

October 3, 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: Annual Report - Setco Automotive Ltd.

In terms of Regulation 34 of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015, please find enclosed the 34th Annual Report of Setco Automotive Limited for the information of the investor community at large.

The above may also be accessed on the website of the Company i.e. www.setcoauto.com

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

Thanking you,

Yours faithfully,

For Setco Automotive Limited*P.N. Jhaveri*

**Prashant Jhaveri
Authorised Signatory**

**Encl: As above**

Annexure I

Statement on Impact of Audit Qualifications (for audit report with modified opinion) submitted along with Annual Audited Financial Results – (Standalone and Consolidated separately)

Statement on Impact of Audit Qualifications for the financial year ended March 31, 2017 [Consolidated] [See Regulation 33/52 of the SEBI (LODR) (Amendment) Regulations, 2016]				
I.	Sl No.	Particulars	Audited Figures (as reported before adjusting for qualifications) (Rs. in lacs)	Adjusted Figures (as reported after adjusting for qualifications)
	1.	Turnover / Total Income	56964	N.A
	2.	Total Expenditure	59118	N.A
	3.	Net Profit / (Loss)	(784)	N.A
	4.	Earnings per share	(0.59)	N.A
	5.	Total Assets	74008	N.A
	6.	Total Liabilities	53548	N.A
	7.	Net Worth	20460	N.A
	8.	Any other financial item(s) (as felt appropriate by the management)	-	-
II.	Audit Qualification (each audit qualification separately)			
	a.	Details of Audit Qualification		
		In the absence of relevant information in the accounts of wholly owned ultimate foreign subsidiaries of the Holding company, about the stocks lying with the said subsidiaries out of inter-company transactions, the unrealized profits, if any, is unascertained and not eliminated, which was required to be eliminated as per Accounting Standard-21, "Consolidated Financial Statements" specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and Companies (Accounting Standards) Amendment Rules, 2016. (Refer Note No. 28(ii) - "Notes forming part of Consolidated Financial Statements"). This matter was also qualified in our report on consolidated financial statements for the year ended 31st March, 2016.		
	b.	Type of Audit Qualification: Qualified Opinion / Disclaimer of opinion / Adverse Opinion		
	c.	Frequency of qualification: Whether appeared first time/ repetitive / since how long continuing - (since FY -2007-08)		



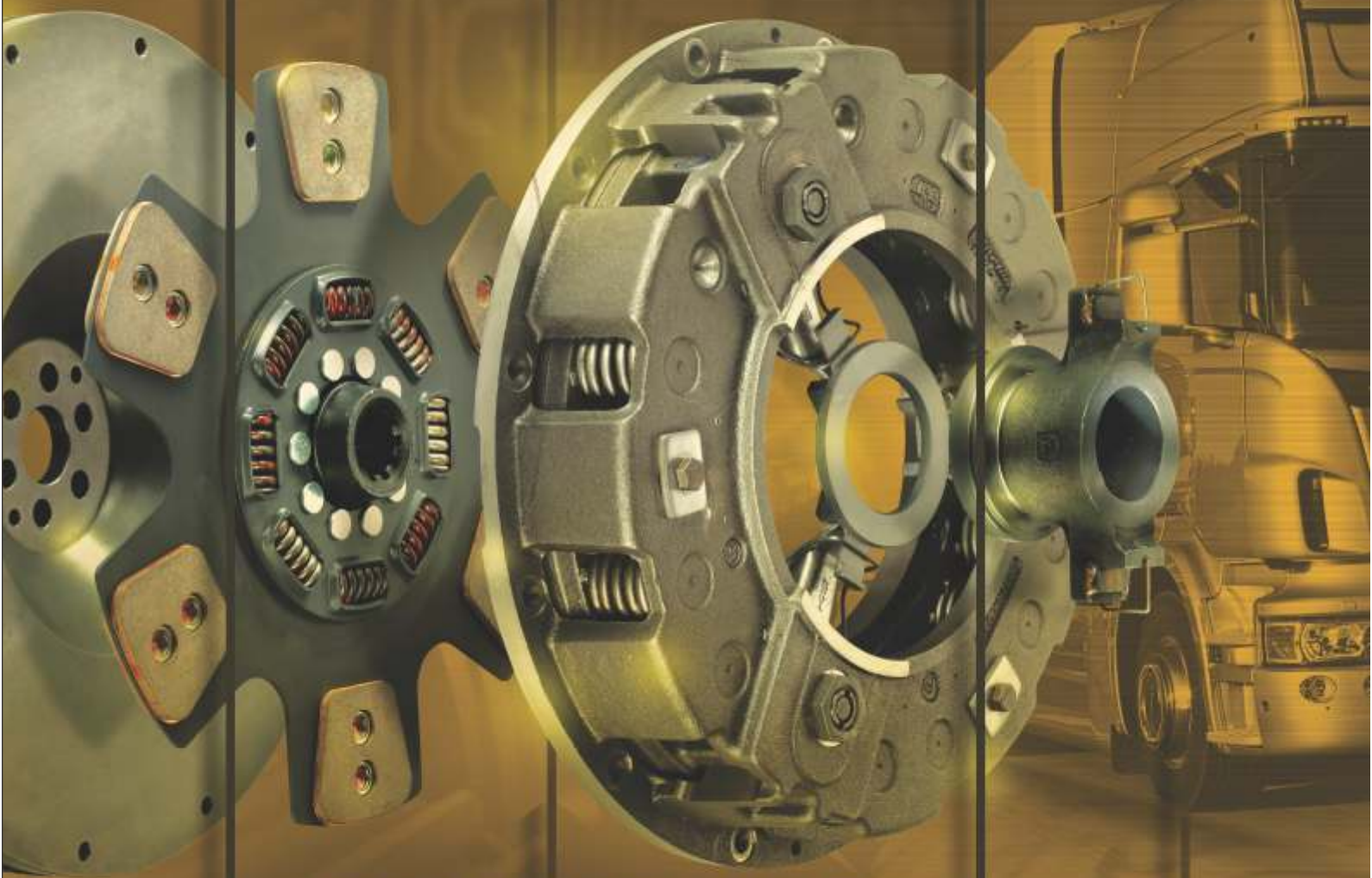
	d. For Audit Qualification(s) where the impact is quantified by the Auditor, Management's views: N.A
	e. For Audit Qualification(s) where the impact is not quantified by the Auditor: <ul style="list-style-type: none"> (i) Management's estimation on the impact of audit qualification: Impact cannot be estimated (ii) If Management is unable to estimate the impact, reasons for the same: In view of the accounting method followed by subsidiaries, it is very difficult / not possible to segregate the stock from different sources and work out its valuation. (iii) Auditors' Comments on (i) or (ii) above: The Company needs to take effective steps to resolve the matter.
<p>Signatories:</p> <div style="display: flex; justify-content: space-between; align-items: flex-start;"> <div style="width: 45%;">  <p>Harish Sheth Chairman & Managing Director DIN: 01434459</p> </div> <div style="width: 45%; text-align: center;">   <p>B L Naik Audit Committee Chairman</p> </div> </div> <div style="display: flex; justify-content: space-between; align-items: flex-start; margin-top: 20px;"> <div style="width: 45%;">  <p>Vinay Shahane Chief Financial Officer</p> <p>Place: Mumbai Date: 30.05.2017</p> </div> <div style="width: 45%; text-align: center;"> <p>For M/s Manesh Mehta & Associates Chartered Accountants Firm Registration No:115832W</p>  <p>Manesh Mehta, Partner Membership No. 036032</p>  </div> </div>	



