

February 15, 2018

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: Q3 FY-18 Results & Performance Review

Kindly find attached the Presentation of the Company on Q3 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

Q3 - FY18 Investor Update
February 14, 2018

Q3 FY18 Results & Performance Review



Company Snapshot

Company Profile

Incorporated in 1982

Manufacturing facilities: 2 in India and 1 each in the UK and USA.

3rd largest clutch manufacturing company in the world by volume

Commands ~Over 85% of the OEM M&HCV clutch market, meets ~100% requirement of Tata Motors, Bharat Benz and Eicher Volvo

~65% demand of Ashok Leyland

Controls major share of the Organised Replacement Market through OES and Own Distribution networks

Enjoys a strategic global presence and sells its clutches under

LIPE a world renowned brand



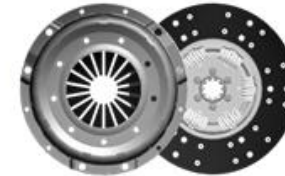
Current Market Cap of Rs.9,200mn

Products

It is the preferred supplier for clutches in India both by Domestic & MNC players. Today the company has a clutch for every truck in the world.



170 MM Single Diaphragm Spring



280 MM Single Diaphragm Spring



14/352 Single & Twin Direct Pressure Coil Spring



15/380 Single & Twin Direct Pressure Coil Spring



15.5 ASD



395 Single Push Diaphragm Spring



16/400 Twin Diaphragm Spring



17/430 Single Diaphragm Spring



CLIENTELE



Performance Highlights – Q3 FY18

- Momentum in the market is best reflected in H2 performance. Current Quarter continued to witness strong growth in volume as in previous quarter – post GST implementation. We expect the trend to accelerate in the next quarter as well as coming year.

	YoY Growth	QoQ Growth
Sales	21%	8%
EBIDTA	37%	16%
Operating PBT	259%	32%

- Sales of Rs 145 crs in the current quarter alongwith optimization of operating costs have resulted in significant improvement in EBIDTA.
- Operating PBT at Rs 9.36 cr. against Rs 2.62 cr. in Q3FY17, increase of more than 2.5 times.
- Investment of Rs 42.65 cr. in preference shares has been fully redeemed.

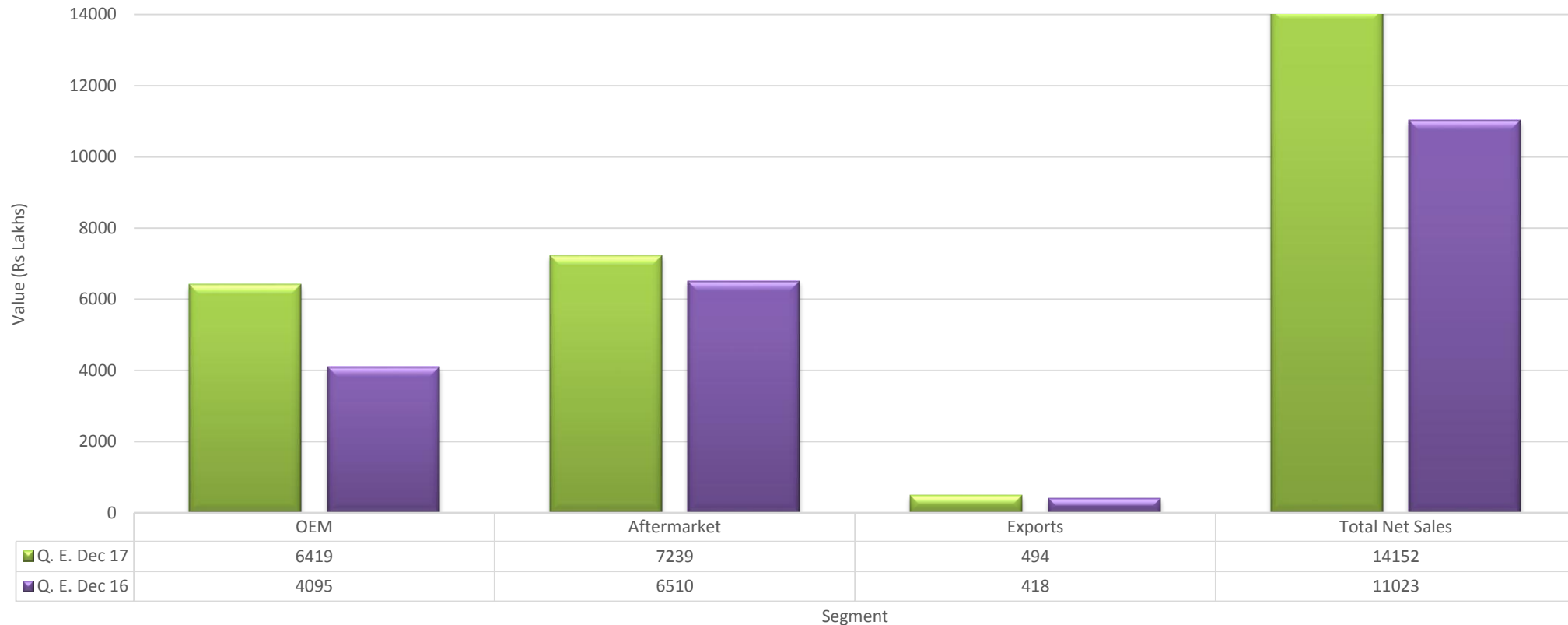
Performance Highlights – Q3 FY18

Sales Performance:

- ❑ Overall Revenue growth of 28.4% YoY.
- ❑ Growth trend witnessed in Q2, post GST implementation, continues across all segments.
- ❑ MHCV production during the quarter registered an increase of 19%.Y0Y.
- ❑ Range of products required to meet international market have been developed over last 2 years. Production / sales of these have started early this FY which has enables Exports to record 18% YoY growth. The same is further likely to accelerate in the next financial year.
- ❑ Growth trend witnessed during Q3 FY18 is expected to accelerate in the coming period on account of increase in OEM demand. Exports as well as sales of new products in the Tractor segment will further drive the growth.

