- Qualified management team duly supported by dedicated work force
- A well-defined and scalable organization structure, capable of supporting surging growth
- Preferred supplier to a world-renowned clientele
- Continuous innovation and quality control
- Manufactures at optimised costs

Weakness

- Operates in a business segment largely driven by economic environment of a country. Any slowdown in economy can result in stretched margins



The industrial relations were cordial and the management thoroughly acknowledges the support from the employees at all levels.



Opportunities

- With the Indian economy expected to increase by 8%, demand for M&HCV are expected to increase substantially
- Strong demand for passenger CVs
- Large inflow of global auto majors in to India for setting up operations
- Substantial cost advantage in India is expected to translate into increased global in-sourcing of auto components including clutches
- Access to Hydraulic technology for exploiting Indian market opportunities

Threats

- Dependence on CV industry
- Probable competition from overseas players

HUMAN RESOURCES

The Company recognizes that its employees are its principal assets and that its continued growth is dependent upon the ability to attract and retain quality people. The Company has established a full-fledged Human Resources Department which is entrusted with the responsibility of retaining and developing the skills of all its employees. The Company employed 521 people as on 31.03.2010. The Company also recognises the importance of providing training and development opportunities to its people to enhance their skills and

experiences, which in turn enables the Company to achieve its business objectives. The industrial relations were cordial and the management thoroughly acknowledges the support from the employees at all levels.

INTERNAL CONTROL SYSTEM

The Company has an adequate system of internal controls to safeguard and protect from loss, unauthorised use or disposition of its assets. All transactions are properly authorised, recorded and reported to the management. The Company is following all the Accounting Standards for properly maintaining the books of accounts and reporting of financial statements. The Company has an Internal Audit Team and has also appointed external Internal Auditors to review various areas of the operations of the Company. The audit reports are reviewed by the management and the Audit Committee of the Board periodically.

OUTLOOK 2010-11

The Indian economy is expected to grow @7.5% in 2010-11, auguring well for the Indian commercial vehicle industry. The company has already undertaken the effort to evolve from an existing automotive clutch company into an automotive systems company. The company is working on expanding its product range in hydraulics and pressings thereby catering to new OEMs and replacement markets going forward.

Risk

Management

ECONOMY RISK

Any slowdown in the economy is expected to translate into lower demand for M&HCVs

Risk mitigation

- The economic slowdown will impact the business from the OEM segment only
- The company's revenues from replacement or aftermarket segments account for 56%
- A clutch has an average life of 2 years
- Of the six million commercial vehicles currently plying on Indian roads, ~1/3rd were produced in the last decade and use technology clutches, thereby presenting a huge opportunity for the company

TECHNOLOGY OBSOLESCENCE RISK

In an ever evolving automotive component scenario, a company has to be quick to respond to technology changes. Any delay could lead to a loss in market share.

Risk mitigation

- The company has consistently invested in the technological upgradation in all its units.
- The company has invested in state-of-the art R&D centres in UK and USA to ensure faster development of new products and absorption of new technology
- Constant R&D initiatives, in-house product development and extensive training programmes have enabled the company to offer qualitatively superior products.

COMPETITION RISK

The company is a leading player in the segment that has been traditionally dominated by both the established domestic as well as foreign players.

Risk mitigation

- The company has emerged as a leader in automotive clutches for M&HCVs on account of its superior product quality and impeccable service standards

- Being situated in India, the company ensures a cost advantage along with the best in class quality for its customers
- Its ability and technological expertise in offering quick service and cost-effective solutions has also made it a preferred supplier to even the world class companies establishing their operations in India

FINANCIAL RISKS

The required bank credit may not be available for the company's working capital intensive business. As a result of tight liquidity and selective lending by the banks, the applicable interest rates may be higher. Further, volatile currency movements, depreciation of rupee in particular, may adversely affect the operations of the company

Risk mitigation

- The company has longstanding relationship with bankers and has established credibility with them.
- Although the company has overseas operations, currently it doesn't have any substantial foreign trade transactions.

HUMAN RESOURCE RISK

In a knowledge-led business, any attrition at the key managerial level is injurious to the company's profitability

Risk mitigation

- The company has created a successful and scalable business model by putting people first
- The company ensures a progressive career path for each of its employees
- High levels of interdepartmental and intra-departmental transparency allows speedy resolution of the employees' concerns
- Continuous efforts for training and development of all personnel across departments
- The attrition rate in the Company is amongst the lowest in the industry.

Directors'

Report

Dear Members,

Your Directors have pleasure in presenting this Twenty Seventh Directors' Report together with the audited Annual Accounts of the Company for the financial year ended March 31, 2010.

FINANCIAL PERFORMANCE

Your Company outperformed industry expectations during the Financial Year 2009-10 with net sales increased by 30.5% from Rs. 1,602.2 Mn in the previous year to Rs. 2,091.0 Mn, the Net Profit after Tax increased by 55.14% from Rs. 114.7 Mn in the previous year to Rs. 178.1 Mn and Earning Per Share increased by 55.1% at Rs. 20.18 from that of Rs. 13.01 in previous year.

The highlights of the financial position for the year under review as compared to the corresponding period in the previous year are given below:

Particulars	Standalone		Consolidated	
	2009-10	2008-09	2009-10	2008-09
Net Sales	2,091.03	1,602.18	2,558.52	2,320.03
Operating Profit	394.18	264.30	395.25	327.59
Profit before Taxation	246.29	142.30	197.25	165.91
Profit after Taxation	178.06	114.75	143.14	133.22

(Rs. in Mn)

DIVIDEND

With the robust performance of the Company, your Directors recommend Dividend at **30 % (Rs. 3/- per Equity Share of Rs. 10/- each) for the year ended March 31, 2010 increased from 25 % (Rs 2.5 per share) in the previous year.** The Dividend distribution would result in cash outflow of Rs. 30.9 Mn (including Dividend Distribution Tax).

OPERATIONS AND FINANCE

Your directors have analysed the Company's Operations and Finances. A detailed report has been provided in the attached Management Discussion and Analysis.

FIXED DEPOSITS

Your Company has not accepted any fixed deposits and as such no amount of interest and principal fixed deposit was outstanding as on the balance sheet date.

AUTOMOTIVE INDUSTRY

Despite the global slowdown, the Indian Industry managed to

come out of it relatively unscathed. Various measures taken by the government and the central monetary agency helped the Indian economy to reverse the trend particularly from the 2nd half of 2009-2010 with economic recovery becoming more visible from the third quarter of the year. However, rising inflation on account of the increase in the price of food products was a cause of concern. The increase in interest rates to control the rise in inflation as well as the appreciation of the Rupee, particularly from last quarter of the year were some of the worrying issues.

Meanwhile, the OEM segment recorded robust growth in M&HCV segment, especially in the second half, with production and sales during 2009-2010 increasing by 30% and 34% respectively YoY. The Aftermarket segment also registered steady growth during the year. As a part of this upward trend, the auto and auto component sectors have also seen a major improvement in their markets. The international market is yet to really bounce back into shape, however with strong internal demand, the automobile industry is expected to continue to do



well, with the auto component industry also receiving its due share in this growing market.

BOARD OF DIRECTORS

The composition of Board of Directors is a combination of Independent and Non Independent Directors, constituted in compliance of Companies Act, 1956, Listing Agreement with the Stock Exchange and the best practices in Corporate Governance. The Board functions either as full Board or through various committees, namely, Audit Committee, Shareholders' / Investors Grievance Committee and Remuneration Committee.

DIRECTORS

Appointment of Director under Section 260

The Board at its meeting held on January 22, 2010 appointed Mr. Ashok Kumar Jha as an Additional Director of the Company. In accordance with Section 260 of the Companies Act, 1956 and Article 173 of Articles of Association, Mr. Ashok Kumar Jha holds office up to the date of forthcoming Annual General Meeting of the Company. The Company has received notice under section 257 of the Companies Act, 1956 from a shareholder proposing Mr. Ashok Kumar Jha be appointed as a Director.

Reappointment of Directors by Rotation

In terms of the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Arun Arora and Mr. Bhalachandra L. Naik, Directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible, offers themselves for re-appointment.

AUDITORS

M/s. Manesh Mehta & Associates, Chartered Accountants, the Statutory Auditors of the Company will be retiring at the ensuing Annual General Meeting. M/s. Manesh Mehta & Associates have confirmed their eligibility and willingness to accept office as Statutory Auditors for Financial Year 2010-2011.

COMMENTS ON AUDITORS REMARKS

In compliance of Section 217 (3) of the Companies Act, 1956, your directors report that the notes to the Accounts in Schedule 18 and the Directors Responsibility Statement in this report are self explanatory as regards to their comments on the Auditors remarks and should be taken accordingly.

Directors' Responsibility Statement:

Your Directors, in compliance of Section 217 (2AA) of the Companies Act, 1956, and to the best of their knowledge and belief, hereby confirm that:

- (i) In the preparation of the annual accounts, the applicable accounting standards have been consistently followed by the Company as stated in the Significant Accounting Policies and Notes to the Accounts, Schedules 17 and 18 alongwith proper explanation relating to material departures wherever necessary.
- (ii) Selected accounting policies were applied consistently and the Directors made judgment and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year, 31st March 2010 and the profit of the Company for the year ended on that date.
- (iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) The annual accounts have been prepared on a going concern basis.

Corporate Governance:

Your Company is committed to observing the best Corporate Governance practices and ensuring all compliances with the requirement of Clause 49 of the Listing Agreement relating to Corporate Governance.

The Company has complied with all the norms and disclosures

Directors' Report

as per the provisions of the Clause 49 of the Listing Agreement with Stock Exchange. The Management Discussion and Analysis Report and the Corporate Governance Report along with Auditors' Certificate thereon form part of this Report.

The Company has adopted the 'Setco Automotive Limited Code of Conduct for Prevention of Insider Trading', which enlightens the Company's commitment to transparency and fairness in dealing with all stakeholders and in ensuring adherence to all laws and regulations.

Particulars of Employees:

The information relating to the particulars of employees as required pursuant to Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended, are to be set out as Annexure to this Directors' Report. However, as per Section 219(1)(b)(iv) of the Act, the Directors' Report is circulated to all members excluding the above information about the employees. Any shareholder interested in obtaining a copy of said information may write to the Company Secretary at the Company's Registered Office.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo:

- A. Conservation of Energy: The operations of the Company are not energy – intensive. However, the Company takes necessary steps wherever applicable, to conserve energy. To this extent, employees and operators are regularly educated about saving energy.
- B. Technology Absorption: The Company's product i.e. clutches for commercial vehicles are manufactured under the proprietary technology and heritage 'Lipe' Brand. The Company's maximum requirements for producing clutches are procured indigenously. However, certain critical components are continued to be imported in order to offer better quality to customers and at a competitive price.
- C. Foreign Exchange Earnings and Outgo: Details of foreign exchange earnings and outgo during the financial year

2009-2010 are set out in Note 21 of Schedule 18 of the Annual Accounts.

QUALITY STANDARD ACCREDITATION

Your Company is ISO 9002 as well as TS 16949 certified in line with the global requirements of the automotive sector by Bureau Veritas Certification (formerly BVQI). Your Company expects to soon receive certification for Environmental Management System (EMS) (ISO 14001) as well as Occupational Health and Safety Standards (OHSAS 18001).

EMPLOYEES RELATIONS

The industrial relations during the period under review remained cordial. Company has received full cooperation from its employees at all levels during the year. The effort made by them in achieving all round improvements in operations and management is commendable and your company sincerely appreciates their contribution.

Human Resources:

Setco believes that its employees are its true assets. Special care is taken in continuously providing training to the employees at all levels to develop and improve their skills and ensure greater productivity. Such trainings are arranged in-house as well as by deputing the employees for specialised courses. The management takes care in allocating a special budget to training while formulating its yearly budget.

During the year, the management's move to reward employees who provided innovative ways and means on cost effectiveness and process improvement etc received immense response from the operators and employees at the operating level. Through this manner the company was able to improve the process control and increase cost effectiveness without any compromise on quality. The exercise also helped to develop a sense of "Participative Management".

Declaration under Section 212 of the Companies Act 1956

The statement pursuant to Section 212 of the Companies Act,

1956 containing details of the Company's subsidiaries viz. Setco Automotive (UK) Ltd., (SAUL), Setco Automotive (NA), Inc, (SANAI), WEW Holdings Limited, is provided in this Annual Report.

The Company was exempted from attaching the copy of the Balance Sheet, Profit & Loss Account, Directors' Report, Auditors' Report of the subsidiaries with the Balance Sheet of the Company in the preceding financial years. A similar application for exemption in the current financial year was also made to Ministry of Corporate Affairs and the approval is awaited. Any member interested in obtaining the above may write to The Company Secretary and upon receipt of such request, these documents will be made available.

The summary of financial performances of subsidiaries has been separately furnished forming part of this Annual Report.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

In addition to setting up and running the 3 Anganwadis set up last year, the company is working on constructing 7 more Anganwadis. Over 240 Children from economically backward classes avail the facilities offered by Anganwadis. At an average 48 pregnant women who cannot otherwise afford, special health checkups and dietary supplements are also provided here. Nearly 40 women from this area attend vocational classes here to develop skills such as stitching.

To create awareness about the Environment, Setco, on World Environment Day, undertook a tree plantation drive this year with the children from the Anganwadi.

The Company's employees, in a bid to give something back to the Society, participated in Blood Donation Drive. 184 employees donated blood at the event which was organised under the banner of Red Cross Society.

As a part of our effort to encourage education, we provide scholarships for the children of all employees with special incentives for girls.

The ITI in Zalod (Gujarat) that was adopted by the company meanwhile continues to remain a priority with the company. This project was taken up with the aim of providing quality technical education in order to create gainful employment opportunities for youth from this economically backward tribal region.

In a bid to take its focus on education to the next level, a blueprint is being worked out for setting up a school and a sports complex to cater to classes upto 12th standard specially targeting children from underprivileged backgrounds.

ACKNOWLEDGEMENTS

The Directors express their deep sense of gratitude to the Company's bankers and associated financial institutions. Their unstinted and continued support has great values for the Company in achieving the success it has recorded.

The Directors also like to thank the Company's stakeholders, supply chain partners and other business associates for their continued co-operation and support and look forward for the current year and in the coming years as well.

The Directors would also like to place on record, the dedication and contribution made by employees at all levels, who through their dedication and hard work have enabled the Company to post a remarkable performance year after year and look forward to their support in future as well.

For and on behalf of the Board
Sd/-

Harish Sheth

Chairman and Managing Director

Mumbai
August 12, 2010

Corporate Governance Report

1. PHILOSOPHY:

The Company's philosophy on Corporate Governance is established on transparency and accountability.

The Company is committed to good corporate governance and ensures transparency in all its operations, timely disclosures and accurate dissemination of information, thereby enhancing shareholders value without compromising the compliance with laws and regulations.

The Company observes Corporate Governance that goes beyond adherence of regulatory requirements.

The Company has complied with norms and disclosures as required under the provisions of Clause 49 of the Listing Agreement.

2. BOARD OF DIRECTORS

(i) Composition of the Board

The composition of Board of Directors is in conformity with Clause 49 of the Listing Agreement. The Board comprises 9 Directors of which 5 (Five) Directors are Independent, 1 (One) Director is Non Executive and 3 (Three) Directors are Executive.

The Composition of Board and category of Directors are as follows:

Category	Name of the Director
Executive Directors	
• Promoters Directors	Mr. Harish Sheth
	Mr. Udit Sheth
• Non Promoter Director	Mr. Shvetal Vakil
Non Executive Directors	
• Independent	Mr. Arun Arora
	Mr. Pratap Merchant
	Mr. Satish Deshpande
	Mr. Ashok Kumar Jha
	Mr. Bhalachandra Naik
• Non Independent	Mr. Harshal Shah

Mr. Harshal Shah, Non Executive Director is related to Mr. Harish Sheth and Mr. Udit Sheth.

As prescribed under Clause 49 of the Listing Agreement, None of the Directors is a member of more than ten Committees nor is any of them, a chairman of more than five committees in which they are members.