34TH ANNUAL REPORT 2016-17



BREAKING BARRIERS



CHANGING GEARS





34TH ANNUAL REPORT 2016-17

BREAKING BARRIERS CHANGING GEARS

At Setco, 'BREAKING BARRIERS' is a guiding philosophy. It is the foundation of our culture and core values. It inspires and motivates us. To break free of all the restraining limitations to reach our full potential across all business functions in order to maximise value for the shareholders; because Setco strongly believes that it does not operate in a vacuum. After all, sustainable value growth directly reflects our own development as an organisation.

We are an integral part of the society; hence our Corporate Social Responsibility isn't an after thought too. Setco aims to make a meaningful difference to the society by being the change agent; going beyond supporting good causes and exert a positive influence. While most CSR programs still struggle to break the mould of 'charity'; our program gets the employees excited to break barriers and participate in empowering communities.

With this annual report we aim to bring focus on this issue; to sensitise readers as well as re-dedicate ourselves to the cause.

Forward-looking Statement

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 the Company or its business are intended to identify such forward-looking statements, which 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.



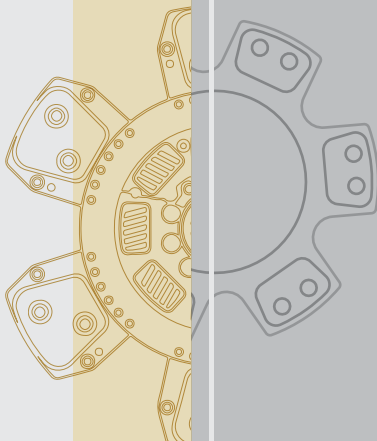
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Vision

To be a market leading brand in our chosen sphere of work with quality products and services, cost effective manufacturing, state-of-the-art technology and environment friendly practices, creating value for our stakeholders.

Mission

"To be the preferred clutch of choice in 1 out of 3 commercial vehicles and 1 out of 5 farm tractors globally"

Values

- **Excellence**
- **Integrity**
- **Team Spirit**
- **Customer Focus**
- **Environmental Consciousness**

CORPORATE INFORMATION

Board of Directors

Harish Sheth

Chairman & Managing Director

Udit Sheth - Joint Managing Director
Shvetal Vakil - Executive Director
Urja Shah - Executive Director
Arun Arora - Independent Director
Ashok Jha - Independent Director
Bhalchandra Naik - Independent Director
Pratap Merchant - Independent Director (resigned w.e.f. May 30, 2017)
Suhasini Sathe - Independent Director

Auditors

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

Bankers

Bank of Baroda | ICICI Bank | HDFC Bank

Solicitors

Wadia Ghandy & Co. Mumbai, Maharashtra, India

Registered Office

Vadodara-Godhra Highway, Kalol, District: Panchmahal,
Pin Code – 389 330 Gujarat, India
Website: setcoauto.com
CIN:L35999GJ1982PLC005203

Corporate Office

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

Subsidiaries & Manufacturing Units

Setco India

(1) Vadodara Godhra Highway, Kalol, Dist. Panchmahal,
Pin Code 389 330, Gujarat
(2) Sitarganj, District Udham Singh Nagar,
Pin Code 262 405, Uttarakhand

Lava Cast Private Ltd

Alindra (Village) Vadodra-Godhra Highway, Kalol
(PMS) - 389 330, Gujarat, India

Setco Automotive (UK) Ltd

York Avenue, Haslingden, Lancashire,
United Kingdom BB4 4HU

Setco Automotive (NA) Inc

565 Hwy. 77, Paris, Tennessee 38242

Setco MEA DMCC

Unit No : 3558, DMCC Business Centre, Level No.1,
Jewellery & Gemplex 3, Dubai, United Arab Emirates

Registrar & Share Transfer Agents

Link Intime India Pvt. Ltd.

C-101, 247 Park,
L.B.S. Marg, Vikhroli (West), Mumbai - 400 083,
Maharashtra, India.

Investor Grievance

e-mail investor.relations@setcoauto.com

34th Annual General Meeting

Date : 27th September, 2017

Day : Wednesday

Place : Vadodara-Godhra Highway,
Kalol, District: Panchmahal,
Pin Code 389 330, Gujarat, India

SETCO FACTSHEET

- Largest producer of Medium & Heavy Commercial Vehicle (MHCV) Clutches in India
- Among the top 3 manufacturers in the world (by volume)
- Meeting approximately 90% of MHCV Clutch demand in India
- A critical supplier/partner to India's leading commercial vehicle manufacturers such as Ashok Leyland, AMW, Daimler India Commercial Vehicles, Man India, Tata Motors, and Volvo Eicher Commercial Vehicles

4 Manufacturing Units Across 3 Countries

Kalol (Panchmahal), Gujarat, India

Sitarganj, Uttarakhand, India

Haslingden, Lancashire, UK

Paris, Tennessee, USA

Listing Information

Listed on National Stock Exchange of India Ltd.

Symbol : SETCO

Bombay Stock Exchange

Stock code: 505075

www.setcoauto.com

Our Strength

Globally 1200 People

Incorporated

In 1982. Corporate Office at Mumbai, Maharashtra, India

Products

Clutch Products & Systems, Hydraulics (pressure converters)

Our Brands

Corporate Brand



CSR Brand



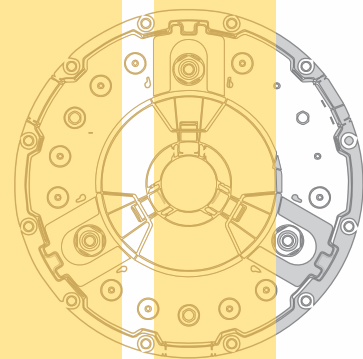
Product Brands



ISO/TS 16949 | ISO 14001
OHSAS 18001 | VDA - 6.3

Sales Offices:

Austria | Mexico | Serbia



KEY MILESTONES

1982

- Year of incorporation

1984

- Commercial production

1995-96

- Commenced exports

1999-2000

- Crossed Rs. 100 million turnover mark

2000-01

- Signed a technical collaboration with LIPE UK, a division of Dana Corporation, USA
- Pioneered ceramic metallic clutch technology and offered to Tata Motors as an import substitute

