

June 8, 2017

To

Bombay Stock Exchange Limited, Dept. of Corporate Services, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001 Company No. 505075	National Stock Exchange of India Ltd, Listing Department Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai – 400051 Scrip Code: SETCO
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Dear Sir,

Sub: Company Presentation – Analyst / Investors Meet

In continuation to our letter dated June 1, 2017, we wish to inform that the presentation made at the Analyst / Investors Meet held at Mumbai on June 5, 2017 is enclosed for your information and records.

The aforesaid information is also being uploaded on the website of the Company www.setcoauto.com under the head Investors.

We request you to take note of the above on your record and oblige.

Thanking you,

Yours faithfully,

For Setco Automotive Limited


**Bhantesh Shah
Company Secretary**





SETCO
AUTOMOTIVE

LIPE
CLUTCH

FY17 Investor Update
May 31, 2017

FY17 Results & Performance Review



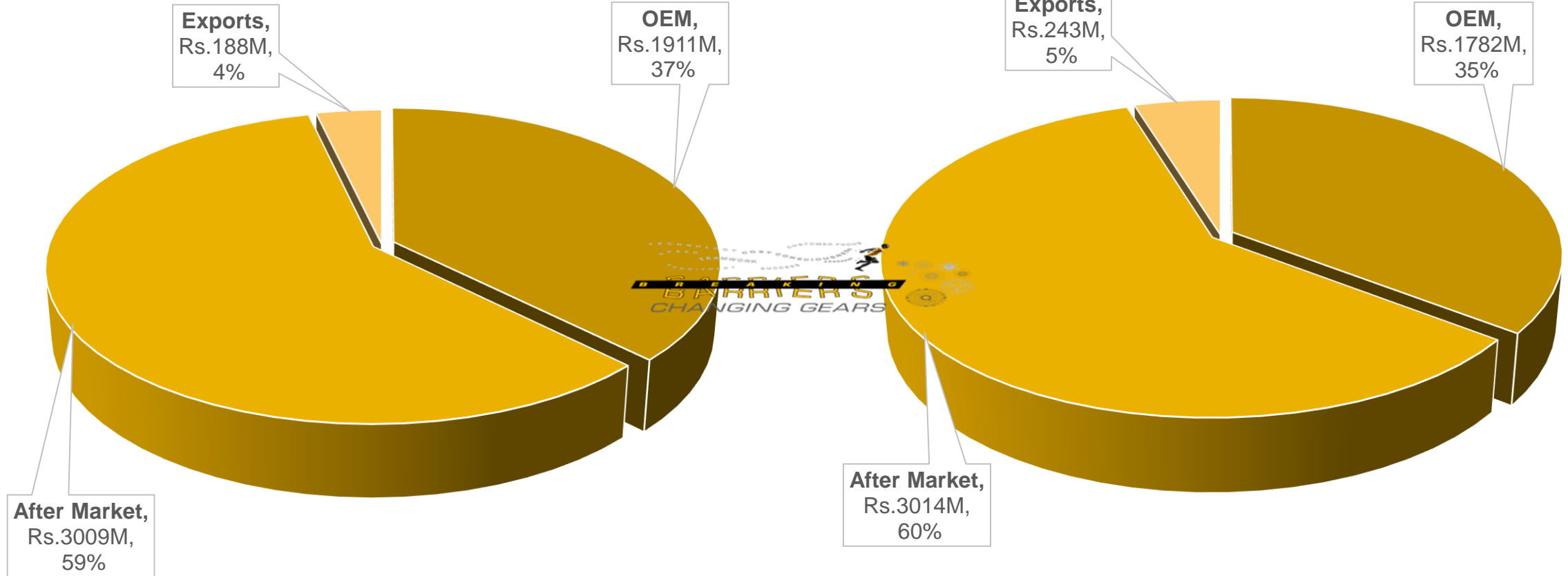
Segment-wise Sales Composition

FY16-17

FY15-16

Total Sales –
Rs 5108 mn

Total Sales –
Rs 5039 mn



Increase in proportion of OEM sales (having higher RM content) has affected EBIDTA adversely.