(ii) The dates of Board Meetings, record of attendance, directorships of public limited companies & Membership / Chairmanship are as follows:

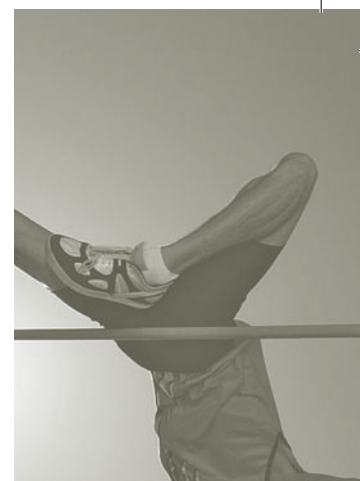
Board Meetings / Procedure

During the financial year, the Board Meetings were held on May 12, 2009, May 30, 2009, June 26, 2009, July 30, 2009, August 17, 2009, October 30, 2009 and January 22, 2010.

Proper notices for the Board / Committee meeting were sent to the Directors / Committee members. Further, detailed agenda were also sent to all the Directors / Committee Members for each Board / Committee Meetings enabling them to deliberate on issues and provide their suggestions/contributions during the meeting.

The Chairman and Managing Director briefs the Board at every meeting on the overall performance of the Company, reviews business plans, annual budgets including capex plans, compliance reports under various statutes, including adoption of quarterly results, details of investor grievances and major legal issued.

The Board also reviews periodic compliance certificate issued by the Executive Director of the Company regarding compliance of various laws, rules & regulations as may be applicable to business of the Company from time to time.



Name of the Director	No. of Board Meetings Attended	Attendance at the AGM	No. of Directorship of Public Limited Companies @	No. of Membership in Committees#	No. of Chairmanship in Committees#
Mr. Harish Sheth	7	Present	1	1	-
Mr. Pratap Merchant	7	Present	4	4	2
Mr. Arun Arora	7	Absent	1	1	-
Mr. Satish Deshpande	7	Absent	1	2	1
Mr. Udit Sheth	5	Absent	1	-	-
Mr. Shveta Vakil	7	Present	2	-	-
Mr. Ashok Kumar Jha*	-	-	3	-	-
Mr. Bhalachandra Naik	7	Absent	1	-	-
Mr. Harshal Shah	4	Absent	1	2	-

@ Including Directorship of Setco Automotive Limited.

Committees considered are Audit Committee and Shareholders' / Investor's Grievance Committee including that of Setco Automotive Limited.

* Mr. Ashok Kumar Jha was appointed as Additional Director w.e.f. January 22, 2010.

(iii) Details of Directors seeking appointment / re-appointment at the Annual General Meeting

Mr. Arun Arora and Mr. Bhalachandra Naik retire by rotation and being eligible offer themselves for re-appointment.

Mr. Ashok Kumar Jha was appointed as Additional Director of the Company. In terms of Section 260 of the Companies Act, 1956, Mr. Ashok Kumar Jha holds office upto the date of Annual General Meeting of the Company. Notice under section 257 of the Companies Act, 1956 has been received from a member proposing Mr. Ashok Kumar Jha as a Director, liable to retire by rotation.

The brief resumes of directors seeking appointment / re-appointment is annexed to this Report.

3 COMMITTEES OF BOARD OF DIRECTORS

As on March 31, 2010, the Board has three Committees viz. Audit Committee, Shareholders' / Investor's Grievance Committee and Remuneration Committee. The composition of committees is in accordance with the Companies Act, 1956 and the Listing Agreement.

Audit Committee:

The composition of Audit Committee is in accordance with the Companies Act, 1956 and Clause 49 of the Listing Agreement which prescribes that two-third of members of Audit Committee shall be independent Directors and the Chairman of the Audit Committee shall be Independent Director.

The Committee met 6 times during the financial year 2009-10 viz. May 15, 2009, May 30, 2009, June 26, 2009, July 30, 2009, October 30, 2009 and January 22, 2010. The detailed constitution and attendance at meetings of the Committee which were held during the year are as follows:

Name of the Director	Category	Position	No. of meetings held	No. of meetings attended
Mr. Pratap Merchant	Independent Director	Chairman	6	6
Mr. Satish Deshpande	Independent Director	Member	6	6
Mr. Harshal Shah	Non Executive Director	Member	6	3

Corporate Governance Report

The Chairman of the Audit Committee attended the Annual General Meeting of the Company held during the year under review. The terms of reference of the Audit Committee are in accordance with Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement. Broadly, the Committee oversees financial reporting and information dissemination process to ensure that the financial statements are true, fair, sufficient and credible. In addition, the Committee reviews internal audit reports of the independent internal auditors of the Company, recommends appointment and scope of internal auditors and appointment of statutory auditors and recommends their remuneration to the Board. Audit Committee also reviews quarterly, half yearly and annual financial statements before submission to the Board.

Shareholders' / Investor's Grievance Committee:

The Shareholders' / Investor's Grievance Committee comprises of 4 Directors, of which two are independent Directors, one non executive director and one executive director. The Chairman of the committee is an Independent Director.

The committee met 4 times during the financial year 2009-10 viz. May 12, 2009, July 30, 2009, October 30, 2009 and January 22, 2010. The detailed constitution and attendance at meetings of the committee is as under:

Name of the Director	Category	Position	No. of meetings held	No. of meetings attended
Mr. Satish Deshpande	Independent Director	Chairman	4	4
Mr. Arun Arora	Independent Director	Member	4	4
Mr. Harshal Shah	Non Executive Director	Member	4	3
Mr. Harish Sheth	Executive Director	Member	4	4

The Committee looks after redressal of complaints received from the Investor / shareholders on any issue.

Name & Designation of Compliance Officer(s):

1. Mr. Mihir Mehta, Company Secretary
2. Mr. Kalpesh Shah, Manager

The status of investor grievances received during the financial year 2009-10 is as follows:

No. of Complaints pending at the beginning	01
No. of Complaints / queries received	196
No. of complaints resolved	197
No. of complaints pending as on March 31, 2010	Nil

Remuneration Committee:

The Remuneration Committee was constituted to consider / review the managerial remuneration.

The remuneration committee comprises of three Directors all of them are independent. The composition of Remuneration Committee is in accordance with Clause 49 of the Listing Agreement and the Companies Act, 1956.

The committee met 3 times during the financial year 2009-10 viz. June 26, 2009, August 17, 2009 and October 30, 2009. The detailed constitution and attendance at meetings of the committee is as under:

Name of the Director	Category	Position	No. of meetings held	No. of meetings attended
Mr. Pratap Merchant	Independent Director	Chairman	3	3
Mr. Satish Deshpande	Independent Director	Member	3	3
Mr. Arun Arora	Independent Director	Member	3	3

The terms of reference of remuneration committee is to determine remuneration packages for executive Directors, appointment / re-appointment of the Executive Directors, remuneration payable to relatives of Directors and such other matters as may be referred to by the Board from time to time.

The Remuneration Committee considers recommending remuneration for the managerial personnel taking in account qualification, experience, performance, current market trend and such other relevant factors.

The non executive Directors are paid sitting fees as per the provisions of the Companies Act, 1956 and Articles of Association of the Company for attending the Board / Committee meetings.

The members of the Company at the 26th Annual General Meeting held on September 24, 2009 approved commission of upto 1% of profits payable to Non Executive Directors of the Company and authorised the Board to determine such commission.

The detailed information for Directors' remuneration / commission for financial year 2009-10 is as follows:

(Amount in Rs. Lacs)

Name of the Director	Category	Salary, allowances and perquisites	Contribution to Provident and Other Fund	Commission	Sitting Fees	Total
Mr. Harish Sheth	Chairman and Managing Director	60.00	7.20	77.64	-	144.84
Mr. Udit Sheth	Executive Director	47.00	5.04	-	-	52.04
Mr. Shvetal Vakil	Executive Director	57.00	4.32	-	-	61.32
Mr. Arun Arora	Independent Director	-	-	5.20	1.05	6.25
Mr. Pratap Merchant	Independent Director	-	-	5.20	1.10	6.30
Mr. Satish Deshpande	Independent Director	-	-	5.20	1.30	6.50
Mr. Harshal Shah	Non Executive Director	-	-	5.20	-	5.20
Mr. Ashok Kumar Jha	Independent Director	-	-	1.30	-	1.30
Mr. Bhalachandra Naik	Independent Director	-	-	5.20	0.70	5.90

Mr. Harshal Shah, Non Executive Director being relative of Mr. Harish Sheth and Mr. Udit Sheth, Executive Directors, is not paid any sitting fees. The Company has no stock options plans.

The details of Equity Shares held by Non Executive / Independent Directors as at March 31, 2010:

Name of the Director	No. of Equity Shares held
Mr. Arun Arora	14,300
Mr. Satish Deshpande	Nil
Mr. Ashok Kumar Jha	Nil
Mr. Pratap Merchant	4,750
Mr. Bhalachandra L. Naik	1,200
Mr. Harshal Shah	50,000

Corporate Governance Report

Means of Communication:

The Company publishes its quarterly, half-yearly and yearly financial results in leading English and Gujarati newspapers. The results are also posted on Company's website viz. www.setcoauto.com.

The Company also sends half-yearly performance to its shareholders and stakeholders.

All price sensitive information are immediately informed to Stock Exchange before the same is communicated to general public through press releases, if any.

Details of Non compliance with Capital Markets

The Company has complied with all the requirements of regulatory authorities on matters relating to capital markets and no penalties / strictures have been imposed on the Company by the Stock Exchange or SEBI.

Compliances with Mandatory / Non Mandatory requirements of the Listing Agreement:

The Company has complied with all the mandatory requirements of the listing agreement and adopted part of the non mandatory requirements like constitution of Remuneration Committee to review remuneration payable to managerial personnel and communication of half yearly results to the shareholders.

Disclosure of materially significant Related Party Transactions:

The Company did not enter into any materially significant transactions with Promoters, Directors or the Managements, their subsidiaries or relatives etc., which were in conflict with the interest of the Company. Details of Related Party Transactions are provided in Note 17 of Schedule 18 of the Annual Accounts.

Management Discussion and Analysis Report

Management Discussion and Analysis Report forms part of this Annual Report.

Risk Management

The Company has adopted Effective Risk Assessment and Risk Mitigation Policy, which is reviewed by the Board of Directors periodically.

General Body Meetings

i. Details of last three Annual General Meetings held:

Financial Year	Venue	Day & Date	Time
2006-2007	Baroda – Godhra Highway, Kalol, District – Panchmahal, Pin Code – 389 330, Gujarat.	Thursday, September 20, 2007	3.00 p.m.
2007-2008	Baroda – Godhra Highway, Kalol, District – Panchmahal, Pin Code – 389 330, Gujarat.	Tuesday, August 19, 2008	3.00 p.m.
2008-2009	Baroda – Godhra Highway, Kalol, District – Panchmahal, Pin Code – 389 330, Gujarat.	Thursday, September 24, 2009	3.00 p.m.

ii. Special Resolutions passed during the last three years

Date of AGM	Section	Particulars of Special Resolution
September 20, 2007	Section 372A of the Companies Act, 1956	To make investments in joint ventures / subsidiaries
August 19, 2008	-	To delist Company's Equity Shares from Ahmedabad Stock Exchange
September 24, 2009	1. Section 297 of the Companies Act, 1956.	1. To accord sanction to the Company to enter into arrangement with M/s. Western Engineering Works, a firm in which Directors are interested.
	2. Section 295 and Section 372A of the Companies Act, 1956.	2. To accord sanction to Board to make investments / provide loans to Companies in which Directors are interested.
	3. Section 198 and Section 309 of the Companies Act, 1956	3. To pay commission upto 1 (One) percent to Non Executive Directors of the Company

iii. There were no resolutions passed through the Postal Ballot during the Financial Year 2009-10. None of the businesses proposed to be transacted at the ensuing Annual General Meeting require passing of resolution through postal ballot.

General Shareholder Information:

(i) 27th Annual General Meeting

Day & date	Saturday, September 18, 2010
Time	3.00 P.M.
Venue	Baroda – Godhra Highway, Kalol, District – Panchmahal, Pin Code – 389 330, Gujarat.

- (i) Financial Year : April 1, 2009 – March 31, 2010
- (ii) Dates of Book Closure : August 9, 2010 – August 10, 2010
- (iii) Dividend Payment Date : On or after September 19, 2010.
- (iv) Listing on Stock Exchange : The Bombay Stock Exchange Limited
- Stock Code : 505075
- Demat ISIN in NSDL & CDSL : INE878E01013

(v) Financial Calendar:

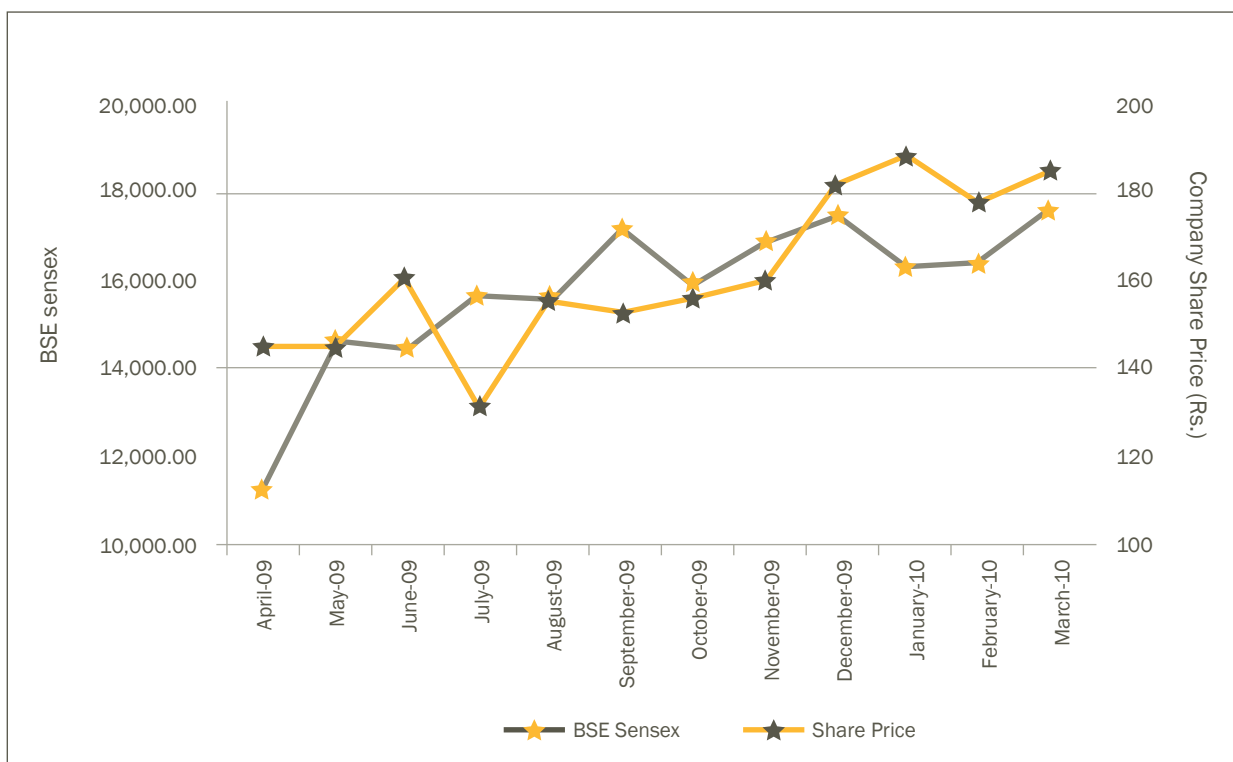
The Board of Director of the Company approves unaudited results for each quarter within such number of days as may be prescribed under Listing Agreement from time to time.

