

December 2, 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**

Dear Sir,

Sub: Q2 FY-18 Results & Performance Review

Kindly find attached the Presentation of the Company on Q2 FY-18 Results and Performance Review for the information of the investor community at large.

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

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

Thanking you,

Yours faithfully,
For Setco Automotive Limited



**Vinay Shahane
Vice President – Finance**





SETCO
AUTOMOTIVE

LIPE
CLUTCH

Q2 - FY18 Investor Update
December 1, 2017

Q2 FY18 Results & Performance Review



Performance Highlights – Q2 FY18

Compared to First Quarter sales of Rs 73 crs second quarter has witnessed robust growth in sales at Rs 135 crs in all segments, alongwith reduction in costs resulting in significant improvements in operating margins.

Overall improved cash flow, better working capital and reduction in interest rates has further contributed to improved performance.

Against Net Loss of Rs 11.89 crs in Q1 FY 18, the company has made Net Profit of Rs 13.76 crs in Q2 of FY 18

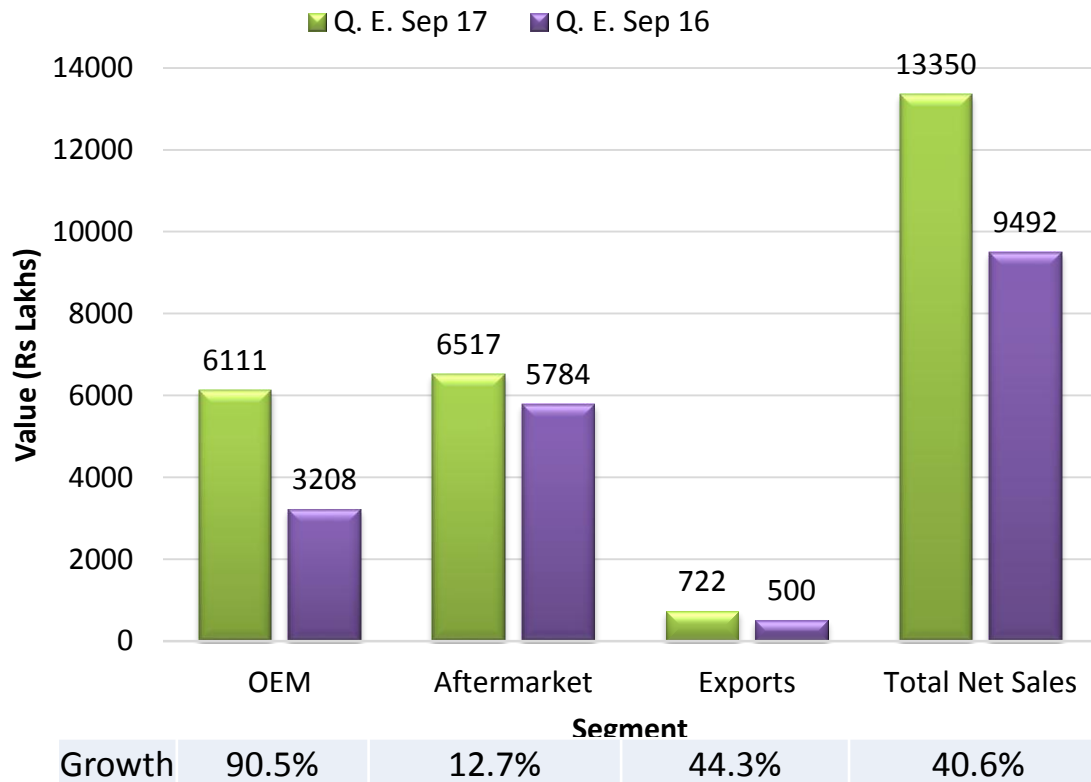
Performance Highlights – Q2 FY18

Sales Performance:

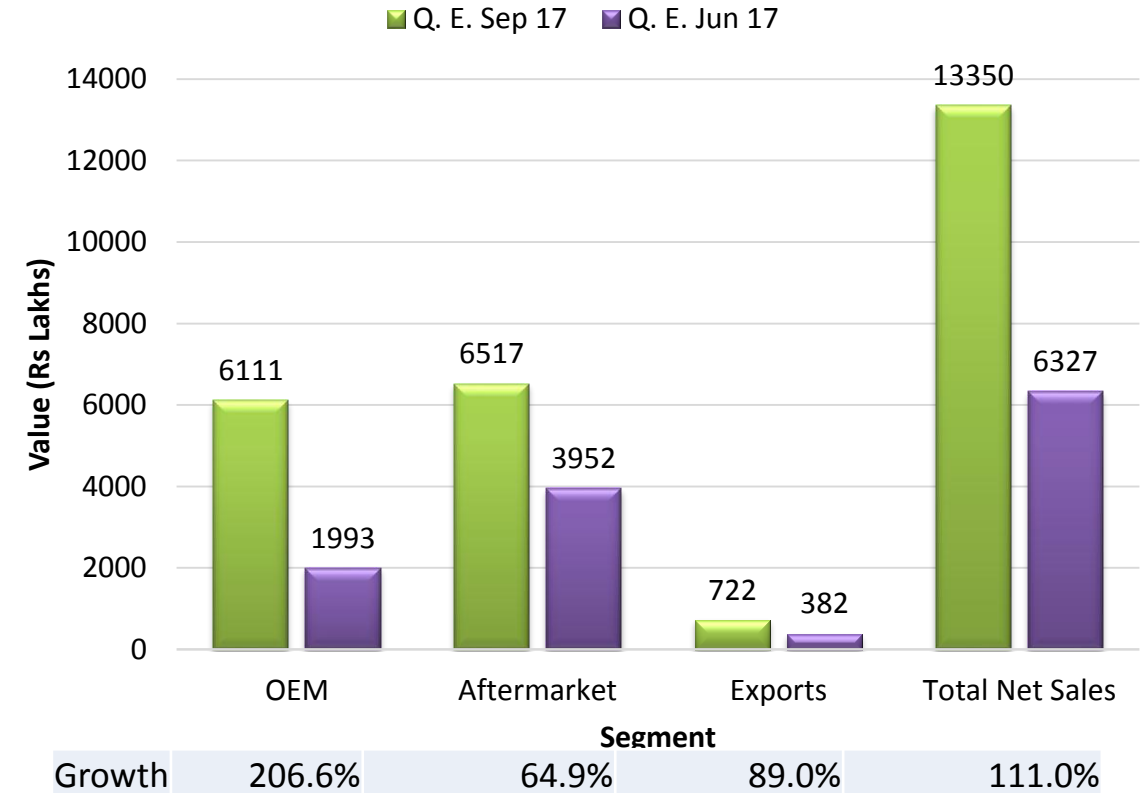
- ❑ Overall Revenue has increased by 41% compared to Q2FY17 and 111% compared to Q1FY18.
- ❑ Post GST implementation from July '17, business across all segments has registered significant increase.
- ❑ MHCV production during the quarter registered an increase of around 60% compared to Q1 FY18 and around 15%.compared to Q2 FY17.
- ❑ OEM sales during the quarter registered increase of 90% over Q2 FY17 on account of i) build up of 'in transit' inventory making up for loss of sales in Q1, ii) incremental sales of LCV, Tractor clutches and new products to Ashok Leyland.
- ❑ Overall Aftermarket sales during the quarter registered an increase of 13% over Q2 FY17, substantially making up for losses in Q1.
- ❑ Exports increased by 45% over Q2 FY17 mainly due to supplies of clutches specially developed for North American market as well as overall positive trends.
- ❑ Growth trend witnessed during Q2 FY18 is expected to accelerate in the coming periods on account of increase in OEM demand and exports as also sales of new products.

Segment-wise Sales

Quarterly Segment-wise Sales Comparision Sept 17 v/s Sept 16 (YoY)



Quarterly Segment-wise Sales Comparision Sept 17 v/s June 17 (QoQ)



After Market includes OES and Independent After Market

Sales Values for all periods revalued on post-GST basis.

FINANCIALS – Q2 FY18

(Rs Lakhs)

	Q1 FY 18	Q2 FY 18	Q2 FY 17	YoY Growth %
Total Revenues	7316	13465	10269	31%
EBITDA (excl. O. Income)	313	1878	1289	46%
<i>EBIDTA (%)</i>	4.3%	13.9%	12.6%	
Interest	750	731	766	
Cash Profit	(436)	1147	523	119%
Depreciation	430	436	413	
Operating Profit before Tax	(866)	711	110	545%
Operating Profit before Tax (%)	-11.8%	5.3%	1.1%	
Foreign Exchange Loss / (Gain)	(66)	(117)	160	
Other Income	(261)	(583)	(169)	
Profit Before Tax	(1193)	1411	119	1085%
Taxes	(5)	35	20	
Profit After Tax	(1189)	1376	99	1289%
Profit After Tax %	-16.3%	10.2%	1.0%	

Performance Highlights – Q2 FY18

Operating Performance:

- ❑ EBIDTA margins have increased by 1.3% to 13.9% during Q2FY18 compared to 12.6% during Q2FY17 on account of :
 - a. Increase in operating volumes.
 - b. implementing price increases with all customers.
 - c. Improvement in operating efficiency.
 - d. Control over fixed costs.
- ❑ Other Income for the quarter includes Rs 453 lakhs as Finance Income on account of redemption of preference shares investments made by the company in earlier years.