2002-03

- Commenced commercial supplies to Eicher Motors

2003-04

- Developed the National field service network

2004-05

- Crossed Rs. 500 million turnover mark
- Started commercial supply of new age clutches to Ashok Leyland

2005-06

- American FII PE - New Vernon Private Equity Limited invests in Setco Automotive
- Acquires LIPE Clutch Division (UK) from Dana Corporation (USA) and establishes Setco Automotive (UK) Ltd.
- Name changes to Setco Automotive Ltd. from Gujarat Setco Clutch Limited
- Crossed Rs. 1 billion turnover mark
- Establishes a wholly owned subsidiary Setco Automotive NA Inc. (SANAI) in Paris, Tennessee for distribution
- Acquires US facility from Haldex AB Sweden for \$4.9 million through SANAI
- Establishment of SETCO Foundation

2007-08

- Setting up of Assembly operations in Uttarakhand (India)

2009-10

- Crossed Rs. 2 billion turnover mark
- Commenced state-of-the-art Press Shop in Kalol, Gujarat for developing clutches suitable to international vehicle manufacturers such as Volvo and Mercedes
- Invested in robust MIS "SAP"

2010-11

- Crossed Rs. 3 billion turnover mark
- Forayed into newer markets in Central Asia, MENA Region, Africa, Latin America and South Asia
- Extended SAP to global subsidiaries

2011-12

- Crossed Rs. 4 billion turnover mark
- Invested heavily in upgrading R&D capabilities

2012-13

- Inauguration of state-of-the-art R&D centre
- Department of Scientific and Industrial Research (DSIR) in India recognized R&D centre

2013-14

- Launched Independent Aftermarket in India
- Launched LCV clutches
- Started doubling capacities in Uttarakhand
- Invested in backward integration

2014-15

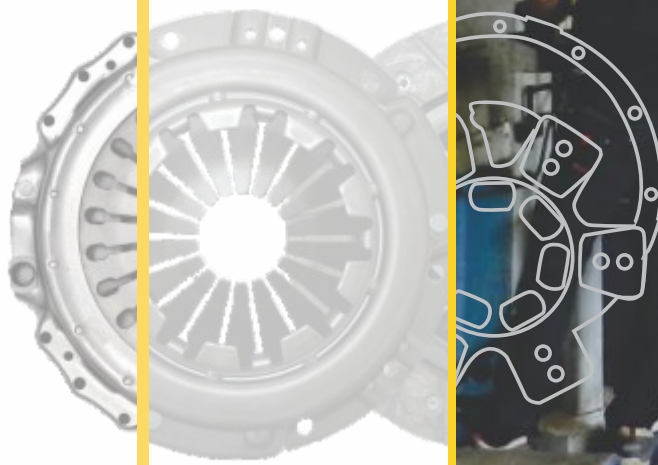
- Successfully commercially launched new Diaphragm Spring Manufacturing Facility
- Successfully set up foundry (Lava Cast Pvt. Ltd.) with world class machines.
- Successful completion of first full year of Independent Aftermarket.
- Started supplies to new OEMs like Man India and Mahindra Trucks & Buses

2015-16

- Crosses Rs.5 billion mark on a standalone basis
- Independent Aftermarket (IAM) Business crosses Rs. 100 Crore mark
- Commences trial runs at the state-of-the-art Lava Cast foundry and commenced successful trial runs

2016-17

- **Commenced supplies of new Clutch Cover Assembly & LCV clutches to OEM customers**
- **Clutches for Farm Equipment (Tractor) segment and American market ready for launch after field testing**
- **Company's subsidiary, Lava Cast commences commercial production**



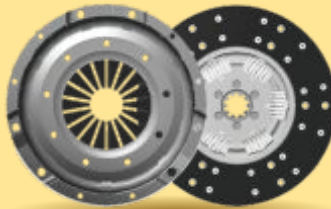
PRODUCTS AT A GLANCE



15.5 Inch
Angular Spring Twin Clutch



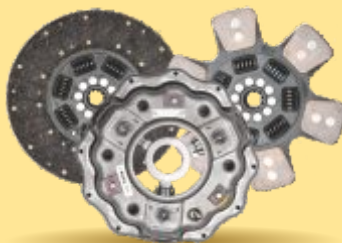
170mm
Single Diaphragm Spring



280mm
Single Diaphragm Spring



310mm
Single Diaphragm Spring



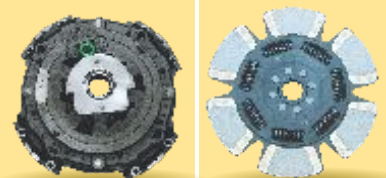
330mm
Single Direct Pressure
Coil Spring



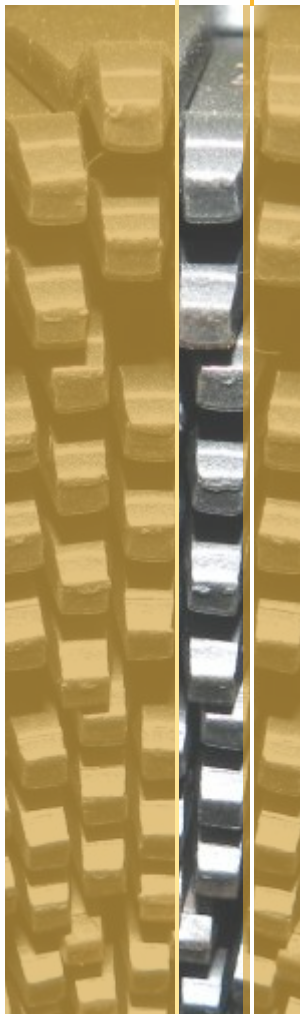
352mm
Single & Twin Direct
Pressure Coil Spring

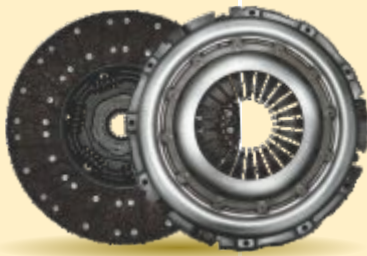


Hydraulics Pressure Converter



Angular Spring Design Clutches

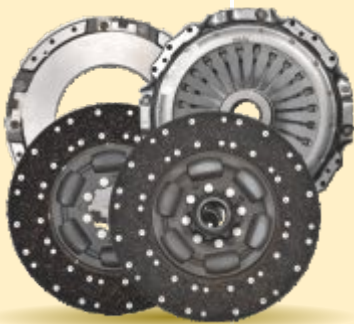




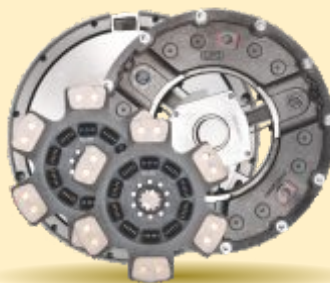
362mm
Single Diaphragm Spring



380mm
Single Push Coil Spring



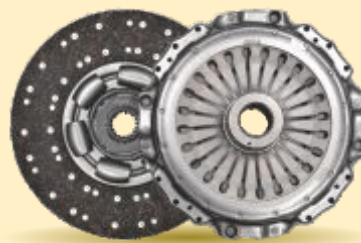
400mm
Twin Diaphragm Spring



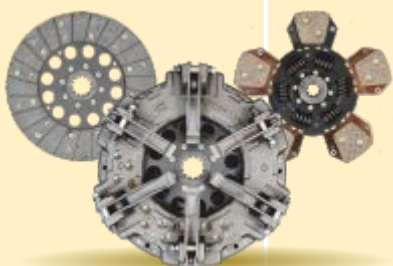
380 mm
Single & Twin Direct
Pressure Coil Spring