Corporate Governance Report

(vii) Market Price Data for Financial Year 2009-10:

Month	Share Price		BSE Sensex
	High Price	Low Price	Adj. Close
April, 09	145.00	123.55	11,403.25
May, 09	144.70	125.00	14,625.25
June, 09	160.00	130.00	14,493.84
July, 09	132.00	115.00	15,670.31
August, 09	155.10	120.00	15,666.64
September, 09	152.75	135.00	17,126.84
October, 09	156.00	142.10	15,896.28
November, 09	160.00	143.00	16,926.22
December, 09	181.25	147.00	17,464.81
January, 10	188.00	157.00	16,357.96
February, 10	177.85	169.00	16,429.55
March, 10	184.75	155.10	17,527.77

(viii) Performance of the Company's share price to BSE Sensex:



(ix) Registrar and Share Transfer Agents:

Link Intime India Private Limited
Unit: Setco Automotive Limited
C-13, Pannalal Silk Mill Compound
L.B.S. Marg, Bhandup (West)
Mumbai 400 078

(x) Share Transfer System:

The Company has appointed Link Intime India Private Limited as the Company's Registrar and Share Transfer Agents to handle demat and physical share transfers and other share related activities of the Company.

The members are advised to correspondent all their applications, grievances, requests relating to physical share transfers to Company's Registrar and Share Transfer Agents. The Company ensures that the Registrar process all the requests received from shareholders within three weeks from the date of receipt and timely update the Company on action status.

The shares held in dematerialised form are electronically traded in the depository and the Registrar & Share Transfer Agents receives from Depositories, periodical details of beneficiary holdings to update their records and registers.

The Shareholders / Investor's Grievance Committee of Board of Directors of the Company at its meetings held every quarter take note of status of investor's grievances / correspondences received during the quarter and also ratify transfers effected during the quarter.

(xi) Distribution of Shareholding as on March 31, 2010:

No. of Shares	Distribution of Shareholding			
	Shareholders		Shares Held	
	No.	%	Shares	%
Upto 500	5,015	95.18%	432,389	4.90%
500 - 1000	97	1.84%	78,395	0.89%
1001 - 2000	50	0.95%	77,528	0.88%
2001 - 3000	26	0.49%	65,793	0.75%
3001 - 4000	12	0.23%	42,485	0.48%
4001 - 5000	18	0.34%	87,075	0.99%
5001 - 10000	18	0.34%	148,455	1.68%
10001 & above	33	0.63%	7,889,760	89.43%
	5,269	100.00%	8,821,880	100.00%

Corporate Governance Report

(xii) Dematerialisation and Liquidity:

As on March 31, 2010, 96.06% of Equity Shares (i.e. 8474652 Equity Shares) were held in dematerialised form and the rest in physical form. The equity shares of the Company are permitted to be traded only in dematerialised form.

The Company from time to time advocates its equity shareholders possessing shares in physical form to have the same dematted for their benefit.

(xiii) Outstanding GDRs / ADRs / Warrants or any Convertible Instruments:

There were no outstanding GDRs / ADRs / Warrants or any convertible instruments as at March 31, 2010.

(xiv) Plant Locations:

Gujarat: Baroda – Godhra Highway, Kalol, District Panchmahal, Pin Code 389 330, Gujarat.

Uttarakhand: Plot No. 196/A Phase 1, Eldeco Sidcul Industrial Park (E.S.I.P), Village Lalarpatti, P.O. Sia Camp, Udham Singh Nagar, Pin Code – 262 403, Uttarakhand.

(xv) Address for correspondence:

The members are requested to write to Link Intime India Private Limited for any query related to share transfers, dematerialization, transmissions, change of address, non receipt of dividend or any other related queries.

The address of Link Intime India Private Limited is as follows:

Unit: Setco Automotive Limited

C-13, Pannalal Silk Mill Compound

L.B.S. Marg, Bhandup (West)

Mumbai 400 078

The members can also send their grievances, if any, to the Company Secretary at the Corporate Office of the Company at 2/A, Ground Floor, Film Centre Building, Tardeo Road, Mumbai – 400 034 or email at investor.relations@setcoauto.com.

Other Useful Information for Shareholders

Due dates for Transfer of Unclaimed Dividend to Investor Education and Protection Fund (IEPF) are as under:

Financial Year	Date of declaration of Dividend	Due date to transfer to IEPF
Interim Dividend 2006-07	01.11.2006	01.12.2013
Final Dividend 2006-07	20.09.2007	20.10.2014
Final Dividend 2007-08	19.08.2008	19.09.2015
Final Dividend 2008-09	24.09.2009	24.10.2016

Shareholders who have not yet encashed their interim / final dividend warrants for the previous years may approach with non-cashed dividend warrants in their hands to the Company, at its Corporate Office for revalidation / issue of duplicate dividend warrants. It may be noted that any amount remaining unclaimed for a period of 7 years from the date of transfer to unpaid dividend account shall be transferred to the Investor Education & Protection Fund as required under Section 205-C of the Companies Act, 1956.

Code of Conduct:

Pursuant to Clause 49 of the Listing Agreement, the Board of Directors has laid down a 'Code of Conduct' for all Board and Senior Management Members and they have affirmed compliance with the Code of Conduct of the Company for the Financial Year 2009-10.

The declaration pursuant to Clause 49((1)(D) of the Listing Agreement stating that all the Board Members and Senior Management Members have affirmed their compliance with the said code of conduct for the year ended March 31, 2010 is annexed to this Report.

The Code of conduct is also placed on company's website.

Insider Trading:

The Company has also Code of Conduct for Prevention of Insider Trading as required under SEBI (Prohibition of Insider Trading) Regulations, 1992. The Directors and Senior Management affirmed compliance of the said Code.

Auditors' Certificate on Corporate Governance:

The Auditors Certificate certifying the Company's compliance with the requirements of Corporate Governance in terms of Clause 49 of the Listing Agreement is attached and forms part of this Annual Report.

Corporate Governance Report

ANNEXURE

Certificate pursuant to Clause 49(1)(D):

To

The members of

Setco Automotive Limited

I, Harish K. Sheth, Chairman and Managing Director of Setco Automotive Limited, hereby confirm, pursuant to Clause 49(1)(D) of the Listing Agreement, that the Board of Directors has laid down code of conduct for all Board and Senior Management Members of the Company and the said code has also been posted on the Company's website.

I further confirm that all the Board members and senior management personnel have affirmed their compliance with the said code of conduct for the year ended March 31, 2010.

Harish K. Sheth

Chairman & Managing Director

ANNEXURE

Statutory Auditors Certificate for Corporate Governance

To

The members of

Setco Automotive Limited

Vadodara Godhra Highway,
Kalol – 389 330.

1. We have examined the compliance of conditions of corporate governance by Setco Automotive Limited for the year ended on March 31, 2010 as stipulated in Clause 49 of the Listing Agreement of the said company with stock exchanges.
2. The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.
3. In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has broadly complied with conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.
4. We state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For **Manesh Mehta & Associates**

Chartered Accountants

(M. P. MEHTA)

Partner

(M. No. 36032)

Place: Vadodara

Date: August 12, 2010

CERTIFICATION UNDER CLAUSE 49 OF THE LISTING AGREEMENT

We, Harish K. Sheth, Chairman and Managing Director and Vinay Shahane, Associate Vice President – Finance, designated as Chief Financial Officer of Setco Automotive Limited hereby certify that: -

- (a) We have reviewed financial statements of the Company for the year ended March 31, 2010 and that to the best of our knowledge and belief:-
 - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the quarter, which are fraudulent, illegal or violative of the company's code of conduct.
- (c) We accept the responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (d) We have indicated to the auditors and the Audit committee:
 - (i) significant changes in internal control over financial reporting during the year;
 - (ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - (iii) there were no instances of significant fraud.

Date: August 12, 2010

Place: Mumbai

Harish K. Sheth

Chairman & Managing Director

Vinay Shahane

Associate Vice President – Finance

Corporate Governance Report

ANNEXURE

The details of Directors seeking appointment / re-appointment is as follows:

Name of the Director	Mr. Arun Arora
Date of Birth	August 8, 1945
Qualifications	B.Com., Advanced Management Programme Degree from the Harvard Business School
Specialised Expertise	Setting up new businesses, Strategy, Understanding of Media accross platforms, Mentoring and leading human capital
No. of Shares held in the Company	14,300
Directorships in other Companies	1. Worldwide Media Private Limited 2. Edvance Learning Private Limited 3. Edvance Online Private Limited 4. Edvance Pre-School Private Limited 5. SE TransStadia Private Limited
Committee positions held*	Member: Shareholders' & Investor Grievance Committee

Name of the Director	Mr. Bhalachandra L. Naik
Date of Birth	October 19, 1941
Qualifications	B. Com., CAIIB and AIBI
Specialised Expertise	Finance Operations
No. of Shares held in the Company	1,100
Directorships in other Companies	Nil
Committee positions held*	Member: Audit Committee

Name of the Director	Mr. Ashok Kumar Jha
Date of Birth	April 18, 1947
Qualifications	Graduation from St. Stephen's College in Economics and Masters from the Delhi School of Economics. Masters Degree in Development Economics from the Australian National University, Canberra
Specialised Expertise	IAS officer from the AP cadre. He retired as the Finance Secretary, Ministry of Finance, Government of India. He has also served extensively in the Ministry of Economic Affairs. Post retirement, he joined the industry as President of Hyundai Motors
No. of Shares held in the Company	Nil
Directorships in other Companies	1. MCX Stock Exchange Ltd.
	2. HSBC Asset Management (India) Private Limited.
	3. S V Creditline Private Limited.
	4. Great Eastern Energy Corporation Limited
Committee positions held*	Member: Audit Committee

*Committees considered are Audit Committee and Shareholders' / Investor's Grievance Committee including that of Setco Automotive Limited.

Standalone Financial

Statements

To,
The Shareholders Of

SETCO AUTOMOTIVE LIMITED

1. We have audited the attached Balance Sheet of Setco Automotive Limited as at 31st March, 2010 and also the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan & perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - e) Central Government has yet not notified the rules relating to the levy & collection of cess from Companies in terms of section 441A of the Companies Act, 1956. We are, therefore, not reporting on this matter as required by section 227 (3) (g) of the Companies Act, 1956.
 - f) On the basis of the written representations received from the directors as on 31st March, 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - g) Sundry debit & credit balances are subject to reconciliation and/or confirmation (Refer Note 13 of Schedule 18 - "Notes forming part of Accounts")
 - h) Attention is invited to Accounting Policy No. 7(i) in Schedule 17 - "Significant Accounting Policies" and Note No. 10 in Schedule 18 - "Notes forming part of Accounts" for the change in accounting policy made during the year in revenue recognition and its ultimate impact on the Profits and Reserves & Surplus of the company. The current year's profits and Reserves & Surplus are lower by Rs. 40,61,284/- on account of the said change.
 - i) in our opinion and to the best of our information and according to the explanations given to us, the said financial statements, read with the Significant Accounting Policies and Notes forming part of Accounts, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010
 - (ii) In the case of Profit and Loss Account, of the Profit for the year ended on that date, and
 - (iii) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For **MANESH MEHTA & ASSOCIATES**

Chartered Accountants

(Firm Registration No.: 115832W)

(M.P.MEHTA)

Partner

(M. No. 36032)

Place: Mumbai

Date: 28/06/2010

(Referred to in paragraph 3 of our report of even date)

1. In respect of its fixed assets:
 - a) The Company has maintained proper records showing particulars and situation of fixed assets. However, same is required to be refined with the newly implemented SAP computerized system.
 - b) As per the information and explanations given to us, there is a phased program of physical verification of fixed assets as adopted by the Company, which in our opinion, is reasonable having regard to the size of the company and the nature of the assets. As informed, no material discrepancies were noticed on such verification.
 - c) In our opinion and according to the information & explanations given to us, no substantial part of the fixed assets has been disposed off during the year and hence, going concern status of the company is not affected.
2. In respect of its inventories:
 - a) According to the information and explanations given to us, inventories were physically verified during the year by the management at reasonable intervals.
 - b) According to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to size of the Company and the nature of its business.
 - c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories. No material discrepancies were noticed on physical verification of inventory.
3. According to the information and explanations given to us, the Company has neither granted nor taken any loans to/ from Companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the Company and the nature of its business, with regard to purchase of inventory, fixed assets, sale of goods and services. We have not observed any continuing failure to correct major weaknesses in such internal controls.
5. According to the information and explanations given to us, we are of the opinion that particulars of contracts or arrangements that need to be entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, have been so entered. In our opinion and according to the information & explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding the value of Rupees five lacs have been made at prices which are reasonable having regard to the prevailing market prices at the relevant times.
6. The Company has not accepted any deposits from the public under section 58A and 58AA of the Companies Act, 1956 and the rules framed there under.
7. In our opinion, the Company has an adequate internal audit system commensurate with the size and the nature of its business.
8. According to the information and explanations given to us, the maintenance of cost records has not been prescribed by the Central Government under section 209 (1) (d) of the companies Act, 1956.
9. According to the information and explanations given to us and on the basis of our examination of books of account:
 - a) The Company has been generally regular in depositing undisputed statutory dues including Provident Fund and Employees State Insurance with appropriate authorities though there have been few instances of delay in deposition in respect of Professional Tax, Service Tax, Sales Tax, TCS, etc. However, there have been frequent delays during the year in depositing Tax deducted at Source. According to the information and explanations given to us, there are no undisputed items outstanding for more than six months as of 31st March, 2010.

- b) According to the information and explanations given to us, there were no disputed amounts remaining unpaid in respect of Sales Tax, Excise duty, Service Tax and Custom Duty except following amounts in respect of income tax:

Sr. No.	Name of the Statute	Assessment Year	Amount (Rs.)	Forum where dispute is pending
1	Income Tax Act, 1961	2006-07	3,02,265/-	Commissioner of Income Tax (Appeals), Baroda
2	Income Tax Act, 1961	2007-08	10,83, 490/-	Commissioner of Income Tax (Appeals), Baroda

10. The company does not have accumulated losses as at 31.03.2010. The company has not incurred cash losses during the current year and the immediately preceding financial year.
11. In our opinion and according to the information & explanations given to us, Company has not defaulted in repayment of dues with regard to loans obtained from banks. The company has not taken any other loan from any financial institution nor issued any debentures.
12. The Company has given guarantees for loans taken by its subsidiaries from banks. In our opinion and according to the information and explanations given to us, the terms and conditions of the said guarantees are not, prima facie, prejudicial to the interest of the company.
13. In our opinion and according to the information and explanations given to us, the term loans availed by the Company during the year were, prima facie, applied for the purposes for which the loans were obtained.
14. According to the information and explanations given to us and based on our examination of the balance sheet on an overall basis, we report that no funds raised on short-term basis have been used for long-term investment.
15. The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956 during the year and accordingly, the question of whether the price at which the shares have been issued is prejudicial to the interest of the company does not arise.
16. The Company has not issued any debentures during the year and accordingly, the question of creating security in respect thereof does not arise.
17. The company has not raised any money from public issue during the year and in the recent past and accordingly, the question of disclosing the end use of money raised by public issue does not arise.
18. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.
19. In our opinion and as per the information and explanations given to us, the nature of the Company's business/activities during the year is such that clauses (xii), (xiii) and (xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable.

