

July 31, 2018

To,

BSE Limited,
Dept. of Corporate Services,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 001
Company Code: 505075

National Stock Exchange of India Ltd,
Listing Department
Exchange Plaza, Bandra Kurla Complex,
Bandra (East), Mumbai – 400051
Scrip Symbol: SETCO

Dear Sir,

Sub: Q1 FY-19 Results & Performance Review

Kindly find attached the Presentation of the Company on Q1 FY-19 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





EFFICIENT ENGINEERING

Results Q1 FY19 Setco Automotive Limited

Conference Call August 1, 2018 - Mumbai

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- 1 Financial Results Q1FY19
- 2 Business Overview
- 3 Outlook

Key Figures Q1FY19 - Standalone

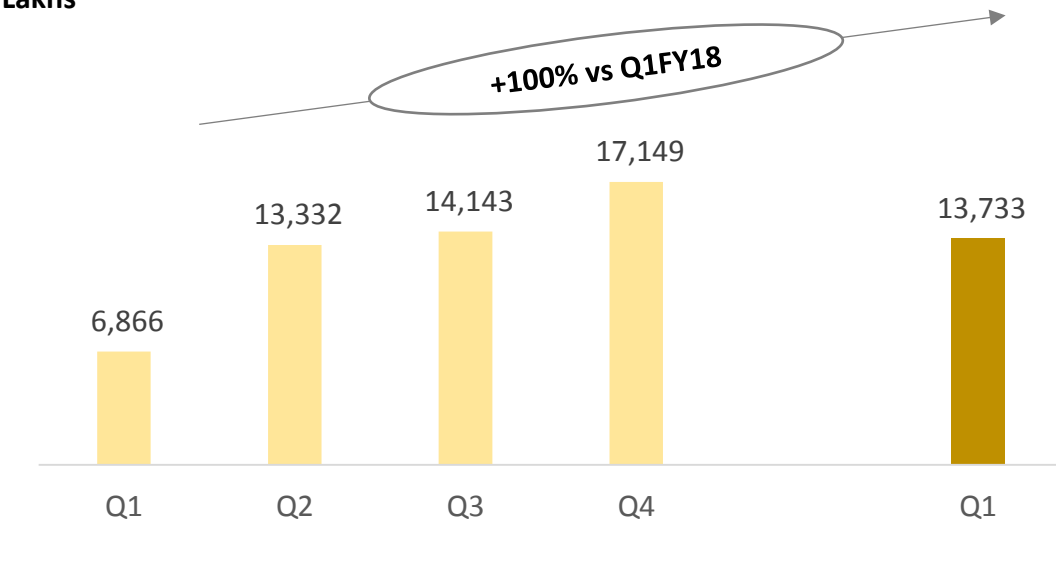
In INR Lakhs	Q1FY18	Q1FY19
Sales	6,866	13,733
EBITDA	(341)	2,067
<i>EBITDA %</i>	<i>(5.0)</i>	<i>15.1</i>
Cash Profit	(941)	1,516
PBT	(1,194)	1,170
PAT	(1,189)	818
EPS	(0.89)	0.61

- Strong Standalone business coupled with improved Subsidiaries performance -
 ✓ **Consolidated Profit for Q1FY19 (INR 564 lakhs) is higher than consolidated profit of full year of FY 18 (INR 379 lakhs)**

Strong profitable growth in Q1: Sales Growth Q1FY19 ~100% with EBITDA margin higher than FY18

Sales

In INR Lakhs



FY18

FY19

Same activity

EBITDA Margin

-5%

13.9%

15%

16.4%

15.1%

Higher activity

7/31/2018

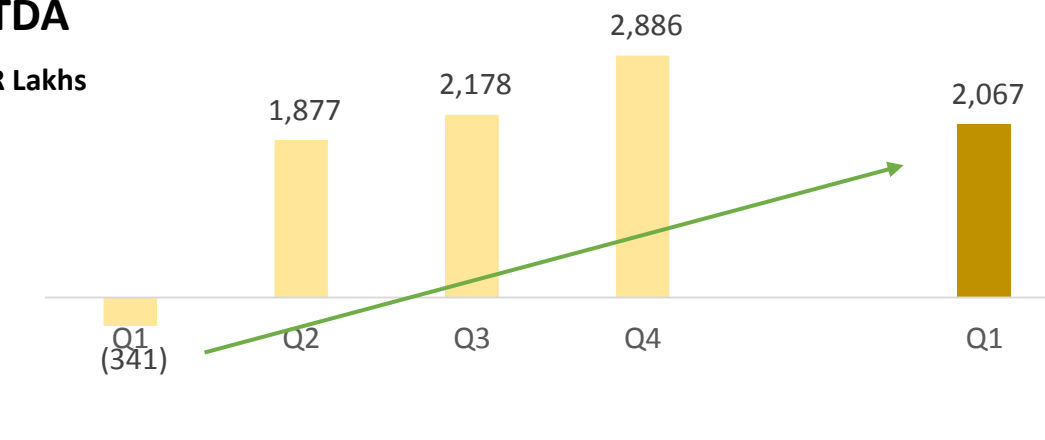
Setco Automotive Q1FY19

Key aspects

- Above 15% EBITDA margin vs 12.4% of FY18 despite
 - OEM contributing 50% of quarterly volume (normally it is 40%)
 - Expiry of Uttarakhand excise duty holiday (quantum ~200bps)
- Hence, sustainable growth trajectory for EBITDA margin

