

ISO/TS 16949



**DRIVEN.**  
28th Annual Report 2010-11

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## 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.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Harish Sheth

*Chairman & Managing Director*

Arun Arora

Ashok Kumar Jha

Bhalchandra Naik

Harshal Shah

Pratap Merchant

Satish Deshpande

Shveta Vakil

*Executive Director*

Udit Sheth

*Executive Director*

## AUDITORS

Manesh Mehta & Associates,  
Chartered Accountants,  
Vadodara, Gujarat, India

## BANKERS

Bank of Baroda  
HDFC Bank

## SOLICITORS

Wadia Ghandy & Co.  
Mumbai, Maharashtra, India

## COMPANY SECRETARY

Mihir Mehta

## REGISTERED OFFICE

Baroda – Godhra Highway,  
Kalol, District Panchmahal,  
Pin Code – 389 330,  
Gujarat, India  
Website: [www.setcoauto.com](http://www.setcoauto.com)

## CORPORATE OFFICE

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

## PLANTS

Kalol (Panchmahal), Gujarat, India  
Sitarganj, Uttaranchal, India  
Paris, Tennessee, USA, Subsidiary  
Haslingden, Lancashire, UK, Subsidiary

## 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](mailto:investor.relations@setcoauto.com)

# WHO WE ARE

## International Licence



**NAME:** Setco Automotive Limited

**YEAR OF INCORPORATION:** 1 9 8 2

**CORPORATE OFFICE:** Mumbai, Maharashtra, India

**MANUFACTURING LOCATIONS:** Kalol (Panchmahals), Gujarat, India  
Sitarganj, Uttaranchal, India  
Paris, Tennessee, United States of America (Subsidiary)  
Haslingden, Lancashire, United Kingdom (Subsidiary)

**PRODUCT CATEGORY:**

Clutch products & Systems  
Hydraulics (Pressure convertors)

LIPE SETCO

**BRANDS:**

**PEOPLE**

**EMPLOYEES** 0 9 2 5

**INDIA EMPLOYEES** 0 8

**INTERNATIONAL OPERATIONS EMPLOYEES** 0 0 8

**DRIVING LICENSE REGISTRATION NO.:**

**STOCK CODE:**



5 0 5 0 7 5

## EMBARKING ON A CAREER WITH SETCO



“Two years into Setco, I realised that there couldn't have been a better company to start my career with. The culture of knowledge, transparency and passion to excel sometimes makes me think of it more as an institute of higher learning than just a corporate entity.”

**Balram Dabhade**  
Manager

idiary)  
idiary)

4 5

0



“Wanted to start my career with a start-up since I perceived that a large organisation could never offer a customised platform to learn and hone one’s talents. Then I met Setco and realised that there are few pleasant exceptions too. My 20+ months association with Setco has not only enabled me to learn from the best talents in the industry but has provided me with diverse assignments that has sharpened by knowledge and expertise.”

**Mary Mathew**  
Manager



# OUR PRODUCT PROFILE



**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



**380 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



**17"/430mm Single**  
Diaphragm Spring, Pull Type Clutch with  
Organic Driven Plate



**Oil Spray Disk/ Isolators**



# THE SPEEDOMETER

## Operational highlights

- Total production of clutch driven plate increased by **26%** to **618,374** units
- Total production of clutch cover assembly increased by **46%** to **327,512** units
- Growth driven by OEM sales, accounting for **43%** of the total revenues
- **3** new customers added

## Financial highlights for 2010-11 (Standalone figures)

- The Company crossed **Rs.3** bn turnover milestone
- EBIDTA increased by **52%** from **Rs. 396** mn in 2009-10 to **Rs. 600** mn in 2010-11
- Net profits increased by **85%** from **Rs. 178** mn in 2009-10 to **Rs.328** mn in 2010-11
- EPS increased by **85%** from **Rs. 10.09** in 2009-10 to **Rs. 18.64** in 2010-11





## 2010-11 IN PERSPECTIVE



“Year 2010-11 witnessed huge demand for automotive clutches. For us, it translated into longer nights, bigger challenges and managing customer expectations. However, our efforts not only led to robust financial growth but also enabled us surpass customer expectations, thereby further strengthening the ‘Setco’ value proposition.”

**Hiren Mullaji**  
Senior Manager

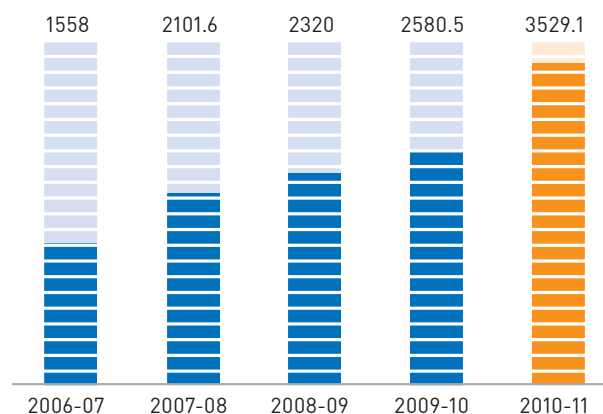


“Catering to a technologically driven dynamic segment demands continuous focus and relentless pursuit towards excellence. Delivering results in wake of challenges is more of a habit than an occasion to us. Isn't it what leaders are meant to do?”

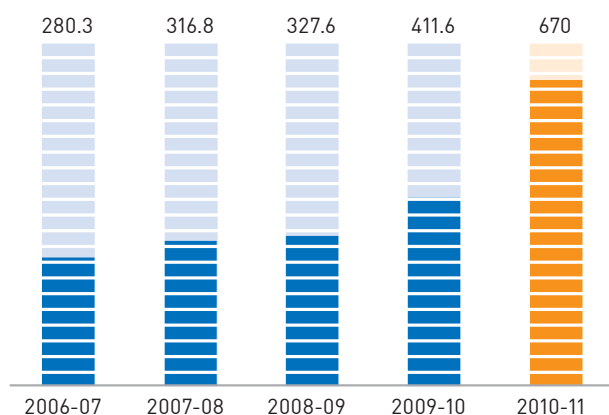
**Jaimini Panchal**  
Executive Assistant

# 5-YEAR TRACK RECORD

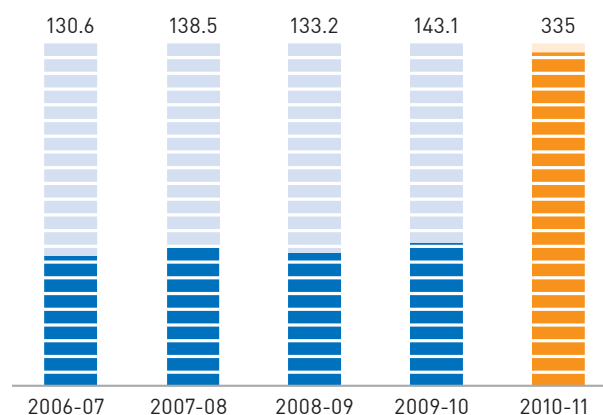
Net Sales (Rs. in mn)

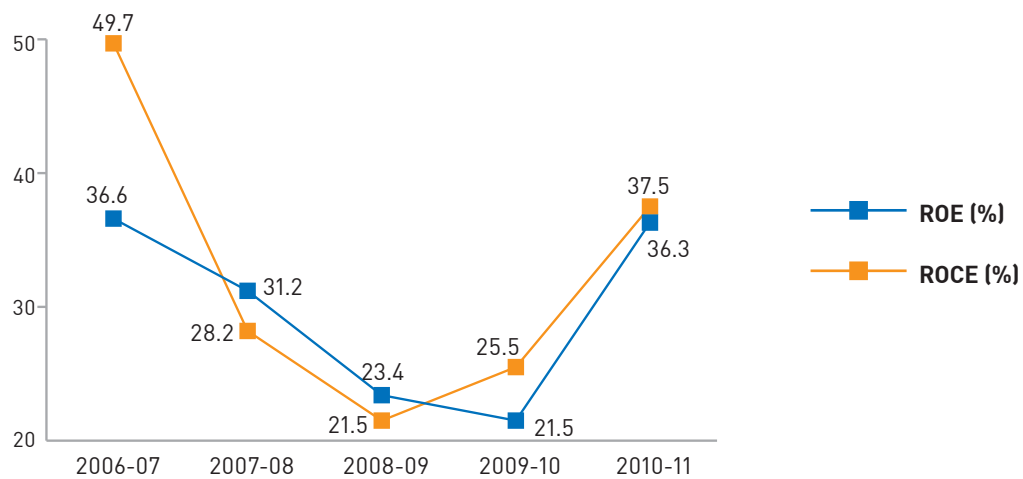
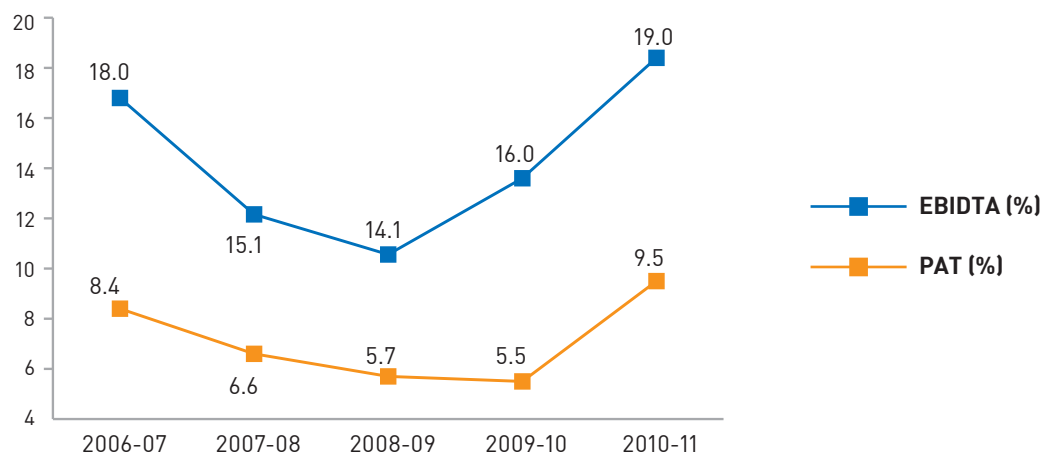


EBIDTA (Rs. in mn)



PAT (Rs. in mn)





# LOOKING THROUGH THE REAR VIEW MIRROR

## MY JOURNEY WITH SETCO



“It is said, that with time everything changes. In more than two decades of my association with Setco, I have only seen few things change – financial growth indicators, the number of customers, headcount, product profile, our leadership in a global context and also my designation & responsibilities. Rest of

all – the passion, the energy, the culture of innovation and exchanging ideas, motivation and empowerment remains as strong as it was on the day I joined. Therefore makes me feel that age is just a number.”

**Harshida Joshi**  
Senior Manager



“I joined Setco in 2000, post my stint with a large MNC. At that time too, the culture at Setco was very global, despite its limited presence in India. It stemmed from an erudite management team’s belief in ‘the enormous potential that the future holds’. In the last decade, we grew by nearly 30 times

and emerged as a truly global player. Yet the culture of discovering and excelling possibilities remains intact, forging my belief in an even better future.”

**A.L. Vipat**  
General Manager





## 1982

Incorporation of Setco Auto Limited (then Gujarat Setco Clutch Limited)

## 1984

Commenced commercial production

## 1995-96

Commenced exports

## 1999-01

- Crossed Rs. 100 mn turnover mark
- Signed a technical collaboration with LIPE UK, then a division of Dana Corporation, USA

## 2001-02

Pioneered ceramic metallic clutch technology for India and offered to OE customer Tata Motors as an import substitute

## 2002-03

Developed the All India Service Network

## 2003-04

Commenced commercial supplies to Eicher Motors

## 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, USA for distribution
- Name changed to Setco Automotive Limited

## 2006-07

- Crossed Rs. 1 bn turnover mark
- Acquires US facility from Haldex AB Sweden
- Established SETCO Foundation

## 2007-08

Set up manufacturing operations in Uttarakhand (India)

## 2009-10

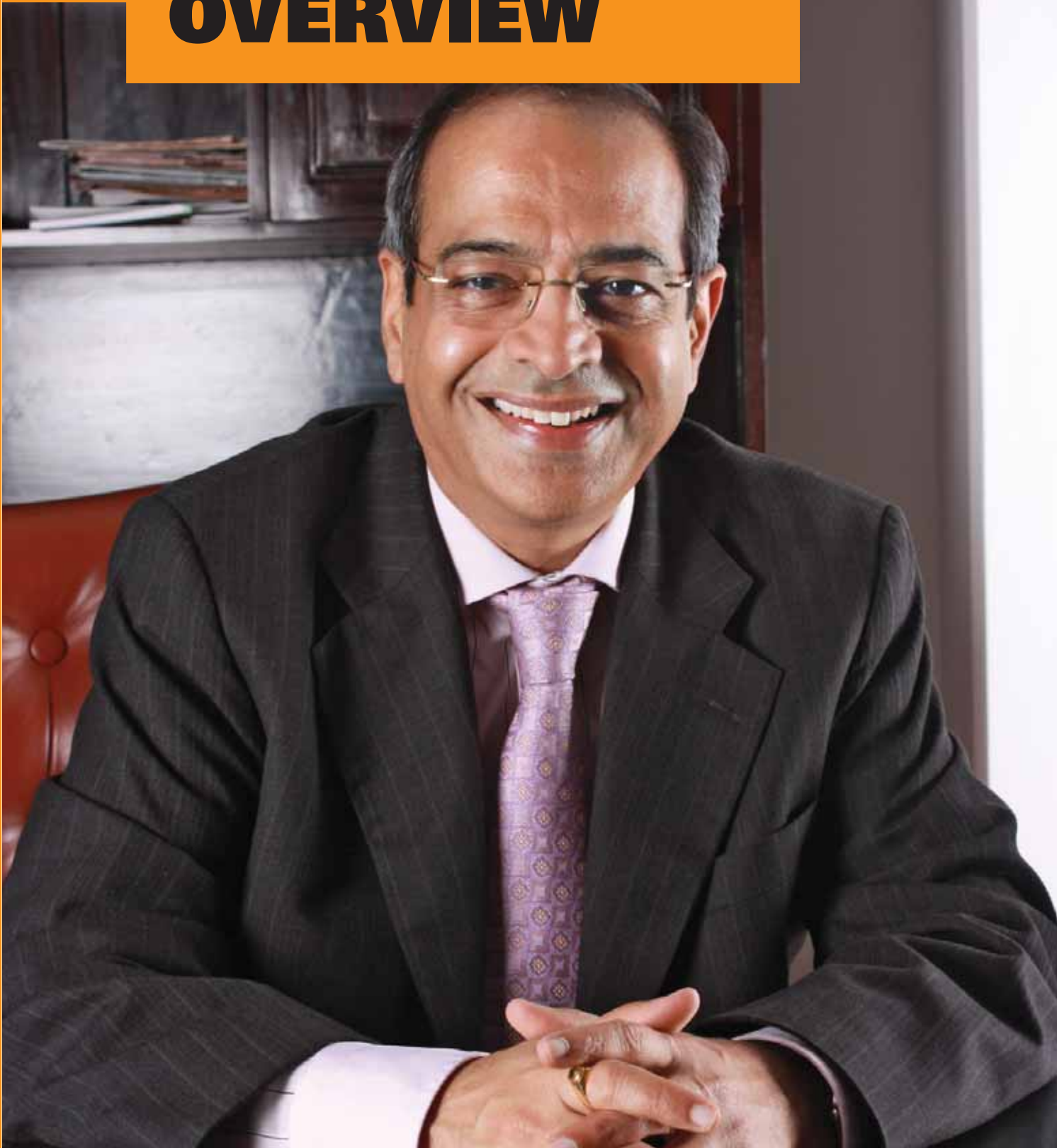
- Crossed Rs. 2 billion turnover mark
- Commenced operations in Press Shop in Kalol, Gujarat for developing clutches suitable to International vehicle manufacturers such as Volvo and Mercedes

## 2010-11

- Crossed Rs. 3 billion turnover mark
- Forayed into newer markets in Central Asia, Middle East and North Africa Region, Africa, Latin America and South Asia.



# CHAIRMAN'S OVERVIEW



## OUR KNOWLEDGE AND RELATIONSHIPS ENABLED US TO EXPAND TO

NEWER GEOGRAPHIES AND CUSTOMERS. IN THE PROCESS, WE CROSSED THE RS. 3 BN

MARK IN TERMS OF REVENUES AND STRENGTHENED OUR BUSINESS MODEL FOR THE FUTURE.

*Dear Members,*

2010-11 was yet another rewarding journey for us at Setco. We continued to deliver quality solutions in a year that witnessed a robust industry demand. We continued to optimise our cost structures and improved production efficiencies to secure our margins in wake of rising input and financial costs. Having a quality R&D vertical proved a big boost in terms of expanding and aligning our product portfolio to introduction of BSIII emission norms. Our knowledge and relationships enabled us to expand to newer geographies and customers. In the process, we crossed the Rs. 3 bn mark in terms of revenues and strengthened our business model for the future.

India is the world's factory. With abundant availability of strong skill labour at economic cost and knowledge base, the growth potential of the Indian automotive sector has been gaining ground. The world's 10th largest economy is expected to emerge among the five largest by 2020, positioning it as a relatively open and market driven economy; supported by aggressive spending on infrastructure development, empowered and less risk-averse work force and consumer-driven culture. As a result, India is expected to grow to more than 4 times its current size, in the next nine years.

This presents a wonderful opportunity for Indian companies like us. For the country to sustain 8% growth y-o-y, it is important to tap and unlock the potential demand that resides in the rural and semi-urban Indian centres. As a result, the construction of roads and highways will not only boost supply chains but also economise logistic costs for companies. The commercial vehicle segment will be a large beneficiary of the impending consumer demand from these centres. In the previous decade, the commercial vehicle demand has been buoyant in wake of higher infrastructure spend and rising economic activities. The challenge that confronts is whether the demand for these vehicles is sustainable in the coming five years. The answer lies in the simple facts: one that the Great Indian consumption story has just begun and two, the traditionally low per capita consumption of commercial vehicles in India (~6 vehicles per thousand people versus 11 for China and 48 for other Asian peers). The rising per capita income, favourable demographics and a large population are expected to drive the growth in consumption. Being the largest manufacturer of clutches to M&HCVs, we at Setco are excited with the possibilities that lie ahead of us.

Sensing the same potential, the global automotive companies are driving to India, newer technology is being introduced and new models are being launched. For us, it presents, both an opportunity as well as challenge. An opportunity, since new technology trucks require new age clutches and being a market leader, it will translate into bigger opportunity for us, considering our proven credentials and established customer service standards. A challenge, in terms of fortifying our R&D

capabilities, in wake of shrinking product development cycles and ever-growing customer expectations. Currently, the company has R&D facilities in India and UK. Global Design & Development is lead from UK, which has been developing commercial vehicle clutches for over 80 years.

We have initiated the set-up of a dedicated state of the art R&D unit in Kalol, India, which shall commence operations in 2012. It will further cement our research capabilities to offer value-added and customised clutches to diverse clients. We are also expanding our product portfolio to cater to LCVs, the fastest growing segment in Indian commercial vehicles. Being a favoured mode for last mile transport, the demand for LCVs is expected to stay robust in the coming years and therefore it is expected to be a key segment that would drive our growth in the future.

Our ability to acquire and turnaround companies have also been proven with the performance of our two subsidiaries – each in USA and UK. These subsidiaries going forward will enable us to expand our presence in global markets. Our established relationships with global majors in India will also enable us to grow in the international business. We foresee exports to be one of the major drivers of our growth going forward, from being currently 6 per cent. Our thrust on improving International and replacement markets share will also translate into cementing our leadership in the coming years.

During the last decade, Corporates have become power houses and can have significant impact on socio-economic systems they operate in. Corporate Social Responsibility (CSR) is the yardstick by which good deeds of a corporation are defined and measured. Corporates can thus grow on the solid foundation of corporate governance, sustainable wealth creation and advocacy for the goals of the community. Today, Corporates are perceived to be socio-economic citizens and we believe that any business is an extension to the society and therefore brings with it a moral responsibility to create a positive change. At Setco, we have always dedicated our efforts towards advocating and driving inclusion within the areas we operate in. We have laid paramount importance to empower women and children through education. I am proud to state that every year we have been contributing 5% of our Net profits towards our corporate social initiatives.

We are driven to consolidate our position among top three clutch manufacturers in the world by 2015, by expanding our footprints across all the continents. Setco is committed towards delivering value added products and services to its chosen target markets. We will continue attracting talent and honing current capabilities to drive growth and value.