For **MANESH MEHTA & ASSOCIATES**

Chartered Accountants

(Firm Registration No.: 115832W)

(M.P.MEHTA)

Partner

(M. No. 36032)

Place: Mumbai

Date: 28/06/2010

Balance Sheet as at 31st March, 2010

			As at 31.03.2010	As at 31.03.2009
	Schedule			
I. SOURCES OF FUNDS :				
1. Shareholders' Funds				
a. Share Capital	1	88,218,800		88,218,800
b. Reserves and Surplus	2	545,121,381		399,465,215
			633,340,181	487,684,015
2. Loan Funds				
a. Secured Loans	3	752,060,387		683,883,218
b. Unsecured Loans	4	62,750,000		57,396,244
			814,810,387	741,279,462
3. Deferred Tax Liabilities			40,836,000	22,222,000
Total			1,488,986,568	1,251,185,477
II. APPLICATION OF FUNDS :				
1. Fixed Assets				
a. Gross Block	5	896,063,710		521,714,951
b. Less : Depreciation		204,656,554		143,000,286
c. Net Block		691,407,156		378,714,665
d. Capital Work in Progress		-		276,594,153
			691,407,156	655,308,818
2. Investments	6		197,651,683	118,789,950
3. Current Assets, Loans and Advances	7			
a. Inventories		250,819,603		141,715,173
b. Sundry Debtors		352,828,685		299,245,957
c. Cash and Bank Balances		18,658,240		22,648,530
d. Loans & Advances		211,835,319		170,746,951
		834,141,847		634,356,611
Less: Current Liabilities and Provisions	8			
a. Liabilities		187,139,639		124,205,889
b. Provisions		49,434,776		37,621,213
		236,574,415		161,827,102
Net Current Assets			597,567,432	472,529,509
4. Miscellaneous Expenditure (to the extent not written off or adjusted)	9		2,360,297	4,557,200
Total			1,488,986,568	1,251,185,477
Significant Accounting Policies	17			
Notes on Accounts	18			

As per our report of even date attached
For **Manesh Mehta & Associates**

Manesh P. Mehta
Partner

Harish Sheth
Chairman and Managing Director
Satish Deshpande
Director

Vinay Shahane
Associate Vice President, Finance

For and on behalf of the Board

Udit Sheth
Executive Director
Ashok Kumar Jha
Director

Shveta Vakil
Executive Director
Bhalachandra Naik
Director
Pratap Merchant
Director

Mihir Mehta
Company Secretary

Place : Mumbai
Date : June 28, 2010

Place : Mumbai
Date : June 28, 2010

			Rupees
	Schedule	Year ended 31.03.2010	Year ended 31.03.2009
INCOME			
Sales (Including Excise & Sales Tax)		2,258,505,714	1,728,647,047
Less : Excise Duty		111,311,472	95,209,207
Sales Tax		34,152,626	31,252,893
		2,113,041,616	1,602,184,947
Less : Sales in Transit (Refer Note No.10 of Schedule 18)		22,008,212	-
		2,091,033,404	1,602,184,947
Other Income	10	10,558,007	12,166,217
Increase/(Decrease) in Stocks	11	52,574,218	(3,964,409)
		2,154,165,629	1,610,386,755
EXPENDITURE			
Raw Materials, Components Consumed & Goods Traded	12	1,267,417,967	964,366,641
Personnel Expenses	13	137,154,805	102,526,199
Other Expenses	14	344,556,459	274,767,846
R & D Expenses		8,661,664	2,229,256
Miscellaneous Expenditure Amortised	15	2,196,898	2,196,903
		1,759,987,793	1,346,086,845
Profit Before Depreciation, Interest, Exceptional/ Extra Ordinary Items & Tax		394,177,836	264,299,910
Depreciation	5	62,198,982	29,997,267
Interest & Financial Charges	16	85,687,809	65,466,019
		147,886,791	95,463,286
Profit Before Exceptional/Extra Ordinary Items & Tax		246,291,045	168,836,624
Less : Exceptional/Extra ordinary Items (Refer Note 6 of Schedule 18)		-	26,539,956
Profit for the year before tax		246,291,045	142,296,668
Less: Deferred Tax Adjustments		18,614,000	12,444,000
Provision for Fringe Benefit Tax		-	1,981,000
Provision for Corporate Tax		41,857,000	10,960,360
Tax Adjustment for Earlier Year		7,763,598	2,164,690
Profit Available for Appropriations		178,056,447	114,746,618
APPROPRIATIONS			
Proposed Dividend		26,465,640	22,054,700
Corporate Tax on Dividend		4,395,612	3,748,200
Transferred to General Reserve		17,805,645	11,474,662
Balance Profit		129,389,550	77,469,056
Profit Brought Forward from Previous Year		224,751,560	147,282,504
Profit Carried to Balance Sheet		354,141,110	224,751,560
Earning per share (See Note 23 of Schedule 18)			
Nominal value per share (Rupees)		10	10
Basic and Diluted Earning per share (After Exceptional / Extra ordinary Items)		20.18	13.01
Basic and Diluted Earning per share (Before Exceptional / Extra ordinary Items)		20.18	16.02
Significant Accounting Policies	17		
Notes on Accounts	18		

As per our report of even date attached
For **Manesh Mehta & Associates**

Manesh P. Mehta

Harish Sheth
Chairman and Managing Director
Satish Deshpande
Director

Vinay Shahane
Associate Vice President, Finance

For and on behalf of the Board

Udit Sheth
Executive Director
Ashok Kumar Jha
Director

Shveta Vakil
Executive Director
Bhalachandra Naik **Pratap Merchant**
Director Director
Mihir Mehta
Company Secretary

Place : Mumbai
Date : June 28, 2010

Place : Mumbai
Date : June 28, 2010

		Rupees	
		As at 31.03.2010	As at 31.03.2009
SCHEDULE : 1			
Share Capital			
Authorised :			
2,00,00,000 (2,00,00,000) Equity Shares of Rs. 10 each		200,000,000	200,000,000
Issued, Subscribed & Paid -up :			
8821880 (8821880) Equity Shares of Rs.10 each	*	88,218,800	88,218,800
		88,218,800	88,218,800
* Of the Equity Shares issued and paid up 2,20,000 shares of Rs. 10/- each have been issued against loans and arrears of interest due to the promoter companies.			
SCHEDULE : 2			
Reserves and Surplus			
1. Capital Reserve			
On forfeiture of Shares		21,000	21,000
2. Securities Premium			
(On 12,50,000 shares @ Rs.110/- per share)		137,500,000	137,500,000
3. General Reserve			
Opening Balance	37,192,655		23,705,538
Add : Gratuity Adjustment (Transitional Adjustment)	-		12,455
Transferred from Cash Subsidy A/c.	-		2,000,000
Transferred from Profit & Loss A/c.	17,805,645		11,474,662
	54,998,300		37,192,655
Less : Compensated Absences Adjustment *	1,539,029		-
		53,459,271	37,192,655
4. Profit & Loss Account			
		354,141,110	224,751,560
		545,121,381	399,465,215
* (Refer Note No.11(i) of Schedule 18)			
SCHEDULE : 3			
Secured Loans			
From Banks			
1. Term Loans		334,291,449	408,150,817
2. Working Capital Facilities		417,768,938	275,732,401
(Refer Note No.07(i) of Schedule 18 for security and other details)			
		752,060,387	683,883,218
SCHEDULE : 4			
Unsecured Loans			
From Banks			
Bank of Baroda	50,000,000		-
From Others			
Tata Capital Ltd.	12,750,000		57,005,011
Interest Accrued and Due	-		391,233
(Refer Note No.07(ii) of Schedule 18 for terms and other details)			
		62,750,000	57,396,244

Schedule forming part of the Balance Sheet (Contd.)

SCHEDULE : 5

Fixed Assets

PARTICULARS		COST			DEPRECIATION			NET BLOCK		Rupees
		Cost as on 01.04.2009	Additions for the year	Adjustment for the year	Cost as on 31.03.2010	Up to 01.04.2009	Additions for the year	Adjustment for the year	Up to 31.03.2010	As on 31.03.2009
A	Tangible Assets									
01	Land	30,678,838	25,927,872	-	56,606,710	-	-	-	-	30,678,838
02	Building	61,131,858	121,461,502	-	182,593,360	7,273,461	5,816,030	-	13,089,491	169,503,869
03	Plant & Machinery	279,546,811	221,791,183	337,453	501,000,541	101,114,610	41,971,416	337,453	142,748,572	358,251,969
04	Furniture & Fixtures	17,795,017	1,668,581	-	19,463,598	2,255,258	1,156,797	-	3,412,055	15,539,759
05	Office Equipments	5,396,131	131,166	-	5,527,297	913,750	259,054	-	1,172,804	4,354,493
06	Pollution Equipments	277,500	-	-	277,500	42,123	13,181	-	55,304	235,377
07	Computers	9,269,363	2,759,830	-	12,029,193	3,558,537	1,527,601	-	5,086,138	6,943,055
08	Electric Fittings	25,174,034	170,151	-	25,344,185	1,251,755	1,198,695	-	2,450,450	22,893,735
09	Vehicle	10,604,758	-	852,109	9,752,649	2,177,107	904,601	205,259	2,876,449	6,876,200
	Sub Total (Tangible Assets)	439,874,310	373,910,285	1,189,562	812,595,033	118,586,601	52,847,375	542,712	170,891,263	641,703,770
B	Intangible Assets									
01	Goodwill	1,961,719	-	-	1,961,719	1,961,719	-	-	1,961,719	-
01	Product Development	47,687,348	8,563,750	-	56,251,098	18,177,670	3,577,986	-	21,755,656	34,495,442
03	Technical Know how	2,775,310	-	-	2,775,310	2,775,310	-	-	2,775,310	-
02	Computer Software	28,852,275	4,274,541	11,210,254	21,916,562	1,223,054	5,641,112	-	6,864,166	15,052,396
03	Web Site Development	563,988	-	-	563,988	275,931	132,509	-	408,440	155,548
	Sub Total (Intangible Assets)	81,840,640	12,838,291	11,210,254	83,468,677	24,413,684	9,351,607	-	33,765,291	49,703,386
	Grand Total (A + B)	521,714,950	386,748,576	12,399,816	896,063,710	143,000,285	62,198,982	542,712	204,656,554	691,407,156
	Previous Year:	(407,271,156)	(114,685,491)	(241,696)	(521,714,951)	(113,244,715)	(29,997,267)	(241,696)	(143,000,286)	(378,714,665)
C	Capital Work in Progress									
01	Press Tools in Process	760,438	-	760,438	-	-	-	-	-	760,438
02	Press Shop in Progress	275,833,715	-	275,833,715	-	-	-	-	-	275,833,715
	Total C	276,594,153	-	276,594,153	-	-	-	-	-	276,594,153
Note: (1) Depreciation on assets, other than Intangible Assets, is computed on Straight Line Method (SLM) in accordance with provisions of Section 205(2)(b) of the Companies Act 1956. Depreciation on Plant & Machineries (including Tools - Finished) include Extra Shift Depreciation. Intangible assets are amortised as per accounting policy adopted by the Company.										
(2) Depreciation on additions during the year on pro-rata basis.										

Schedule forming part of the Balance Sheet (Contd.)

		Rupees	
		As at 31.03.2010	As at 31.03.2009
SCHEDULE : 6			
Investments (Unquoted & Long Term)			
i) 10 Equity Shares of Rs. 25/- each fully paid up of Kalol Urban Co. op. Bank Ltd. (At Cost)		250	250
ii) Share Application Money in Associate Concern		10,000,000	-
iii) 8,00,000 Equity Shares of £ 1 each fully paid up of foreign subsidiary (At Cost)		64,840,000	64,840,000
iv) 1030 11% Non Cumulative Redeemable Preference Shares of \$ 1500 each fully paid up of foreign subsidiary		72,051,900	-
v) 1,28,788 (1,08,200) Equity Shares of MUR 100 each fully paid up of Wholly owned foreign subsidiary (At Cost)		19,080,525	15,854,700
vi) 2,15,014 (2,52,158) 0% Redeemable Preference Shares of MUR 100 each fully paid up of wholly owned foreign subsidiary (At Cost)		31,679,008	38,095,000
		197,651,683	118,789,950
SCHEDULE : 7			
Current Assets, Loans and Advances			
1. Current Assets :			
i) Inventories:			
Raw Materials, Components	117,379,733		66,337,675
Stores and Packing Materials	10,484,436		4,996,282
Work-in-Process	71,777,898		54,979,043
Finished Goods	33,719,273		15,353,553
Sales in Transit (Refer Note No.10 of Schedule 18)	17,115,393		-
Scrap	342,870		48,620
		250,819,603	141,715,173
ii) Sundry Debtors:			
(Unsecured, considered good unless otherwise stated)			
Debts (outstanding for a period exceeding six months)	26,113,128		38,186,844
Other Debts	326,715,557		261,059,113
		352,828,685	299,245,957
[Net of Bills discounted through Bank Rs.11,42,795 (Rs.56,63,272)]			
iii) Cash and Bank Balances:			
Cash on hand	1,385,652		1,735,572
Balance with Scheduled Banks:			
In Current Accounts	11,790,831		15,788,460
In Fixed Deposits	5,481,757		5,124,498
		18,658,240	22,648,530

		Rupees	
		As at 31.03.2010	As at 31.03.2009
SCHEDULE : 7 (Contd.)			
2) Loans and Advances:			
(Unsecured, considered good unless otherwise stated)			
Advances			
(Recoverable in cash or in kind or for value to be received)			
a. Subsidiaries	31,204,484		28,688,281
b. Others	166,348,612		124,192,137
C. Gratuity	266,529		(1,283,498)
Sundry Deposits	8,920,525		9,113,865
Balance with Central Excise	3,972,771		9,897,771
Deduction of Tax At source	1,122,398		138,395
		211,835,319	170,746,951
		834,141,847	634,356,611
SCHEDULE : 8			
Current Liabilities and Provisions			
1. Current Liabilities			
a. Sundry Creditors :			
For Goods	146,288,237		86,492,084
For expenses	17,752,386		19,901,305
b. Other Liabilities	23,099,016		17,812,500
(Refer Note No.12 of Schedule 18)		187,139,639	124,205,889
2. Provisions			
For Compensated Absences	1,716,524		-
For Taxation (Net)	16,857,000		11,818,313
For Dividend	26,465,640		22,054,700
For Tax on Dividend	4,395,612		3,748,200
		49,434,776	37,621,213
		236,574,415	161,827,102
SCHEDULE : 9			
Miscellaneous Expenditure			
(To the extent not written off or adjusted)			
i) Company Formation Expenses		-	176,601
ii) Share Issue Expenses		1,850,297	3,700,599
iii) Fees for Increase in Authorised Share Capital		510,000	680,000
		2,360,297	4,557,200

Schedule

forming part of the Profit & Loss Account

		Rupees	
		Year ended 31.03.2010	Year ended 31.03.2009
SCHEDULE : 10			
Other Income			
Profit on Sale of Fixed Assets		3,811	161,200
Rent (TDS Rs.661800)		6,000,000	-
Interest (TDS Rs.102966, P.Y.Rs.127732)		1,103,998	1,154,278
Miscellaneous Income		2,291,295	47,860
Insurance Claim Received		412,791	275,557
Foreign Exchange Flucutation Gain		746,112	10,527,322
		10,558,007	12,166,217
SCHEDULE : 11			
Increase in Stocks			
Stocks at Commencement			
Finished Goods	15,353,553		16,472,990
Work-in-Process	54,979,043		57,028,036
Scrap	48,620		844,599
		70,381,216	74,345,625
Stock at Close			
Finished Goods	33,719,273		15,353,553
Sales in Transit (Refer Note No.10 of Schedule 18)	17,115,393		-
Work -in-Process	71,777,898		54,979,043
Scrap	342,870		48,620
		122,955,434	70,381,216
		52,574,218	(3,964,409)
SCHEDULE : 12			
Raw Material, Components Consumed & Goods Traded			
a) Raw Material and Components Consumed			
Opening Stock	66,337,675		120,898,118
Add : Purchases during the year (Net of Returns)	1,296,308,377		919,656,284
		1,362,646,052	1,040,554,402
Less : Closing Stock		117,379,733	66,337,675
		1,245,266,319	974,216,727
Less : Sales of Scrap		23,889,416	28,442,385
Total - (a)		1,221,376,903	945,774,342
b) Cost of Goods Traded			
		46,041,064	18,592,299
Total - (a + b)		1,267,417,967	964,366,641
SCHEDULE : 13			
Personnel Expenses			
Salaries and Wages		121,279,765	87,417,382
Contribution to Provident Fund and other Funds		8,711,258	7,114,046
Welfare and Other Expenses		7,163,782	7,994,771
		137,154,805	102,526,199

	Rupees	
	Year ended 31.03.2010	Year ended 31.03.2009
SCHEDULE : 14		
Other Expenses		
Stores and Tools Consumed	32,823,975	26,520,817
Carriage Inward	26,322,018	20,049,664
Power and Fuel	21,392,519	14,150,726
Jobwork Charges	31,382,445	22,961,525
Repairs and Maintenance to Machinery	1,151,653	2,337,753
Repairs to Building	1,513,853	942,924
Others Repairs	7,170,518	4,823,321
Factory Expenses	3,460,496	1,501,652
Rent	19,269,009	9,300,105
Rates and Taxes	-	21,039
Insurance	2,567,860	1,627,823
Conveyance	4,774,344	5,349,195
Travelling Expenses	18,616,992	19,113,796
Legal and Professional Charges	20,969,520	16,872,546
Statutory Auditors' Remuneration	562,000	618,380
Printing and Stationary	1,750,709	1,180,089
Communication Expenses	3,158,519	3,245,196
Books, Subscription and Membership	37,626	59,663
Directors' Sitting Fees	415,000	370,000
Office Expenses	996,753	548,500
General Expenses	13,500,197	10,766,532
Sundry Balance Written off (Net)	1,731,344	2,624,582
Advertisement Expenses	451,039	507,904
Marketing and Sales Promotion	43,822,790	32,113,663
Discount, Commission and other Expenses on Sales	39,230,761	42,462,387
Packing and Forwarding Expenses	45,314,424	34,157,408
Excise Duty on Finished Goods Stock	2,170,095	540,656
	344,556,459	274,767,846
SCHEDULE : 15		
Miscellaneous Expenditure Amortised		
Company Formation Expenses	176,598	176,603
Share Issue Expenses	1,850,300	1,850,300
Fees for Increase in Authorised Share Capital	170,000	170,000
	2,196,898	2,196,903
SCHEDULE : 16		
Interest & Financial Charges		
Interest on Term Borrowings	48,209,342	26,495,749
Interest on Working Capital Facilities	34,329,609	34,434,396
Bank Charges	3,148,858	4,535,874
	85,687,809	65,466,019

SCHEDULE : 17**Significant Accounting Policies****1. General**

The Financial Statements are prepared under historical cost convention on accrual basis and they are in consonance with generally accepted accounting principles in India and applicable Accounting Standards notified u/s 211 (3C) of the Companies Act, 1956. Effect of deviations, if any from the accounting standards vis-a-vis the treatment consistently adopted is disclosed in the accounts, wherever relevant and material.

2. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

3. Fixed Assets / Intangible Assets

- i) Fixed assets are stated at cost of acquisition / construction. The cost of fixed assets includes direct / indirect apportioned expenses incurred for the purpose of acquiring fixed assets, net of cenvat credit on qualifying assets. Press Tools and such type of machinery items developed in house are capitalized at direct cost plus overheads and standing charges.
- ii) Pre- operative expenses, comprising revenue expenses incurred up to the date of commencement of production are apportioned to fixed assets.
- iii) Expenditure (including technical know-how) incurred on product development yielding future economic benefits is recognized as internally generated Intangible Asset as per Accounting Standard 26 on "Intangible Assets".

4. Depreciation/Amortization

- i) Depreciation is charged on straight-line method (SLM), at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956. Depreciation on additions during the year to fixed assets is charged on pro-rata basis.
- ii) Intangible Assets are amortized as follows:
 - (a) Product Development: over a period of ten years after commencement of commercial production of relevant item.
 - (b) Computer Software: over a period of three years from the date it is operationalized.
 - (c) Website Development: over a period of three years.

5. Investments

Investments are stated at cost.

6. Inventories

Inventories are valued in accordance with Accounting Standard (AS)-2 at lower of cost (exclusive of taxes and cenvat credits availed on inputs) and net realizable value. It is on FIFO basis in respect of raw material stocks at Sitarganj Unit and on weighted average basis in respect of stocks at other Units. Finished goods and Work-in-Progress are valued at aggregate cost determined, comprising material cost and manufacturing overheads. Finished Goods include Excise Duty. Scrap is valued at realizable value.

7. Impairment of Assets

Impairment of assets is recognized when there is an indication of impairment. On such indication, the recoverable amount of asset is estimated and if such estimation is less than its book value, the book value is reduced to its recoverable amount.

SCHEDULE : 17 (Contd.)

8. Revenue Recognition

- (i) Sales and services are accounted for on dispatch of products from the works and which are followed by transfer of risk and reward to the customers upto the time the financial statements of the Company are adopted.
- (ii) Insurance Claims are accounted as and when admitted.
- (iii) Other income is accounted on accrual basis except when the realization of such income is uncertain.

9. Foreign Currency Transactions

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currency are restated at year end exchange rates. Non monetary Items (Investments) denominated in foreign currency are stated using the exchange rate on the date of transaction. Exchange differences arising on settlement of transactions and on restatement of monetary items are recognized as income or expense in the year in which they arise, except in respect of the liabilities for acquisition of fixed assets, where such exchange difference is adjusted in the carrying cost of fixed assets.

10. Cenvat Credit

Cenvat credit available on the material inputs is adjusted against consumption. Cenvat credit available on capital goods is adjusted against cost of fixed assets. Cenvat credit remaining unutilized is shown as receivables in Loans and Advances.

11. Miscellaneous Expenditure

- (i) Company Formation expenses are amortized over a period of -6- years.
- (ii) Share Issue Expenses are amortized over a period of -5- years.
- (iii) Fees for Increase in Authorized Share Capital is amortized over a period of -5- years.

12. R & D Expenses

All expenses with respect to new designs, improvements in designs, manufacturing processes, quality assurance, product life and efficacies and associated administrative expenses of Research and Development Department, etc are grouped under the head "R & D Expenses" & charged to Profit and Loss account.

13. Selling/ Marketing expenses

- (i) Warranty is extended on products sold. Warranty expenses are accrued / accounted as and when claim is accepted.
- (ii) Commission, Discount and other expenses payable on sales are recognized on determination of amount payable in accordance with arrangements / contracts with the parties.

14. Employee Benefits

i) Short Term Employee Benefits

Short term employee benefits are recognized as an expense at the undiscounted amounts in the profit and loss account of year in which the related services are rendered.

ii) Defined Contribution Plans

Provident Fund & ESIC are defined contribution schemes established under a State Plan. The contributions to the schemes are charged to the profit and loss account in the year when the contributions become due.

SCHEDULE : 17 (Contd.)**iii) Defined Benefit Plans**

The company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on post employment at 15 days salary (last drawn salary) for each completed year of services as per the rules of the company. The aforesaid liability is provided for on the basis of an actuarial valuation made using Project Unit Credit Method at the end of the financial year. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

Actuarial gains/losses are recognized in profit and loss account in the year in which they arise.

iv) Compensated Absences

Employees are entitled to accumulate leave subject to certain limits for future encashment. The liability in respect of leave encashment is provided for on the basis of actuarial valuation made at the end of the financial year using Project unit credit method. The said liability is not funded.

15. Borrowing Costs

Borrowing cost that are attributable to the acquisition, construction or production of qualifying assets are capitalized as a part of cost of such assets. All other borrowing costs are recognized as expense in the period in which they are incurred.

16. Taxes on Income

Deferred tax is recognized on timing differences; being the difference between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets are recognized only to the extent there is virtual certainty of its realization.

17. Provisions and Contingent liabilities

- i) Provisions in respect of present obligations arising out of past events are made in the accounts when reliable estimates can be made of the amount of the obligation.
- ii) Contingent liabilities are disclosed by way of a note to the Financial Statements, after careful evaluation by the management of the facts and legal aspects of the matter involved.

SCHEDULE : 18**Notes forming part of Accounts for the year ended 31st March 2010**

1. The figures of previous year are reclassified/regrouped / restated for consistent presentation, wherever necessary.
2. Figures in brackets represent previous year's figures.
3. The Company has repaid its entire term liabilities to Financial Institutions. The additional claim, if any, on final reconciliation and confirmation by financial institutions will be considered as and when communicated.
4. During the year under audit, the Company's wholly owned subsidiary (WEW Holding Limited – Mauritius) disinvested its 100% stake in Setco Global GmbH- Austria. The said disinvestment has no major impact on the operations of the Company. On such disinvestment, Setco Global GmbH has now ceased to be the Company's step subsidiary. The Company is in the process of necessary compliances with relevant authorities and in the opinion of the management, Company does not expect any material liability on account of disinvestment.
5. The company has purchased the land and factory buildings situated at village Alindra, Taluka Kalol. The company has paid Rs 259.28 lacs towards full price consideration and other incidental expenses including stamp duty etc. for the land and buildings. Possession of the land and buildings is also given to the Company by the concerned authorities. Execution of Conveyance Deed is in progress with Revenue Authorities. In the opinion of management, Company has a clear and marketable title to the land, and hence, the price consideration paid is capitalised and disclosed in Block of Fixed Assets in Schedule – 5 of the Balance Sheet.

SCHEDULE : 18 (Contd.)

6. Exceptional/ Extraordinary items charged to profit & loss account for the year include:
- An old excise Duty matter, contested in Gujarat High court / Supreme Court adjudicated during the year of Rs. NIL (Rs. 14,271,256.)
 - Loss Rs.NIL (Rs. 122, 68,700) in respect of Derivative transaction on account of adverse foreign exchange fluctuation.
7. i) Secured Credit facilities are from Bank of Baroda & HDFC Bank Limited. They are secured on pari passu basis as under :
- Term Loans are secured by first charge by way of equitable mortgage of immovable properties and hypothecation of movable properties and the second charge on stocks and book debts present and future.
 - Cash Credits are secured by first charge by way of hypothecation of stocks, stores and components etc. and book debts and the second charge by way of equitable mortgage of immovable properties and hypothecation of movable properties present and future.
- ii) Unsecured loan from Tata Capital Limited is guaranteed by pledge of shares of SAL held by Shri Harish Sheth, the Chairman & Managing Director and by his personal guarantee.
8. Deferred tax arising on account of timing differences have been recognized as per Accounting Standards (AS) – 22. The major components thereof are as under:

Particulars	Rs. Lacs	
	31.03.2010	31.03.2009
Difference in WDV of Fixed Assets as per books and as per income tax	1229.36	653.79
Deferred Tax liability	408.36	222.22
Total provision made as per Profit and Loss account	186.14	124.44

Note: The Deferred tax liabilities are computed on the basis of set-off / adjustments and tax liability based on income for the financial year 2009-2010 (Assessment Year 2010-2011) as per Income Tax Act 1961.

9. Contingent Liabilities

- Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 10,394,134 (Rs. 16,260,508)
 - Guarantees given by the bank on behalf of the Company Rs. 1,773,000 (Rs. 1,773,000)
 - Guarantee given to ICICI Bank Limited, U.K. For ultimate subsidiary credit facilities Rs. 157,573,000 (Rs.168,958,000) (£ 2.3 million)
 - Guarantee given to Bank of Baroda, New York, USA for ultimate subsidiary credit facilities Rs.272,412,800 (Rs.307,363,650) (\$ 5.995 million)
 - Bills Receivable discounted with the Bank and not matured Rs. 1,142,795 (Rs. 5,663,272)
 - Warranty is extended on products sold, undertaking to repair or replace the items that fail during the warranty period. The warranty expenses are accrued / accounted as and when claim are accepted.
 - Income Tax demand under dispute of Rs. 2,785,755 (Rs. 7,02,265)
10. The Products dispatched from the factory, which remained in transit in respect of which the risk and reward have not been transferred till the date of adoption of this financial statements amounts to Rs. 220.08 lacs. With a view to reflect the true and correct position of revenue the said amount is reduced from the total turn-over during the year and the stock value thereof of Rs. 171.15 lacs is shown under the head "Sales in Transit" in Schedule 7 under the head "Inventories".

Earlier Company was recognizing sales on despatches from works without having regard to transfer of risk & rewards to the customers. Rs. 1465.50 lacs is the amount of products dispatched during the year whose risk & rewards have been transferred by the time of adoption of these accounts. This change is adopted with a view to consider commercial prudence, past consistent practices of major customers and to present realistic position of revenue. The profit recognized / realized on such sales is Rs.385.70 lacs.

SCHEDULE : 18 (Contd.)

11. Disclosure pursuant to AS – 15 (Revised) 'Employee Benefits'

i) Transitional Obligations

During the year, company has adopted Accounting Standard (AS) – 15 "Employee Benefits" (Revised 2005) in respect of accounting for compensated absences. Consequent to its first time adoption, transitional liability difference of Rs. 1,539,029 /- has been adjusted against the opening balance of General Reserve. The current year liability of Rs. 177, 495/- is charged to Profit & Loss Account. This aggregate liability has been worked out by actuarial valuation using project unit credit method.

ii) Defined Contribution Plans

An amount of Rs. 8,711,258 (Rs.7,114,046) (Provident Fund & ESIC) is recognized as an expense and included in schedule 13 under the head "Personnel Expenses".

iii) Defined Benefit Plans

Contribution to Gratuity Fund

CHANGES IN BENEFIT OBLIGATION

	Current Year	Previous year
Opening defined benefits obligation	7,775,788	6,132,034
Interest Cost	622,063	490,563
Current Service Cost	976,861	817,925
Benefit Paid	(58,227)	(39,361)
Actuarial (Gain)/Loss on obligation	1,218,911	374,627
Closing defined benefit obligation	10,535,396	7,775,788

Fair Value of Plan Assets

	Current Year	Previous year
Opening fair value of plan assets	6,492,290	656,579
Expected Return on Plan assets	782,761	460,038
Contributions made by the employer during the year	3,585,081	5,415,034
Benefit Paid	(58,227)	(39,361)
Actuarial Gain/(Loss) on Plan assets	-	-
Closing fair value of plan assets	10,801,905	6,492,290

Amount Recognised in the Balance Sheet

	Current Year	Previous year
Defined Benefit Plan - Gratuity (Funded)		
Present value of funded obligation	(10,535,396)	(6,492,290)
Present value of non-funded obligation (*)	-	(1,283,498)
Total Obligation	(10,535,396)	(7,775,788)
Fair Value of Plan Assets at the end of the year	10,801,905	6,492,290
Net Asset /(Liability) included under Schedule "7" – Loans & Advances	266,509	(1,283,498)

(*) Since funded

SCHEDULE : 18 (Contd.)

Expenses Recognised in the Profit & Loss Account

	Current Year	Previous year
Current Service Cost	976,861	817,925
Interest Cost on Benefit obligation	622,063	490,563
Expected Return on Plan Assets	(782,761)	(460,038)
Net actuarial (Gain) or Loss recognized during the year	1,218,911	374,627
Amount Included in Schedule "13" –Personnel Expenses	2,035,074	1,223,077

Balance Sheet Reconciliation

	Current Year	Previous year
Opening Net Liability	1,283,498	5,487,910
Transition Liability / (Asset)- adjusted in General Reserve at the beginning of the year	-	(12,455)
Expense as above	2,035,074	1,223,077
Contributions made during the year	(3,585,081)	(5,415,034)
Amount recognized in Balance Sheet	(266,509)	1,283,498

The Principal Actuarial Assumption at the Balance Sheet Date

	Current Year	Previous year
Mortality Table - LIC		1994-96 (Ultimate)
Discount rate	8%	8%
Estimated future salary growth	7%	7%
Expected rate of return on plan assets	9%	9%
Valuation Method	Projected Unit Credit Method	Projected Unit Credit Method

12. The Company has not received information from suppliers or service providers, whether they are covered under Micro, Small and Medium Enterprises (Development) Act, 2006 and hence, it has not been possible to give the required information relating to such suppliers and amounts unpaid, if any, as at year end.
13. In the previous year, the Company has initiated the process of obtaining balance confirmations in respect of sundry debtors / sundry creditors. Such balance confirmations are under reconciliation process. Necessary adjustments, if any, will be accounted when the same is reconciled. In respect of other debit / credit balances, balance confirmations have not been obtained, and therefore, are subject to reconciliation and adjustment, if any.
14. In the absence of notification specifying the effective date and the applicable rate and amount of cess to be levied towards a fund to be established for rehabilitation and revival of Sick Industrial Units in terms of section 441 A of the Companies Act, 1956 as inserted by the Companies (Second Amendment) Act, 2003, no provision is made for the cess in the accounts for the year.
15. During the year, valuation of inventories is carried out on weighted average basis for all units other than Sitarganj unit on account of implementation of SAP computerized system. Profit for the year are higher by Rs. 2.33 lacs on account of this change.