EBITDA

In INR Lakhs

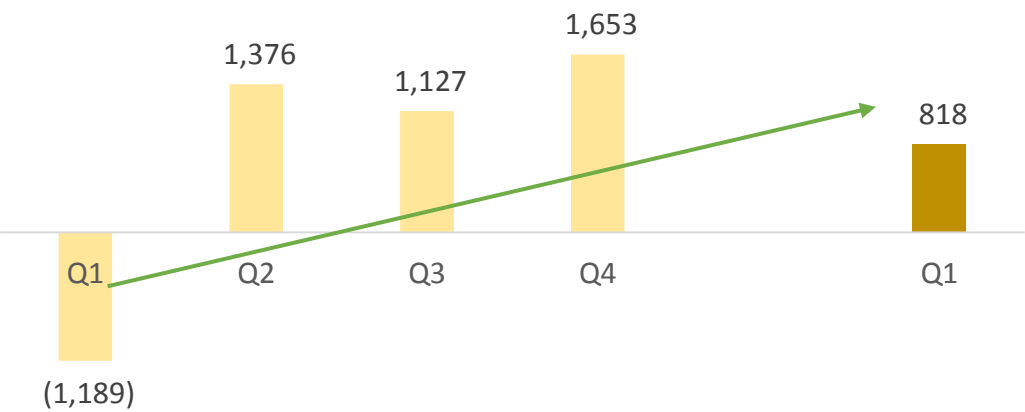


FY18

FY19

PAT

In INR Lakhs



Key aspects

- Q1FY19 PAT of INR 818 lakhs against INR 1376 lakhs of Q2FY18
 - Effective tax rate of 34% vs 21% of FY18, upon expiry of tax benefits from Uttarakhand
 - Q2FY18 actual tax rate 3% due to carry forward Q1FY18 losses
 - Higher one time Other Income (Redemption of Investment in Preference shares) of INR 453 lakhs in Q2FY18



	FY18				FY19
EPS	-0.89	1.03	0.84	1.17	0.61

Management Message



**Harish Sheth,
Chairman & MD**

Strong economic fundamentals continue to drive M&HCV segment growth. This growth trend is seen for the last 4 quarters in a row and the growth cycle is expected to continue for the foreseeable future. Government's thrust in rural sector and investment in infrastructure, higher MSP augurs well for our planned foray to supply new generation clutches into the farm equipment sector.

This is our strongest Q1 performance in the history of the company. All planned initiatives are on target to build on this strong start and deliver superior top line and bottom-line performance over the next few years



**Udit Sheth,
Vice-Chairman**

The Setco Advantage

Market Advantage

- Strong relations built over last 15 years with various OEM players.
- More than 85% of market share in MHCV space

Manufacturing Advantage

- 4 manufacturing facilities - 2 India| 2 International
- High tonnage press shop
- Diaphragm spring production – Import Substitution
- In-house machined and critical heat treatment
- Supplier base

Technology Advantage

- R&D centre at India and UK are poised to play a key role in national and global plans.
- In last 3 years, developed over 50 variants of clutches in farm and commercial vehicles
- Engineered customized solutions to suit different power trains of OEM's for meeting BSIV/BSVI/EUROVI norms.

Lava Cast - Integrated Play Advantage

- State-of-the-art foundry with machine shop
- Addresses supply chain constraints, assures supply of good quality castings and inherent cost advantages
- Strengthen relations with OEM by supply of casting / components to them like Fly wheel, Clutch housing, Brake drum etc in addition to clutches

Service Advantage

- Nation-wide distribution reach - 42 touchpoints & 23 distributors
- Training programs and field visits on servicing, troubleshooting & maintenance
- The clutch is the fuse of the drive train which is designed to fail optimally saving the engine and the gear-box and requires a strong service network to ensure that the vehicle performance is most efficient

People Advantage

- The most valuable part of our company is the people – the human capital – and any plans to move our business forward starts here.