395mm
Single Push Diaphragm Spring



430mm
Single Diaphragm Spring



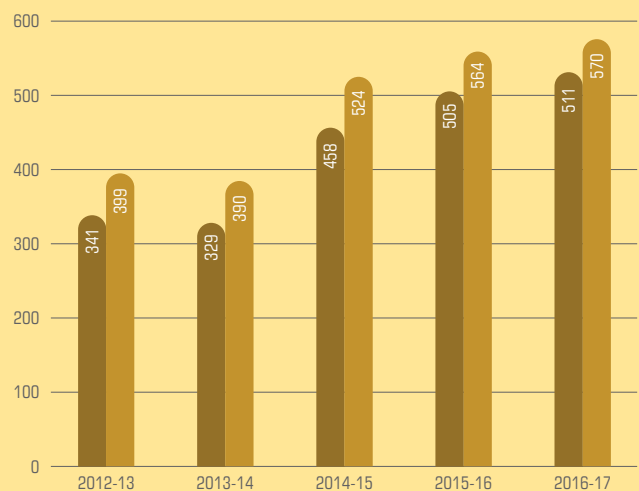
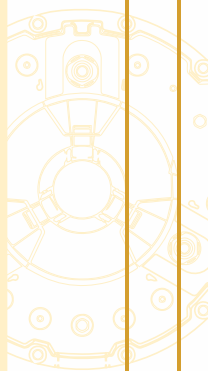
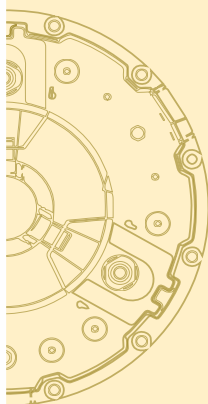
Tractor Clutches
Dual Clutch - 280 Dia - 7P



Tractor Clutches
Dual Clutch - 280 Dia - 4P

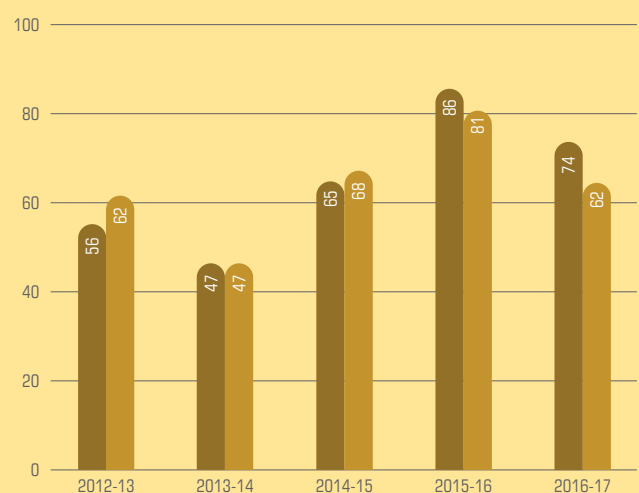


5 YEARS FINANCIAL SNAPSHOT



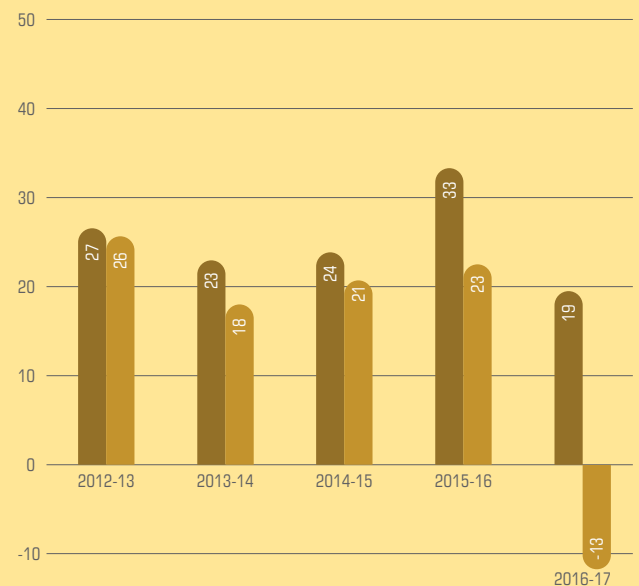
NET SALES (Rs. Crore)