Segment-wise Sales

Quarterly Segment-wise Sales growth - Dec 17 v/s Dec 16



Growth	56.7%	11.2%	18.3%	28.4%
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After Market includes OES and Independent After Market

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

FINANCIALS – Q3 FY18

(Rs Lakhs)

	Q2 FY18	Q3 FY 18	Q3 FY 17	YoY Growth %
Total Revenues	13465	14565	12025	21%
EBITDA (excl. O. Income)	1878	2177	1591	37%
<i>EBIDTA (%)</i>	13.9%	14.9%	13.2%	
Interest	731	799	908	
Cash Profit	1147	1378	683	102%
Depreciation	436	441	422	
Operating Profit before Tax	711	937	261	259%
Operating Profit before Tax (%)	5.3%	6.4%	2.2%	
Other Income	700	291	153	
Profit Before Tax	1411	1228	414	196%
Taxes	35	101	118	
Profit After Tax	1376	1127	296	280%
Profit After Tax %	10.2%	7.7%	2.5%	
Earning per Share (Face Value – Rs. 2)	1.03	0.84	0.22	

- EBIDTA has continued to improve primarily on account of increase in volumes, improvement in operating efficiency and control over operating costs. This is reflected in EBIDTA of 14.9% in current quarter showing 1.6% improvement on YoY basis and 1.0% improvement on QoQ basis.

FINANCIALS – Q2 & Q3 FY18

(Rs Lakhs)

	Q2 + Q3 FY18	Q2 + Q3 FY 17	YoY Growth %
Total Revenues	28030	20514	37%
EBITDA (excl. O. Income)	4055	2881	41%
<i>EBIDTA (%)</i>	14.5%	14.0%	
Cash Profit	2525	1207	109%
Operating Profit before Tax	1648	372	343%
Profit Before Tax	2639	533	395%
Profit After Tax	2503	395	533%

Performance Analysis & Outlook – FY18

Sales Outlook: To register growth of ~ 10%

Despite volume in Q1 being 50-60% of normal on account of BS IV norms and introduction of GST, Sales during Q2 and Q3 FY18 have registered a growth of 34% over same period in FY17. Sales during Q4 is likely to grow in the range of 15-18%.

Profitability Outlook

- With increase in sales, improved operational efficiency and effective control over costs, EBIDTA in Q4 will be protected in spite of increase in commodity prices as well as customs duty. These will be passed on to the customers effective April 2018 which will ensure increasing trend in EBIDTA during the next year.
- Company's balance sheet and cash flow have significantly improved, helped by redemption of entire preference shares investment of Rs 42.65 crores.

Outlook

FY19 Outlook : Robust, All-round Growth

OEM Sales growth to be driven by

MHCV:

- Improved outlook regarding growth of Indian economy and strong demand for MHCV.
- Further growth to be driven by opportunities in mining segment, infrastructure, road construction, housing. Restrictions on overloading as well as much awaited policy on scrapping of old vehicles will further boost demand for MHCV.
- Tractors: Acceleration in sale of clutches to farm equipment segment (Tractors) from FY19 onwards. Company expects to receive approvals from 4/5 OE customers in next couple of months. These orders / sales will further improve the volumes.

OES / IAM Sales

- Based on 3 year life cycle, replacement of vehicles produced during FY15 / FY16 will significantly boost replacement demand in FY19.
- GST implementation will increase company's competitive edge vis-à-vis unorganized sector and increase company's market share in profitable Aftermarket segment.

International Business

- Significant acceleration in sale of clutches developed over last few years in North American market.
- Company's development and marketing efforts in middle east, Africa and south east Asia will expand our market through consolidation and deeper penetration.

Outlook

- Driven by better utilization of capacity, improved operating efficiency, cost optimization (mainly due to Lava Cast and in-house diaphragm production) and better working capital management, will significantly improve EBIDTA margin.
- Considering the above factors, company is well poised to achieve its objective of Rs 1000 cr turnover (on consolidated basis) by FY2020.

Outlook

Lava Cast Pvt. Ltd.

- After stabilizing operations in H1, H2 performance will be better with Q4 performance reflecting the positive trend.
- Business development with OE customers (CV manufacturers) are progressing satisfactorily. Initial orders are expected to commence within next 2 months. This business will have significant impact on revenues and profitability during FY19.

Thank You

For additional Information, please contact:

Vinay Shahane

Vice President – Finance

Mail : vshahane@setcoauto.com

Tel : 022-4075 5555

Anurag Jain

Sr. Manager - CMD's Office

Mail : anurag.jain@setcoauto.com

Tel : 022-4075 5555