**Harish Sheth,**

Chairman & Managing Director



# DRIVEN!

**It is challenging to sail with the tide but more challenging to swim against it. It is relatively easier to exceed expectations some times, but much harder to do so at each and every occasion. It is hard to become a leader, but is much harder to sustain leadership. The quest to excel is never-ending and consistently demanding. The ability to deliver superior performance consistently is what drives us.**

At Setco, we believe, companies are like automobiles; they need to be driven well to achieve envisioned growth. However, unlike an automobile, a company is driven by multiple individuals, each having their own aspirations and goals. Therefore in order to reach a common destination, it becomes critical to orchestrate and synchronise the organisational goals with individual aspirations, across the management. We have always believed in creating an intellectual capital based company driven by the core principles of transparency, equal opportunity and performance. Our efforts over the years have started demonstrating results – in terms of our superior levels of customer service, world-class product quality, wider reach and ability to decipher changing customer needs. Our strengths coupled with constant motivation and zeal to perform against all odds has enabled us to emerge the largest clutch manufacturer in India and among the top three globally.

Having crossed Rs. 3.6 bn turnover in 2010-11, it is time to start building blocks for the future. In the next four years, we aim to grow three folds in wake of strong macro and micro-economic factors and strategic initiatives being taken by us. Our growth will be driven ahead by Team Setco, comprising of highly motivated team members and experienced professionals, across diverse levels of the organisation. In the process, we also aim to evolve from an automotive component company to an automotive engineering solutions company, where we can anticipate our customer's future needs.

**With our eyes on the road, hands clutching the steering, and our foot firmly on the accelerator, the future is in sight. We at Setco are driven to exceed our stakeholders expectations.**

“Currently, we are a Rs. 3 bn turnover Company. We intend to reach Rs. 10 Bn turnover by 2015. What does this mean to me? Improved efficiencies. Sharper focus on quality. And most of all, the pride in taking the company forward”.



**Mohsin Virani**  
Executive Assistant to CMD

“Being from a small town, I always aspired to work for a global organisation. Feels even better in working for an Indian company having global ambitions and leadership. I want it to reach even greater heights. And we are taking it there, step by step. Everyday.”



**S. Mallik**  
Asst. General Manager





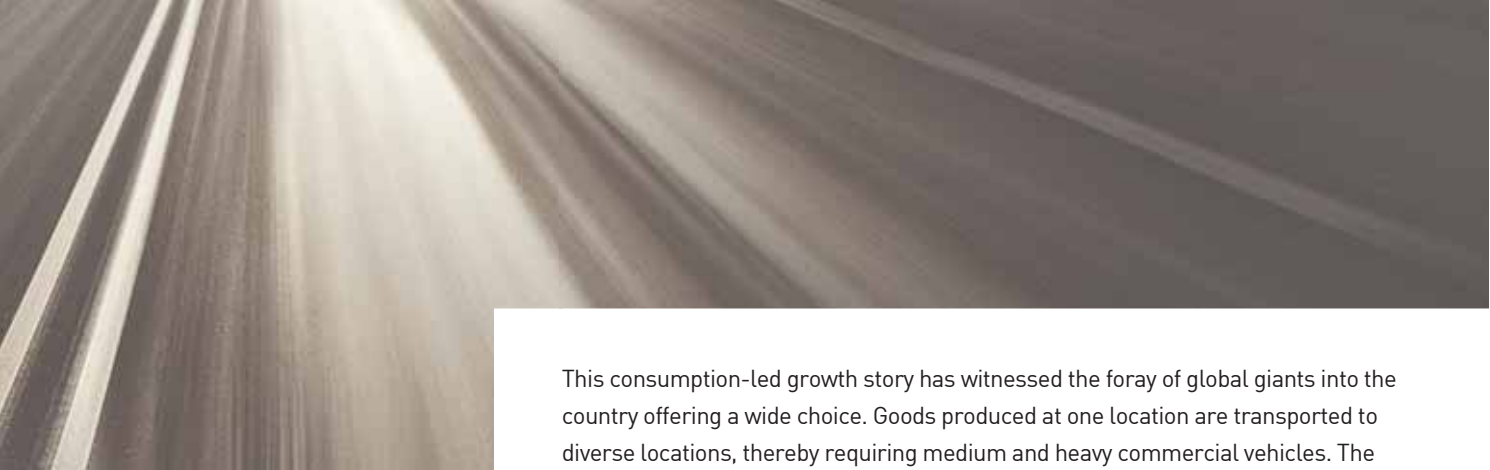


# DRIVEN TO ASPIRE

In the last decade, India has emerged among the fastest growing economies globally. The robust growth is being shouldered by various factors – favorable demographics, and an increasing per capita income leading to increased consumer spending and economic growth.







This consumption-led growth story has witnessed the foray of global giants into the country offering a wide choice. Goods produced at one location are transported to diverse locations, thereby requiring medium and heavy commercial vehicles. The massive investments in roads and highways have also led to better connectivity to tier 2 and 3 cities, thereby boosting the demand for commercial vehicles. In the last decade, more than 3.5 mn commercial vehicles were produced in India. Considered to be a cyclical industry, its demand has remained strong in this decade barring a minor deviation. The surge in commercial vehicles started a decade ago, led by the strong infrastructure sector and the booming economy was supported by logistics and construction sectors. The growth in the sector is expected to continue. Sensing the huge opportunity, some global CV majors have made India world's factory.

For us at Setco, the potential demand for commercial vehicles in India is spearheading our growth plans. Being India's largest automotive clutch manufacturers for M&HCVs, we have been driven to create a growth-ready organisation that aspires to set new standards, not just in terms of products but solutions. Our initiatives in building a company with a human touch has not only enabled us to understand and innovate solutions but has also helped us create key differentiator in terms of customised service. In addition, having presence in key auto component engineering markets such as USA and UK has enabled us to gain valuable insights in enhancing our global R&D centre. This enables us to develop high quality products to meet our customers expected standards.

In the wake of a robust economy leading to sustained demand for commercial vehicles, we are at an attractive spot to capitalise on our existing leadership to partner global players foraying into India and further strengthening our association with existing domestic CV manufacturers. The foundation is strong. The demand is visible. We are driven by aspirations...



“I think that the Indian automotive industry is poised for an explosive growth in the coming years. We are all geared up along with our teams to meet the challenges.”

**C.K. Vijayan**  
General Manager



“The growth is visible from all corners. And I know that it's a race against the time. I believe that I can contribute to the company only if my growth rate within the company is faster than company itself. That would be when I could see my contribution towards the organisation.”

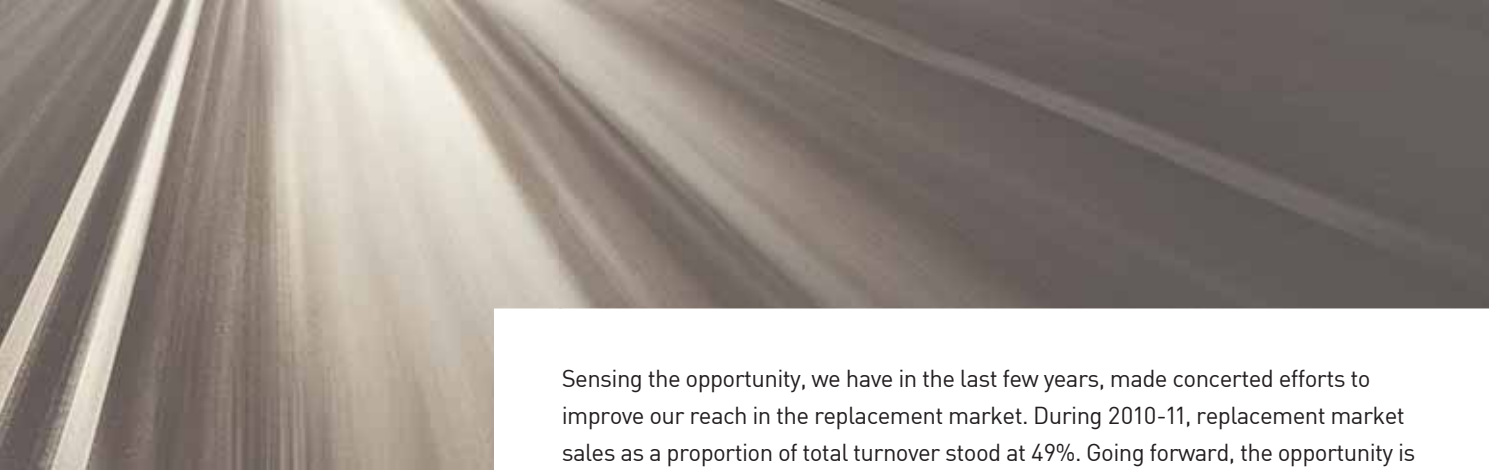
**Mihir Mehta**  
Company Secretary



# DRIVEN TO EMPOWER

The clutch is the fuse in the power train and is responsible for balancing driving parameters such as loads, roads and drivers; thus also becoming one of the most abused parts in the vehicle. Being the leader in this segment for three decades globally, we understand that the quality of our product should be robust to withstand the rugged use it undergoes. With the improved technology of CVs, the shift towards branded auto components in M&HCV segment has been evident.





Sensing the opportunity, we have in the last few years, made concerted efforts to improve our reach in the replacement market. During 2010-11, replacement market sales as a proportion of total turnover stood at 49%. Going forward, the opportunity is enormous. Considering the fact that more than 3.5 mn vehicles were produced in the last decade, the demand for clutches in these vehicles will offer sustainable opportunity for the company. It will enable us to offer superior products to the vehicle owners at an affordable price, given our economies of scale.

With the application of BSIII norms on curtailing vehicle pollution, the vehicle manufactured would have BSIII compliant engines that would use larger new age clutches. We expect to grow in the niche segment significantly both with the OEM and the replacement markets.

To ensure that we capitalise on the attractive evolving market demand, we have been driven to create a sound infrastructure to scale up our replacement sales, efficiently and economically. We chose to expand the presence of our well-known brands 'Setco' and 'LIPE' by partnering with large domestic Original Equipment Manufacturers to utilise their sales network. It is a win-win proposition for us as well as the OEMs; as we tap replacement markets without incurring infrastructure cost and our partner OEMs are able to provide original and better quality spares to their customers on time.



“I feel proud to be a part of the change initiative that Setco has spearheaded over the years, in improving and elevating lives of its stakeholders. It simply demonstrates that in order to be counted among the thought leaders, a company has to lead by thinking about not only the financial performance but the inclusive growth that it can instigate through its actions.”

**Vinay Shahane**  
Associate Vice President



“My family and I can now afford comfortable life that comes with full of happiness. It is because I am able to do much better work with improved working conditions and machines thanks to the innovation that Setco brings in.”

**Layamma Raju**  
Executive Assistant





# DRIVEN TO INNOVATE

Offering a better clutch doesn't only enhance the vehicle's handling, but also ensures safety for the driver as well as pedestrians. It is our uncompromising ability to offer world-class quality and 'value beyond cost' that has enabled us to evolve into India's largest and among the world's top five M&HCV clutch manufacturers.





Having commenced our business as a supplier to a leading domestic OEM, we graduated from a clutch supplier to a preferred partner in wake of our service quotient, dedication and ever-readiness to serve, sans the environment. A culture of 'no excuses – performance speaks best' enabled us to create, raise and elevate our service standards with each given opportunity. The Setco culture of innovation, professionalism, commitment and service led to strengthen our relationship with our customers.

During 2010-11, direct sales to OEMs accounted for 43%. In the wake of changing emission norms, we developed new age clutches for larger engines. As always, we delivered the products based on customised specifications, before the actual delivery date, reflecting the commitment levels each one of us brings to Setco.

It is this culture of proactively building products with our customers and continuously implementing 'what can be' that has also enabled us partner local and global vehicle manufacturers. Like leaders, we too are driven by the ideas of possibilities; and to us, they seem endless.



“At Setco, innovation is omnipresent. Not just in terms of our products and solutions but also in terms of identifying and moulding talented professionals into leaders. Our philosophy of 'thinking out of the box' has not only enable us partner global companies but have also set novel standards in the industry.”

**Radheshyam Kedia**  
Vice President



“The continuous technological innovation and changes worldwide has kept the pressure high on us. It is the relentless efforts of the company that we could play a lead role and matched our steps with the marching speed of global technologies.”

**D. Gopi Krishnan**  
General Manager





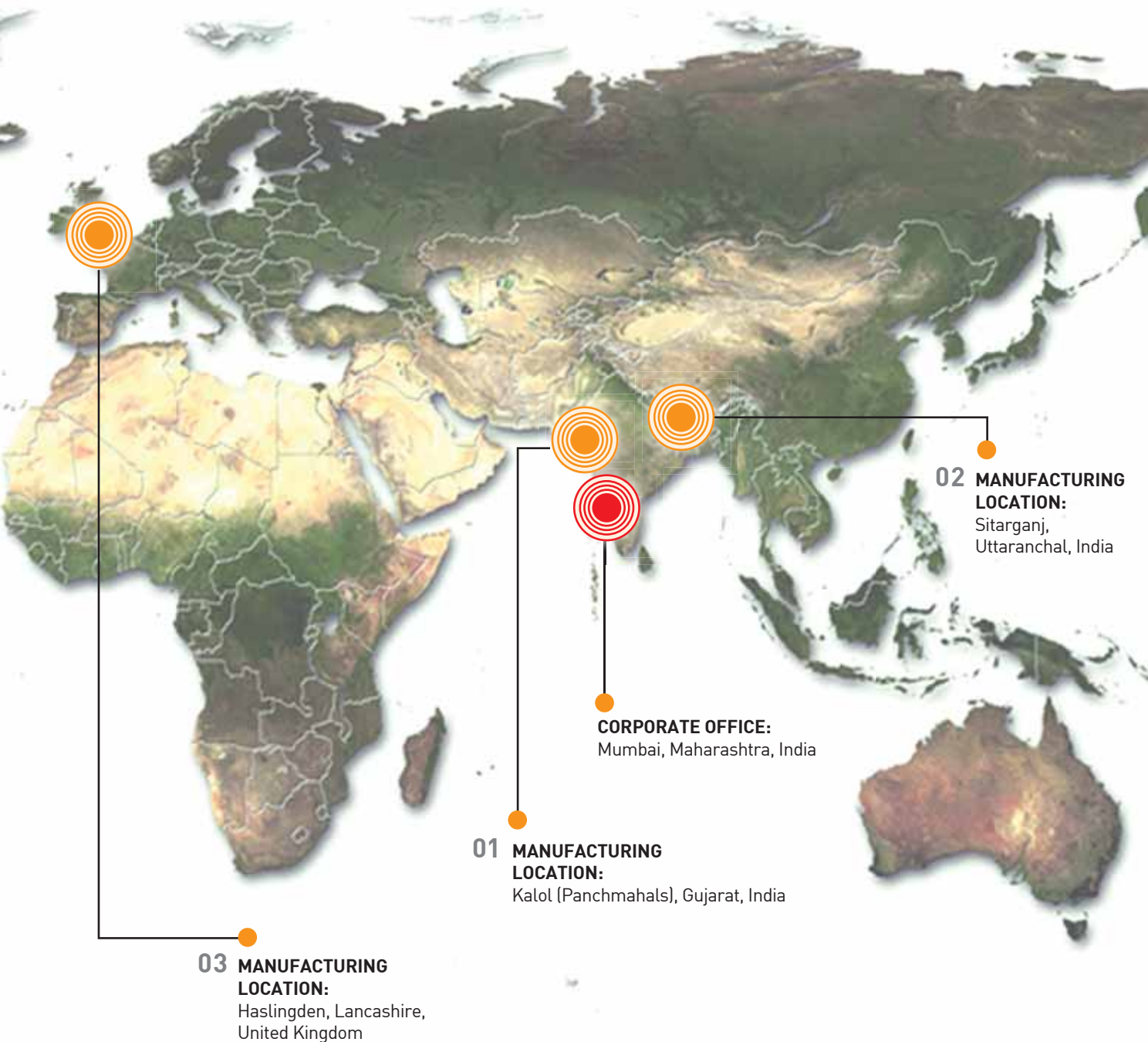
**04 MANUFACTURING  
LOCATION:**  
Paris, Tennessee, United  
States of America

# DRIVEN TO EXPAND

How far would one go to follow ones dreams defines the spirit of the man and the potential of fulfilling his dreams. At Setco, our rise has been strictly due to our ability to harness the potential demand for our products in India. Having acquired 80% market share with OEMs in India M&HCV segment, it was time we focus on bettering products, improving market, penetrating & delivering value added services.

Traditionally, our growth story had been focused on markets with our physical operating presence. With the emergence of certain attractive markets like Middle East, North America, Africa, Europe and Latin America, in wake of improved global economy, we are focusing on expanding our international business presence. Currently, exports account for 6% of our total topline. Our two subsidiaries, each in UK and USA will play a critical role in enabling us to unearth opportunities in newer markets.

Our leadership in the M&HCV space has allowed us access to reputed clientele. With the demand for light commercial vehicles (LCVs) increasing at a faster pace on account of offering last mile connectivity and affordability; the segment offers an attractive opportunity for us to extend our product profile. At Setco, we have been initiating steps to commence production of new age clutches for LCVs in the coming future. Setco is investing large amount of resources in R&D. The organisation sees value in continuous R&D and is thus setting up a new development centre with state of the art equipments for testing.



“Setco continues to evolve its solutions by adding hydraulics and related products to face the challenges of today’s global economy and ensure sustainable market growth. Setco is more effectively managing its global operations to provide its customers with unsurpassed service.”

**Satyendra Kakde**  
Senior Manager



“Despite the adverse factors, Setco’s capability of keeping its global operations and markets in check worked throughout the downturn phase for the industry. The way Setco turned around its subsidiaries is not less than any management case study and these subsidiaries are now set to become the growth engines of the company.”

**John Sumner**  
Financial Controller





# WE DRIVE THE DEVELOPMENT

Being a responsible corporate citizen, we at Setco have dedicated our efforts over the years, in uplifting the underdeveloped areas through education, healthcare and vocational training. To meet the goals, we had established Setco Foundation in May 2007, where we contribute 5% of the net profits annually towards upliftment and empowerment of the society.







At Setco, we have established three Anganwadis (Nandghars) in Panchmahal district of Gujarat. These Anganwadis provide basic education alongwith food and health checks to over 200 children aged 3-6 years and 100 children less than 3 years get nutrition and access to the health monitoring services.

In addition, the health check-ups are provided to under-privileged pregnant women and new mothers, along with nutritional diets. Seven more such Anganwadis will be established to cater to the education of over 1000 children in the coming years.

At Setco, we have been championed empowerment through education. We believe, good education not only enables a person to earn well but also makes him a responsible citizen. We support cost of education for children of our employees across our units, through Setco Foundation. In the last seven years, this initiative has resulted in college level education for 175 students including girls. We have also adopted ITI in Zalod (Gujarat) for upgrading and modernizing the infrastructure facilities, enabling superior levels of training activities.



“Setco contributes 5% of its annual net profits to its CSR activities and believes in voluntarily giving back to the stakeholders at large and the community we work with by improving the quality of life as a whole. The social sector professional involved with Setco brings an opportunity to solve complex social problems. They developed new ways of addressing old problems.”

**Salma Safree**  
Senior Manager



“Setco has succeeded in removing amongst people discrimination against caste and religion.”

**Harish Sheth**  
Chairman & Managing Director

# 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. 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. 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. 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 15 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 holds two Bachelor's degrees in Electrical Engineering as well as Computer Science, from MIT.



**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. 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. Shveta Vakil,**  
*Executive Director*

Mr. Vakil has over 39 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.



**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 has a Bachelor's Degree in Science with a specialisation in Finance & MIS from Purdue University and has completed an Executive Education program from MIT, Cambridge-Boston, USA.

# MANAGEMENT DISCUSSION & ANALYSIS

## OVERVIEW

India continued to consolidate its position on the global map by registering a robust GDP growth of 8.6% in FY2010-11 compared to 8.00% in the previous year. It is estimated that at the projected growth rate of 8.5% per year, India could be the third largest economy in the world in the next couple of years. Riding on the back of a fast paced economic growth, the auto sector recorded a growth of 26% in the year. India is amongst the world's top 10 auto-producing countries in the world and accounts for 5% of the global auto production. It is estimated that Indian Automotive Industry would provide employment to 25 million people by 2016, mainly driven by rising per capita income and increased economic activity. Budgetary push in infrastructure activities and increased freight movement has resulted in Commercial Vehicle sector growing by 31.3% in FY2010-11 in which the M&HCV sector grew by 37.2%.

In the context of above, it has been an eventful year for your company. We began the year with an ambitious growth target and we are proud of the remarkable results your company has achieved. In a short span of five years your company has achieved several milestones and grown exponentially to successfully emerge as a global player. However this is just the beginning. Your company embarks on its vision to be a global automotive components supplier known for its global quality products at a competitive cost structure.