■ Standalone ■ Consolidated



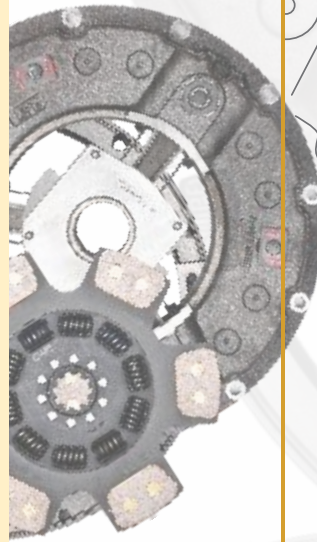
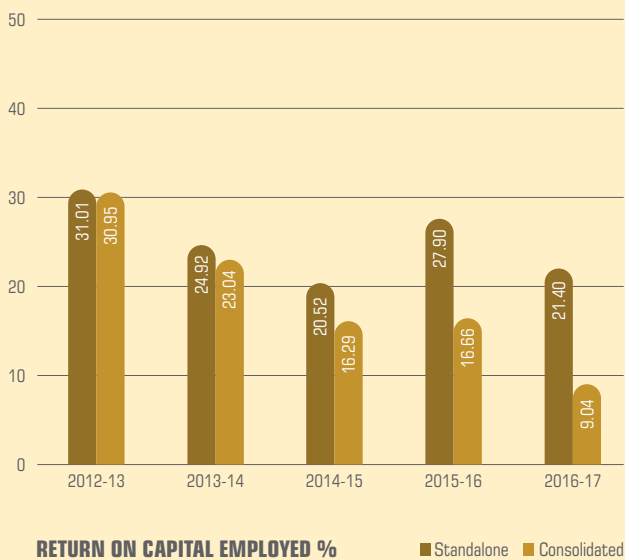
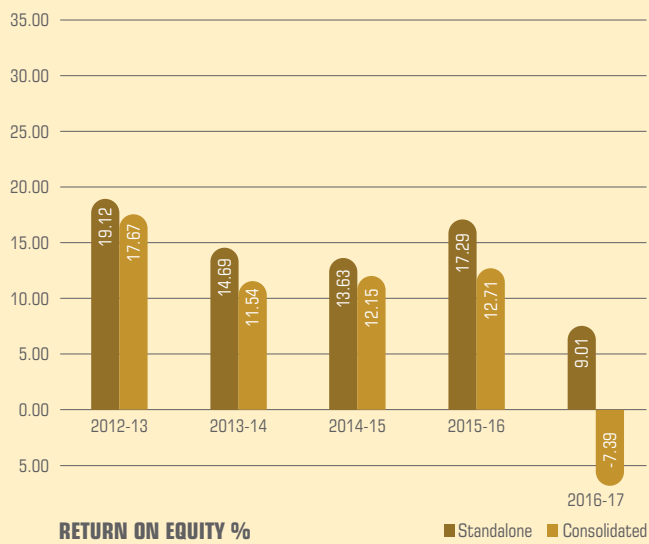
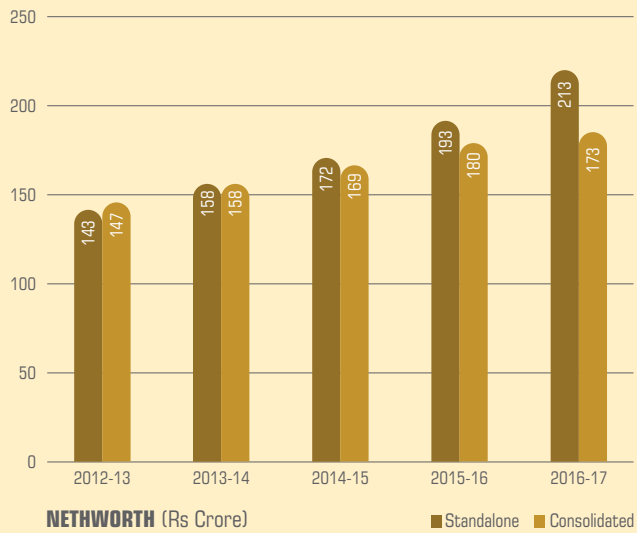
EBITDA (Rs. Crore)

■ Standalone ■ Consolidated



PAT (Rs. Crore)

■ Standalone ■ Consolidated



TOTAL QUALITY MANAGEMENT



BUSINESS
EXCELLENCE

CUSTOMER SATISFACTION

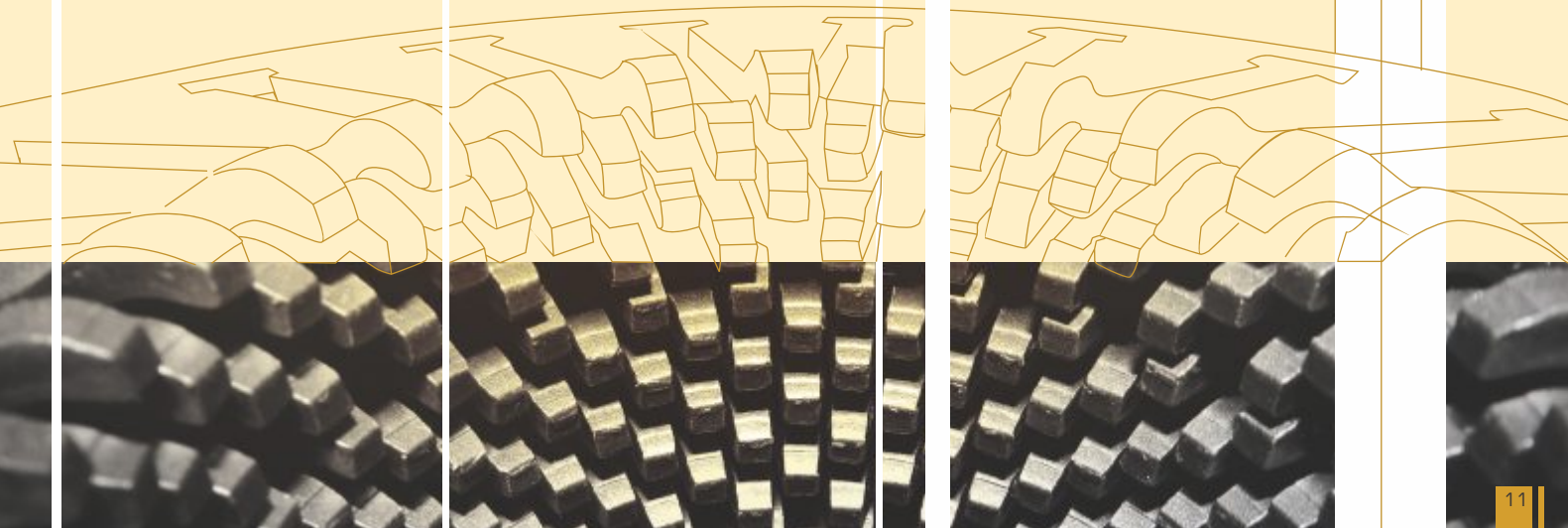
Customer-Driven Systems and Processes
Employee Commitment and Involvement
Supplier Satisfaction
Environmental Consciousness

TOP MANAGEMENT
COMMITMENT AND INVOLVEMENT

CUSTOMERS



Disclaimer: All the Company names, Brand names, Trademarks and Logos are the property of their respective owners.



BREAKING BARRIERS, CHANGING GEARS



Harish Sheth

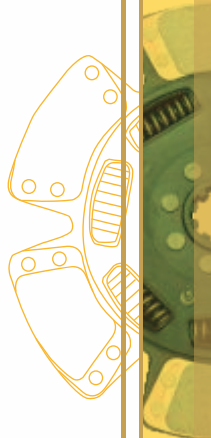
Chairman & Managing Director
Setco Automotive Limited

Dear Shareholder,

Last year we embarked on a new theme in the organization – Breaking Barriers; and we charted out the road ahead. The theme was put together to identify internally that we have to overcome our own self-created road blocks and aim at newer horizons. Taking ahead the theme from last year - the year that went by was about changing gears. It has been about overcoming internal obstacles and charting the way forward with a higher sense of purpose and momentum and I am happy to say that the team has risen to the challenges despite market uncertainties.

The entire team is functioning with an objective of growth to be delivered through new products and markets while profitability will be enhanced on the back of better efficiencies and controls. Our aim to maximise value for all the stakeholders is paramount.

The year 2016-17 has been a mixed year with both - challenges and opportunities. The MHCV sector remained flat in terms of growth during the last year. The peak period during the last year was impacted by the demonetization initially and thereafter by the uncertainty of sale of BS III vehicles beyond 31st March 2017, specifically for the OE Segment. In spite of this, the company has maintained its leadership position catering to more than 85% of OEM requirements- it continues to maintain 100% business share with most of the customers / product segments. Additionally, we were able to enhance market share with all customers / market segments.