Note : After Market includes OES and Independent After Market

Performance Highlights - FY17

Sales Performance:

- ❑ OE Segment : Production of MHCV trucks was almost flat during the year. H2 the peak period was impacted first by demonetization and then continued uncertainty on sale & registration of BS III vehicles beyond 31st March 2017. Despite these adverse market conditions, Setco maintained its market share with all customers /segments. New clutch system for Ashok Leyland for their M&HCV vehicles & LCV clutches for TML resulted in OEM segment reporting 7.2% increase over previous year.
- ❑ After Market Segment: Industry volumes were flat for the year & demand mix was skewed towards older fleets. The prime segment of OES & IAM is younger fleet (vehicles upto 7 years old) , seeking 1st or 2nd replacement of clutches . This demand was lower, since in 2012-13 & 2013-14 the OE market had substantially come down. Despite these adverse market conditions, aftermarket sales were flat.
- ❑ Exports registered a decline in view of underperforming global markets linked to commodity deflations and larger time for field testing approvals for the US After Market.

FINANCIALS – FY17

(Rs mn)

	STAND ALONE	
	FY 17	FY 16
Sales	5108	5052
Contribution	1404	1413
Contribution (%)	27.5%	28.0%
Employee Cost	461	449
EBITDA (excl. O. Income)	706	733
<i>EBIDTA (%)</i>	13.8%	14.5%
Interest	324	308
Depreciation	166	147
Operating Profit before Tax	216	279
Operating Profit before Tax (%)	4.2%	5.5%

Analysis of drop in Operating Profit before Tax	Rs mn
Reduction in Contribution	-9
Increase in Fixed Costs	-19
Increase in Interest Cost	-16
Increase in Depreciation	-19
Total	-63

FINANCIALS – FY17

(Rs mn)

	STAND ALONE	
	FY 17	FY 16
Operating Profit before Tax	216	279
Foreign Exchange Loss / (Gain) **	41	(22)
Other Income **	(77)	(108)
Profit Before Tax	253	409
Taxes	61	75
PAT	192	334
Equity (Rs. in mn)	267.2	267.2
EPS (Rs)	1.44	2.50
Cash EPS (Rs)	2.68	3.60

**** Other Income is lower by Rs 94 mn on account of Foreign Exchange Loss of Rs 41 mn (PY gain Rs 22 mn) and no dividend income (PY Rs 32 mn).**

Performance Highlights - FY17

Operating Performance:

❑ Despite

- increase in ferrous commodity prices in H2, which will be recovered with a temporarily lag(Q1 2017) due to annual pricing settlements with OEM's. This also has a pass through effect on OES & IAM prices and realizations.
- Adverse Mix (OEM sales up by 2%) and
- higher selling & distribution overheads and fixed costs

overall operating efficiency improvement has **restricted drop in Operating EBIDTA to 0.7% at 13.8%.**

Performance Analysis & Outlook

Outlook FY 18 & beyond

- Industry is headed for a growth cycle in all segments in the next 3 years barring Q1.
- Q1 Outlook : Short term pain
 - Unsold BS III vehicle stocks are getting converted to BS IV by change of engines so new production of BS IV vehicles is less in Q1 FY 18. BS IV component shortages is also adding to the problem. Same is expected to be streamlined from Q2.
 - GST implementation from July 17 will result in transition management by reducing stocks across value chain thereby having adverse effect on Q1 sales volumes in aftermarket.

Performance Analysis & Outlook

Outlook FY 18 & beyond : Long term growth Cycle

▪ Industry Growth :

- ✓ Industry is headed for a growth cycle in all segments for next 3 years. Major uncertainties beyond us.
- ✓ OE driven by GDP growth. 3 years of M&HCV growth cycle remaining.
- ✓ Aftermarket growth driven by demographic driven demand mix (Higher 1st/ 2nd replacement).

▪ Setco Growth :

- ✓ Build back of FG stocks (Vehicles & Spares) will start from Q2 onwards, resulting in higher demand.
- ✓ From FY 18 onwards full year impact of supply of new products to AL & LCV clutches to TM OES .
- ✓ Positive Impact of GST on aftermarket as it will stop tax evasion and favor organized players (OES/IAM).
- ✓ Start of tractor segment business with 2 OEM's from Q2. Progressive ramp in volumes & more OEM's.
- ✓ Launch of the new range for North America market through the distribution & sales tie up with leading

Performance Analysis & Outlook

Outlook

- In spite of adverse market conditions, Company has maintained its market share. With i) new range of products launched during the year as well as planned in FY18, for which most of CAPEX has already been incurred and ii) overall improvement in operating efficiency, management is confident that operating margins will improve and further strengthen with increase in turnover.

Thank You

For additional Information, please contact:

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