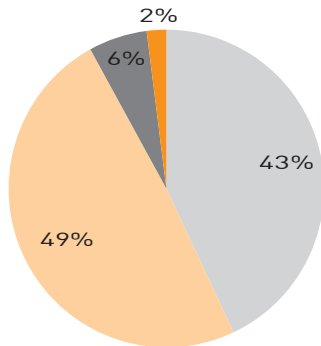
## HIGHLIGHTS

Some of the main highlights of FY2010-11 are as follows:

1. Your company has achieved the milestone target of crossing Rs. 3 bn; Consolidated Sales for the year were Rs. 3.53 bn.
2. Your company has outperformed the commercial vehicle segment's growth of 31.3%, by registering a growth of 76% in the OEM segment, thereby resulting in overall growth of 43% on a standalone basis and 36% on a consolidated basis.
3. In a remarkable turnaround, both overseas subsidiaries recorded a positive PAT during the year in an environment of slow economic recovery in both North America and Europe.
4. EBIDTA increased by 63%, on a consolidated basis and increased by 54% on a standalone basis.
5. Net Profits increased by 135% on a consolidated basis and 85% on standalone basis.
6. Bonus Shares in the ratio of 1:1 were issued during the year.
7. Dividend increased to 40% (on enhanced share capital after bonus issue) compared to 30% in previous year.
8. Consolidated net worth of Rs. 922.4 mn an increase of 39% and standalone net worth of Rs. 880.4 mn, an increase of 40%.

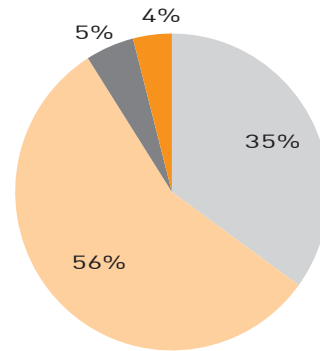
## DIVISIONAL SALES

2010-11



■ OEM ■ Aftermarket ■ Exports ■ Others

2009-10



■ OEM ■ Aftermarket ■ Exports ■ Others

The company's domestic revenues are categorized in 3 main segments; OEM, Aftermarket and Exports. Revenue contribution from each category is given in the graph below.

### OEM

Known for its superior quality and competitive pricing, your company has established itself as a preferred supplier to all the leading Commercial Vehicle Manufacturers in India such as Tata Motors Ltd, Ashok Leyland Ltd, Volvo Eicher and Asia Motor Works. In the wake of strong economic activity, ongoing investments in infrastructure and increased consumer spending, the Commercial Vehicle Segment has witnessed increased demand. Your company has seized this opportunity and substantially benefited by recording a 76% increase in the OEM segment. This growth is the combined impact of approx 40% growth in quantitative terms and increased value realization on account of demand for bigger size, higher value clutches for higher capacity engines to comply the new BS III norms. Your company has successfully added to its list of OEM customers AMW and The Vehicles Factory in Jabalpur (An undertaking of Ministry of Defense in India) in its customer base. With the economy showing signs of sustained growth, India is witnessing the entry of global Commercial Vehicle Manufacturers to take advantage of world-class quality at competitive prices. With an established name and a reputation of being a preferred supplier to Indian Commercial Vehicle Manufacturers your

company has generated interest from these global suppliers. Infact we are proud to mention that your company has already been approved as a preferred source to Bharat Benz (Daimler – India) for their requirement of clutches for their trucks that will be on the Indian roads in early part of FY2012-13. This coupled with full twelve months impact of the introduction of BS III norms is expected to translate into yet another year with robust growth in the OEM segment going forward.

### AFTERMARKET

The average life of a commercial vehicle clutch is approx 3 years. As a result of this characteristic the demand for a replacement clutch occurs almost every 3 years. With the introduction of new technology commercial vehicles, higher affordability and demand for genuine replacement parts, demand in the aftermarket has witnessed a steady rise on the last 3-4 years. This segment has been the fastest growing segment for your company. Aftermarket registered a growth of 26% in FY2010-



*Your company has seized this opportunity and substantially benefited by recording a 76% increase in the OEM segment.*

# MANAGEMENT DISCUSSION & ANALYSIS (Contd.)

11. Your company has partnered with the OEMs to service the aftermarket demand through their distribution network. It not only helps your company to optimize its resources and reach maximum number of distributors, but also helps OEMs to feed genuine quality products into the replacement channel. This arrangement has been a win-win situation for both the OEMs and your company. With the introduction of BS III norms in October 2010, OEMs have replaced the old clutches with higher value new age clutches. These clutches will need replacement in the near future and your company expects to benefit from this demand. In addition, with the GDP expected to grow at a steady pace, it is expected to increase freight movement to transport materials from one destination to another. This will ensure your company's aftermarket business to steadily grow faster than the market growth rate.

## EXPORTS

Exports business has been identified as a key growth engine. Your company realizes the huge potential market overseas and has been working rigorously for the last 3 years to develop new clutches and simultaneously seed the market as well as build channels to establish itself in the global markets. The primary objective of your company is to be able to provide superior quality clutches at competitive prices. Your company markets its clutches through the 'LIPE' brand. During the year your company launched new products like 395 mm Dia and 400 mm Twin Dia for the exports market. This has enabled your company to strategically enhance its presence in Asia and Africa. Its dedicated presence through its two subsidiaries (Setco-UK and Setco-NA) has enabled the company to expand its reach into European and American markets. In FY2010-11 the exports, which currently accounts for approx 6% of total

sales grew by 57% at Rs. 17.85 Cr. This was the result of entry into new markets of Bangladesh, Turkey, Nigeria, Peru and Ecuador as well as increased market share in existing markets of Nepal, Sri Lanka, UAE, Kuwait, Kenya and Ghana. During the year your company has also commenced sales to two overseas OEM customers i.e. BMC in Turkey and Kenworth in Russia. As mentioned earlier, Global Commercial Vehicle manufacturers are venturing into India and setting up their base to take advantage of superior quality at low price. This will open additional venues for your company to not only service their domestic needs, but also take care of their international demands through exports. This will result in robust growth in the exports segment for your company.

As an initiative to further strengthen the 'LIPE' brand in international markets, your company has participated in Auto shows in key markets across the world i.e. Frankfurt, Moscow, Istanbul, Dubai, Las Vegas, Johannesburg, Buenos Aires and Hannover during FY2010-11.

## SUBSIDIARIES

### Setco Automotive (UK) Ltd

Your English subsidiary has made an impressive turnaround in FY2010-11. At £3.54 mn, sales recorded an increase of 14% compared to previous years. It recorded a small profit of £21K compared to previous year's loss of £99K. Despite the European economy still stumbling under economic recession, the subsidiary has achieved this turnaround performance on account of effective cost engineering and increased penetration in the European market with new products at competitive prices. This subsidiary is our R & D hub for the group and it continues its thrust on development of new products for the heavy-duty clutch market.





*The growth of the commercial vehicle segment is closely linked to the country's economic activity and GDP growth.*

### Setco Automotive (NA) Inc

American subprime financial crises crippled the entire global economy in FY2008-09. The American Automotive and Construction Industry were the worst affected. Your American subsidiary like many other companies in America suffered the impact of this meltdown and reported a loss for FY2009-10. Although the Asian economy recovered rather quickly, the American Economy is still suffering and has not been able to stand on its feet. Despite this, we are please to inform you that your American Subsidiary has posted a remarkable turnaround performance for FY2010-11. At \$8.08 mn, sales registered a growth of 23% compared to the previous year. Net profit showed an impressive growth with a profit of \$69K compared to the huge loss of \$637K in the previous year. This improvement was the direct result of regaining lost customers, getting new customers on board and aggressive cost cutting measures.

### EXPANSION PLANS

Your company is on the path to expansion and it realizes the importance of being adequately prepared for the future.

In an industry that is changing fast, new product design and continuous development of technologically advanced products are the most critical factor for survival of the company. As a part of its commitment to strive for superior quality and offer new products, your company has commenced construction of state of art Research and Development (R&D) Centre at Kalol. This centre will provide designing and testing capabilities for our clutches and will work towards innovation of new age clutches.

With a subsidiary each in UK and USA, your company is exploring the option of setting up an assembly unit in the

African Continent. There are no major M&HCV clutch manufacturers in the entire African Continent and your company sees this as an opportunity that will enable it to unlock the latent value offered by a voluminous and growing market.

In addition, to cater to the increasing domestic OEM and Aftermarket demands your company has plans to continuously invest in modernization and enhancement of its production capacities and capabilities.

### OUTLOOK

With the growth momentum picking up leading to the right sense of buoyancy, the future looks promising. With our economy and GDP growth expected to continue on the strong growth path, both auto and auto ancillary industries are expected to register a double-digit growth for the next 3 to 4 years.

The growth of the commercial vehicle segment is closely linked to the country's economic activity and GDP growth. With huge expenditure proposed in the infrastructure sector both by public and private sectors the commercial vehicle sector is expected to grow register a double-digit growth for the next 3 to 4 years. This gives your company a favourable opportunity to grow and take the company to newer heights and establish itself as a leader in its chosen segment.

### Opportunities

- Global Commercial Vehicle Manufacturers have ventured into India. This offers an opportunity to increase range of our clutches offered and become the preferred supplier of clutches. Some of them have already passed the design and endurance test.

# MANAGEMENT DISCUSSION & ANALYSIS (Contd.)

- The substantial cost advantage in India can be translated into increased sourcing of clutches and clutch components for their global requirement. Opportunity for entry into Global OEMs as well as their aftermarket requirement.
- Domestic Manufacturers have plans to launch new commercial platforms. There is an opportunity to supply our clutches for these new vehicles.
- The Light Commercial Vehicle (LCV) segment is one of the rapidly growing segments in the Commercial Vehicle Segment. Your company is evaluating plans to offer the LCV range of clutches to domestic OEMs as well as the replacement markets.

## Threats

- The reputation of India being a low cost country is attracting foreign players to set up their base here to not only cater to their international requirement, but also eyeing a share in the every growing Indian domestic market.
- While market demand is growing, the entire auto industry is facing a severe challenge of capacity constraints from domestic Tier 2 suppliers. In addition to this, the steadily increasing commodity prices like steel and diesel can also be a concern. In order to avoid any adverse impacts of these, your company is working towards value engineering and substitute sourcing options.
- The sharp rise in Interest cost in FY2010-11 is expected to have a spiraling impact in FY2011-12. This could have a correction effect on the demand and growth expectations of the economy in general and auto industry in particular.

## CORPORATE SOCIAL RESPONSIBILITY

Your company firmly believes that apart from ethical conduct in business, as a responsible corporation it has various corporate social responsibilities towards society.

- As a part of our responsibility your company has adopted 3 Anganwadi in Kalol District PMS, in Gujarat to impart basic education, provide basic nutrition and meals and look after the well being of 300 young children of the village. This Anganwadi also provides for the nutritional needs of expectant mothers. Your company expects to build another 7 of these Anganwadi's in the next 1 year and this will cater to approx 1,000 children's well being.
- Your company believes in the famous saying "You educate a girl and you educate the entire family, but you educate a boy and you only educate him". Thus your company has taken the responsibility to sponsor the entire education of children of all our employees, with additional incentive and motivation to educate the girl child of the family.
- Your company organizes an Annual Blood Donation drive in conjunction with the Red Cross Society.
- Since the last 12 months, your company has adopted an Industrial Training Institute (ITI) in the backward tribal region of Zalod in Panchmahal district of Gujarat. Technical Skill Development training is imparted to young villagers of the district to enable them to take up dignified employment in various Technical fields, which not only helps develop these individuals into qualified personals, but also helps to support the livelihood of the entire family.
- We have also organized purified drinking water facilities for the villages in Kalol, PMS, Gujarat.



## SETCO FAMILY

We firmly believe that our people are our most precious assets. Unconditionally the company acknowledges each and every member of the family for their valuable contribution they have made to bring your company to the level it has reached today.

## INTERNAL CONTROL

The Management of your company is conscious of the importance of having an adequate internal control system to commensurate with the ever-growing business needs. Your company has an efficient Internal Audit Team and the management and the audit committees periodically review its reports. There are adequate internal control system

to safeguard from loss, unauthorized use and disposition of its assets. The company is complying with all the Accounting Standards for maintaining books of accounts and reporting of financial statements.



*The sharp rise in Interest cost in FY2010-11 is expected to have a spiraling impact in FY2011-12.*

# DIRECTORS REPORT

Dear Members,

Your Directors have the pleasure in presenting this Twenty Eighth Directors' Report together with the audited Annual Accounts of the Company for the financial year ended March 31, 2011.

## FINANCIAL PERFORMANCE

During the Financial Year 2010-11, your Company's net sales increased by 43.1% from Rs. 2114.9 mn in the previous year to Rs. 3026.5 mn, thereby outperforming industry expectations. The Company's net profit after tax (PAT) increased by 84.6% from Rs. 178.0 mn in the previous year to Rs. 328.8 mn and earnings per share increased by 84.6% at Rs. 18.63 from that of Rs. 10.09 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	
	2010-11	2009-10	2010-11	2009-10
Net Sales	3026.5	2114.9	3529.1	2586.3
Operating Profit	599.1	394.2	670.0	411.6
Profit before Taxation	424.1	243.6	439.5	194.5
Profit after Taxation	328.8	178.1	335.0	143.1

(Rs. in mn)

## DIVIDEND

Your Directors are pleased to recommend **Dividend at 40% (Rs. 4/- per Equity Share of Rs. 10/- each) on expanded equity shares for the year ended March 31, 2011, increased from 30% (Rs. 3/- per share)** in the previous year, subject to the approval of shareholders at the ensuing annual general meeting of the Company. The Dividend distribution would result in cash outflow of Rs. 82 mn (including Dividend Distribution Tax).

## OPERATIONS AND FINANCE

Your directors have analyzed Company's operations and financials in details and the same is provided in the attached report on Management Discussion and Analysis.

## FIXED DEPOSITS

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





*During the year, the Company issued 8,821,880 bonus equity shares of Rs. 10/- each in the ratio 1:1 by capitalizing Securities Premium Account, thereby increasing the paid up Share Capital to Rs. 176,437,600/-.*

## CHANGES IN SHARE CAPITAL

During the year, the Company issued 8,821,880 bonus equity shares of Rs. 10/- each in the ratio 1:1 by capitalizing Securities Premium Account, thereby increasing the paid up Share Capital to Rs. 176,437,600/-.

During the year, the Company also increased the Authorised Share Capital from Rs. 200,000,000/- (Rupees Twenty Crore only) divided into 20,000,000 Equity Shares of Rs. 10/- each to Rs. 300,000,000/- (Rupees Thirty Crore only) divided into 30,000,000 Equity Shares of Rs. 10/- each.

## AUTOMOTIVE INDUSTRY

Automotive industry occupies a prominent place in Indian Economy. With deep forward and backward linkages with several key segments of the economy, the automotive industry has a strong multiplier effect and is capable of being the driver of economic growth. The industry has grown steadily through the last decade positioning India as a Right Cost Country (RCC) for global manufacturing of products across segments such as Farming Equipment, Two & Four Wheelers, and the Commercial Vehicle Industry. A sound transportation system plays a pivotal role in the country's rapid economic and industrial development. The well-developed Indian automotive industry ably fulfils this catalytic role by producing a wide variety of vehicles - passenger cars, light, medium and heavy commercial vehicles and multi-utility vehicles.

Being one of the largest industries in India, the Automotive Industry has been witnessing impressive growth during the last two decades. It has been able to restructure itself, absorb newer technology, align itself to the global developments

and realize its potential. This has significantly increased automotive industry's contribution to overall industrial growth in the country. Over a period of time the global automotive industry has not only positioned India as a manufacturing base but are also increasingly investing to make India its global R&D hub.

## GROWTH DRIVERS OF INDIAN AUTOMOBILE MARKET

- Rising industrial and agricultural output
- Rising per capita income
- Favourable demographic distribution with rising working population and middle class Urbanisation
- Increasing disposable incomes in rural agri-sector
- Availability of a variety of vehicle models meeting diverse needs and preferences
- Greater affordability of vehicles
- Easy finance schemes
- Favourable government policies
- Robust production
- Infrastructure growth

## BOARD OF DIRECTORS

The composition of Board of Directors comprises an optimum mix of executive and non executive Directors and in compliant with the Companies Act, 1956 and Listing Agreement with the Stock Exchange.

The Board functions either as full Board or through various committees constituted by the Board from time to time. The details of Directors, various committees of the Board, its

# DIRECTORS REPORT (Contd.)

compositions, remuneration, attendance is provided in the attached Report on Corporate Governance.

## RE-APPOINTMENT

In terms of the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Pratap Merchant and Mr. Satish Deshpande, Directors of the Company retire by rotation as Director at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

The Information on the particulars of Directors seeking appointment / re-appointment as required under Clause 49 of the Listing Agreement of the Stock Exchange is provided in Report on Corporate Governance annexed to this report.

Your directors recommend reappointment of Mr. Pratap Merchant and Mr. Satish Deshpande as Directors of the Company. A resolution to the effect is placed for your consideration.

## 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 2011-2012.

Your directors recommend reappointment of M/s. Manesh Mehta & Associates, Chartered Accountants as Statutory Auditors of the Company for the financial year 2011-12. A resolution to the effect is placed for your consideration.

## 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 18 and 19.

- (ii) Selected accounting policies were applied consistently and your 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, March 31, 2011 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 continues to be a pioneer in benchmarking corporate governance practices and ensures all compliances with the requirement of Clause 49 of the Listing Agreement relating to Corporate Governance.

The Management Discussion and Analysis Report and the Corporate Governance Report along with Auditors' Certificate thereon form part of this Report.

## 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. Conversation 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 2010-2011 are set out in Note 21 of Schedule 19 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).

The Company is also pleased to inform that during the year, the Company's Unit was accredited with Environmental Management System (EMS) (ISO 14001) as well as Occupational Health and Safety Standards (OHSAS 18001) Certification.

## EMPLOYEES RELATIONS

The industrial relation during the period under review remained cordial. The 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

Human Capital Management is a critical function in the Setco DNA. Your company has laid special emphasis in this growth phase on recruitment, induction, training and development, and implementing a extremely strong performance management system.

During the year the company has restructured its human resources department by augmenting its capabilities by highly qualified individuals who understand the rigors of HR behind organizational growth. After all a near 43% CAGR can only be achieved through proper HR focus. This focus has created a group of driven team members who are prepared to undertake a higher level of work. This can only be done through various aspects that all people to accept opportunities for organized learning over a given period of time.

While the company has imbibed a lot of new team members over the last year and continues to do so to support the growth, a crucial area has been managing change. Each team members responsibility has changed and evolved and therefore to keep people motivated to meet future challenges has been important. As a policy, we identify potential, develop & encourage your company people and drive a robust performance management program.

A special Training Budget is also allocated to achieve desired standards by providing in-house training as well as sending employees for specialized courses for their personal & professional development. At Setco training is a continuous process where Graduate Engineer Trainees (GETs) and Management Trainees (MTs) are also inducted where they undergo an extensive training program to understand the company, its people, and its purpose; thus allowing them to settle and contribute faster.

Every year team members are motivated to come up with ways to reduce costs and increase productivity.

*The Company is also pleased to inform that during the year the Company's Unit was accredited with Environmental Management System (EMS) (ISO 14001) as well as Occupational Health and Safety Standards (OHSAS 18001) Certification.*

# DIRECTORS REPORT (Contd.)

During the year 2010-11 the suggestion scheme was well received and every contributor was rewarded systematically. Setco also has a strong culture of loyalty and hence good service awards were given to all who completed 15 years as well as 25 years in service.

As a responsible organization, Setco has set aside upto 5% of its PAT through the Setco Foundation (SF) towards development of the community that it operates in. The company encourages employees to endow their children with better education where the SF provides financial help by way of scholarships to employees' children and also provides them with free books. Further the company has developed and developing anganwadis to provide education, nutrition and fitness advise to the people from the areas it operates in.

Certain Employee Engagement activities (Sports, Fun, Cultural & CSR activities etc) are also organized and to ensure proper planning, promotion & execution of various activities, dedicated committees are formed – Sports Committee, Fun committee & CSR committee across all units at various locations. The Company initiated activities like indoor and outdoor sports, monthly get-togethers, contests, etc. and received good response from the employees. These activities acted as a motivational tool and resulted in better team building, co-ordinations and proper communication. At Setco, the company has an evolving culture to absorb new ideas while simultaneously evolving existing ones.

*Setco also has a strong culture of loyalty and hence good service awards were given to all who completed 15 years as well as 25 years in service.*

## EMPLOYEE STOCK OPTION PLAN (ESOPS)

Pursuant to approval of shareholders, your Company has instituted Setco Automotive Limited Employee Stock Option Scheme 2010 to create, offer, issue and allot options exercisable into equity shares, up to 3% of issued share capital to permanent employees and directors of the Company and its subsidiaries. The scheme is administered by the Compensation Committee (Remuneration Committee) of the Board and provides for issuance of options to the eligible employees and directors.