SCHEDULE : 18 (Contd.)**16. i) Managerial Remuneration : (Included under Salaries & Wages in Schedule No. 13)**

		Rs. in lacs	
Sl.No.		Current Year	Previous year
1.	Chairman & Managing Director		
	i) Salary	6,000,000	6,000,000
	ii) Contribution to Provident Fund	720,000	720,000
	iii) Commission	7,763,736	1,600,000
2.	Executive Directors		
	i) Salary & Allowances	10,400,000	5,310,000
	ii) Contribution to Provident Fund	936,000	558,000
3.	Non-Executive Directors		
	i) Commission	2,752,747	-
	Total	28,572,483	14,188,000
	Total managerial remuneration Rs. 28,572,483 (Rs. 14,188,000).		

ii) Computation of Net Profit under section 349 of the Companies Act 1956.

		Rs. in lacs	
		Current Year	Previous year
A.	Net Profit as per Profit & Loss Account	1780.56	1147.47
Add: B :	1. Provision for Depreciation as per Profit & Loss Account	621.99	299.99
	2. Remuneration to Directors	285.72	141.88
	3. Directors Sitting Fees	4.15	3.70
	4. Provision for Corporate Tax	418.57	109.60
	5. Provision for Deferred Tax	186.14	124.44
	6. Provision for Fringe Benefits	-	19.81
	7. Tax Adjustment for Earlier Years	77.64	21.64
	Sub Total B	1594.21	721.06
	Sub Total (A + B)	3374.77	1868.53
Less: C :	1. Depreciation under Section 350 of Companies Act 1956	621.99	299.99
	2. Profit on sale of Assets as per books	0.04	1.61
	Sub Total C	622.03	301.60
	Net Profit as per Section 349 of the Companies Act 1956	2752.74	1566.93
	Maximum Permissible Managerial Remuneration @ 10% is	275.27	156.69
	Maximum Permissible Remuneration including commission to		
	i) Chairman & Managing Director is 5% of Rs. 2752.74	137.64	78.35
	ii) Two Executive Directors is 5% of Rs. 2752.74	137.64	78.35
	iii) Non-Executive Directors is 1% of Rs. 2752.74	27.53	-

17. Related Party information**i) Names of related parties and nature of relationship :**

Shri Harish Sheth, Managing Director of the Company is interested in Setco Engineering Private Limited (formerly Setco Auto Private Limited), SE Transstadia Private Limited, Transstadia (Ahmedabad) Private Limited, Western Engineering Works as director / partner, whereas one of his relatives is a partner in Gujarat Engineering Company. Mr. Shvetal Vakil is Executive Director of the Company.

Mr. Udit Sheth – the Executive Director is a relative of the Managing Director and also interested as Director in SE Transstadia Private Limited and Transstadia (Ahmedabad) Private Limited and as partner in the firm of Western Engineering Works.

SCHEDULE : 18 (Contd.)

Mrs. Urja Harshal Shah (President – Corporate office) & Mr. Harshal J. Shah (Director) are relatives of Mr. Harish K. Sheth and Mr. Udit H. Sheth the Managing & Executive Director respectively.

List of Subsidiaries :

- Setco Automotive (UK) Limited, UK
- Setco Automotive (NA) Inc., USA
- WEW Holdings Limited, Mauritius

List of Associate Concerns :

- SE Transstadia Private Limited
- Transstadia (Ahmedabad) Private Limited
- Setco Engineering Private Limited

ii) Transactions with Related Parties

Nature of Transaction	Current Year (Rs.)	Previous year (Rs.)
A) Transaction with Wholly Owned Subsidiary		
Export	69,154,551	83,517,652
Royalty	15,882,959	27,936,013
Import	7,887,478	—
Expenditure including Capital items	30,419,154	7,029,090
Interest Income	499,840	557,480
Outstanding at Year End		
Investment	187,651,433	118,789,700
Advances	31,204,484	28,688,281
Amount Receivable	54,773,083	70,170,591
Amount Payable	15,197,986	7,239,781
B) Transaction with Associate Concerns		
Purchase & Job work Out sourcing Expense	15,464,464	12,769,561
Investment-Share Application Money	10,000,000	-
Rent	6,000,000	
Marketing Commission	22,054,748	19,311,420
Outstanding at Year End		
Amount Receivable	978,934	1,604,381
C) Transaction with Key Management Personnel and their relatives		
Managerial Remuneration		
(Excluding Commission to Non-Executive Directors)	25,819,736	14,188,000
Leave and License Fees	225,000	900,000
Others (Relative)	108,000	
Outstanding at Year End	-	-
Amount payable	7,856,436	1,528,903

In terms of approval by the Central Government u/s 297 of the Companies Act, 1956 commission is payable to a firm (in which the directors are interested) on OE and SPD sales achieved @2% (1.5%) based on the sales figures reported in the audited accounts. Commission payable in respect of sales during the period 2008-2009 has been accounted during the year under review. Advance of Rs.368.07 lacs (Rs.200.99 Lacs) due from the firm represents amount paid towards expenses during the year to be adjusted against commission to be determined on approval of accounts for the year ended 31st March, 2010 as per consistent policy followed from year to year.

SCHEDULE : 18 (Contd.)

18. Loans and Advances in the nature of loans given to Subsidiaries and Associates in terms of clause 32 of listing agreement.

Rupees					
Sl. No.	Name of the Company	As at 31.03.2010	As at 31.03.2009	Maximum Balance during the year 31.03.2010	Maximum Balance during the year 31.03.2009
1	Setco Automotive (UK) Limited UK (Subsidiary)	14,026,690	10,895,508	14,026,690	17,876,544
2	Setco Automotive (NA) Inc., USA (Subsidiary)	16,517,358	9,725,653	16,517,358	9,725,653
3	WEW Holdings Limited, Mauritius (Subsidiary)	660,436	708,120	660,436	708,120
4	Setco Global GMBH, Austria (Subsidiary)	-	7,359,000	18,757,495	73,59,000

19. Segment Information:

The Company is operating only in one business segment viz. Auto Components.

20. Remuneration to Auditors for other services:

	Current Year (Rs.)	Previous year (Rs.)
Tax Audit & other services	4,38,000	3,38,000

21. Transaction in Foreign Currency.

	Current Year (Rs.)	Previous year (Rs.)
i) Value of Components Imports on CIF Basis	480,673,164	314,228,479
ii) Expenditure in Foreign Currency		
a. Travelling Expenses	2,525,060	3,413,118
b. Royalty	15,882,959	27,936,013
c. Technical Fees	85,63,750	-
d. Market Research Expenses	22,216,995	-
iii) Earnings in Foreign Currency		
a. Export on FOB Basis	113,999,603	116,267,138

22. Quantitative Information: (As certified by the Management)

i) Details of Capacity and Production

Class of Goods	Installed Capacity	Production
	(Numbers)	
Clutch Driven Plate	550,000	491,459
	(550,000)	(360,153)
Clutch Cover Assembly	300,000	224,124
	(300,000)	(157,941)
Other Components	—	5,900,193
		(1,627,838)

SCHEDULE : 18 (Contd.)

ii) Consumption

a) Raw Material & Components

Sr. No.	Particulars		Current Year		Previous Year	
			Quantity	Value (Rs.)	Quantity	Value (Rs.)
1	Steel Strips	Kgs.	65,04,430	278,227,216	3,595,307	180,419,726
2	Springs	Nos.	10,763,981	128,894,327	8,023,244	79,190,543
3	Ceramic Buttons	Nos.	6,001,240	460,583,774	4,961,566	324,227,515
4	Castings	Nos.	347,439	188,346,391	383,877	172,418,955
5	Other Component/Realization			189,214,611		217,959,988
				1,245,266,319		974,216,727
	Less : Sales of scrap			23,889,416		28,442,385
	Total (a)			1,221,376,903		945,774,342
b)	Cost of Traded Goods			46,041,064		18,592,299
	Total (a + b)			1,267,417,967		964,366,641

c) Stores & Tools Rs. 32,823,975 (Rs.26, 520,817) all indigenous.

d) The Consumption of Raw Material & Components includes consumption of Imported Components Rs.46,34,68,813 (Rs. 35,14,48,898), which is 37.95% (36.44%) in total consumption.

iii) (a) Sales and Stocks of Finished Goods

	Opening Stock		Production	Closing Stock		Sales	
	Qty. (Nos.)	Value (Rs.)		Qty. (Nos.)	Value (Rs.)	Qty. (Nos.)	Value (Rs.)
Clutch Driven Plate	11,823	9,097,165	491,459	15,998	17,508,038	487,284	1,092,529,612
	(11,894)	(8,475,597)	(360,153)	(11,823)	(9,097,165)	(362,266)	(842,805,692)
Clutch Cover Assy.	4,245	2,734,699	224,124	5,311	7,769,048	223,058	874,188,876
	(4,551)	(3,952,196)	(157,941)	(4,245)	(2,734,699)	(158,409)	(643,907,216)
Others Components	-	3,521,689	-	-	8,442,187	-	245,612,948
	-	(4,045,197)	-	-	(3,521,689)	-	(223,430,948)
Total (a)	16,068	15,353,553	715,583	21,309	33,719,273	710,342	2,212,331,436
	(16,445)	(16,472,990)	(518,094)	(16,068)	(15,353,553)	(520,675)	(1,710,143,856)
(b) Trading item	-	-	-	-	-	-	46,174,278
	-	-	-	-	-	-	(18,503,191)
Total (a + b)	16,068	15,353,553	715,583	21,309	33,719,273	710,342	2,258,505,714
	(16,445)	(16,472,990)	(518,094)	(16,068)	(15,353,553)	(520,675)	(1,728,647,047)

* Inclusive of Nos. 122(192) clutch plates and 97 Nos.(88) cover assemblies distributed as free Samples.

23. Determination of Profits & Capital for computation of EPS :

Particulars	(Rs. In lacs)	
	Current Year	Previous Year
Profit available to Equity Shareholder after Tax before Extra Ordinary Items	1780.56	1412.87
Less : Adjustment of Extra Ordinary Items	-	265.40
Profit available to Equity Shareholder after Extra Ordinary items	1780.56	1147.47
No. of Equity Shares of Rs. 10/- each		
Basic & Diluted	8,821,880	8,821,880
Earnings Per Share in Rs. :		
Basic & Diluted		
i) Before Extra Ordinary Items	20.18	16.02
ii) After Extra Ordinary Items	20.18	13.01

SCHEDULE : 18 (Contd.)

24. Additional information pursuant to part IV of Schedule VI to the Companies Act, 1956, in terms of Notification No. GSR 388 (E), dated 15th May, 1995, issued by the Ministry of Law, Justice and Company Affairs, Department of Company Affairs.

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No.	5203 State Code: 04
Balance Sheet Date	31.03.2010

II. Capital raised during the year.

(Amount in Rs. Thousands)

Public Issue	Nil
Rights Issue	Nil
Bonus Issue	Nil
Private Placement	Nil

III. Position of Mobilization and Development of funds. (Amount in Rs. Thousands)

Total Liabilities	1,488,987	Total Assets	1,488,987
Sources of Funds		Application of Funds	
Paid-up Capital	88,219	Net Fixed Assets	691,407
Reserves & Surplus	545,121	Investment	197,652
Secured Loans	752,060	Net Current Asset	597,567
Unsecured Loan	62,750	Misc. expenditure	2,360
Deferred Tax Liabilities	40,836		

IV. Performance of Company

Total Revenue	2,154,166	Total Expenditure	1,907,875
Profit Before Tax	246,291	Deferred/Fringe benefit/Corporate Tax	68,235
Profit After Tax	178,056		
		Proposed Dividend (final) Rate	30%
		Earning Per Share	20.18

V. Generic Names of Three Principal Products / Services of Company

(as per Monetary terms)

Item Code (ITC Code) No.	870893 00
Product Description	1. Clutch Driven Plate
	2. Clutch Cover Assembly

As per our report of even date attached
For **Manesh Mehta & Associates**

Manesh P. Mehta
Partner

Harish Sheth
Chairman and Managing Director
Satish Deshpande
Director

Vinay Shahane
Associate Vice President, Finance

For and on behalf of the Board

Udit Sheth
Executive Director
Ashok Kumar Jha
Director

Shveta Vakil
Executive Director
Bhalachandra Naik
Director
Pratap Merchant
Director

Mihir Mehta
Company Secretary

Place : Mumbai
Date : June 28, 2010

Place : Mumbai
Date : June 28, 2010

Cash Flow Statement for the Year ended on 31st March, 2010

	Rupees	
	2009-2010	2008-2009
A CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax	246,291,045	142,296,668
Adjustment for		
Depreciation	62,198,982	29,997,267
Miscellaneous Expenses Written off	2,196,898	2,196,903
(Profit) / Loss on Sale of Assets	(3,811)	(161,200)
Interest Expense	85,687,809	65,466,019
Interest Income	(1,103,998)	(1,154,278)
Fringe benefit tax & Corporate tax	(49,620,598)	(15,106,050)
Operating Profit / (Loss) before Working Capital Changes	345,646,327	223,535,329
Sundry Debtors	(53,582,728)	(27,215,523)
Inventories	(109,104,431)	57,343,134
Loans and Advances	(40,104,365)	(45,625,140)
Current Creditors	57,647,234	(14,142,619)
Other Liabilities	17,100,079	(396,181)
Gratuity Adjustment	-	12,455
Compensated Absences Adjustment	(1,539,029)	-
Cash Flow Generated from Operations	216,063,087	193,511,455
Direct Taxes (Tax deducted at Source)	(984,003)	(9,682)
Cash Flow from Asset - Misc.exps.	-	3,225,734
Net Cash Flow from Operating Activities	215,079,084	196,727,507
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed Assets	(96,126,565)	(204,418,877)
Intangible Asset	(1,628,037)	(13,658,940)
Profit/(Loss) on sale of fixed assets	3,811	161,200
Adjustment in Depreciation Reserve	(542,712)	(241,696)
Interest received	1,103,998	1,154,278
Decrease/(Increase) in Investment	(78,861,733)	-
Net Cash used in Investing Activities	(176,051,238)	(217,004,035)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Cash Credit	142,036,537	52,077,443
Proceed from term loans	93,873,430	146,887,692
Repayment of Borrowings	(162,379,042)	(71,139,173)
Interest paid	(85,687,809)	(65,466,019)
Dividend & Dividend Distribution Tax	(30,861,252)	(25,802,900)
Net cash flow from Financing Activities	(43,018,136)	36,557,043
Net increase in Cash and Cash equivalents (A+B+C)	(3,990,290)	16,280,515
Opening Cash and Cash equivalents	22,648,530	6,368,015
Closing Cash and Cash equivalents	18,658,240	22,648,530

Notes :

- The above Cash Flow Statement has been prepared under the "Indirect method" as set out in the Accounting Standard - 3 On Cash Flow Statements , issued by the Institute of Chartered Accountants of India.
- Previous years figures have been regrouped / restated / reclassified wherever necessary.
- Cash and Cash Equivalents includes cash on hand and deposit accounts held with scheduled banks.

As per our report of even date attached
For **Manesh Mehta & Associates**

Manesh P. Mehta

Harish Sheth
Chairman and Managing Director
Satish Deshpande
Director

Vinay Shahane
Associate Vice President, Finance

For and on behalf of the Board

Udit Sheth
Executive Director
Ashok Kumar Jha
Director

Shveta Vakil
Executive Director
Bhalachandra Naik
Director
Pratap Merchant
Director

Mihir Mehta
Company Secretary

Place : Mumbai
Date : June 28, 2010

Place : Mumbai
Date : June 28, 2010

Consolidated Financial

Statements

To,

The Board of Directors of

SETCO AUTOMOTIVE LIMITED

1. We have audited the attached Consolidated Balance Sheet of SETCO AUTOMOTIVE LIMITED ("the Company") and its subsidiaries (the Company and its Subsidiaries constitute "the Group") as at 31st March 2010 and also the Consolidated Profit and Loss Account and Consolidated Cash Flow Statement for the year ended on that date annexed thereto.
2. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared in all material aspects in accordance with an identified financial reporting framework and are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of the subsidiaries, whose financial statements reflect total assets of Rs. 5904.36 lacs, total revenues of Rs. 5708.76 lacs and cash inflows of Rs. 153.14 lacs. These financial statements have been audited by other auditors whose reports have been furnished to us by the Company, and our opinion is based solely on the reports of other auditors.
4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21, "Consolidated Financial Statements", notified under section 211 (3C) of the Companies act, 1956; except as regards :
Non-ascertainment & Non-elimination of unrealized profits, if any in respect of stocks lying with subsidiaries (Refer Note 4(ii) of Schedule 16)
5. Attention is invited to Accounting Policy No. 7(i) in Schedule 15 - "Significant Accounting Policies" and Note No. 4(i) in Schedule 16 - "Notes forming part of Consolidated Financial Statements" for the change in accounting policy made during the year in revenue recognition and its ultimate impact on the Profits and Reserves & Surplus of the company. The current year's profits and Reserves & Surplus are lower by Rs. 40,61,284/- on account of the said change.
6. Subject to Para 4, the effect of which could not be ascertained and based on our audit and on consideration of reports of other auditors on separate financial statements of subsidiaries, and to the best of our information and according to explanations given to us, we are of the opinion that, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a. in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at 31st March, 2010;
 - b. in the case of the consolidated Profit and Loss Account, of the consolidated results of the operations of the Group for the year ended on that date;
 - c. in the case of consolidated Cash Flow Statement, of the consolidated cash flows of the Group for the year ended on that date.