This leadership position makes Company's clutches as an automatic first choice in the Aftermarket segment also.

We were unable to achieve our margin targets due to price pressures, stagnating sales and market uncertainty. Nonetheless our initiatives bore fruit. Our newly launched subsidiary Lava Cast went on stream during the last year and has contributed significantly to Company's successful addition of new product with a major OEM customer. Any foundry generally takes 2-3 years' time to stabilize the operations yet we were able to overcome several challenges and achieve strong month-on-month production.

Another new initiative that bore fruit was the foray into Farm Equipment (tractor) Segment (FES) where we were able to start supplies to a leading OEM. Further we launched our Angle Spring Design (ASD) Clutch for the American market, which is on schedule and would drive growth in sales as well as profitability in future.

The Indian automotive Aftermarket stood at Rs 56,098 Crore (USD 8.4 billion) in 2016-17 with a total vehicle park of 228.7 across the country. The Indian automotive Aftermarket is expected to reach Rs 75,705 Crore (USD 13 billion) by 2019-

20 exhibiting a CAGR of 10.5 percent according to the report by ACMA based on the study conducted by its knowledge partner - Frost and Sullivan. The company has its own exclusive distribution channel and has strengthened its international market focus by having a set up in the Middle East to cater to the Middle East and African markets. We expect substantial growth

with clutches for Light Commercial Vehicles (LCV) segment and the farm equipment segment.

The company sees vast potential in OEM and After-market segments in both these segments in the coming years.

Strong relations built over last 15 years with various OEM

players has resulted in requests being received by the company to enter in other product segments / ranges. Being a sole supplier to local units of global players like Daimler (Bharat Benz) and MAN can open up an opportunity for the Company to be a supplier on global scale in coming years.

The Company believes that government policies focusing on infrastructure and rural development would result in a significant increase in production of commercial vehicles driving the growth in the OEM segment in coming years. MHCV clutch segment has been the Company's strength and it

Our greatest strength is our people and workforce.



has protected its market share over the years, by capturing new customers and constantly putting in efforts by introduction of new products meeting new Euro / Bharat norms. After Market sales shall also get a boost with introduction of GST which is expected to drive Aftermarket customers to organised segment.

With entry into new product segments like Farm Equipment and LCV, new markets and the focus on international markets, we expect a strong growth in coming years with a target CAGR of 20% - 25%. This would also substantially improve EBITDA margins and we are confident that now is the time to really focus on getting all the products out there and capture the market.

Operationally we are focused on being an efficient organization - focusing on driving growth. Operationally we continue to augment capacities to meet our growth objectives – and a series of manufacturing engineering initiatives have been taken to improve efficiencies and productivity. Our Research and Development Centre, recognized by DSIR (Govt. of India) is focusing on continuous value engineering and new product development to meet future requirements of our OEMs and a strategic roadmap is in place to have a strong integration of NVH (Noise Vibration Harmonics) engineering into our products to meet Euro 6 norms.

Our greatest strength is our people and workforce. Human Capital management is the centre piece of our growth. With a strong focus on customer care, we are focusing our energies on building young leaders – team members with a strong sense of customer commitment and to achieve this we have a strong performance management program in place that is supported by good recruitment and training.

The Setco vision has always been of holistic growth beyond profits for all our stakeholders, including growth for the communities living in the surrounding areas of our factories. Through the Setco Foundation, the company has brought sustained health and educational intervention to these communities which have translated into massive improvements in maternal-infant health and child health, nutrition and early education outcomes. These efforts have brought down malnutrition rate from 55% in the areas to below 20% as compared to national average of around 45%. Through its network of 18 anganwadis, it covers around 2000 children in the age group 0-6 years and also covers around 1100 adolescent girls under its growth monitoring plans. However, recognising that eventually people must take ownership of their own progress, the Setco Foundation strives to empower communities by investing in capacity building and co-visioning with

them to strengthen leadership, informed decision-making, and self-driven development.

As we go into year 2017-18, we have focused our efforts on creating an immersive brand experience for our stakeholders internally and externally. Our human capital is our greatest strength. We want our people to know that we are proud of our legacy and will build a brand that stands for reliability and trust. We extend our gratitude to all our stakeholders for their continuous support while we excel towards newer horizons with customer commitment and profitability.

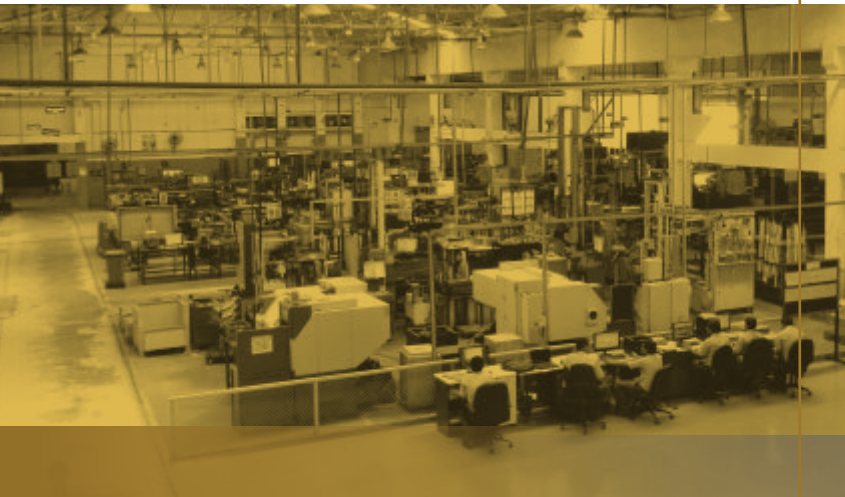
Sincerely Yours,

Harish Sheth

Chairman & Managing Director
Setco Automotive Limited



CHANGING GEARS, ACCELERATING TO ASCEND



Mr Harish Sheth, CMD and Mr J S Gujral, CEO with the award for 'Best in class performance in AFTER MARKET SUPPORT for the year 2016-17' received from Ashok Leyland Limited.

THE DOMESTIC OEM SCENARIO

Last year was eventful for the industry with a never before seen level of volatility & uncertainty leaving a lot of learning and providing an enriching experience for everyone. With major challenges in the form of demonetization and ban on production and sales of BS III vehicles from April 2017, companies were forced to review and revise their strategies and policies. This has taught everyone to be prepared for adversities and convert them into stepping stones of success. In spite of these odds, overall M&HCV industry registered a flat growth for the year.