As per said Employee Stock Option Scheme, 7,000 Stock Options were granted to Mr. Shvetal Vakil, Executive Director and 3,000 Stock Options were granted to each of the Non Executive Directors of the Company. No Stock Options were granted to Promoter Directors of the Company. Each Option is convertible into an equity share of Rs. 10/- each. The Stock Options were granted at an Exercise Price of Rs. 124/- per equity share. A discount of 25% to the exercise price is given to employees falling under the category of 'Permanent Workers and Clerical Staff'.

The Options shall vest in three equal installments to the eligible employees other than permanent workers and clerical staff. The Options granted to permanent workers and clerical staff would vest in two equal installments.





The details of options granted under the Scheme and other disclosures as required under Clause 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended from time to time, are set out as follows:

(a)	Total number of Options granted	208,000		
(b)	Pricing Formula	Fair Market Value of the Shares as on the date prior to the date of meeting of the Compensation Committee in which Options would be granted to the Eligible Employees.		
(c)	Options Vested	Nil		
(d)	Options Exercised	Nil		
(e)	Total number of shares arising as a result of exercise of Option	Nil		
(f)	Options lapsed	Nil		
(g)	Variation of terms of Options	N.A.		
(h)	Money realized by exercise of Options	Nil		
(i)	Total number of Options in force	208,000		
(j)	Grant to Senior Management	i.	Shveta Vakil - <i>Executive Director</i>	7,000
		ii.	R. Kedia - <i>VP - Operations</i>	2,500
		iii.	Vinay Shahane - <i>AVP - Finance</i>	2,500
		iv.	A.L. Vipat - <i>GM – Projects</i>	1,500
		v.	Nikhil Shah - <i>General Manager - Exports</i>	1,500
		vi.	Sachin Kotwal <i>General Manager - Key Accounts</i>	1,500
		vii.	J.S. Bawa <i>General Manager - Commercial</i>	1,500
		viii.	C.K. Vijayan <i>General Manager</i>	1,500
		ix.	John Sumner <i>Financial Controller - SAUL</i>	3,000
		x.	Steve Haworth - <i>Director – SAUL</i>	3,000
		xi.	Anil Kulkarni - <i>President - SANAI</i>	3,000
(k)	Employees receiving 5% or more of the total number of Options granted during the year	None		
(l)	Employees granted Option equal to or exceeding 1% of the issued capital	None		
(m)	Diluted earnings per share pursuant to issue of shares on exercise of Options calculated in accordance with Accounting Standard (AS) 20 ‘Earnings Per Share’	Rs. 18.61 per share		
(n)	Method of calculation of Employee compensation cost	The employee compensation cost has been calculated using the intrinsic value method of accounting for Options issued under the Scheme.  The employee compensation cost for the financial year 2010-11 is Rs. 705,144.		

# DIRECTORS REPORT (Contd.)

## SUBSIDIARIES

During the year under review, Company's subsidiaries in UK and USA have turnaround and posted profits during the year.

### 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.

Pursuant to notification issued by Ministry of Corporate Affairs, the companies are now 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 upon fulfillment and disclosure of necessary information as stated in the said notification. The required information is provided as an annexure to this Annual Report page on 100.

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)

To meet our Corporate Social Responsibility, Company has during the year under report, spent Rs. 4.56 mn (2.6% of the Net Profits of the FY 2009-10). The company has set aside upto 5% of its Net Profits annually to do the same.

In addition to current 3 Anganwadis, the Company has bid to construct 7 more anganwadis to fulfill our promise of 10. For the purpose nine centers are identified for selection by the local authority where these will be built for health and education purpose. From the presently operative anganwadis, about 240 Children and about 45 pregnant women from

economically weaker section avail the facilities of medical check-up, dietary supplements. Celebration of various occasional days / national days, tree-plantation by the children at the anganwadis helps to create integration / awareness on environment. Such activities are regularly conducted. Training programme for the women from the surrounding area are conducted to train them in various activities in a bid to help them attaining economic self-support / family support; about 30 /35 women in the age group above 15 years takes the benefit.

On its birthday, your company also organizes the largest blood donation drive in the district collecting almost 150 bottle of blood for the local blood bank. Overwhelming participation from the employees at current year's event organized under the banner of Red-Cross Society was well appreciated by the authorities.

Our activity at ITI, Zalod, backward / tribal area of Panchmahal District of Gujarat is satisfactorily operative. All the students at the special course conducted during the year got their employment. In order to make the course more focussed, the course has been redesigned and will be made operative on receiving the necessary clearance from the Government.

In a bid to take its focus on education to the next level, as reported last year, our exercise on the blueprint for setting up a school and a sports complex near Kalol to cater to a robust K-12 education standard specially providing for children from less privileged backgrounds is well under progress. Further blueprint is also on the board for vocational employment oriented education for the tribal youth of the area. No CSR program with a strong focus can be implemented without effective manpower planning. In this bid, the company has set up a CSR team that's sole focus is to ensure timely disbursement of funds towards effective utilization on on-going projects.

### ACKNOWLEDGEMENTS:

We thank all our stakeholders for showing immense faith in their company and its team. We express our gratitude to our customers, vendors, team-members, investors and bankers for their continued support during the year. We place on record our appreciation of the contribution made by each and every Setco Family Member at all levels. Our consistent growth has been possible by their teamwork, support and solidarity and we look forward to delivering more value to every stakeholder. We look forward to a better 2011-12.

For and on behalf of the Board

Sd/-

**Harish Sheth**

*Chairman and Managing Director*

Mumbai

May 30, 2011



*Our activity at ITI, Zalod, backward / tribal area of Panchmahal District of Gujarat is satisfactorily operative. All the students at the special course conducted during the year got their employment.*

# CORPORATE GOVERNANCE REPORT

## 1. PHILOSOPHY

Corporate Governance is commitment to values and business ethical practices, it is also about adhering to prescribed set of laws, regulations, processes, customs, which direct the company towards attaining integrity, fairness, transparency and accountability.

Good governance practice stem from the culture and mindset of the organization. Stakeholders evince keen interest in the practices and performance of the Company and Corporate Governance has emerged as its centre stage. As corporate employs large quantum of social resources, the Company believes that the governance process should ensure that these resources are utilized in a manner that meets stakeholder's aspirations and societal expectations.

Timely and accurate disclosures of information regarding financial status, performance ownership are some of the well recognized practices on Corporate Governance.

The Company's philosophy is based on the following principles:

- i. Satisfy spirit of laws and
- ii. Transparent and high degree of disclosure levels

In accordance with Clause 49 of the Listing Agreement, the details required are set forth.

## 2. BOARD OF DIRECTORS

The Board of Directors is at the core of corporate governance. An active, well informed and independent Board is necessary to ensure high level of corporate governance. The Board sets strategic goals relating to shareholders value and set accountability for their

fulfillment. The Board also directs and oversees how the management serves the long term perspective of all the stakeholders.

### (i) Composition of the Board

The Company's Board comprises of optimum combination of executive, non executive and independent directors, with their in-depth knowledge of Company's business and expertise in their arena. The non executive and independent directors bring an external and wider perspective in board deliberations and decisions.

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
<b>Executive Directors</b>	
• Promoter Directors	Mr. Harish Sheth Mr. Udit Sheth
• Non Promoter Director	Mr. Shveta Vakil
<b>Non Executive Directors</b>	
• Independent	Mr. Arun Arora Mr. Ashok Kumar Jha Mr. Bhalchandra Naik Mr. Pratap Merchant Mr. Satish Deshpande
• 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.

- (i) 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, six Board Meetings were held on April 6, 2010, April 29, 2010, June 28, 2010, August 12, 2010, October 28, 2010 and February 7, 2011.

The Company has established practice of sending notices and detailed agenda papers for the Board / Committee meetings well in advance. All material information is circulated to the

Directors well in advance so that it can be studied and proper deliberations / suggestions / contributions on the same can be made at the time of 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, adoption of quarterly results, appointment / remuneration of senior management, functioning of foreign subsidiaries, general economic conditions, foreign exchange exposures, details of investor grievances and major legal issues. Further, the Board periodically reviews the compliance reports of applicable laws to the Company as well as steps taken to rectify instances of non compliances.

The following table provides the attendance record at the Board Meeting and Annual General Meeting of the Company and directorships, memberships and chairmanships in other public limited companies:

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	6	Present	1	1	Nil
Mr. Arun Arora	4	Absent	1	2	Nil
Mr. Ashok Kumar Jha	6	-	3	2	Nil
Mr. Bhalchandra Naik	6	Present	1	1	Nil
Mr. Harshal Shah	5	Absent	1	2	Nil
Mr. Pratap Merchant	5	Present	5	10	4
Mr. Satish Deshpande	4	Absent	1	3	1
Mr. Shveta Vakil	5	Present	2	3	1
Mr. Udit Sheth	5	Absent	1	Nil	Nil

@ Including Directorship of Setco Automotive Limited.

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

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

Mr. Pratap Merchant and Mr. Satish Deshpande retire by rotation and being eligible offers themselves for re-appointment.

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

### 3 COMMITTEES OF BOARD OF DIRECTORS

As on March 31, 2011, the Board has four Committees viz. Audit Committee, Shareholders' / Investor's Grievance

Committee, Remuneration Committee and Finance / Operations Committee. The composition of committees is in accordance with the Companies Act, 1956 and the Listing Agreement.

#### Audit Committee:

The Audit Committee reviews financial statements and key financial / auditing decisions to ensure that the financial statements are true, fair, sufficient and credible. In addition, the Committee assesses internal audit reports of the independent internal auditors of

# CORPORATE GOVERNANCE REPORT (Contd.)

the Company, recommends appointment and scope of internal auditors and appointment of statutory auditors and recommending their remuneration to the Board. Audit Committee also reviews quarterly, half yearly and annual financial statements before submission to the Board.

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 5 times during the financial year 2010-11 viz. April 29, 2010, June 28, 2010, August 12, 2010, October 28, 2010, and February 7, 2011. 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	5	4
Mr. Ashok Kumar Jha#	Independent Director	Member	5	3
Mr. Bhalchandra L. Naik#	Independent Director	Member	5	3
Mr. Harshal Shah	Non Executive Director	Member	5	4
Mr. Satish Deshpande	Independent Director	Member	5	4

# inducted as member w.e.f. June 28, 2010

The Chairman of the Audit Committee attended the Annual General Meeting of the Company held during the year under review.

The Chairman & Managing Director, Statutory Auditors and Chief Financial Officer are invitees to the meetings of the Audit Committee. The Company Secretary acts as the Secretary to the Committee.

#### **Shareholders' / Investor's Grievance Committee:**

The Shareholders' / Investor's Grievance Committee has been formed to review necessary actions for redressal

of investor grievances and complaints and cases of transfers, transmissions, issue of duplicate share certificates.

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 2010-11 viz. April 29, 2010, August 12, 2010, October 28, 2010 and February 7, 2011. 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	Member	5	4
Mr. Arun Arora	Independent Director	Member	4	3
Mr. Harish Sheth	Chairman & Managing Director	Member	4	4
Mr. Harshal Shah	Non Executive Director	Member	5	4

Mr. Mihir Mehta, Company Secretary and Mr. Kalpesh Shah, Manager are designated as the Compliance Officers of the Company.

**The status of investor grievances received during the financial year 2010-11 is as follows:**

No. of Complaints pending at the beginning	Nil
No. of Complaints / queries received	103
No. of complaints resolved	103
No. of complaints pending as on March 31, 2011	Nil

**Remuneration Committee:**

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

The remuneration committee comprises of four 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 2010-11 viz. June 28, 2010, August 12, 2010 and September 18, 2010. The detailed constitution and attendance at meetings of the committee is as under:

**The committee met 3 times during the financial year 2010-11 viz. June 28, 2010, August 12, 2010 and September 18, 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. Pratap Merchant	Independent Director	Chairman	3	2
Mr. Arun Arora	Independent Director	Member	3	1
Mr. Ashok Kumar Jha#	Independent Director	Member	3	1
Mr. Satish Deshpande	Independent Director	Member	3	3

# inducted as member w.e.f. June 28, 2010

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, approve grant of stock options to the employees and directors of the Company (other than promoter directors) and subsidiaries, such other functions and take such decisions as are required under Employees Stock Options Scheme of the Company and discharge such other functions or exercise such powers as may be delegated to the Committee by the Board from time to time.

The Remuneration Committee considers recommending remuneration for the managerial personnel taking in to 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 upto 1% of profits payable to Non Executive Directors of the Company and authorised the Board to determine such commission.

# CORPORATE GOVERNANCE REPORT (Contd.)

The detailed information for Directors' remuneration / commission for financial year 2010-11 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	120.00	14.40	113.81	--	248.21
Mr. Arun Arora	Independent Director	--	--	7.79	0.60	8.42
Mr. Ashok Kumar Jha	Independent Director	--	--	7.79	0.80	8.62
Mr. Bhalchandra Naik	Independent Director	--	--	7.79	0.75	8.57
Mr. Harshal Shah	Non Executive Director	--	--	7.79	--	7.79
Mr. Pratap Merchant	Independent Director	--	--	7.79	0.75	8.57
Mr. Satish Deshpande	Independent Director	--	--	7.79	0.85	8.67
Mr. Shvetal Vakil	Executive Director	56.02	4.86	10.00	--	70.88
Mr. Udit Sheth	Executive Director	42.00	5.04	7.00	--	54.04

Mr. Harshal Shah, Non Executive Director, being relative of Mr. Harish Sheth and Mr. Udit Sheth, is not paid any sitting fee.

During the year, the Company floated Employee Stock Options Scheme for its employees and Directors of the Company and its subsidiaries. As per said Employee Stock Option Scheme, 7,000 Stock Options were granted to Mr. Shvetal Vakil, Executive Director and 3,000 Stock Options were granted to each of the Non Executive Directors of the Company. No Stock Options were granted to Promoter Directors of the Company. Each Option is convertible into an equity share of Rs. 10/- each. The Stock Options were granted at an Exercise Price of Rs. 124/- per equity share.

The details of Equity Shares held by Non Executive / Independent Directors as at March 31, 2011:

Name of the Director	No. of Equity Shares held
Mr. Arun Arora	32,500
Mr. Ashok Kumar Jha	Nil
Mr. Bhalchandra L. Naik	2,400
Mr. Harshal Shah	95,530
Mr. Pratap Merchant	9,500
Mr. Satish Deshpande	Nil

## Finance / Operations Committee

The Finance / Operations Committee have been constituted to look after routine administrative and management functions. The Committee is responsible for maintaining Company's investment policy, loans and financial related activities.

The Committee comprises of Mr. Harish Sheth, Chairman and Managing Director, Mr. Udit Sheth & Mr. Shvetal Vakil, Executive Directors and Mr. Bhalchandra L. Naik, Independent Director.

The Committee met nine times during the year under review.

## 10. MEANS OF COMMUNICATION

Timely disclosure of consistent, comparable, relevant and reliable information of corporate financial performance is at the core of corporate governance. Towards this end, 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](http://www.setcoauto.com) and websites of the stock exchange. Information relating to shareholding pattern and compliance on corporate governance norms are also posted on Company's website.



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

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

## **11. 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.

## **12. COMPLIANCES WITH MANDATORY / NON MANDATORY REQUIREMENTS OF THE LISTING AGREEMENT**

Clause 49 of the Listing Agreement states that the Company shall obtain a certificate either from the Auditor or from the practicing company secretary regarding the compliance of conditions of corporate governance as stipulated therein and annex the certificate with the Directors' Report which is sent annually to the shareholders. We have obtained a certificate from our Statutory Auditors to this effect and the same is annexed.

The Clause also states that the non mandatory requirements may be implemented as per the discretion of the Company. The Company complied with majority of such non mandatory requirements, details of which are as follows:

- a. Non Executive Chairman's office: The Chairman of the Company is Executive Chairman and as such, this provision is not applicable.
- b. Remuneration Committee: The Company has constituted Remuneration Committee, the details of which are provided in this report.
- c. Shareholders Right: The quarterly, half yearly and annual financial results are published in newspapers having wide circulation in English and gujarati and are also available on Company's website. The Annual Report is sent to all shareholders of the Company.
- d. Audit Qualifications: It is always the Company's endeavor to present unqualified financial statements. There are no audit qualifications in the Company's financial statements for the year ended March 31, 2011.
- e. Training to Board Members: The Board is equipped to perform its role of business assessment through inputs from time to time. Directors are fully briefed on business related matters, risk assessment and mitigation procedures and new initiatives, development proposed by the Company. Directors are also updated on global corporate and industry scenario.
- f. Mechanism for evaluation of Non Executive Directors: The role of Directors is to provide direction and exercise control to ensure that the Company is managed in the manner that fulfills stakeholders aspirations and societal expectations. The Board has so far evaluated Non Executive Directors collectively to reinforce the principle of collective responsibility.
- g. Whistle Blower Policy: The Company encourages an open door policy where employees have access to the Head of the Business / Function. In terms of Setco Automotive Limited's Code of Conduct, any instance of non adherence to the Code or any other observed / unethical behavior is to be brought to the attention of the immediate reporting authority, who is required to report the same to Head of Corporate Human Resource.

## **13. 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 19 of the Annual Accounts.

## **14. MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

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

## **15. RISK MANAGEMENT**

The Company has laid down the procedures to inform the Board members about effective risk assessment and risk mitigation.

# CORPORATE GOVERNANCE REPORT (Contd.)

## 16. GENERAL BODY MEETINGS

### i. Details of last three Annual General Meetings held:

Financial Year	Venue	Day & Date	Time
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.
2009-2010	Baroda – Godhra Highway, Kalol, District – Panchmahal, Pin Code – 389 330, Gujarat.	Saturday, September 18, 2010	3.00 p.m.

### ii. Special Resolutions passed during the last three years

Date of AGM	Section	Particulars of Special Resolution
August 19, 2008	Section 372A of the Companies Act, 1956	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
September 18, 2010	1. Section 31 of the Companies Act, 1956	1. Amendment of Article 3 relating to share capital
	2. Section 81(1A) of the Companies Act, 1956	2. Authorising the Board to offer, issue and allot equity stock options under Employee Stock Options Scheme to employees and Directors of the Company and its subsidiaries
	3. Section 198, 309, 310, 311 and Schedule XIII of the Companies Act, 1956	3. Increase in remuneration payable to one of the Executive Director of the Company
	4. Section 314 of the Companies Act, 1956	4. Appointment and remuneration payable to one of the relative of the Director

- iii. There were no resolutions passed through the Postal Ballot during the Financial Year 2010-11. None of the businesses proposed to be transacted at the ensuing Annual General Meeting require passing of resolution through postal ballot.

## 5. GENERAL SHAREHOLDER INFORMATION

### (i) 28th Annual General Meeting

Day & date	Wednesday, September 28, 2011
Time	3.00 P.M.
Venue	Baroda – Godhra Highway, Kalol, District – Panchmahal, Pin Code – 389 330, Gujarat.

- (ii) Financial Year : April 1, 2010 – March 31, 2011
- (iii) Dates of Book Closure : September 19, 2011 – September 28, 2011
- (iv) Dividend Payment Date : On or after September 29, 2011
- (v) Listing on Stock Exchange : The Bombay Stock Exchange Limited  
 Stock Code : 505075  
 Demat ISIN in NSDL & CDSL : INE878E01013
- (vi) 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.

**(vii) Market Price Data for Financial Year 2010-11**

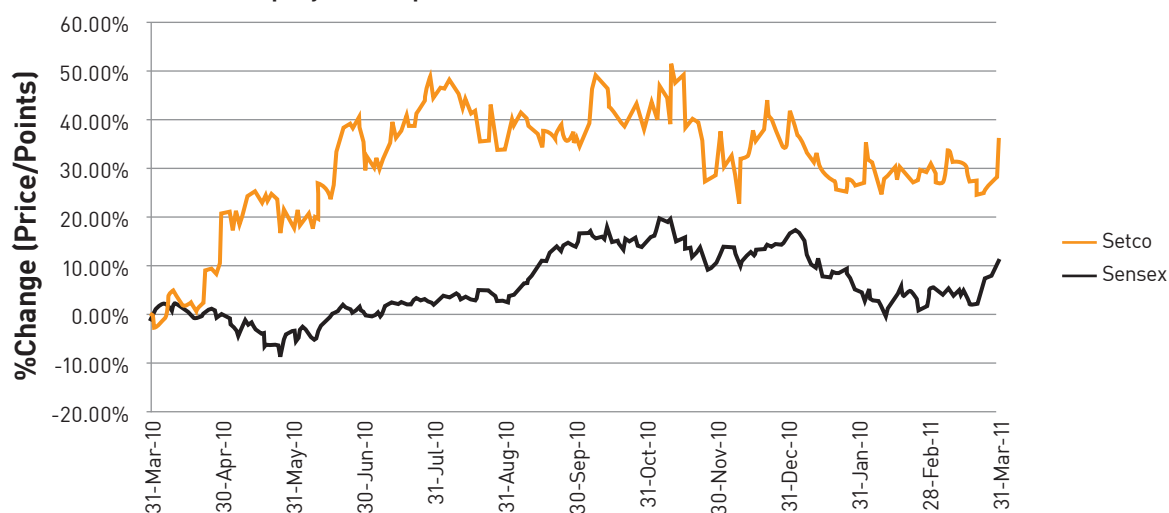
Month	Share Price		BSE Sensex
	High Price*	Low Price*	Adj. Close**
April-10	221.20	170.10	17558.71
May-10	234.00	205.00	16944.63
June-10	271.00	208.75	17700.90
July-10	274.00	230.05	17868.29
August-10 #	139.80	119.00	17971.12
September-10	129.80	120.15	20069.12
October-10	139.00	120.55	20032.34
November-10	143.00	110.00	19521.25
December-10	130.00	108.95	20509.09
January-11	127.35	110.00	18327.76
February-11	124.90	111.20	17823.40
March-11	127.50	108.00	19445.22

\* considered highest price and lowest price during the respective month

\*\* considered adjusted closing Sensex as at last day of the respective month

**#The share prices reflected from August, 2010 above are post issue of Bonus Shares in the ratio of 1:1.**

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



# CORPORATE GOVERNANCE REPORT (Contd.)

## (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:

Shareholders should communicate with Link Intime India Private Limited, our Registrar and Share Transfer Agents, matters related to share transfers in physical form, dividend, share certificates, change of address. The Company ensures that the Registrar process all the requests received from shareholders within three weeks from the date of receipt provided the documents are in order. The Registrar also updates the Company on action status.