For **MANESH MEHTA & ASSOCIATES**

Chartered Accountants

(Firm Registration No.: 115832W)

(M.P.MEHTA)

Partner

(M. No. 36032)

Place: Mumbai

Date: 28/06/2010

Consolidated Balance Sheet as at 31st March, 2010

			Rupees	
	Schedule		As at 31.03.2010	As at 31.03.2009
I. SOURCES OF FUNDS :				
1. Shareholders' Funds				
a. Share Capital	1	88,218,800		88,218,800
b. Reserves and Surplus	2	578,659,478		484,913,382
			666,878,278	573,132,182
2. Loan Funds				
a. Secured Loans	3	1,080,712,291		1,067,224,549
b. Unsecured Loans	4	89,800,107		89,668,935
			1,170,512,399	1,156,893,483
3. Deferred Tax Liabilities			31,402,726	25,151,120
Total			1,868,793,402	1,755,176,785
II. APPLICATION OF FUNDS :				
1. Fixed Assets				
a. Gross Block	5	1,193,367,482		838,531,684
b. Less : Depreciation		255,683,487		180,505,039
c. Net Block		937,683,995		658,026,645
d. Capital Work in Progress		-		276,594,153
			937,683,995	934,620,798
2. Investments	6		10,000,250	250
3. Current Assets, Loans and Advances	7			
a. Inventories		600,206,017		537,241,433
b. Sundry Debtors		363,405,925		347,029,973
c. Cash and Bank Balances		23,122,715		11,799,205
d. Loans & Advances		188,337,587		151,410,405
		1,175,072,245		1,047,481,015
Less: Current Liabilities and Provisions	8			
a. Liabilities		206,888,609		192,461,242
b. Provisions		49,434,776		39,021,235
		256,323,385		231,482,478
Net Current Assets			918,748,860	815,998,537
4. Miscellaneous Expenditure (to the extent not written off or adjusted)	9		2,360,297	4,557,200
Total			1,868,793,402	1,755,176,785
Significant Accounting Policies	15			
Notes on Accounts	16			

As per our report of even date attached
For **Manesh Mehta & Associates**

Manesh P. Mehta
Partner

Harish Sheth
Chairman and Managing Director
Satish Deshpande
Director

Vinay Shahane
Associate Vice President, Finance

Place : Mumbai
Date : June 28, 2010

For and on behalf of the Board

Udit Sheth
Executive Director
Ashok Kumar Jha
Director

Shveta Vakil
Executive Director
Bhalachandra Naik
Director
Pratap Merchant
Director

Mihir Mehta
Company Secretary

Place : Mumbai
Date : June 28, 2010

			Rupees
	Schedule	Year ended 31.03.2010	Year ended 31.03.2009
INCOME			
Sales (Including Excise & Sales Tax)		2,725,993,481	2,446,493,222
Less : Excise Duty & Sales Tax		145,464,098	126,462,100
		2,580,529,383	2,320,031,122
Less : Sales in Transit (Refer Note No.4(i) of Schedule 16)		22,008,212	-
		2,558,521,171	2,320,031,122
Other Income	10	23,789,915	12,135,442
Increase/(Decrease) in Stocks		52,574,218	(3,964,409)
		2,634,885,304	2,328,202,155
EXPENDITURE			
Raw Materials, Components Consumed & Goods Traded		1,470,510,657	1,276,174,877
Personnel Expenses	11	305,036,745	342,708,695
Other Expenses	12	436,548,376	364,839,456
R & D Expenses		8,967,266	2,492,278
Miscellaneous Expenditure Amortised	13	18,574,501	14,401,724
		2,239,637,546	2,000,617,030
Profit Before Depreciation, Interest, Exceptional/ Extra Ordinary Items & Tax		395,247,759	327,585,125
Depreciation		84,076,914	43,782,177
Interest & Financial Charges	14	113,916,170	91,351,898
		197,993,084	135,134,075
Profit Before Exceptional/Extra Ordinary Items & Tax		197,254,675	192,451,050
Less : Exceptional/Extra ordinary Items (Refer Note 7 of Schedule 16)		-	26,539,956
Profit for the year before tax		197,254,675	165,911,094
Less: Deferred Tax Adjustments		6,335,029	11,439,370
Provision for Fringe Benefit Tax		-	1,981,000
Provision for Corporate Tax		40,018,053	17,104,253
Tax Adjustment for Earlier Year		7,763,598	2,164,690
Profit Available for Appropriations		143,137,995	133,221,780
APPROPRIATIONS			
Proposed Dividend		26,465,640	22,054,700
Corporate Tax on Dividend		4,395,612	3,748,200
Transferred to General Reserve		17,805,645	11,474,662
Balance Profit		94,471,098	95,944,218
Profit Brought Forward from Previous Year		281,081,059	185,136,841
Profit Carried to Balance Sheet		375,552,157	281,081,059
Earning per share			
Nominal value per share (Rupees)		10	10
Basic and Diluted Earning per share (After Exceptional / Extra ordinary Items)		16.23	15.10
Basic and Diluted Earning per share (Before Exceptional / Extra ordinary Items)		16.23	18.11
Significant Accounting Policies	15		
Notes on Accounts	16		

As per our report of even date attached
For **Manesh Mehta & Associates**

Manesh P. Mehta

Harish Sheth
Chairman and Managing Director
Satish Deshpande
Director

Vinay Shahane
Associate Vice President, Finance

For and on behalf of the Board

Udit Sheth
Executive Director
Ashok Kumar Jha
Director

Shveta Vakil
Executive Director
Bhalachandra Naik
Director
Pratap Merchant
Director

Mihir Mehta
Company Secretary

Place : Mumbai
Date : June 28, 2010

Place : Mumbai
Date : June 28, 2010

	Rupees	
	As at 31.03.2010	As at 31.03.2009
SCHEDULE : 1		
Share Capital		
Authorised :		
2,00,00,000 (2,00,00,000) Equity Shares of Rs. 10 each	200,000,000	200,000,000
Issued, Subscribed & Paid -up :		
8821880 (8821880) Equity Shares of Rs.10 each	88,218,800	88,218,800
	88,218,800	88,218,800
* Of the Equity Shares issued and paid up 2,20,000 shares of Rs. 10/- each have been issued against loans and arrears of interest due to the promoter companies.		
SCHEDULE : 2		
Reserves and Surplus		
1. Capital Reserve		
i) On forfeiture of Shares	21,000	21,000
ii) On subsidiary acquisition	17,137,708	19,588,629
2. Securities Premium (On 12,50,000 shares @ Rs.110/- per share)	137,500,000	137,500,000
3. General Reserve		
Opening Balance	37,114,649	23,627,532
Add : Gratuity Adjustment (Transitional Adjustment)	-	12,455
Add : Transferred from Cash Subsidy A/c.	-	2,000,000
Add : Transferred from Profit & Loss A/c.	17,805,645	11,474,662
Less : Compensated Absences Adjustment	1,539,029	-
	53,381,265	37,114,649
4. Foreign Currency Translation Reserve	(4,932,653)	9,608,045
5. Profit & Loss Account	375,552,158	281,081,059
	578,659,478	484,913,382
SCHEDULE : 3		
Secured Loans		
From Banks		
1. Term Loans	398,882,687	517,570,889
2. Working Capital Facilities	681,829,604	549,653,660
(Refer Note No.6(i) of Schedule 16 for security and other details)		
	1,080,712,291	1,067,224,549
SCHEDULE : 4		
Unsecured Loans		
From Banks		
Bank of Baroda	50,000,000	-
From Others		
Tata Capital Ltd.	12,750,000	57,005,011
Roxburgh Capital	27,050,107	32,272,691
Interest Accrued and Due	-	391,233
(Refer Note No.6(ii) of Schedule 16 for security and other details)		
	89,800,107	89,668,935

Schedule forming part of the Consolidated Balance Sheet (Contd.)

SCHEDULE : 5

Fixed Assets

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK		Rupees
	Cost as on 01.04.2009	Additions for the year	Adjustment for the year	Cost as on 31.03.2010	Up to 01.04.2009	Additions for the year	Adjustment for the year	Up to 31.03.2010	As on 31.03.2010	As on 31.03.2009	
A Tangible Assets											
01 Land	55,433,747	25,927,872	1,887,995	79,473,624	-	-	-	-	79,473,624	55,433,747	
02 Building	139,896,002	121,461,502	6,513,167	254,844,337	13,880,453	9,037,819	561,009	22,357,264	232,487,073	126,015,548	
03 Plant & Machinery	351,446,188	222,217,247	9,921,283	563,742,152	128,644,616	51,693,349	6,385,546	173,952,419	389,789,733	222,801,572	
04 Furniture & Fixtures	17,795,017	1,668,581	-	19,463,598	2,255,258	1,156,797	-	3,412,055	16,051,543	15,539,759	
05 Office Equipments	9,223,461	131,166	560,628	8,793,999	2,087,488	725,726	123,938	2,689,276	6,104,723	7,135,973	
06 Vehicles	12,521,468	308,295	1,059,036	11,770,727	2,421,971	1,265,412	(93,151)	3,780,533	7,990,194	10,099,498	
07 Pollution Equipments	277,500	-	-	277,500	42,123	13,181	-	55,304	222,196	235,377	
08 Computers	14,264,018	15,275,975	312,303	29,227,691	5,507,691	4,974,434	115,699	10,366,426	18,861,265	8,756,328	
09 Electric Fittings	25,174,034	170,151	-	25,344,185	1,251,755	1,198,695	-	2,450,450	22,893,735	23,922,279	
Sub Total (Tangible Assets)	626,031,436	387,160,789	20,254,413	992,937,812	156,091,355	70,065,413	7,093,041	219,063,727	773,874,085	469,940,081	
B Intangible Assets											
i) Product Development	47,687,348	8,563,750	-	56,251,098	18,177,670	3,577,986	-	21,755,656	34,495,442	29,509,678	
ii) Technical Know how	25,117,630	-	1,241,240	23,876,390	2,775,310	-	-	2,775,310	21,101,080	22,342,320	
iii) Computer Software	28,852,275	16,263,791	11,210,254	33,905,812	1,223,054	8,495,581	-	9,718,635	24,187,177	27,629,221	
iv) Web Site Development	563,988	-	-	563,988	275,931	132,509	-	408,440	155,548	288,057	
v) Goodwill	66,943,355	-	6,861,564	60,081,792	1,961,719	-	-	1,961,719	58,120,073	64,981,636	
vi) Startup Costs	43,335,652	-	17,585,062	25,750,590	-	-	-	-	25,750,590	43,335,652	
Sub Total (Intangible Assets)	212,500,248	24,827,541	36,898,119	200,429,670	24,413,684	12,206,076	-	36,619,760	163,809,910	188,086,564	
Grand Total (A + B)	838,531,684	411,988,330	57,152,532	1,193,367,482	180,505,039	82,271,489	7,093,041	255,683,487	937,683,995	658,026,645	
C Capital Work in Progress											
01 Press Tools in Process	760,438	-	760,438	-	-	-	-	-	-	760,438	
02 Press Shop in Progress	275,833,715	-	275,833,715	-	-	-	-	-	-	275,833,715	
Total C	276,594,153	-	276,594,153	-	-	-	-	-	-	276,594,153	
Grand Total (A + B + C)	1,115,125,837	411,988,330	333,746,685	1,193,367,482	180,505,039	82,271,489	7,093,041	255,683,487	937,683,995	934,620,798	

Note: Adjustments during the year include impact of foreign exchange fluctuation of Rs.49,412,641 (Previous Year Rs.29,174,015)

Schedule forming part of the Consolidated Balance Sheet (Contd.)

		As at 31.03.2010	Rupees As at 31.03.2009
SCHEDULE : 6			
Investments (Unquoted & Long Term)			
i) 10 Equity Shares of Rs. 25/- each fully paid up of Kalol Urban Co. op. Bank Ltd. (At Cost)		250	250
ii) Share Application Money in Associate Concern		10,000,000	-
		10,000,250	250
SCHEDULE : 7			
Current Assets , Loans and Advances			
1. Current Assets :			
i) Inventories		600,206,017	537,241,433
ii) Sundry Debtors (Unsecured)		363,405,925	347,029,973
iii) Cash and Bank Balances:			
Cash on hand	1,943,085		2,248,357
Balance with Scheduled Banks:			
In Current Accounts	15,697,874		4,426,349
In Fixed Deposits	5,481,757		5,124,498
		23,122,715	11,799,205
2. Loans and Advances: (Unsecured)			
Advances (Recoverable in cash or in kind or for value to be received)	166,615,141		124,192,137
Sundry Deposits	16,627,277		17,182,102
Balance with Central Excise	3,972,771		9,897,771
Deduction of Tax At source	1,122,398		138,395
		188,337,587	151,410,405
		1,175,072,245	1,047,481,016
SCHEDULE : 8			
Current Liabilities and Provisions			
i) Sundry Creditors :			
For Goods		170,207,161	130,268,825
For expenses		17,752,386	43,096,419
ii) Other Liabilities		18,929,063	19,095,998
iii) Provisions			
For Compensated Absences		1,716,524	-
For Taxation (Net)		16,857,000	13,218,335
For Dividend		26,465,640	22,054,700
For Tax on Dividend		4,395,612	3,748,200
		256,323,385	231,482,477

	Rupees	
	As at 31.03.2010	As at 31.03.2009
SCHEDULE : 9		
Miscellaneous Expenditure (To the extent not written off or adjusted)		
i) Company Formation Expenses	-	176,601
ii) Share Issue Expenses	1,850,297	3,700,599
iii) Fees for Increase in Authorised Share Capital	510,000	680,000
	2,360,297	4,557,200
	Rupees	
	Year ended 31.03.2010	Year ended 31.03.2009
SCHEDULE : 10		
Other Income		
Profit on Sale of Fixed Assets	2,458,230	(83,027)
Rent	6,000,000	-
Interest	621,548	596,798
Miscellaneous Income	4,469,457	11,346,114
Royalty Income	9,526,250	-
Insurance Claim Received	412,791	275,557
Profit on disposal of investment	301,639	-
	23,789,915	12,135,442
SCHEDULE : 11		
Personnel Expenses		
Salaries and Wages	236,320,547	250,744,269
Contribution to Provident Fund and other Funds	59,496,194	83,969,655
Welfare and Other Expenses	9,220,004	7,994,771
	305,036,745	342,708,695

	Rupees	
	Year ended 31.03.2010	Year ended 31.03.2009
SCHEDULE : 12		
Other Expenses		
Stores and Tools Consumed	42,121,474	43,364,284
Carriage Inward	39,630,948	45,321,545
Power and Fuel	31,389,459	32,039,707
Jobwork Charges	31,382,445	22,961,525
Repairs and Maintenance to Machinery	3,734,619	9,804,913
Repairs to Building	2,022,049	1,583,980
Others Repairs	7,170,518	4,943,045
Factory Expenses	8,044,040	7,388,113
Rent	19,269,009	9,300,105
Rates and Taxes	4,308,898	4,712,929
Insurance	7,607,264	7,166,148
Conveyance	7,590,456	11,615,848
Travelling Expenses	23,521,052	32,136,845
Legal and Professional Charges	27,926,789	23,426,632
Statutory Auditors' Remuneration	1,374,246	1,262,634
Printing and Stationary & Computer Expenses	4,417,039	8,154,506
Communication Expenses	6,699,182	7,853,758
Books, Subscription and Membership	37,626	59,663
Directors' Sitting Fees	415,000	370,000
Office Expenses	2,769,540	998,083
General Expenses	16,474,617	13,157,005
Sundry Balance Written off (Net)	3,133,760	3,491,144
Foreign Exchange Fluctuation	1,006,642	(28,721,041)
Marketing and Sales Promotion	41,430,263	13,446,047
Advertisement Expenses	2,320,959	3,497,152
Discount, Commisison and other Expenses on Sales	41,219,964	41,352,374
Packing and Forwarding Expenses	57,360,422	43,611,856
Excise Duty on Finished Goods Stock	2,170,095	540,656
	436,548,376	364,839,456
SCHEDULE : 13		
Miscellaneous Expenditure Amortised		
Company Formation Expenses	16,554,201	12,381,424
Share Issue Expenses	1,850,300	1,850,300
Fees for Increase in Authorised Share Capital	170,000	170,000
	18,574,501	14,401,724
SCHEDULE : 14		
Interest & Financial Charges		
Interest on Term Borrowings	75,156,149	18,173,746
Interest on Working Capital Facilities	34,329,609	63,439,444
Bank Charges	3,988,702	5,022,904
Interest on Inter corporate deposits	(34,590)	-
Interest to Others	476,300	4,715,804
	113,916,170	91,351,898

SCHEDULE : 15

Significant Accounting Policies

1. Basis for preparation of consolidated financial statements

The consolidated financial statements have been prepared on accrual basis in accordance with generally accepted accounting principles and applicable Accounting Standards notified u/s 211 (3C) of the Companies Act, 1956 and comply with the Accounting Standard (AS 21) – Consolidated Financial Statements, subject to Note No.4 (i) and 4(ii) of Schedule 16.