In such adverse market conditions, market share across all customers / segments has been maintained by your Company. The de risk strategy within the OE portfolio by adding new customers in the downturn years has started paying off. Despite market share gains and losses between the various M&HCV manufacturers, Setco OE fitment share is more than 85%. The supply of new Clutch Cover assemblies to Ashok Leyland and commencement of supply of LCV clutches for Tata Motors was initiated during the second half of the year. This enabled the company to register 7.2% growth in revenues from OEM segment. The Company's relentless and confident stride continues breaking new grounds for its future growth in the domestic market. Setco's products have qualified for BS IV norms with all its customers and hence business with OE for next 3 years till BS IV norms are valid, is secured.

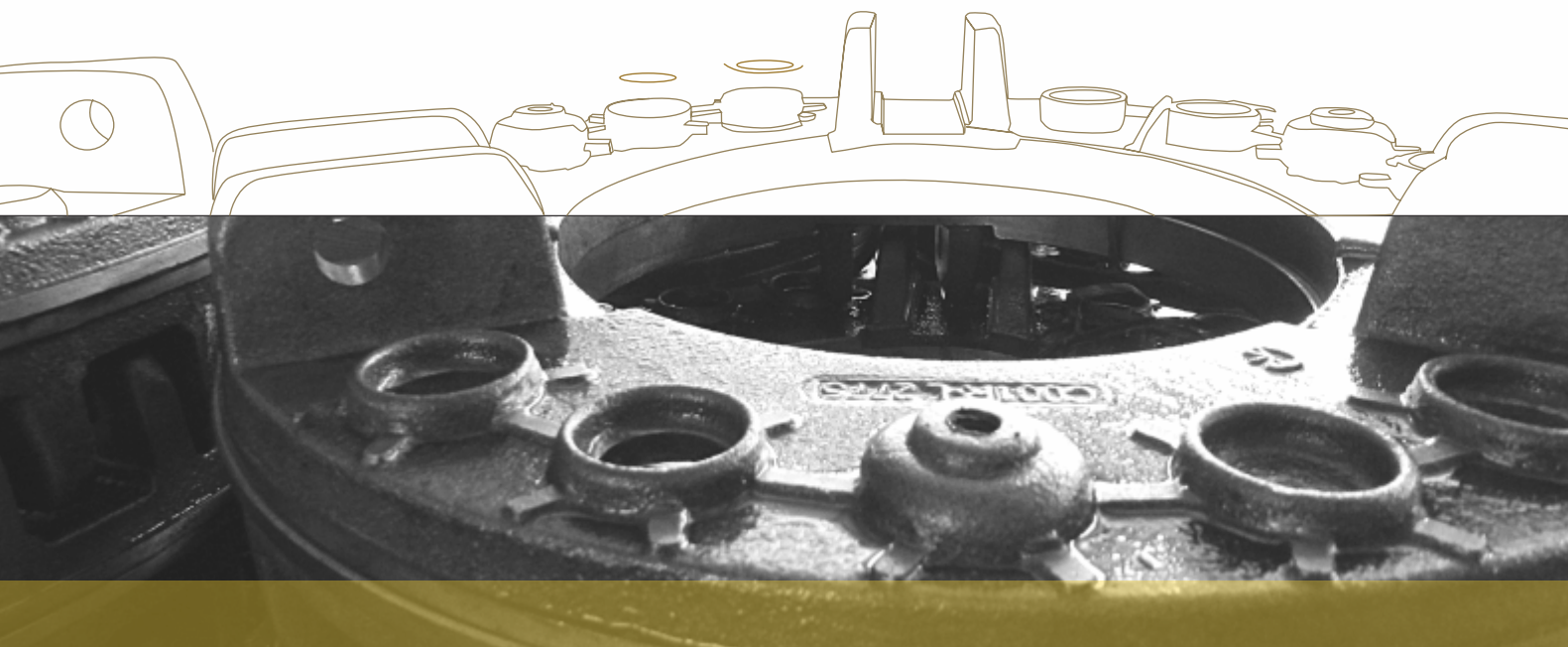
Owing to Government's long term focus on Infrastructure and the Agriculture Segment the OEM production is likely to improve. Over and above this the Company is now on track to introduce clutches for the farm-tractor segment after the Company's successful completion of internal validation and field trials. This would be seen in the background that India is the largest tractor market in the world with an annual

production of around 6,00,000 units and growing at the CAGR of 7%. Though the implementation of BS IV norms and GST is expected to continue affecting the business in the initial part of the year, real growth is expected to be witnessed from second quarter onwards.

THE DOMESTIC AFTER-MARKET SCENARIO

The Aftermarket growth was flat during the last year partially due to the effect of drop in OEM production in the past years. Over the approx. life of 15 years of a commercial vehicle, it requires about 5 to 6 replacements. Clutch replacement is a time consuming, technical job. The Company provides good parts, good service and timely delivery in whichever market it operates in. Aftermarket business comprises sales through i) distribution network of OEM and ii) its own network of independent distributors catering to the replacement demand for clutches through major part of vehicle life. This ensures a deeper penetration and availability with meaningful offerings to the customers at different stages of the vehicle life. Presence in both these segments ensures that our clutches are used in the entire vehicle lifecycle after the first ownership cycle; from the OEM stage through its entire Aftermarket life, providing the owner a true "LIPE for LIFE" experience. Regular training and visits to production facilities by garage owners / mechanics are arranged to acquaint them with production processes and quality standards. These measures would go a long way in creating brand value in the long term.

Difficult roads often lead
to beautiful destinations!



THE INTERNATIONAL BUSINESS

Your Company has continued to invest in the export product portfolio in order to meet the international market demands. However challenges in the form of subdued demands, long gestation period and stiff competition continue in the international market. Company's customer base of OEM players includes global commercial vehicle manufacturers who have started Indian operations like Daimler, MAN, etc. These players are also looking at India as a global sourcing alternative due to cost effectiveness with equivalent quality standards. These strategic alliances would allow Company an opportunity to increase its global footprint.

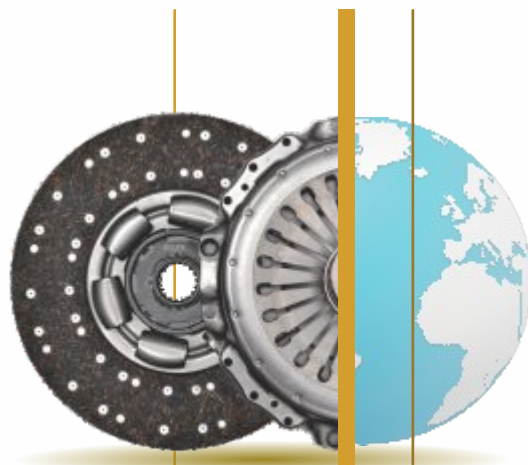
In the UK market, your Company has reorganized its operations with a view to control costs and increase operating efficiency during the year. These are expected to yield substantial savings in the coming years. The Company believes that UK operations do contribute positively to the group performance and also that it will turn around, on standalone basis in the medium term. Setco Automotive UK Limited delivers development for New Product Groups and Individual Series Product designs with the aim to focus on the alignment of products with the very latest European OE vehicle manufacturers' requirements. The major role of UK operations has been to be a Research & Development support. It played a critical role in meeting transition of various emission norms in Indian market. In addition, it lends support to connect with and cater to European customers.