The shares held in dematerialized 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, 2011:

No. of Shares	Distribution of Shareholding			
	Shareholders		Shares Held	
	No.	%	Shares	%
Upto 500	5621	91.61%	794922	4.51%
500 - 1000	225	3.67%	176069	1.00%
1001 - 2000	112	1.83%	176791	1.00%
2001 - 3000	42	0.68%	105860	0.60%
3001 - 4000	19	0.31%	70205	0.40%
4001 - 5000	18	0.29%	82860	0.47%
5001 - 10000	40	0.65%	331076	1.88%
10001 - 9999999999	59	0.96%	15905977	90.15%
<b>Total</b>	<b>6136</b>	<b>100.00%</b>	<b>17643760</b>	<b>100.00%</b>

## (xii) Dematerialisation and Liquidity:

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

The process of dematerialization is as follows:

- Share Certificate(s) alongwith Demat Requisition Form (DRF) is to be submitted by the shareholder to the Depository Participant (DP) with whom he/she has a demat account.
- DP processes the DRF and generates a unique number known as DRN
- DP forwards the DRF and share certificates to the Company's registrar and share transfer agents
- The Company's registrar and share transfer agents after processing the DRF confirm or reject the request to the depositories.
- Upon confirmation, the Depository gives credits to the shareholder in his/her demat / depository account maintained with DP.



The process of dematerialization takes approximately 15-20 days from the date of receipt of DRF by the Registrar and Share Transfer Agent of the Company.

As on March 31, 2011, 96.39% of Equity Shares (i.e. 17006240 Equity Shares) were held in dematerialized form and the rest in physical form. The equity shares of the Company are permitted to be traded only in dematerialized form.

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

There were no outstanding GDRs / ADRs / Warrants or any convertible instruments as at March 31, 2011.

**(xiv) Plant Locations in India:**

**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**

**Dividend** : Electronic Clearing Services (ECS)/ National Electronic Clearing Services (NECS) facility

Starting this year, the dividend remittances to shareholders will happen through ECS/NECS as per the locations approved by RBI from time to time. If you are located at any of the ECS/ NECS centers and have not registered your ECS/NECS, please arrange to forward your ECS/NECS mandate to your depository participant if the shares are held in demat form, or to the Company/Registrars, if the shares are held in physical form, immediately.

**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
Final Dividend 2009-10	18.09.2010	18.10.2017

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.

# CORPORATE GOVERNANCE REPORT (Contd.)

**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 2010-11.

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, 2011 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.

# 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, 2011 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: May 30, 2011

# CORPORATE GOVERNANCE REPORT (Contd.)

## 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, 2011.

**Harish K. Sheth**

*Chairman & Managing Director*

Place: Mumbai

Date: May 30, 2011



## 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, 2011 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 year, 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: May 30, 2011

Place: Mumbai

**Harish K. Sheth**

*Chairman & Managing Director*

**Vinay Shahane**

*Associate Vice President – Finance*

# CORPORATE GOVERNANCE REPORT (Contd.)

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

Name of the Director	Mr. Pratap Merchant
Date of Birth	March 2, 1935
Qualifications	B. Com., CAIIB
Specialised Expertise	He retired in March 1995 as the Executive Director of Bank of Baroda. He has over 40 years of Business and Banking experience. He has been on various committees constituted by Bank / RBI / IBA and Bank's Nominee Director on various companies. Prior to joining Banking sector he has worked for the industry for 12 years in the managerial cadre having experience of industrial finance and project appraisals. Mr. Merchant serves as an independent director of the Board of several companies.
No. of Shares held in the Company	9,500
Directorships in other Companies	1. Precision Wires (I) Limited 2. KJMC Asset Management Company Limited 3. Geecee Venture Limited 4. Relcon Infraprojects Limited
Committee positions held*	<b>Audit Committee:</b> 1. Setco Automotive Limited 2. Precision Wires (I) Limited 3. KJMC Asset Management Company Limited 4. Geecee Venture Limited 5. Relcon Infraprojects Limited <b>Remuneration Committee:</b> 1. Setco Automotive Limited 2. Precision Wires (I) Limited 3. KJMC Asset Management Company Limited 4. Geecee Venture Limited 5. Relcon Infraprojects Limited

Name of the Director	Mr. Satish Deshpande
Date of Birth	July 15, 1960
Qualifications	MBA from IIM-Ahmedabad as well as ISB, Hyderabad.
Specialised Expertise	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.
No. of Shares held in the Company	Nil
Directorships in other Companies	Nil
Committee positions held*	Audit Committee, Remuneration Committee, Shareholder' / Investor Grievance Committee of Setco Automotive Limited.

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

## AUDITORS' report

To,  
The Shareholders Of  
**SETCO AUTOMOTIVE LIMITED**

1. We have audited the attached Balance Sheet of Setco Automotive Limited as at 31st March, 2011 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 not yet 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, 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2011 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 14(a) of Schedule 19 - "Notes forming part of Accounts")
  - h) 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, 2011
    - (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)

**(B. R. BHATT)**

Partner

(M. No. 40007)

Place: Mumbai

Date: 30th May, 2011

## ANNEXURE as at 31st March, 2011

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

1. In respect of its fixed assets:
  - a) The Company has maintained records showing particulars and situation of fixed assets on the basis of available information. However, same is required to be updated under 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 (excluding stocks with third parties) 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 and sale of goods. 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 appear 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, Employees State Insurance, Sales Tax, Income Tax, Wealth Tax, Custom Duty, Excise Duty and Cess with appropriate authorities though there have been few instances of delay in deposition in respect of Service Tax & TDS. According to the information and explanations given to us, there are no undisputed items outstanding for more than six months as of 31st March, 2011.
  - 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, Income Tax, Wealth Tax, Cess and Custom Duty.



10. The company does not have accumulated losses as at 31.03.2011. The company has not incurred cash losses during the current year and in 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 loan from any financial institution nor issued any debentures.
12. The Company has given guarantees for loans taken by its foreign 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)

**(B. R. BHATT)**

Partner

(M. No. 40007)

Place: Mumbai

Date: 30th May, 2011

# BALANCE SHEET as at 31st March, 2011

	Schedule		As at 31.03.2011	Rupees As at 31.03.2010
<b>I. SOURCES OF FUNDS</b>				
<b>1. Shareholders' Funds</b>				
a. Share Capital	1	176,437,600		88,218,800
b. Stock Options Outstanding (Refer note 23 of Schedule 19)		705,144		-
c. Reserves and Surplus	2	703,641,570		545,121,381
			<b>880,784,314</b>	<b>633,340,181</b>
<b>2. Loan Funds</b>				
a. Secured Loans	3	896,266,080		752,060,387
b. Unsecured Loans	4	50,000,000		62,750,000
			<b>946,266,080</b>	<b>814,810,387</b>
<b>3. Deferred Tax Liability</b>			<b>49,836,000</b>	<b>40,836,000</b>
<b>Total</b>			<b>1,876,886,394</b>	<b>1,488,986,568</b>
<b>II. APPLICATION OF FUNDS</b>				
<b>1. Fixed Assets</b>				
a. Gross Block	5	1,023,736,309		896,063,710
b. Less : Depreciation		277,483,138		204,656,554
c. Net Block		746,253,171		691,407,156
d. Capital Work in Progress		4,619,441		-
			<b>750,872,612</b>	<b>691,407,156</b>
<b>2. Investments</b>	6		<b>276,151,683</b>	<b>197,651,683</b>
<b>3. Current Assets, Loans and Advances</b>	7			
a. Inventories		345,128,747		250,819,603
b. Sundry Debtors		660,628,435		352,828,685
c. Cash and Bank Balances		18,371,477		18,658,240
d. Loans & Advances		266,112,452		211,568,790
		1,290,241,111		833,875,318
Less: Current Liabilities and Provisions	8			
a. Liabilities		331,355,180		187,139,639
b. Provisions		109,363,832		49,168,247
		440,719,012		236,307,886
Net Current Assets			<b>849,522,099</b>	<b>597,567,432</b>
<b>4. Miscellaneous Expenditure</b> (to the extent not written off or adjusted)	9		<b>340,000</b>	<b>2,360,297</b>
<b>Total</b>			<b>1,876,886,394</b>	<b>1,488,986,568</b>
Significant Accounting Policies	18			
Notes on Accounts	19			

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

**B. R. Bhatt**  
Partner

**Harish Sheth**  
Chairman and Managing Director  
**Ashok Kumar Jha**  
Director

**Vinay Shahane**  
Associate Vice President - Finance

Place : Mumbai  
Date : May 30, 2011

For and on behalf of the Board

**Udit Sheth**  
Executive Director  
**Arun Arora**  
Director

**Shveta Vakil**  
Executive Director  
**Pratap Merchant**  
Director  
**Bhalchandra Naik**  
Director

**Mihir Mehta**  
Company Secretary

Membership No. : 040007  
Place : Mumbai  
Date : May 30, 2011

## PROFIT & LOSS ACCOUNT for the year ended 31st March, 2011

	Schedule	Year ended 31.03.2011	Rupees Year ended 31.03.2010
<b>INCOME</b>			
Sales & Operating Income	10	3,281,940,813	2,282,395,130
Less : Excise Duty		178,245,152	111,311,472
Sales Tax		61,398,455	34,152,626
		3,042,297,206	2,136,931,032
Less : Sales in Transit (Refer Note No.11 of Schedule 19)		15,789,695	22,008,212
		3,026,507,511	2,114,922,820
Other Income	11	11,746,145	10,554,196
Increase/(Decrease) in Stocks	12	12,684,397	52,574,218
		<b>3,050,938,053</b>	<b>2,178,051,234</b>
<b>EXPENDITURE</b>			
Raw Materials, Components Consumed & Goods Traded	13	1,786,480,341	1,291,307,383
Personnel Expenses	14	187,808,789	137,154,805
Other Expenses	15	473,053,087	344,552,648
R & D Expenses		2,459,716	8,661,664
Miscellaneous Expenditure Amortised	16	2,020,297	2,196,898
		<b>2,451,822,230</b>	<b>1,783,873,398</b>
<b>Profit Before Depreciation, Interest &amp; Tax</b>		<b>599,115,823</b>	<b>394,177,836</b>
Depreciation	5	74,066,184	62,198,982
Interest & Financial Charges	17	100,915,802	88,388,775
		<b>174,981,986</b>	<b>150,587,757</b>
<b>Profit for the year before tax</b>		<b>424,133,837</b>	<b>243,590,079</b>
Less: Deferred Tax Adjustments		9,000,000	18,614,000
Provision for Corporate Tax		84,532,000	41,857,000
Tax Adjustment for Earlier Year		1,838,772	5,062,632
<b>Profit Available for Appropriations</b>		<b>328,763,065</b>	<b>178,056,447</b>
<b>APPROPRIATIONS</b>			
Proposed Dividend		70,575,040	26,465,640
Corporate Tax on Dividend		11,449,036	4,395,612
Transferred to General Reserve		50,000,000	17,805,645
<b>Balance Profit</b>		<b>196,738,989</b>	<b>129,389,550</b>
Profit Brought Forward from Previous Year		354,141,110	224,751,560
Profit Carried to Balance Sheet		<b>550,880,099</b>	<b>354,141,110</b>
<b>Earning per share - Numerator</b> (See Note 24 of Schedule 19)			
Nominal value per share Rupees		10	10
Basic Earning per share		18.63	10.09
Diluted Earning per share		18.61	10.09
Significant Accounting Policies	18		
Notes on Accounts	19		

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

**B. R. Bhatt**  
Partner

Membership No. : 040007  
Place : Mumbai  
Date : May 30, 2011

**Harish Sheth**  
Chairman and Managing Director  
**Ashok Kumar Jha**  
Director

**Vinay Shahane**  
Associate Vice President - Finance  
Place : Mumbai  
Date : May 30, 2011

For and on behalf of the Board

**Udit Sheth**  
Executive Director  
**Arun Arora**  
Director

**Shvetal Vakil**  
Executive Director  
**Pratap Merchant**  
Director  
**Bhalchandra Naik**  
Director

**Mihir Mehta**  
Company Secretary

## SCHEDULES forming part of the Balance Sheet

		As at 31.03.2011	Rupees As at 31.03.2010
<b>SCHEDULE 1</b>			
<b>Share Capital</b>			
Authorised :			
3,00,00,000 (2,00,00,000) Equity Shares of Rs. 10 each		300,000,000	200,000,000
Issued, Subscribed & Paid -up :			
17643760 (8821880) Equity Shares of Rs.10 each *		176,437,600	88,218,800
<b>Total</b>		<b>176,437,600</b>	<b>88,218,800</b>
* i. 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.			
ii. During the year, 88,21,880 Equity shares of Rs.10/- each were issued as fully paid bonus shares by way of capitalisation of securities premium account.			
<b>SCHEDULE 2</b>			
<b>Reserves and Surplus</b>			
1. Capital Reserve			
I) On forfeiture of Shares		21,000	21,000
2. Securities Premium :			
As per last Balance Sheet	137,500,000		
Less : Utilised towards issue of Bonus Shares	88,218,800		
		49,281,200	137,500,000
3. General Reserve			
Opening Balance	53,459,271		37,192,655
ADD: Transferred from Profit & Loss A/c.	50,000,000		17,805,645
	103,459,271		54,998,300
Less : Compensated Absences Adjustment (Transitional)	-		1,539,029
		103,459,271	53,459,271
4. Profit & Loss Account		550,880,099	354,141,110
<b>Total</b>		<b>703,641,570</b>	<b>545,121,381</b>
<b>SCHEDULE 3</b>			
<b>Secured Loans</b>			
<b>From Banks</b>			
1. Term Loans		259,273,398	334,291,449
2. Working Capital Facilities		636,992,682	417,768,938
(Refer Note No.08 of Schedule 19 for security and other details)			
<b>Total</b>		<b>896,266,080</b>	<b>752,060,387</b>
<b>SCHEDULE 4</b>			
<b>Unsecured Loans</b>			
From Banks			
Bank of Baroda	50,000,000		50,000,000
From Others			
Tata Capital Ltd.	-		12,750,000
<b>Total</b>		<b>50,000,000</b>	<b>62,750,000</b>

# SCHEDULES forming part of the Balance Sheet (Contd.)

## SCHEDULE 5

### Fixed Assets

PARTICULARS		COST			DEPRECIATION				NET BLOCK		Rupees
		Cost as on 01.04.2010	Additions for the year	Adjustment for the year	Cost as on 31.03.2011	Up to 01.04.2010	Additions for the year	Adjustment for the year	Up to 31.03.2011	As on 31.03.2011	As on 31.03.2010
A	Tangible Assets										
01	Land	56,606,710	2,043,132	-	58,649,842	-	-	-	-	58,649,842	56,606,710
02	Buildings	182,593,360	4,646,594	1,983,068	185,256,886	13,089,491	5,933,493	1,233,426	17,789,558	167,467,328	169,503,869
03	Plant & Machinery	501,000,541	76,506,692	-	577,507,233	142,748,572	50,047,799	-	192,796,371	384,710,862	358,251,969
04	Furniture & Fixtures	19,463,598	108,449	-	19,572,047	3,412,055	1,193,267	-	4,605,322	14,966,725	16,051,543
05	Office Equipments	5,527,297	645,971	28,125	6,145,143	1,172,804	276,681	6,174	1,443,311	4,701,832	4,354,493
06	Pollution Equipments	277,500	-	-	277,500	55,304	13,181	-	68,485	209,015	222,196
07	Computers	12,029,193	11,819,110	-	23,848,303	5,086,138	2,413,507	-	7,499,645	16,348,658	6,943,055
08	Electric Fittings	25,344,185	729,038	-	26,073,223	2,450,450	1,216,821	-	3,667,271	22,405,952	22,893,735
09	Vehicles	9,752,649	5,722,685	-	15,475,334	2,876,449	1,261,478	-	4,137,927	11,337,407	6,876,200
	Sub Total (Tangible Assets)	812,595,033	102,221,671	2,011,193	912,805,511	170,891,263	62,356,227	1,239,600	232,007,890	680,797,621	641,703,770
B	Intangible Assets				-						
01	Goodwill	1,961,719	-	-	1,961,719	1,961,719	-	-	1,961,719	-	-
02	Product Development	56,251,098	26,168,560	-	82,419,658	21,755,656	4,645,313	-	26,400,969	56,018,689	34,495,442
03	Technical Know how	2,775,310	-	-	2,775,310	2,775,310	-	-	2,775,310	-	-
04	Computer Software	21,916,562	1,293,561	-	23,210,123	6,864,166	6,932,135	-	13,796,301	9,413,822	15,052,396
05	Web Site Development	563,988	-	-	563,988	408,440	132,509	-	540,949	23,039	155,548
	Sub Total (Intangible Assets)	83,468,677	27,462,121	-	110,930,798	33,765,291	11,709,957	-	45,475,248	65,455,550	49,703,386
	Grand Total (A + B)	896,063,710	129,683,792	2,011,193	1,023,736,309	204,656,554	74,066,184	1,239,600	277,483,138	746,253,171	691,407,156
	Previous Year:	(521,714,950)	(386,748,576)	(12,399,816)	(896,063,710)	(143,000,285)	(62,198,982)	(542,712)	(204,656,554)	(691,432,871)	
C	Capital Work in Progress										
01	Capital Work in Process	-	4,619,441	-	4,619,441	-	-	-	-	4,619,441	-
	Total C	-	4,619,441	-	4,619,441	-	-	-	-	4,619,441	-

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 is charged on pro-rata basis.

(3) Capital work in progress includes interest on borrowing of Rs.7,19,621/-, in accordance with accounting standard -16- "Borrowing Costs".