Performance Analysis & Outlook – FY18

Sales Outlook: To register growth of ~ 14%

OEM Sales to grow by ~ 10%

- MHCV production likely to continue strong, positive trends witnessed in Q2. Major OEM customers are optimistic about the near future.
- Company's OEM sales will increase by further ~10% due to new product sales to Ashok Leyland, LCV sales to Tata Motors and sale of clutches to farm equipment segment to leading OE manufactures in farm equipment segment.
- Opening of mining segment will further enhance OEM demand.

OES/IAM Sales to grow by ~ 12%

- Post GST implementation, Aftermarket sales have reversed the trend witnessed in Q1FY18. With new vehicles produced during FY15 / FY16 due for 1st replacement. Introduction of GST is positive for the company since it will affect the volumes of unorganized sector.

Exports Sales to grow by ~ 40%

- Sale of new range of clutches in North American market which has already commenced.

Performance Analysis & Outlook – FY18

Profitability Outlook

- Increase in volumes by around 15%, coupled with operational efficiencies and control over operating and fixed costs, is expected to improve EBIDTA margins in H2FY18 by 200 BPS.
- Finance cost is expected to come down by around 6% despite increase in turnover on account of improved cash flow, significant reduction in working capital deployment & reduction in interest rates (around 100 bps).
- Company's standalone cash flow and balance sheet will significantly improve with redemption of entire preference shares of Rs 34.65 crores during the year.

Performance Analysis & Outlook – Subsidiaries

Setco Automotive (N.A.) Inc.

(USD '000)

Particulars	H1FY 18		H1FY 17		% Growth
	Actual	% to S	Actual	% to S	
Total Sales	3514		2545		38%
EBIDTA	454	12.9	96	3.8	373%
Interest - Banks	119	3.4	131	5.1	
Cash Profit	335	9.5	-35	-1.4	1057%
Depreciation	143	4.1	145	5.7	
Operating Profit before Tax	192	5.5	-180	-7.1	207%
Other Income	7		9		
Inter Company Interest	89	2.5	93	3.7	
Profit before Tax	110	3.1	-264	-10.4	142%
Provision for Taxes	-		-		
Profit After Tax	110	3.1	-264	-10.4	142%

Highlights:

1. Sales up by 38% from USD 2545k to USD 3514k
2. EBIDTA up by 373% from USD 96k to USD 454k
3. Net Profits up by 142% from loss of USD 264k to profit of USD 110k

Company has reported Profit before Tax on the back of 38% growth in revenues and better product mix coupled with control over operating costs.

Performance Analysis & Outlook – Subsidiaries

Setco Automotive (U.K.) Ltd.

(GBP '000)

Particulars	H1FY 18		H1FY 17		% Growth
	Actual	% to S	Actual	% to S	
Sales	1779		1967		-10%
EBIDTA	59	3.3	-59	-3.0	200%
Interest - Banks	29	1.6	29	1.5	
Cash Profit	30	1.7	-88	-4.5	134%
Depreciation	87	4.9	80	4.1	
Operating Profit before Tax	-57	-3.2	-168	-8.5	66%
Other Income	-		-		
Inter Company Interest	225	12.6	250	12.7	
Profit before Tax	-282	-15.9	-418	-21.3	33%
Provision for Taxes	-17		-		
Profit After Tax	-265	-14.9	-418	-21.3	37%

Highlights:

1. EBIDTA turns positive (improvement of 200%) as a result of Business and Financial Restructuring done in the previous year.
2. Operating Losses reduced by 66%
3. Business outlook for H2FY18 is positive and expected to cross previous year sales.
4. Further Financial reengineering planned to improve the profitability and Balance Sheet.

Performance Analysis & Outlook – Subsidiaries

LAVACAST PVT. LTD.

	Q1 FY18	Q2 FY18	Q2 FY17	YOY % Growth	Sequential Growth
Total Production (MT)	2053	2802	1852	51%	36%

Profitability Statement

Rs Lakhs

	Amount	Amount	Amount	YOY % Growth	Sequential Growth
Net Sales	1127	1,807	819	121%	60%
Operating EBIDTA	-262	26	-298	Positive	Positive
EBIDTA %	-23%	1%	-36%		
Interest	429	429	445		
Cash Profit/(Loss)	-691	-403	-743		
Depreciation	279	282	253		
Profit / (Loss) before Tax	-970	-686	-997		

With stabilization of yields and improvement in quality coupled with increase in sales, company has reported positive EBIDTA for Q2 FY18. On annual basis, company is expected to double the turnover of previous year. Volumes in Q4 are expected to reach optimal utilization backed by increase in demand from Setco as also business with new OEM customers. This is likely to yield positive PBT for the quarter.

Thank You

For additional Information, please contact:

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