2. Fixed Assets

The Fixed Assets are valued at cost including taxes, duties (net of tax credits) and direct/ indirect expenses incurred/ apportioned thereto. Press Tools and such other types of assets which are developed in house are capitalized at direct cost plus overheads and standing charges.

3. Depreciation

The depreciation on fixed assets is provided on Straight Line methods at the rates permissible under applicable local laws or at such rates so as to write off the value of assets over their useful life.

Intangible assets are amortized over specified periods depending upon production agreement period, useful commercial lives and likely economic benefits, as the case may be.

4. Impairment of Assets

Impairment of assets is recognized when there is an indication of impairment. On such indication, the recoverable amount of asset is estimated and if such estimation is less than the book value, the book value is reduced to its recoverable amount.

5. Inventories

Inventories are valued at the lower of cost (exclusive of taxes/ duties availed on its input) and net realizable value. It is on FIFO basis in respect of raw material stocks at Sitarganj Unit and on weighted average basis in respect of stocks at other units. Finished goods and work-in-progress are valued at aggregate cost determined, comprising material cost and apportioned overheads/ duties as applicable. Scrap is valued at realizable value.

6. Investments

Investments are valued at cost.

7. Revenue Recognition

- i) Sales and services are accounted for on dispatch of products from the works and which are followed by transfer of risk and reward to the customers up to the time the financial statements of the company are adopted.
- ii) Insurance claims are accounted as when admitted.
- iii) Other income is accounted on accrual basis except when realization of such income is uncertain.

8. Foreign Exchange

Transactions in foreign currency are recorded at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are restated at year-end exchange rates. Non-monetary items (investment) denominated in foreign currencies are stated using the exchange rate at the date of transaction. Exchange differences arising on settlement of transactions and on restatement of monetary items are recognized as income or expense in the years in which they arise, except in respect of the liabilities for acquisition of fixed assets, where such exchange difference is adjusted in carrying cost of fixed assets. Exchange differences arising on translation of monetary and non-monetary items referred to above being part of non-integral operations are accumulated in foreign currency translation reserve and is recognized as income or expense in the year in which such items are disposed off.

SCHEDULE : 15 (Contd.)**9. Selling / Marketing expenses**

- i) Warranty is extended on products sold. Warranty expenses are accrued/accounted as and when claim is accepted.
- ii) Commission, Discount and other expenses payable on sales are recognized on determination of amounts payable in accordance with arrangements / contracts with the parties.

10. Employee Benefits**i) Short Term Employee Benefits**

Short term employee benefits are recognized as an expense at the undiscounted amounts in the profit and loss account of year in which the related services are rendered.

ii) Defined Contribution Plans

Provident Fund & ESIC are defined contribution schemes established under a State Plan. The contributions to the schemes are charged to the profit and loss account in the year when the contributions become due.

iii) Defined Benefit Plans

The company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on post employment at 15 days salary (last drawn salary) for each completed year of services as per the rules of the company. The aforesaid liability is provided for on the basis of an actuarial valuation made using Project Unit Credit Method at the end of the financial year. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

Actuarial gains/losses are recognized in profit and loss account in the year in which they arise.

iv) Compensated Absences

Employees are entitled to accumulate leave subject to certain limits for future encashment. The liability in respect of leave encashment is provided on the basis of actuarial valuation made at the end of the financial year using Project Unit credit method. The said liability is not funded.

11. Miscellaneous Expenditure

- i) Company formation expenses are amortized over a period of 6 years
- ii) Share issue expenses are amortized over a period of 5 years.
- iii) Fees for Increase in Authorized Share Capital is amortized over a period of 5 years.

12. Taxes on Income

Deferred tax is recognized on timing differences; being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets are recognized only to the extent there is a virtual certainty of its realization.

13. Provisions and Contingent Liabilities

- i) Provisions in respect of present obligations arising out of past events are made in the accounts when reliable estimates can be made of the amount of the obligations.
- ii) Contingent liabilities are disclosed by way of notes to financial statements, after careful evaluation by the management of the facts and the legal aspects of the matter involved.

14. Borrowing Costs.

Borrowing Costs that are attributable to the acquisition, construction or production of qualifying assets are capitalized as a part of cost of such assets. All other borrowing costs are recognized as expense in the period in which they are incurred.

15. R & D Expenses

All expenses with respect to new designs, improvements in designs, manufacturing processes, quality assurance, Product Life and efficacies and associated administrative expenses of Research and Development Department, etc. are grouped under the head "R & D Expenses " and charged to Profit and Loss account.

SCHEDULE : 16

Notes forming part of consolidated financial statement

- The consolidated financial statements are based on the audited accounts of the parent company and the audited accounts of the wholly owned / step down subsidiaries of the same reporting date.
While consolidating the accounts, to the extent possible line by line additions are carried out for like items of assets, liabilities, income and expenses. All significant intra-group balances and transactions have been eliminated in consolidation.
The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible in the same manner as the parent company's separate financial statement.

2. Details of Subsidiaries

Names of Subsidiaries with country of incorporation	Percentage of Voting Power	Financial Year
i. Setco Automotive (UK) Limited – UK (SAUL)	20% by Setco Automotive Ltd. 80% by WEW Holding Limited	April to March
ii. Setco Automotive (N.A.) [Incorporation – U.S.A.(SANAI)] (Wholly owned Subsidiary of Setco Automotive (UK) Ltd.)	100%	April to March
iii. WEW Holding Limited [Mauritius (WEW)] (Wholly owned subsidiary of Setco Automotive Ltd. India)	100%	April to March

- During the year under audit, the Company's wholly owned subsidiary (WEW Holding Limited – Mauritius) disinvested its 100% stake in Setco Global GmbH- Austria. The said disinvestment has no major impact on the operations of the Company and group. On such disinvestment, Setco Global GmbH has now ceased to be the Company's step subsidiary. The Company is in the process of necessary compliances with relevant Indian authorities and in the opinion of the management, Company does not expect any material liability on account of disinvestment.
- The Products dispatched from the factory, which remained in transit in respect of which the risk and reward have not been transferred till the date of adoption of this financial statements amounts to Rs. 220.08 lacs. With a view to reflect the true and correct position of revenue, the said amount is reduced from the total turn-over during the year and the stock value thereof of Rs. 171.15 lacs is shown under the head "Sales in Transit" in Schedule 7 under the head "Inventories".
Earlier Company was recognizing sales on dispatches from works without having regard to transfer of risk & rewards to the customers. Rs. 1465.50 lacs is the amount of products dispatched during the year whose risk & rewards have been transferred by the time of adoption of these accounts. This change is adopted with a view to consider commercial prudence, past consistent practices of major customers and to present realistic position of revenue. The profit recognized / realized on such sales is Rs.385.70 lacs.
 - In the absence of information in accounts of subsidiaries about the stocks on hand out of inter-company transactions, the unrealised Profit on such stocks, if any, is unascertained.
- Impact of variations in accounting policies followed by respective subsidiaries in compliance of local regulations relating to amortization of some intangible assets, treatment of foreign exchange fluctuations have not been considered in this consolidation being unascertained.

SCHEDULE : 16 (Contd.)

6. i) Secured Credit facilities are from Bank of Baroda and HDFC Bank Limited. They are secured on Pari-Passu basis as under:
 - a) Term Loans are secured by first charge by way of equitable mortgage of immovable properties and hypothecation of movable properties and the second charge on stocks and book debts present and future.
 - b) Cash Credits are secured by first charge by way of hypothecation of stocks, stores and components etc. and book debts and the second charge by way of equitable mortgage of immovable properties and hypothecation of movable properties present and future.
- ii) Unsecured loan from Tata Capital Limited is guaranteed by & pledge of shares of SAL held by Mr. Harish Sheth, the Chairman and Managing Director and by his personal guarantee.
7. Exceptional / Extraordinary items charged to Profit & Loss account for the year include:
 - i) An old Excise Duty matter, contested in Gujarat High court / Supreme Court adjudicated during the year of Rs. NIL (Rs. 14,271,256)
 - ii) Loss Rs. NIL (Rs. 122,68,700) in respect of Derivative Transaction on account of adverse foreign exchange fluctuation.
8. Contingent Liabilities
 - i) Estimated amount of contracts remaining to be executed on capital account and not provided for 10,394,134 (Rs. 16,260,508)
 - ii) Guarantees given by the bank on behalf of the Company Rs. 1,773,000 (Rs. 1,773,000)
 - iii) Guarantee given to ICICI Bank Limited, U.K. for ultimate subsidiary's credit facilities Rs. 157,573,000 (Rs.168,958,000) (£ 2.3 million).
 - iv) Guarantee given to Bank of Baroda, New York, USA for ultimate subsidiary's credit facilities. Rs. 272,412,800 (Rs. 307,363,650) (\$ 5.995 million)
 - v) Bills Receivable discounted with the Bank and not matured Rs. 1,142,795 (Rs. 5,663,272)
 - vi) Warranty is extended on products sold, undertaking to repair or replace the items that fail during the warranty period. The warranty expenses are accrued / accounted as and when claim are accepted.
 - vii) Income tax demand under dispute of Rs.2,785,755 (Rs. 702,265).

	Rupees	
	31.03.2010	31.03.2009
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax	197,254,675	165,911,094
Adjustments for		
Depreciation (Net of exchange fluctuation difference)	82,271,489	44,261,369
Miscellaneous Expenses written off	18,574,501	14,401,724
Interest Expenses	113,916,170	91,351,898
Interest Income	(621,548)	(596,798)
Corporate and Fringe Benefit Tax	(47,781,651)	(21,249,943)
Operating Profit/ (Loss) before working Capital Changes	363,613,636	294,079,344
Working Capital Changes		
Sundry Debtors	(16,375,952)	(362,469)
Inventories	(62,964,584)	(11,485,527)
Loans & Advances	(36,927,182)	(50,279,593)
Sundry Creditors & Other Current Liabilities	24,840,908	(55,782,844)
Compensated Absence Adjustment	(1,539,029)	-
Gratuity adjustment	-	12,455
Working Capital Changes	(92,965,839)	(117,897,978)
Cash Flow Generated from Operations	270,647,797	176,181,366
Miscellaneous Expenses	(16,377,598)	(8,979,087)
Net Cash Flow from Operating activities	254,270,199	167,202,279
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(60,615,094)	(243,589,932)
Sale Proceeds of Fixed Assets	650,661	1,099,655
Intangible Assets	(24,827,541)	(35,451,987)
Interest Received	621,548	596,798
Adjustment Depreciation Reserve	(542,712)	(362,555)
(Increase) / Decrease in Investment	(10,000,000)	2,513,824
Net Cash used in Investing Activities	(94,713,138)	(275,194,198)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Change in Capital Reserve due to exchange fluctuation	(2,450,921)	(3,321,561)
Proceeds from Cash Credit	132,175,944	144,032,786
Proceeds from Term Loans	93,873,430	212,882,118
Repayment of Borrowings	(207,207,875)	(139,816,558)
Inter Corporate Loan	(5,222,584)	(3,395,198)
Interest Paid	(113,916,170)	(91,351,898)
Dividend and Dividend Distribution Tax	(30,861,252)	(25,802,900)
Deferred Tax Movement	(83,423)	617,333
Net Cash Flow from Financing Activities	(133,692,852)	93,844,121
D. IMPACT OF EXCHANGE FLUCTUATION ON THE CASHFLOW		
Movement in Cash and Cash equivalents (A+B+C+D)	11,323,510	321,375
Opening Cash and Cash equivalents	11,799,205	11,477,830
Closing Cash and Cash equivalents	23,122,715	11,799,205

Note:

- The above Cashflow Statement has been prepared under the "Indirect method" as set out in the Accounting Standard-3 on Cash Flow Statements notified under section 211 (3C) of the Companies Act, 1956.
- Cash and Cash Equivalents includes Cash on hand and deposit accounts held with banks.

As per our report of even date attached
For **Manesh Mehta & Associates**

Manesh P. Mehta

Harish Sheth
Chairman and Managing Director
Satish Deshpande
Director

Vinay Shahane
Associate Vice President, Finance

For and on behalf of the Board

Udit Sheth
Executive Director
Ashok Kumar Jha
Director

Shveta Vakil
Executive Director
Bhalachandra Naik
Director
Pratap Merchant
Director

Mihir Mehta
Company Secretary

Place : Mumbai
Date : June 28, 2010

Place : Mumbai
Date : June 28, 2010

Statement pursuant to **Section 212** of the Companies Act, 1956 relating to subsidiary companies

Particulars	Setco Automotive (UK) Ltd.		Setco Automotive (NA) Inc. (USA)		WEW Holdings, Mauritius	
	£000	Rs. Cr.	\$000	Rs. Cr.	£000	Rs. Cr.
1 Capital	1440	9.87	3045	13.84	638	4.37
2 Reserves	827	5.66	(440)	(2.00)	(5)	(0.03)
3 Total Assets	4840	33.16	9460	42.99	648	4.44
4 Total Liabilities	4840	33.16	9460	42.99	648	4.44
5 Investments	769	5.27	-	-	640	4.39
6 Turnover	3096	23.59	6569	31.15	-	-
7 Profit before Tax	(123)	(0.94)	(895)	(4.24)	11	0.08
8 Profit after Tax	(99)	(0.76)	(637)	(3.02)	11	0.08
9 Proposed Dividend	-	-	-	-	-	-

Note : Exchange Rates (a) (Average Rate) £ @ Rs. 76.21, \$ @ Rs.47.42

(b) (Closing Rate) £ @ Rs. 68.51, \$ @ Rs.45.44

Forward-looking Statements

The report contains forward-looking statements that involve risks and uncertainties. When used in this discussion, the words like 'plans', 'expects', 'anticipates', 'believes', 'intends', 'estimates', or other similar expressions as they relate to Company or its business are intended to identify such forward-looking statements. Forward-looking statements are based on certain assumptions and expectations of future events. The Company's actual results, performance or achievements could differ materially from those expressed or implied in such forward-looking statements. The Company undertakes no obligation or responsibility to publicly amend, update, modify or revise any forward-looking statements, on the basis of any new information, future event, subsequent development or otherwise.



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