## SCHEDULES forming part of the Balance Sheet (Contd.)

		As at 31.03.2011	Rupees As at 31.03.2010
<b>SCHEDULE 6</b>			
<b>Investments (Unquoted &amp; Long Term)</b>			
i) 10 (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 Concerns		88,500,000	10,000,000
iii) 8,00,000 (8,00,000) Equity Shares of ₹ 1 each fully paid up of foreign subsidiary (At Cost)		64,840,000	64,840,000
iv) 1030 (1,030) 11% Non Cumulative Redeemable Preference Shares of \$ 1500 each fully paid up of foreign subsidiary (At cost)		72,051,900	72,051,900
v) 1,28,778 (1,28,778) Equity Shares of MUR 100 each fully paid up of Wholly owned foreign subsidiary (At Cost)		19,080,525	19,080,525
vi) 2,15,014 (2,15,014) 0% Redeemable Preference Shares of MUR 100 each fully paid up of wholly owned foreign subsidiary (At Cost)		31,679,008	31,679,008
<b>Total</b>		<b>276,151,683</b>	<b>197,651,683</b>
<b>SCHEDULE 7</b>			
<b>Current Assets, Loans and Advances</b>			
<b>1. Current Assets :</b>			
i) Inventories			
Raw Materials, Components	189,708,091		117,379,733
Stores and Packing Materials	19,780,825		10,484,436
Work-in-Process	86,738,487		71,777,898
Finished Goods	35,384,234		33,719,273
Sales in Transit (Refer Note No.11 of Schedule 19)	13,237,006		17,115,393
Scrap	280,104		342,870
		<b>345,128,747</b>	<b>250,819,603</b>
ii) Sundry Debtors (Unsecured, considered good unless otherwise stated)			
Debts (outstanding for a period exceeding six months)	57,418,220		26,113,128
Other Debts	603,210,215		326,715,557
		<b>660,628,435</b>	<b>352,828,685</b>
[Net of Bills discounted through Bank Rs.12,06,646 (Rs.11,42,795)]			
iii) Cash and Bank Balances:			
Cash on hand	1,854,741		1,385,652
Balance with Scheduled Banks:			
In Current Accounts	10,719,277		11,790,831
In Fixed Deposits	5,797,459		5,481,757
<b>Total</b>		<b>18,371,477</b>	<b>18,658,240</b>

## SCHEDULES forming part of the Balance Sheet (Contd.)

		As at 31.03.2011	Rupees As at 31.03.2010
<b>SCHEDULE 7</b> (Contd.)			
<b>2. Loans and Advances:</b>			
(Unsecured, considered good unless otherwise stated)			
Advances (Recoverable in cash or in kind or for value to be received)			
a. Subsidiaries	52,658,122		31,204,484
b. Others	200,242,400		166,348,612
Sundry Deposits	9,100,981		8,920,525
Balance with Central Excise	3,621,790		3,972,771
Deduction of Tax at source	489,159		1,122,398
		266,112,452	211,568,790
<b>Total</b>		<b>1,290,241,111</b>	<b>833,875,318</b>
<b>SCHEDULE 8</b>			
<b>Current Liabilities and Provisions</b>			
<b>1. Current Liabilities</b>			
a. Sundry Creditors :			
For Goods	265,108,424		146,288,237
For expenses	26,040,788		17,752,386
b. Other Liabilities (Refer Note No.13 of Schedule 19)	40,205,968		23,099,016
		<b>331,355,180</b>	<b>187,139,639</b>
<b>2. Provisions</b>			
For Gratuity & Compensated Absences	5,807,756		1,449,995
For Taxation ( Net )	21,532,000		16,857,000
For Dividend	70,575,040		26,465,640
For Tax on Dividend	11,449,036		4,395,612
		<b>109,363,832</b>	<b>49,168,247</b>
<b>Total</b>		<b>440,719,012</b>	<b>236,307,886</b>
<b>SCHEDULE 9</b>			
<b>Miscellaneous Expenditure</b>			
( To the extent not written off or adjusted )			
i) Share Issue Expenses		-	1,850,297
ii) Fees for Increase in Authorised Share Capital		340,000	510,000
<b>Total</b>		<b>340,000</b>	<b>2,360,297</b>

## SCHEDULES forming part of the Profit & Loss Accounts

Rupees

	Year ended 31.03.2011	Year ended 31.03.2010
<b>SCHEDULE 10</b>		
<b>Sales &amp; Operating Income</b>		
Sales	3,240,611,412	2,255,461,595
Sales of Manufacturing Scrap	41,329,401	26,933,535
<b>Total</b>	<b>3,281,940,813</b>	<b>2,282,395,130</b>

<b>SCHEDULE 11</b>		
<b>Other Income</b>		
Rent (TDS Rs.167656, P.Y.Rs.661800)	1,520,000	6,000,000
Interest (TDS Rs.91603, P.Y. Rs.102966)	2,671,492	1,103,998
Miscellaneous Income	21,000	2,291,295
Insurance Claim Received	55,996	412,791
Foreign Exchange Fluctuation Gain	7,477,657	746,112
<b>Total</b>	<b>11,746,145</b>	<b>10,554,196</b>

<b>SCHEDULE 12</b>		
<b>Increase in Stocks</b>		
Stocks at Commencement		
Finished Goods	33,719,273	15,353,553
Sales in Transit (Refer Note No.11 of Schedule 19)	17,115,393	-
Work-in-Process	71,777,898	54,979,043
Scrap	342,870	48,620
	<b>122,955,434</b>	<b>70,381,216</b>
Stock at Close		
Finished Goods	35,384,234	33,719,273
Sales in Transit (Refer Note No.11 of Schedule 19)	13,237,006	17,115,393
Work -in-Process	86,738,487	71,777,898
Scrap	280,104	342,870
	<b>135,639,831</b>	<b>122,955,434</b>
<b>Total</b>	<b>12,684,397</b>	<b>52,574,218</b>

<b>SCHEDULE 13</b>		
<b>Raw Material, Components Consumed &amp; Goods Traded</b>		
a) Raw Material and Components Consumed		
Opening Stock	117,379,733	66,337,675
Add : Purchases during the year (Net of Returns)	1,849,214,137	1,296,308,377
	1,966,593,870	1,362,646,052
Less : Closing Stock	189,708,091	117,379,733
<b>Total - (a)</b>	<b>1,776,885,779</b>	<b>1,245,266,319</b>
b) Cost of Goods Traded	9,594,562	46,041,064
<b>Total - (a + b)</b>	<b>1,786,480,341</b>	<b>1,291,307,383</b>

<b>SCHEDULE 14</b>		
<b>Personnel Expenses</b>		
Salaries and Wages	167,495,503	121,279,765
Contribution to Provident Fund and other Funds	12,142,637	8,711,258
Welfare and Other Expenses	8,170,649	7,163,782
<b>Total</b>	<b>187,808,789</b>	<b>137,154,805</b>

## SCHEDULES forming part of the Profit & Loss Accounts (Contd.)

	Rupees	
	Year ended 31.03.2011	Year ended 31.03.2010
<b>SCHEDULE 15</b>		
<b>Other Expenses</b>		
Stores and Tools Consumed	51,346,784	32,823,975
Carriage Inward	42,127,506	26,322,018
Power and Fuel	29,533,309	21,392,519
Jobwork Charges	43,258,780	31,382,445
Repairs and Maintenance to Machinery	1,577,247	1,151,653
Repairs to Building	520,632	1,513,853
Other Repairs	10,762,545	7,170,518
Factory Expenses	6,268,250	3,460,496
Rent	20,540,539	19,269,009
Insurance	3,728,574	2,567,860
Conveyance	6,782,522	4,774,344
Travelling Expenses	24,952,383	18,616,992
Legal and Professional Charges	32,103,195	20,969,520
Statutory Auditors' Remuneration	1,000,000	562,000
Printing and Stationary	2,030,859	1,750,709
Communication Expenses	3,506,573	3,158,519
Books, Subscription and Membership	4,755,307	37,626
Directors' Sitting Fees	375,000	415,000
Office Expenses	1,032,630	996,753
General Expenses	18,369,140	13,500,197
Advertisement Expenses	1,765,638	451,039
Marketing and Sales Promotion	27,646,325	43,822,790
Discount, Commission and other Expenses on Sales	51,430,221	39,230,761
Packing and Forwarding Expenses	76,490,474	45,314,424
Sundry Balance Written off (Net)	9,670,168	1,731,344
Loss/(Profit) on Sale of Fixed Asset	1,123,593	(3,811)
Excise Duty on Finished Goods Stock	354,893	2,170,095
<b>Total</b>	<b>473,053,087</b>	<b>344,552,648</b>
<b>SCHEDULE 16</b>		
<b>Miscellaneous Expenditure Amortised</b>		
Company Formation Expenses	-	176,598
Share Issue Expenses	1,850,297	1,850,300
Fees for Increase in Authorised Share Capital	170,000	170,000
<b>Total</b>	<b>2,020,297</b>	<b>2,196,898</b>
<b>SCHEDULE 17</b>		
<b>Interest &amp; Financial Charges</b>		
Interest on Term Borrowings	53,493,757	48,209,342
Interest on Working Capital Facilities	43,637,558	37,030,575
Bank Charges	3,784,487	3,148,858
<b>Total</b>	<b>100,915,802</b>	<b>88,388,775</b>

# SCHEDULES forming part of the Profit & Loss Accounts (Contd.)

## SCHEDULE 18

### 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.

#### 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 (including Licence fees): 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.

#### 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.



## SCHEDULES forming part of the Profit & Loss Accounts (Contd.)

### 9. Foreign Currency Transactions

Transactions in foreign currencies are recorded at monthly exchange rates as notified by the concerned authorities. 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.

- 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.

## SCHEDULES forming part of the Profit & Loss Accounts (Contd.)

### 16. Taxes on Income

- i) Provision for current tax is made for the amount of tax payable in respect of taxable income for the year under Income Tax Act, 1961.
- ii) 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 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.

### 18. Earnings per Share

The earnings considered for ascertaining the Company's Earnings Per Share (EPS) comprises the net profit after tax. The number of shares used in computing Basic EPS is the weighted average number of shares outstanding during the period. The number of shares used in computing diluted EPS comprises the weighted average shares considered for deriving basic EPS, and also the weighted average number of equity shares that would be issued on the conversion of all dilutive potential equity shares. In case of dilutive options, the difference between the number of shares issuable and the number of shares that would be issued at fair value are treated as diluted potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date.

### 19. Employee Stock Option Scheme

Stock options granted to the employees under the stock option scheme established are evaluated as per the accounting treatment prescribed by Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The Company follows the intrinsic value method of accounting for the options and accordingly, the excess of market value of the stock options as on date of grant over the exercise price of the options, if any, is recognized as deferred employee compensation and is charged to the Profit and Loss Account on graded vesting basis over the vesting period of the options. The unamortized portion of the deferred employee compensation is netted out against "Stock options Outstanding"

## SCHEDULE 19

### Notes forming part of Accounts for the year ended 31st March 2011

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. During the year, the company has settled the full and final term liability to the financial Institution.
4. In the previous year, Company's wholly owned subsidiary (WEW Holding Ltd.) had disinvested its 100% stake in Setco Global GmbH, Austria. In the opinion of the management, Company has complied with the requirements of the concerned authorities and do not expect any material liability on account of the disinvestment.
5. The Company had purchased the land and factory building situated at Village Alindra, Taluka Kalol in the previous year and had incurred expenses of Rs. 259.28 lacs. Possession of the land and building was also given to the Company by the concerned authorities. Therefore, the said amount was capitalized in the books of account in the previous year. The conveyance of the land is executed and same is registered during the year.
6. During the year, the Authorised share Capital of the Company is increased from Rs. 20 Crores to Rs. 30 Crores by creation of additional one crore equity shares of Rs.10 each.
7. During the year, the Company capitalised out of its "Securities Premium Account" the sum of Rs. 88,218,800 and issued 8,821,880 fully paid equity shares as Bonus shares of Rs. 10 each in the ratio of 1 (one) equity share for every 1 (one) share held by the members on the record date.

## SCHEDULES forming part of the Profit & Loss Accounts (Contd.)

### 8. Secured Loans:

- i. Secured Credit facilities are from Bank of Baroda & 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.

### 9. Deferred tax arising on account of timing differences have been recognized as per Accounting Standards (AS) – 22 “Accounting for Taxes on Income”. The major components thereof are as under:

Particulars	31.03.2011	Rs. Lacs 31.03.2010
Difference in WDV of Fixed Assets as per books and as per income tax	1500.03	1229.36
Deferred Tax liability	498.36	408.36
Total provision made as per Profit and Loss account	90.00	186.14

Note: The Deferred tax liabilities are computed on the basis of set-off / adjustments and tax liability based on income for the financial year 2010-2011 (Assessment Year 2011-2012) as per Income Tax Act 1961.

### 10. Contingent Liabilities

- i) Estimated amount of contracts remaining to be executed on capital account and not provided for Rs.30,214,100 (Rs. 10,394,134)
  - ii) Guarantees given by the bank on behalf of the Company Rs. 2,462,937 (Rs. 1,773,000)
  - iii) Guarantee given to ICICI Bank Limited, U.K. for ultimate subsidiary's credit facilities Rs.167,026,000 (Rs.157,573,000) (£2.3 million)
  - iv) Guarantee given to Bank of Baroda, New York, USA for ultimate subsidiary's credit facilities Rs.269,535,200 (Rs. 272,412,800) (\$ 5.995 million)
  - v) Bills Receivable discounted with the Bank and not matured Rs.1,206,646 (Rs 1,142,795.)
  - 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. NIL (Rs. 2,785,755)
11. 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. 157.90 lacs (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. 132.37 Lacs (Rs. 171.15 lacs) is shown under the head “Sales in Transit” in Schedule 7 under the head “Inventories”.
12. Disclosure pursuant to AS – 15 (Revised) ‘Employee Benefits’
- i) Defined Contribution Plans  
An amount of Rs 12,142,637 (Rs. 8,711,258) (Provident Fund & ESIC) is recognized as an expense and included in schedule 14 under the head “Personnel Expenses”.

## SCHEDULES forming part of the Profit & Loss Accounts (Contd.)

- ii) Defined Benefit Plans  
Contribution to Gratuity Fund

Rupees

### Changes in Benefit Obligation

	Current Year	Previous year
Opening defined benefits obligation	10,535,396	7,775,788
Interest Cost	842,832	622,063
Current Service Cost	953,658	976,861
Benefit Paid	(706,117)	(58,227)
Actuarial (Gain)/Loss on obligation	3,424,971	1,218,911
<b>Closing defined benefit obligation</b>	<b>15,050,740</b>	<b>10,535,396</b>

### Fair Value of Plan Assets

	Current Year	Previous year
Opening fair value of plan assets	10,801,905	6,492,290
Expected Return on Plan assets	994,839	782,761
Contributions made by the employer during the year	1,618,825	3,585,081
Benefit Paid	(706,117)	(58,227)
Actuarial Gain/(Loss) on Plan assets	-	-
<b>Closing fair value of plan assets</b>	<b>12,709,452</b>	<b>10,801,905</b>

### Amount Recognised in the Balance Sheet

	Current Year	Previous year
Defined Benefit Plan - Gratuity (Funded)		
Present value of funded obligation	(12,709,452)	(10,535,396)
Present value of non-funded obligation	(2,341,288)	-
Total Obligation	(15,050,740)	(10,535,396)
Fair Value of Plan Assets at the end of the year	12,709,452	10,801,905
<b>Net Asset /(Liability) included under the head Provision in Schedule 8 – "Current Liabilities and Provisions".</b>	<b>(2,341,288)</b>	<b>266,509</b>

### Expenses Recognised in the Profit & Loss Account

	Current Year	Previous year
Current Service Cost	953,658	976,861
Interest Cost on Benefit obligation	842,832	622,063
Expected Return on Plan Assets	(994,839)	(782,761)
Net actuarial (Gain) or Loss recognized during the year	3,424,971	1,218,911
<b>Amount Included under in Schedule 14 – "Personnel Expenses".</b>	<b>4,226,622</b>	<b>2,035,074</b>

## SCHEDULES forming part of the Profit & Loss Accounts (Contd.)

Rupees

### Balance Sheet Reconciliation

	Current Year	Previous year
Opening Net Liability	(266,509)	1,283,498
Expense as above	4,226,622	2,035,074
Contributions made during the year	(1,618,825)	(3,585,081)
Liability recognized in Balance Sheet	2,341,288	(266,509)

### The Principal Actuarial Assumption at the Balance Sheet Date

	Current Year	Previous year
Mortality Table - LIC	1994-96 (Ultimate)	1994-96 (Ultimate)
Discount rate	8%	8%
Estimated future salary growth	7%	7%
Expected rate of return on plan assets	9.25%	9%
Valuation Method	Projected Unit Credit Method	Projected Unit Credit Method

13. 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.
14. (a) 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.
- (b) In the opinion of the Management, current assets, loans and advances are recoverable in the normal course of business.
15. 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.

### 16. i) Managerial Remuneration :

Sr. No.	Particulars	Current Year	Previous Year
<b>1.</b>	<b>Chairman &amp; Managing Director</b>		
i)	Salary	12,000,000	6,000,000
ii)	Contribution to Provident Fund	1,440,000	720,000
iii)	Commission	113,81,000	7,763,736
<b>2.</b>	<b>Executive Directors</b>		
i)	Salary & Allowances	11,502,000	10,400,000
ii)	Contribution to Provident Fund	990,000	936,000
<b>3.</b>	<b>Non-Executive Directors</b>		
i)	Commission	4,676,000	2,752,747
	<b>Total</b>	<b>41,989,000</b>	<b>28,572,483</b>

Total managerial remuneration Rs. 41,989,000 (Rs. 28,572,483)



## SCHEDULES forming part of the Profit & Loss Accounts (Contd.)

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

		Current Year Rs. in lacs	Previous Year Rs. in lacs
A	Net Profit as per Profit & Loss Account	3287.63	1780.56
Add B	1) Provision for Depreciation as per Profit & Loss Account	740.66	621.99
	2) Remuneration to Directors	419.89	285.72
	3) Directors Sitting Fees	3.75	4.15
	4) Provision for Corporate Tax	845.32	418.57
	5) Provision for Deferred Tax	90.00	186.14
	6) Tax Adjustment for Earlier Years	18.39	77.64
	<b>Sub Total B</b>	<b>2118.01</b>	<b>1594.21</b>
	<b>Sub Total (A + B)</b>	<b>5405.64</b>	<b>3374.77</b>
Less C	1) Depreciation under Section 350 of Companies Act 1956	740.66	621.99
	2) (Loss) / Profit on sale of Assets as per books	(11.24)	0.04
	<b>Sub Total C</b>	<b>729.42</b>	<b>622.03</b>
	Net Profit as per Section 349 of the Companies Act 1956	4676.22	2752.74
	Maximum Permissible Managerial Remuneration @ 10% is	467.62	275.27
	Maximum Permissible Remuneration including commission to		
i)	Chairman & Managing Director is 5% of Rs. 4676.22	233.81	137.64
ii)	Two Executive Directors is 5% of Rs. 4676.22	233.81	137.64
iii)	Non-Executive Directors is 1% of Rs. 4676.22	46.76	27.53

### 17. Related Party information

#### i) Names of related parties and nature of relationship :

Shri Harish Sheth, the Chairman & 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, Transstadia Technologies 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 Chairman & Managing Director and also interested as Director in SE Transstadia Private Limited and Transstadia (Ahmedabad) Private Limited, Transstadia Technologies Private Limited and as partner in the firm of Western Engineering Works.

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 Chairman & Managing and Executive Director respectively.

#### List of Subsidiaries :

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

#### List of Associate Concerns :

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

## SCHEDULES forming part of the Profit & Loss Accounts (Contd.)

### ii) Transactions with Related Parties

Nature of Transaction	Current Year (Rs.)	Previous Year (Rs.)
<b>A) Transaction with Wholly Owned Subsidiary</b>		
Export	96,563,223	69,154,551
Royalty	-	15,882,959
Import	17,279,090	7,887,478
Expenditure including Capital items	33,384,225	30,419,154
Interest Income	2,154,393	499,840
Outstanding at Year End		
Investment	187,651,433	187,651,433
Loans & Advances	52,658,122	31,204,484
Amount Receivable	98,982,839	54,773,083
Amount Payable	155,46,351	15,197,986
<b>B) Transaction with Associate Concerns</b>		
Purchase, Job work & Out sourcing Expense	14,431,858	15,464,464
Investment-Share Application Money	78,500,000	10,000,000
Rent	1,500,000	6,000,000
Lease Rent	20,000	-
Marketing Commission	38,986,328	22,054,748
Outstanding at Year End		
Amount Receivable	2,156,006	6,935,134
<b>C) Transaction with Key Management Personnel and their relatives</b>		
Managerial Remuneration (Excluding Commission to Non-Executive Directors)		
Leave and License Fees	-	225,000
Others (Relative)	514,080	108,000
Outstanding at Year End		-
Amount payable	11,381,000	7,856,436

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% based on the sales figures reported in the audited accounts. Commission payable in respect of sales during the period 2009-2010 has been accounted during the year under review. Advance of Rs. 493.50 lacs (Rs.368.07 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, 2011 as per consistent policy followed from year to year.