Customer focus and growth – New business picking up

Growth Strategy

1

OEM Business



2

Aftermarket



3

International Business Turnaround



4

Lava Cast



Cost Optimization

Enhance productivity and asset utilization

5

Build culture of innovation & performance

6

Continuous improvement in Working Capital and Debt Management

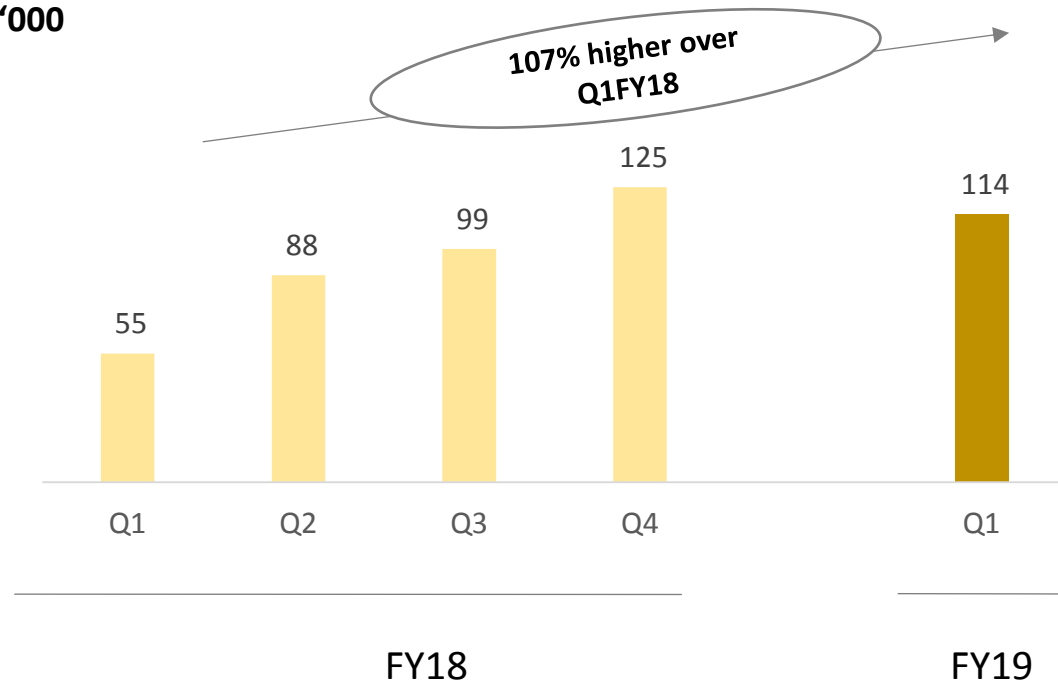
7

Win together with all our stakeholders

8

MHCV Industry Production

In '000



Robust industry growth in OE segment for both M&HCV and farm equipment.

Setco growth higher than industry, with improved realisation and superior mix (higher tonnage vehicles)

Development on BSVI migration from April 2020 on track with different customers

All key drivers to deliver targeted growth are on track/ slightly better

Aftermarket and International Subsidiaries performance & outlook

Aftermarket

Post GST visible shift to organized sector manifesting more strongly with each passing quarter

Strong order pipeline from both OES and Independent aftermarket segments

Heavy investment in rural sector and infrastructure, resulting in increased fleet utilization and higher demand

Better realisations and improved mix giving improved margins

International Subsidiaries

Turnaround plan on a flattish sale scenario on track for 4th straight quarter

Continuous improvement in EBITDA margins

With the recent introduction of new generation clutches in US Aftermarket, we anticipate robust performance going forward

Subsidiary performance & outlook – Lava Cast Private Limited

Best quarterly performance till date -
Maiden cash profit of INR 113 lakhs in Q1FY19 against cash loss of INR 376 lakhs in Q4FY18

Continuous ramp-up in capacity utilization with Q1FY19 higher than Q4FY18.

Capacity utilization up over 70% in June 2018

Supply to external customers such as TATA Motors, Ashok Leyland, etc. has commenced

Expected to hit capacity utilization of around 85-90% during Q4FY19

Guidance – On track to exceed FY19 targets

	Q1FY19	Old Guidance FY19	Revised Guidance FY19
Sales Growth	100%	More than 30%	Increasing to ~35%
EBIDTA Margin	15.1%	Higher Teens	Higher Teens

Key underlying perspective

- Improved segment mix (higher aftermarket & exports), better efficiency (higher activity levels) and realisation of development efforts (farm tractor) would further enhance EBITDA by over 100bps over quarter1 performance
- Increased profitability, lower debt would improve various bottom-line financial ratios
- Lava Cast – Increased off-take from Setco and addition in external large customers would more than double its overall productions, over FY18
- Consolidated Q1FY19 profits, higher than consolidated FY18 , we foresee a multi-fold jump in consolidated profits for the year

We Invite You To Visit Setco



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