## SCHEDULES forming part of the Profit & Loss Accounts (Contd.)

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

Sr. No.	Name of the Company	As at 31.03.2011 (Rs.)	As at 31.03.2010 (Rs.)	Maximum Balance during 2010-2011 (Rs.)	Maximum Balance during 2009-2010 (Rs.)
1.	Setco Automotive UK Limited UK (Subsidiary)	29,742,000	6,851,000	29,871,000	7,254,000
2.	Setco Automotive N.A. Inc. (USA) (Subsidiary)	-	4,544,000	4,544,000	5,068,000
3.	WEW Holdings Limited, Mauritius (Subsidiary)	602,789	660,436	660,436	660,436

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	6,38,000	4,38,000

21. Transaction in Foreign Currency.

	Current Year (Rs.)	Previous Year (Rs.)
i) Value of Components Imports on CIF Basis	425,153,418	471,896,973
ii) Expenditure in Foreign Currency		
a. Travelling Expenses	3,603,493	2,525,060
b. Royalty	-	15,882,959
c. Technical Fees	26,168,560	85,63,750
d. Market Research / Marketing Expenses	18,600,590	24,339,867
e. R & D Expenses	1,004,566	4,436,076
f. Others Expenses	1,809,062	2,217,243
iii) Earnings in Foreign Currency		
a. Export on FOB Basis	178,545,118	113,999,603

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

i) Details of Capacity and Production

Class of Goods	Installed Capacity	Production
	(Numbers)	
Clutch Driven Plate	8,00,000	618,374
	(550,000)	(491,459)
Clutch Cover Assembly	5,00,000	327,512
	(300,000)	(224,124)
Other Components	—	7,343,060
		(5,900,193)

## SCHEDULES forming part of the Profit & Loss Accounts (Contd.)

### ii) Consumption

#### a) Raw Material & Components

Sr. No.	Particulars		Current Year		Previous Year	
			Quantity	Value (Rs.)	Quantity	Value (Rs.)
1	Steel Strips	Kgs.	8,506,069	394,676,776	6,504,430	278,227,216
2	Springs	Nos.	14,544,238	183,821,493	10,763,981	128,894,327
3	Ceramic Buttons	Nos.	6,064,564	439,290,458	6,001,240	460,583,774
4	Castings	Nos.	513,440	398,584,778	347,439	188,346,391
5	Other Component/Realization			360,512,274		189,214,611
<b>Total</b>				<b>1,776,885,779</b>		<b>1,245,266,319</b>
b)	Cost of Traded Goods			9,594,562		46,041,064
<b>Total (a + b)</b>				<b>1,786,480,341</b>		<b>1,291,307,383</b>

c) Stores & Tools Rs. 51,346,784 (Rs. 32,823,975) all indigenous.

d) The Consumption of Raw Material & Components includes consumption of Imported Components Rs. 387,294,955 (Rs. 463,468,813) which is 21.68% (37.95%) in total consumption.

### (iii) a) Sales and Stocks of Finished Goods

	Opening Stock		Production	Closing Stock		Sales	
	Qty.	Value		Qty.	Value	Qty.	Value
	(Nos.)	(Rs.)	(Nos.)	(Nos.)	(Rs.)	(Nos.)	(Rs.)
Clutch Driven Plate	15,998	17,508,038	618,374	16,902	23,143,894	617,470	1,489,697,478
	(11,823)	(9,097,165)	(491,459)	(15,998)	(17,508,038)	(487,284)	(1,092,529,612)
Clutch Cover Assy.	5,311	7,769,048	327,512	4,864	5,237,487	327,959	1,488,018,432
	(4,245)	(2,734,699)	(224,124)	(5,311)	(7,769,048)	(223,058)	(874,188,876)
Others Components		8,442,187			7,002,853		253,284,478
	-	(3,521,689)	-	-	(8,442,187)	-	(242,568,829)
<b>Total (a)</b>	<b>21,309</b>	<b>33,719,273</b>	<b>945,886</b>	<b>21,766</b>	<b>35,384,234</b>	<b>945,429</b>	<b>3,231,000,388</b>
	(16,068)	(15,353,553)	(715,583)	(21,309)	(33,719,273)	(710,342)	(2,209,287,317)
b) Trading item							9,611,024
							(46,174,278)
c) Sales of Manufacturing scrap							41,329,401
							(26,933,535)
<b>Total (a + b + c)</b>	<b>21,309</b>	<b>33,719,273</b>	<b>945,886</b>	<b>21,766</b>	<b>35,384,234</b>	<b>945,429</b>	<b>3,281,940,813</b>
	(16,068)	(15,353,553)	(715,583)	(21,309)	(33,719,273)	(710,342)	(2,282,395,130)

\* Inclusive of Nos. 97 (122) clutch plates and 70 (97 Nos.) Cover assemblies distributed as free Samples.

## SCHEDULES forming part of the Profit & Loss Accounts (Contd.)

### 23. Employee Stock Option Plan - ESOP 2010

- a. Pursuant to approval of shareholders at their meeting held on September 18, 2010, the Company has established an 'Employee Stock Option Scheme 2010' ('ESOP 2010' or 'the Scheme') to be administered by the Remuneration Committee of the Board of Directors.
- b. Under the Scheme, options not exceeding 212,800 have been reserved to be issued to the eligible employees, with each option conferring a right upon the employee to apply for one equity share. The options granted under the Scheme would vest not less than one year and not more than four years from the date of grant of the options, depending upon the category of employees. The options granted to the employees would be capable of being exercised within a period of one year from the date of vesting.
- c. The exercise price of the option is Rs. 124/- per Option which is the closing market price of the shares on the Stock Exchange as on the date prior to the date of the Remuneration Committee resolution approving the grant.
- d. Pursuant to the above mentioned scheme, the Company has, during the year, granted 208,000 options vesting over a period of four years commencing from the respective dates of grant.
- e. The following are the number of options outstanding during the year:

Stock Options	Year ended March 31, 2011	Year ended March 31, 2010
At the beginning of the year	--	--
Granted	208,000	--
Exercised	--	--
Cancelled	--	--
At the end of the year	208,000	--

- f. The above outstanding options have been granted in two classes, 92,250 options at Rs. 93.00/- per option Class-I and 115,750 options Class-II at Rs. 124.00 per option. A discount of 25% is given to eligible employees in category of 'permanent workers and clerical staff'.

#### g. Balance Sheet Presentation

Total Stock Options Cost	2,859,750
Less: Deferred employee compensation	2,154,606
Stock Options Outstanding as at 31.03.2011	705,144

- h. In accordance with the requirements of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, and the Guidance Note on "Accounting for employee share based payments" issued by The Institute of Chartered Accountants of India, had the compensation cost for the employee stock option plan been recognized based on the fair value at the date of grant in accordance with the Black Scholes' model, the proforma amounts of the Company's Net Profit and Earnings per share would have been as follows:



## SCHEDULES forming part of the Profit & Loss Accounts (Contd.)

	Year ended March 31, 2011
Profits after Taxation	2,859,750
As reported	328,763,605
Add : Intrinsic Value Compensation Cost	705,144
Less : Fair Value Compensation Cost	1,938,242
Proforma	327,530,507
Earnings Per Share	
Basic	
No. of Shares	17,643,760
EPS as reported (Rs.)	18.63
Proforma EPS (Rs.)	18.56
Diluted	
No. of Shares	17,665,190
EPS as reported (Rs.)	18.61
Proforma EPS (Rs.)	18.54

The following assumptions were used for calculation of fair value of grants:

	Class-I	Class-II
Dividend Yield	1.73%	1.73%
Expected Volatility	43.61%	46.88%
Risk free interest rate	8.36%	8.28%
Expected term	2.00	2.51
Cancelled	--	--
At the end of the year	208,000	--

### 24. Determination of Profits & Capital for computation of EPS:

	(Rs. In lacs)	
Particulars	Current Year	Previous year
Profit available to Equity Shareholder after Tax	3287.63	1780.56
No. of Equity Shares of Rs. 10/- each		
Basic	17,643,760	17,643,760
Diluted	17,665,190	17,643,760
<b>Earnings Per Share in Rs. :</b>		
Basic	18.63	10.09
Diluted	18.61	10.09

Note: The Basic and diluted earnings per share (EPS) has been calculated for the current and previous year after taking into account the bonus issue(1: 1) as required by AS-20"Earnings per share"

## SCHEDULES forming part of the Profit & Loss Accounts (Contd.)

25. 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 & Company's General Business Profile

I.	Registration Details			
	Registration No.		5203 State Code: 04	
	Balance Sheet Date		31.03.2011	
II.	Capital raised during the year (Amount in Rs. Thousands)			
	Public Issue		Nil	
	Rights Issue		Nil	
	Bonus Issue		88219	
	Private Placement		Nil	
III.	Position of Mobilization and Development of funds (Amount in Rs. Thousands)			
	Total Liabilities	1,876,886	Total Assets	1,876,886
	Sources of Funds		Application of Funds	
	Paid-up Capital	176,438	Net Fixed Assets	750,872
	Stock Options Outstanding	705		
	Reserves & Surplus	703,641	Investment	276,152
	Secured Loans	896,266	Net Current Asset	849,522
	Unsecured Loan	50,000	Misc. expenditure	340
	Deferred Tax Liabilities	49,836		
IV.	Performance of Company (Amount in Rs. Thousands)			
	Total Revenue	3,050,938	Total Expenditure	2,626,804
	Profit Before Tax	424,134	Deferred/Corporate Tax	
	Profit After Tax	328,763		
			Proposed Dividend (final) Rate	40%
			Earnings Per Share-Basic	18.63
			Diluted	18.61
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**

**B. R. Bhatt**  
Partner

Membership No. : 040007  
Place : Mumbai  
Date : May 30, 2011

**Harish Sheth**  
Chairman and Managing Director  
**Ashok Kumar Jha**  
Director

**Vinay Shahane**  
Associate Vice President - Finance

Place : Mumbai  
Date : May 30, 2011

For and on behalf of the Board

**Udit Sheth**  
Executive Director  
**Arun Arora**  
Director

**Shveta Vakil**  
Executive Director  
**Pratap Merchant**  
Director  
**Bhalchandra Naik**  
Director

**Mihir Mehta**  
Company Secretary

## CASH FLOW STATEMENT for the year ended 31st March 2011

	Rupees	
	2010-2011	2009-2010
<b>A CASHFLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before tax	424,133,837	243,590,079
Adjustment for		
Depreciation	74,066,184	62,198,982
Miscellaneous Expenses Written of	2,020,297	2,196,898
Loss/(profit) on Sale of Assets	1,123,593	(3,811)
Interest Expense	100,915,802	88,388,775
Interest Income	(2,671,492)	(1,103,998)
Corporate tax	(86,370,772)	(46,919,632)
Stock Options Cost	705,144	-
<b>Operating Profit/(Loss) before Working Capital Changes</b>	<b>513,922,593</b>	<b>348,347,293</b>
Sundry Debtors	30,77,99,750	53,582,728
Inventories	(94,309,144)	(109,104,431)
Loans and Advances	(55,176,901)	(38,554,338)
Current Creditors	127,108,589	57,647,234
Other Liabilities	77,302,537	15,550,052
Compensated Absences Adjustment	-	(1,539,029)
<b>Cash Flow Generated from Operations</b>	<b>261,047,924</b>	<b>218,764,053</b>
Direct Taxes (Tax deducted at Source)	633,239	(984,003)
<b>Net Cash Flow from Operating Activities</b>	<b>261,681,163</b>	<b>217,780,050</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed Assets	(106,841,112)	(97,316,127)
Sale of fixed Assets	2,011,193	1,189,562
Intangible Asset	(27,462,121)	(1,628,037)
Profit/(Loss) on sale of fixed assets	(1,123,593)	3,811
Adjustment in Depreciation Reserve	(1,239,600)	(542,712)
Interest received	2,671,492	1,103,998
Decrease/(Increase) in Investment	(78,500,000)	(78,861,733)
<b>Net Cash used Investing Activities</b>	<b>(210,483,741)</b>	<b>(176,051,238)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Cash Credit	219,223,744	142,036,537
Proceed from term loans	66,151,586	93,873,430
Repayment of Borrowings	(153,919,637)	(162,379,042)
Interest paid	(100,915,802)	(88,388,775)
Dividend & Dividend Distribution Tax	(82,024,076)	(30,861,252)
<b>Net cash flow from Financing Activities</b>	<b>(51,484,185)</b>	<b>(45,719,102)</b>
<b>Net increase in Cash and Cash equivalents (A+B+C)</b>	<b>(286,763)</b>	<b>(3,990,290)</b>
<b>Opening Cash and Cash equivalents</b>	<b>18,658,240</b>	<b>22,648,530</b>
<b>Closing Cash and Cash equivalents</b>	<b>18,371,477</b>	<b>18,658,240</b>

### 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 whenever 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**

**B. R. Bhatt**  
Partner

**Harish Sheth**  
Chairman and Managing Director  
**Ashok Kumar Jha**  
Director

**Vinay Shahane**  
Associate Vice President - Finance

For and on behalf of the Board

**Udit Sheth**  
Executive Director  
**Arun Arora**  
Director

**Shvetal Vakil**  
Executive Director  
**Pratap Merchant**  
Director  
**Bhalchandra Naik**  
Director

**Mihir Mehta**  
Company Secretary

Membership No. : 040007  
Place : Mumbai  
Date : May 30, 2011

Place : Mumbai  
Date : May 30, 2011

# **CONSOLIDATED ACCOUNTS**

## AUDITORS' report

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, 2011 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. 6050.68 lacs, total revenues of Rs. 6283.21 lacs and cash inflows of Rs. 154.70 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 6(ii) of Schedule 17)*
5. Attention is invited to Note No. 13 of Schedule 17 stating that disclosures in respect of Raw Material Consumption, Inventories and Sundry Debtors are reflected, each at aggregate amounts on the basis of information available from subsidiaries.
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, 2011;
  - 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)

**(B. R. BHATT)**

Partner

(M. No. 40007)

Place: Mumbai

Date: 30th May, 2011

## BALANCE SHEET as at 31st March, 2011

	Schedule		As at 31.03.2011	Rupees As at 31.03.2010
<b>I. SOURCES OF FUNDS :</b>				
<b>1. Shareholders' Funds</b>				
a. Share Capital	1	176,437,600		88,218,800
b. Stock Options Outstanding (Refer note 11 of Schedule 17)		705,144		-
c. Reserves and Surplus	2	745,617,496		578,659,478
			<b>922,760,240</b>	<b>666,878,278</b>
<b>2. Loan Funds</b>				
a. Secured Loans	3	1,193,761,485		1,080,712,291
b. Unsecured Loans	4	76,725,953		89,800,107
			<b>1,270,487,438</b>	<b>1,170,512,398</b>
<b>3. Deferred Tax Liabilities</b>			<b>48,589,618</b>	<b>31,402,726</b>
<b>Total</b>			<b>2,241,837,296</b>	<b>1,868,793,401</b>
<b>II. APPLICATION OF FUNDS :</b>				
<b>1. Fixed Assets</b>				
a. Gross Block	5	1,337,945,882		1,193,367,482
b. Less : Depreciation		355,372,177		255,683,486
c. Net Block		982,573,705		937,683,996
d. Capital Work in Progress		4,619,441		-
			<b>987,193,146</b>	<b>937,683,996</b>
<b>2. Investments</b>	6		<b>88,500,250</b>	<b>10,000,250</b>
<b>3. Current Assets, Loans and Advances</b>	7			
a. Inventories		695,695,124		600,206,017
b. Sundry Debtors		657,266,655		363,405,925
c. Cash and Bank Balances		38,306,341		23,122,715
d. Loans & Advances		231,599,202		188,071,058
		<b>1,622,867,322</b>		<b>1,174,805,715</b>
Less: Current Liabilities and Provisions	8			
a. Liabilities		347,699,590		206,888,610
b. Provisions		109,363,832		49,168,247
		<b>457,063,422</b>		<b>256,056,857</b>
Net Current Assets			<b>1,165,803,900</b>	<b>918,748,858</b>
<b>4. Miscellaneous Expenditure</b> (to the extent not written off or adjusted)	9		<b>340,000</b>	<b>2,360,297</b>
<b>Total</b>			<b>2,241,837,296</b>	<b>1,868,793,401</b>
Significant Accounting Policies	16			
Notes on Accounts	17			

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

**B. R. Bhatt**  
Partner

**Harish Sheth**  
Chairman and Managing Director  
**Ashok Kumar Jha**  
Director

**Vinay Shahane**  
Associate Vice President - Finance

Place : Mumbai  
Date : May 30, 2011

For and on behalf of the Board

**Udit Sheth**  
Executive Director  
**Arun Arora**  
Director

**Shveta Vakil**  
Executive Director  
**Pratap Merchant**  
Director  
**Bhalchandra Naik**  
Director

**Mihir Mehta**  
Company Secretary

Membership No. : 040007  
Place : Mumbai  
Date : May 30, 2011



# PROFIT & LOSS ACCOUNT for the year ended 31st March, 2011

	Schedule	Year ended 31.03.2011	Rupees Year ended 31.03.2010
<b>INCOME</b>			
Sales & Operating Income	10	3,784,531,023	2,753,749,047
Less : Excise Duty		178,245,152	111,311,472
Sales Tax		61,398,455	34,152,626
		<b>3,544,887,416</b>	<b>2,608,284,949</b>
Less : Sales in Transit (Refer Note No.6(i) of Schedule 17)		15,789,695	22,008,212
		3,529,097,721	2,586,276,737
Other Income	11	22,394,444	20,325,043
Increase/(Decrease) in Stocks		12,684,397	52,574,218
		3,564,176,562	2,659,175,998
<b>EXPENDITURE</b>			
Raw Materials, Components Consumed & Goods Traded		1,981,922,055	1,498,266,223
Personnel Expenses	12	332,174,811	305,036,744
Other Expenses	13	575,550,911	433,083,504
R & D Expenses		2,459,716	8,967,266
Miscellaneous Expenditure Amortised	14	2,020,297	2,196,898
		<b>2,894,127,790</b>	<b>2,247,550,635</b>
<b>Profit Before Depreciation, Interest &amp; Tax</b>		<b>670,048,772</b>	<b>411,625,363</b>
Depreciation	5	105,348,852	100,454,517
Interest & Financial Charges	15	125,235,294	116,617,136
		230,584,147	217,071,653
<b>Profit for the year before tax</b>		<b>439,464,626</b>	<b>194,553,710</b>
Less: Deferred Tax Adjustments		14,428,863	6,335,029
Provision for Corporate Tax		88,175,583	40,018,053
Tax Adjustment for Earlier Year		1,838,772	5,062,632
<b>Profit Available for Appropriations</b>		<b>335,021,408</b>	<b>143,137,995</b>
<b>APPROPRIATIONS</b>			
Proposed Dividend		70,575,040	26,465,640
Corporate Tax on Dividend		11,449,036	4,395,612
Transferred to General Reserve		50,000,000	17,805,645
<b>Balance Profit</b>		<b>202,997,331</b>	<b>94,471,098</b>
Profit Brought Forward from Previous Year		375,552,157	281,081,059
Profit Carried to Balance Sheet		<b>578,549,489</b>	<b>375,552,157</b>
<b>Earning per share (Refer Note 12 of schedule 17)</b>			
Nominal value per share		10	10
Basic Earning per share		18.99	8.11
Diluted Earning per share		18.97	8.11
Significant Accounting Policies	16		
Notes on Accounts	17		

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

**B. R. Bhatt**  
Partner

Membership No. : 040007  
Place : Mumbai  
Date : May 30, 2011

**Harish Sheth**  
Chairman and Managing Director  
**Ashok Kumar Jha**  
Director

**Vinay Shahane**  
Associate Vice President - Finance  
Place : Mumbai  
Date : May 30, 2011

For and on behalf of the Board

**Udit Sheth**  
Executive Director  
**Arun Arora**  
Director

**Shvetal Vakil**  
Executive Director  
**Pratap Merchant**  
Director  
**Bhalchandra Naik**  
Director

**Mihir Mehta**  
Company Secretary

## SCHEDULES forming part of the Balance Sheet

		As at 31.03.2011	Rupees As at 31.03.2010
<b>SCHEDULE 1</b>			
<b>Share Capital</b>			
Authorised :			
3,00,00,000 (2,00,00,000) Equity Shares of Rs. 10 each		300,000,000	300,000,000
Issued, Subscribed & Paid -up :			
17634760 (8821880) Equity Shares of Rs.10 each *		176,437,600	88,218,800
<b>Total</b>		<b>176,437,600</b>	<b>88,218,800</b>
*i. 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.			
II. During the year, 88,21,880 Equity shares of Rs.10/- each were issued as fully paid bonus shares by way of capitalisation of securities premium account.			
<b>SCHEDULE 2</b>			
<b>Reserves and Surplus</b>			
1) Capital Reserve			
I) On forfeiture of Shares		21,000	21,000
II) On subsidiary acquisition		16,721,409	17,137,708
2) Securities Premium			
As per last Balance Sheet	137,500,000		137,500,000
Less : Utilised towards issue of Bonus Shares	88,218,800		-
		49,281,200	1,37,500,000
3) General Reserve			
Opening Balance		53,381,265	37,114,649
Add : Transferred from Profit & Loss A/c.		50,000,000	17,805,645
Less : Compensated Absences Adjustment (Transitional)		-	1,539,029
		103,381,265	53,381,265
4) Foreign Currency Translation Reserve		(2,336,868)	(4,932,653)
5) Profit & Loss Account		578,549,489	375,552,157
<b>Total</b>		<b>745,617,496</b>	<b>578,659,478</b>
<b>SCHEDULE 3</b>			
<b>Secured Loans</b>			
<b>From Banks</b>			
1. Term Loans		309,151,323	398,882,687
2. Working Capital Facilities		884,610,162	681,829,604
(Refer Note No.8 of Schedule 17 for security and other details)			
<b>Total</b>		<b>1,193,761,485</b>	<b>1,080,712,291</b>
<b>SCHEDULE 4</b>			
<b>Unsecured Loans</b>			
From Banks			
Bank of Baroda	50,000,000		50,000,000
Tata Capital	-		12,750,000
From Others			
Roxburgh Capital	26,725,953		27,050,107
<b>Total</b>		<b>76,725,953</b>	<b>89,800,107</b>



## SCHEDULES forming part of the Balance Sheet (Contd.)

		As at 31.03.2011	Rupees As at 31.03.2010
<b>SCHEDULE 6</b>			
<b>Investments (Unquoted &amp; Long Term)</b>			
i) 10 (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 Concerns		88,500,000	10,000,000
<b>Total</b>		<b>88,500,250</b>	<b>10,000,250</b>
<b>SCHEDULE 7</b>			
<b>Current Assets, Loans and Advances</b>			
i) Current Assets :			
i) Inventories (Refer note 6(i) of schedule 17)		695,695,124	600,206,017
ii) Sundry Debtors (Unsecured, considered good unless otherwise stated)		657,266,655	363,405,925
iii) Cash and Bank Balances			
Cash on hand	2,336,989		1,943,085
Balance with Scheduled Banks:			
In Current Accounts	30,171,893		15,697,874
In Fixed Deposits	5,797,459		5,481,757
		38,306,341	23,122,715
2) Loans and Advances: (Unsecured, considered good unless otherwise stated)			
Advances (Recoverable in cash or in kind or for value to be received)	200,242,399		166,348,612
Sundry Deposits	27,245,854		16,627,277
Balance with Central Excise	3,621,790		3,972,771
Deduction of Tax At source	489,159		1,122,398
		231,599,202	188,071,058
<b>Total</b>		<b>1,622,867,322</b>	<b>1,174,805,716</b>
<b>SCHEDULE 8</b>			
<b>Current Liabilities and Provisions</b>			
i) <b>Sundry Creditors :</b>			
For Goods		268,632,879	170,207,161
For expenses		26,040,788	17,752,386
ii) <b>Other Liabilities</b>		53,025,924	18,929,063
iii) <b>Provisions</b>			
For Gratuity & Compensated Absences		5,807,756	1,449,995
For Taxation (Net)		21,532,000	16,857,000
For Dividend		70,575,040	26,465,640
For Tax on Dividend		11,449,036	4,395,612
<b>Total</b>		<b>457,063,422</b>	<b>256,056,857</b>
<b>SCHEDULE 9</b>			
<b>Miscellaneous Expenditure</b> (To the extent not written off or adjusted)			
i) Share Issue Expenses		-	1,850,297
ii) Fees for Increase in Authorised Share Capital		340,000	510,000
<b>Total</b>		<b>340,000</b>	<b>2,360,297</b>

## SCHEDULES forming part of the Profit & Loss Accounts

Rupees

	Year ended 31.03.2011	Year ended 31.03.2010
<b>SCHEDULE 10</b>		
<b>Sales &amp; Operating Income</b>		
Sales	3,742,013,018	2,725,993,481
Sales of Manufacturing Scrap	42,518,005	27,755,566
<b>Total</b>	<b>3,784,531,023</b>	<b>2,753,749,047</b>

<b>SCHEDULE 11</b>		
<b>Other Income</b>		
Rent (TDS Rs.167656, P.Y.Rs.661800)	1,520,000	6,000,000
Interest (TDS Rs.91603, P.Y. Rs.102966)	521,695	621,548
Miscellaneous Income	2,489,778	4,469,457
Litigation Income	10,354,678	-
Technical Fees	-	9,526,250
Foreign Exchange Fluctuation	7,452,297	(1,006,642)
Insurance Claim Received	55,996	412,791
Profit on disposal of investment	-	301,639
<b>Total</b>	<b>22,394,444</b>	<b>20,325,043</b>

<b>SCHEDULE 12</b>		
<b>Personnel Expenses</b>		
Salaries and Wages	275,508,174	236,320,547
Contribution to Provident Fund and other Funds	46,456,665	59,496,193
Welfare and Other Expenses	10,209,972	9,220,004
<b>Total</b>	<b>332,174,811</b>	<b>305,036,744</b>

<b>SCHEDULE 13</b>		
<b>Other Expenses</b>		
Stores and Tools Consumed	65,402,612	42,121,474
Carriage Inward	59,967,910	39,630,948
Power and Fuel	39,656,022	31,389,459
Jobwork Charges	43,258,780	31,382,445
Repairs and Maintenance to Machinery	3,023,784	3,734,619
Repairs to Building	939,232	2,022,049
Other Repairs	11,503,501	7,170,518
Factory Expenses	9,867,274	8,044,040
Rent	20,540,539	19,269,009
Rates and Taxes	3,197,455	4,308,898
Insurance	7,651,454	7,607,264

## SCHEDULES forming part of the Profit & Loss Accounts

		Year ended 31.03.2011	Rupees Year ended 31.03.2010
<b>SCHEDULE 13</b> (Contd.)			
Conveyance		9,786,683	7,590,456
Travelling Expenses		33,807,453	23,521,052
Legal and Professional Charges		36,778,637	27,926,789
Statutory Auditors' Remuneration		1,729,760	1,374,246
Printing and Stationary & Computer Expenses		3,636,997	4,417,039
Communication Expenses		6,719,666	6,699,182
Books, Subscription and Membership		4,755,307	37,626
Directors' Sitting Fees		375,000	415,000
Office Expenses		5,042,385	2,769,540
General Expenses		20,294,393	16,474,617
Sundry Balance Written off (Net)		9,670,168	3,133,760
Marketing and Sales Promotion		31,680,816	41,430,263
Advertisement Expenses		2,843,194	2,320,959
Discount, Commission and other Expenses on Sales		53,232,765	41,219,964
Packing and Forwarding Expenses		88,713,449	57,360,422
Loss / (Profit) on sale of assets		1,120,784	(2,458,230)
Excise Duty on Finished Goods Stock		354,893	2,170,095
<b>Total</b>		<b>575,550,911</b>	<b>433,083,504</b>

<b>SCHEDULE 14</b>			
<b>Miscellaneous Expenditure Amortised</b>			
Company Formation Expenses		-	176,598
Share Issue Expenses		1,850,297	1,850,300
Fees for Increase in Authorised Share Capital		170,000	170,000
<b>Total</b>		<b>2,020,297</b>	<b>2,196,898</b>

<b>SCHEDULE 15</b>			
<b>Interest &amp; Financial Charges</b>			
Interest on Term Borrowings		67,761,788	75,156,149
Interest on Working Capital Facilities		53,202,636	37,030,575
Bank Charges		4,270,871	3,988,702
Interest on Inter corporate deposits		-	(34,590)
Interest to Others		-	476,300
<b>Total</b>		<b>125,235,294</b>	<b>116,617,136</b>



## SCHEDULES forming part of the Profit & Loss Accounts (Contd.)

### SCHEDULE 16

#### 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.6 (ii) of Schedule 17.

##### 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 currencies are recorded at monthly exchange rates as notified by the concerned authorities. 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.

## SCHEDULES forming part of the Profit & Loss Accounts (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

- i) Provision for current tax is made for the amount of tax payable in respect of taxable income for the year under Income Tax Acts of respective locations.
- ii) 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 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.

## SCHEDULES forming part of the Profit & Loss Accounts (Contd.)

### 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.

### 16. Earnings per Share

The earnings considered for ascertaining the Company's Earnings Per Share (EPS) comprises the net profit after tax. The number of shares used in computing Basic EPS is the weighted average number of shares outstanding during the period. The number of shares used in computing diluted EPS comprises the weighted average shares considered for deriving basic EPS, and also the weighted average number of equity shares that would be issued on the conversion of all dilutive potential equity shares. In case of dilutive options, the difference between the number of shares issuable and the number of shares that would be issued at fair value are treated as diluted potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date.

### 17. Employee Stock Option Scheme

Stock options granted to the employees under the stock option scheme established are evaluated as per the accounting treatment prescribed by Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The Company follows the intrinsic value method of accounting for the options and accordingly, the excess of market value of the stock options as on date of grant over the exercise price of the options, if any, is recognized as deferred employee compensation and is charged to the Profit and Loss Account on graded vesting basis over the vesting period of the options. The unamortized portion of the deferred employee compensation is netted out against "Stock options Outstanding"

## SCHEDULES forming part of the Profit & Loss Accounts (Contd.)

### SCHEDULE 17

#### Notes forming part of consolidated financial statement

1. 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. The figures of previous year are reclassified/regrouped / restated for consistent presentation, wherever necessary.
3. Figures in brackets represent previous year's figures.

#### 4. 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
ii. WEW Holding Limited Mauritius (WEW) (Wholly owned subsidiary of Setco Automotive Ltd. India)	100%	April to March

5. In the previous year, Company's wholly owned subsidiary (WEW Holding Ltd.) had disinvested its 100% stake in Setco Global GmbH, Austria. In the opinion of the management, Company has complied with the requirements of the concerned authorities and do not expect any material liability on account of the disinvestment.
6.
  - i) 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. 157.90 Lacs (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. 132.37 Lacs (Rs. 171.15 Lacs) is included in Schedule 7 under the head "Inventories".
  - ii) In the absence of information in accounts of subsidiaries about the stocks on hand out of inter-company transactions, the unrealized Profit on such stocks, if any, is unascertained.
7. 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.

## SCHEDULES forming part of the Profit & Loss Accounts (Contd.)

8. i) Secured Credit facilities are from Bank of Baroda, ICICI Bank U.K. Ltd. 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.
  - c. Overdraft of SAUL is secured by first charge on all assets of borrower and corporate guarantee of parent company.
  - d. All loans of SANAI are secured by way first charge on land building, machinery and equipment and other movable and immovable assets of the company, a first priority UCC security interest in movables, inventory and receivables and corporate guarantee of SAUL, SAL and personal guarantee of Mr. Harish Sheth, promoter of the company.
9. Contingent Liabilities
  - i. Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 30,214,100 (Rs. 10,394,134)
  - ii. Guarantees given by the bank on behalf of the Company Rs. 2,462,937 (Rs. 1,773,000)
  - iii. Guarantee given to ICICI Bank Limited, U.K. for ultimate subsidiary's credit facilities Rs. 167,026,000 (Rs. 157,573,000) (£ 2.3 million).
  - iv. Guarantee given to Bank of Baroda, New York, USA for ultimate subsidiary's credit facilities. Rs. 269,535,200 (Rs. 272,412,800) (\$5.995million)
  - v. Bills Receivable discounted with the Bank and not matured Rs. 1,206,646 (Rs. 1,142,795)
  - 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. Nil (Rs. 2,785,755)
10. Segment Information
 

The Company is operating only in one business segment viz. Auto Components.
11. Employee Stock Option Plan - ESOP 2010
  - a. Pursuant to approval of shareholders at their meeting held on September 18, 2010, the Company has established an 'Employee Stock Option Scheme 2010' ('ESOP 2010' or 'the Scheme') to be administered by the Remuneration Committee of the Board of Directors.
  - b. Under the Scheme, options not exceeding 212,800 have been reserved to be issued to the eligible employees, with each option conferring a right upon the employee to apply for one equity share. The options granted under the Scheme would vest not less than one year and not more than four years from the date of grant of the options, depending upon the category of employees. The options granted to the employees would be capable of being exercised within a period of one year from the date of vesting.
  - c. The exercise price of the option is Rs. 124/- per Option which is the closing market price of the shares on the Stock Exchange as on the date prior to the date of the Remuneration Committee resolution approving the grant.
  - d. Pursuant to the above mentioned scheme, the Company has, during the year, granted 208,000 options vesting over a period of four years commencing from the respective dates of grant.

## SCHEDULES forming part of the Profit & Loss Accounts (Contd.)

- e. The following are the numbers of option outstanding during the year.

Stock Options	Year ended March 31, 2011	Year ended March 31, 2010
At the beginning of the year	--	--
Granted	208,000	--
Exercised	--	--
Cancelled	--	--
At the end of the year	208,000	--

- f. The above outstanding options have been granted in two classes, 92,250 options at Rs. 93.00/- per option Class-I and 115,750 options Class-II at Rs. 124.00 per option. A discount of 25% is given to eligible employees in category of 'permanent workers and clerical staff'.

- g. Balance Sheet Presentation

Total Stock Options Cost	2,859,750
Less: Deferred employee compensation	2,154,606
Stock Options Outstanding as at 31.03.2011	705,144

- h. In accordance with the requirements of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, and the Guidance Note on "Accounting for employee share based payments" issued by The Institute of Chartered Accountants of India, had the compensation cost for the employee stock option plan been recognized based on the fair value at the date of grant in accordance with the Black Scholes' model, the proforma amounts of the Company's Net Profit and Earnings per share would have been as follows:

Total Stock Options Cost	Year ended March 31, 2011
Profits after Taxation	
As reported	335,021,408
Add : Intrinsic Value Compensation Cost	705,144
Less : Fair Value Compensation Cost	1,938,242
Proforma	333,788,310
Earnings Per Share	
Basic	
No. of Shares	17,643,760
EPS as reported (Rs.)	18.99
Proforma EPS (Rs.)	18.92
Diluted	
No. of Shares	17,665,190
EPS as reported (Rs.)	18.97
Proforma EPS (Rs.)	18.90

The following assumptions were used for calculation of fair value of grants:	Class-I	Class-II
Dividend Yield	1.73%	1.73%
Expected Volatility	43.61%	46.88%
Risk free interest rate	8.36%	8.28%
Expected term	2.00	2.51



## 12. Determination of Profits &amp; Capital for computation of EPS

(Rs. In lacs)		
Particulars	Current Year	Previous year
Profit available to Equity Shareholder after Tax	3350.21	1431.38
No. of Equity Shares of Rs. 10/- each		
Basic	17,643,760	17,643,760
Diluted	17,665,190	17,643,760
Earnings Per Share in Rs. :-		
Basic	18.99	8.11
Diluted	18.97	8.11

Note: The Basic and diluted earnings per share (EPS) has been calculated for the current and previous year after taking into account the bonus issue (1: 1) as required by AS-20 "Earnings per share"

## 13. Disclosure in respect of Raw Material consumption, Inventories and Sundry Debtors are reflected, each at an aggregate amounts only on the basis of information available from foreign subsidiaries.

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

**B. R. Bhatt**  
Partner

Membership No. : 040007  
Place : Mumbai  
Date : May 30, 2011

**Harish Sheth**  
Chairman and Managing Director  
**Ashok Kumar Jha**  
Director

**Vinay Shahane**  
Associate Vice President, Finance  
Place : Mumbai  
Date : May 30, 2011

For and on behalf of the Board

**Udit Sheth**  
Executive Director  
**Arun Arora**  
Director

**Shvetal Vakil**  
Executive Director  
**Pratap Merchant**  
Director  
**Bhalchandra Naik**  
Director  
**Mihir Mehta**  
Company Secretary

## Consolidated **CASH FLOW STATEMENT** for the year ended 31st March 2011

Rupees

	<b>31.03.2011</b>	31.03.2010
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before tax	439,464,625	194,553,710
Adjustments for:-		
Depreciation (Net of exchange fluctuation difference)	105,348,852	82,271,489
Miscellaneous Expenses written off	14,979,948	18,574,501
Interest Expenses	125,235,294	116,617,136
Interest Income	(521,695)	(621,548)
(Profit) / Loss on sale of fixed assets	1,120,784	(2,458,230)
Corporate and Fringe Benefit Tax	(90,014,355)	(45,080,685)
Add : Stock Options added during the year	705,144	-
<b>Operating Profit/ (Loss) before working Capital Changes</b>	<b>596,318,598</b>	<b>363,856,373</b>
Working Capital Changes		
Sundry Debtors	(293,860,730)	(16,375,952)
Inventories	(95,489,107)	(62,964,584)
Loans & Advances	(43,528,144)	(36,927,182)
Sundry Creditors & Other Current Liabilities	201,006,566	24,840,908
Compensated Absence Adjustment		(1,539,029)
Working Capital Changes	(231,871,415)	(92,965,839)
<b>Cash Flow Generated from Operations</b>	<b>364,447,183</b>	<b>270,890,534</b>
Direct Taxes (Tax deducted at source)	-	-
Miscellaneous Expenses	(12,959,651)	(16,377,598)
<b>Net Cash Flow from Operating activities</b>	<b>351,487,532</b>	<b>254,512,936</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(111,426,436)	(60,615,094)
Sale of fixed Assets	10,668,746	5,381,112
Intangible Assets	(40,170,621)	(24,827,541)
Profit / (Loss) on sale of fixed assets	(1,120,784)	2,458,230
Interest Received	521,695	621,548
Adjustment Depreciation Reserve	(9,559,473)	(5,273,163)
Increase in Investment	(78,500,000)	(10,000,000)
<b>Net Cash Used in Investing Activities</b>	<b>(229,586,873)</b>	<b>(92,254,908)</b>

## Consolidated **CASH FLOW STATEMENT** for the year ended 31st March 2011 (Contd.)

		Rupees
	<b>31.03.2011</b>	31.03.2010
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Change in Capital Reserve due to exchange fluctuation	(416,299)	(2,450,921)
Proceeds from Cash Credit	202,780,558	132,175,944
Proceeds from Term Loans	66,151,586	93,873,430
Repayment of Borrowings	(168,632,950)	(207,207,876)
Inter Corporate Loan	(324,154)	(5,222,584)
Interest Paid	(125,235,294)	(116,617,136)
Dividend and Dividend Distribution Tax	(82,024,076)	(30,861,252)
Deferred Tax Movement	2,758,028	(83,423)
<b>Net Cash Flow from Financing Activities</b>	<b>(104,942,601)</b>	<b>(136,393,819)</b>
<b>D. IMPACT OF EXCHANGE FLUCTUATION ON THE CASHFLOW</b>	<b>(1,774,433)</b>	<b>(14,540,698)</b>
<b>Movement in Cash and Cash equivalents (A+B+C+D)</b>	<b>15,183,625</b>	<b>11,323,510</b>
<b>Opening Cash and Cash equivalents</b>	<b>23,122,715</b>	<b>11,799,205</b>
<b>Closing Cash and Cash equivalents</b>	<b>38,306,341</b>	<b>23,122,715</b>

### 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 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**

**B. R. Bhatt**  
Partner

Membership No. : 040007  
Place : Mumbai  
Date : May 30, 2011

**Harish Sheth**  
Chairman and Managing Director  
**Ashok Kumar Jha**  
Director

**Vinay Shahane**  
Associate Vice President - Finance  
Place : Mumbai  
Date : May 30, 2011

For and on behalf of the Board

**Udit Sheth**  
Executive Director  
**Arun Arora**  
Director

**Shvetal Vakil**  
Executive Director  
**Pratap Merchant** **Bhalchandra Naik**  
Director Director

**Mihir Mehta**  
Company Secretary

## Statement Pursuant to **SECTION 212** of the Companies Act, 1956 relating to subsidiary companies

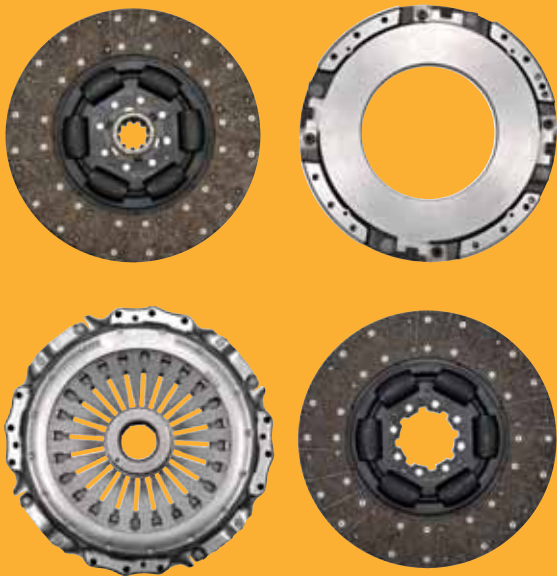
Particulars	Setco Automotive UK Ltd.		Setco Automotive N.A. Inc. (USA)		WEW Holdings, Mauritius	
	£000	Rs. Cr.	\$000	Rs. Cr.	£000	Rs. Cr.
1 Capital	1440	10.46	3045	13.69	638	4.63
2 Reserves	849	6.17	(371)	(1.67)	(5)	(0.04)
3 Total Assets	5681	41.26	9217	41.44	645	4.68
4 Total Liabilities	5681	41.26	9217	41.44	645	4.68
5 Investments	769	5.58	-	-	640	4.65
6 Turnover	3543	25.31	8087	37.12	-	0.00
7 Profit before Tax	72	0.51	188	0.86	-0.4	0.00
8 Profit after Tax	21	0.15	69	0.32	-0.4	0.00
9 Proposed Dividend	-	-	-	-	-	-

Note : Exchange Rates (a) (Average Rate) £ @ Rs. 71.44, \$ @ Rs.45.90

(b) (Closing Rate) £ @ Rs. 72.62, \$ @ Rs.44.96

# ANGANWADI, KALOL





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Diaphragm Spring, Pull Type Clutch with  
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