The American economy, overall, witnessed a sharp slowdown. Production of class 8 truck sales was at its lowest in three years with the year witnessing a drop of almost 35%. This resulted in large OEM's pushing their production capacity in the Aftermarket thus affecting our business directly. Your Company has initiated organizational restructuring exercise

aimed at cost rationalization. New range of clutches designed for American Aftermarket is proposed to be launched in second half of the year. Based on positive trends witnessed, these measures are expected to yield positive results in the coming years.

Being a single source supplier to leading global commercial vehicle manufactures in India gives the Company an opportunity to work with these Global OEMs in their international operations.

The Company continues to leverage its overseas subsidiaries in UK and USA for breaking into the OE fitment market in these markets. Not only will it give a fillip to the brand equity and image, but also keep it abreast of future requirements of Indian customers and prepare it for the challenges in the domestic market. Further due to the implementation of the GST, cost regularization is also foreseen by the company and thus it expects good domestic market growth. Overall the challenges which the Industry has faced, has further enhanced the Company's experience to tackle adversities and it is ready for grabbing the opportunities that will come its way.



USHERING IN MANUFACTURING EXCELLENCE



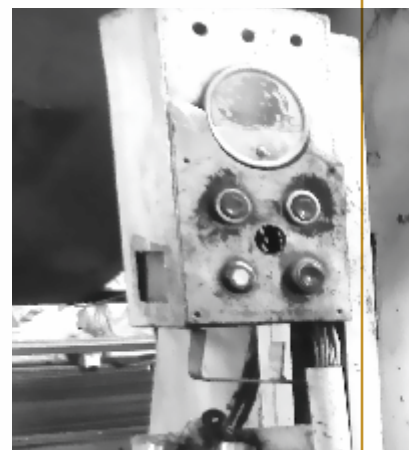
With a geographically spread manufacturing footprint we at Setco are now working on the 'Setco Way'. This is our own excellence manual to standardize processes and ensure a continuous improvement plan is in place. Manufacturing is a core function at Setco. Each and every product delivered to the customer has exacting norms to surpass customer expectations. Our job is to ensure that no truck has downtime related to immature clutch snags / failures. To ensure that our workforce understands the product performance, we have undertaken many training initiatives where our team can realize that an unwarranted breakdown not only delays product delivery but can lead to many direct and indirect losses.

Further Setco is a vertically integrated clutch manufacturer. Not only do we make our own clutches but we also manufacture all components in-house except our friction

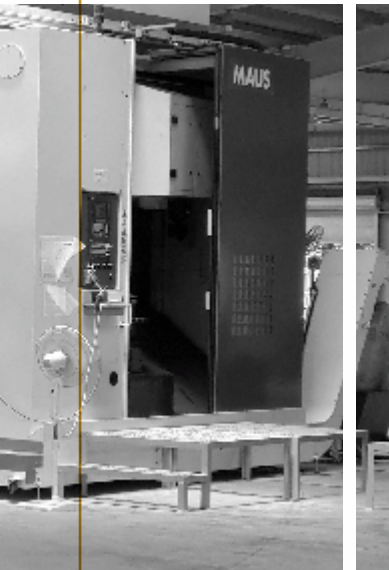
material and coil springs. This allows us to focus on costs and delivery in an efficient way. We have a diversified group of experienced and young engineers leading us into the future.

One of the key initiatives we are undertaking is to instil a better operating philosophy which begins with unparalleled hygiene at the work place. With a clean mind set and an ergonomic workplace, safety and quality automatically become a centrepiece of our operations thus eliminating fatigue and improving work culture and productivity.

Clutch design at Setco is a global function, operating out of its two Development Centres in India & UK with an integrated work approach. The two centres work seamlessly to deliver the best products. The state-of-the-art R&D Centre in Kalol, Vadodara, India, recognized by DSIR, is focused on new products for Commercial Vehicles (CV) and also the new segments like Farm Equipment Sector and diverse markets -



LAUNCHING NEW PRODUCTS & TECHNOLOGIES



both domestic and international. The UK Design centre leverages its proximity to some of the new age products for European and US markets. The teams engage with each other through technological platforms that improve interactions with customers through formal and informal networking sessions, learning sessions and webinars, etc. to improve communication, and increase efficiency.

At Setco, we constantly strive to offer the best product at good prices to our global customer base. The R&D team works to ensure:

- o Technological innovation and Design efficiency
- o Enhancing DVP (Design Validation Programs) & Testing
- o Strong quality assurance to ensure customer delight

- o Benchmarking Competition
- o Performance using precision technology

Your company has invested in rapid prototyping & 3D printing to assist designing. We have created a strong analysis cell and NVH team to drive the future product engineering. Our test labs for both endurance and performance are continuously working to ensure equipment utilization ensuring constant learning.

Constant efforts are undertaken to improve the quality to meet TS 16949 requirement. Plants continue to be TS 16949 / OHSAS /EMS certified. The auto industry is set to move from TS 16949 to IATF 16949, a new global industry standard. With IATF 16949 norms, Setco aims for continuous improvement, while ensuring strong PPM standards in house as well at source points. Another challenge that we surpassed was getting approved for VDA 6.3 (the German Standard for Quality). One more feather to our QA cap is the citation at the VECV Vendor Meet wherein VECV recognized us with the best system supplier citation. Our QA efforts ensure that we hold the market confidence and lead by example.



CHANGING GEARS, DRIVING DELIGHT



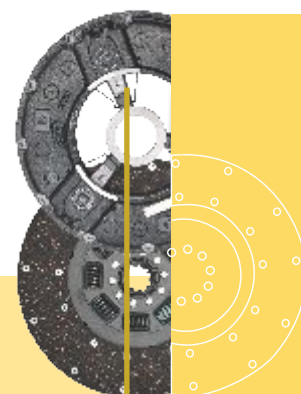
Customers are our partners in our mission! If we go an extra mile to overwhelm then you will find that this road is not crowded. This universal rule is true for Customer Care Function which provides field service. It is the support one offers to its customers that helps them have an easy and enjoyable experience. It's more than just providing answers; it's an important part of the promise the brand makes to its customers. It's easier retaining existing customers than finding new ones. Today, consumer expectations are high and they are quick to share experiences - good or bad. The products and services one offers are only as good as the service one backs them with. You always have to overtake your competitors in this area so that your Customers are retained with you. Customer support is a major driver of customer experience, but only if one expands the role of support team beyond the purely reactive role.

Your Company has been able to differentiate from the competition by the proactive and value building activities of the customer care department. The training and hand holding at all India level played an important role during the launch of any new clutch assembly. We extensively field test new products to analyse product performance under real life conditions over and above the normal lab validation and rig testing. Further, with the new launches planned, the team is also gearing up for the service requirements. As an on-going activity, company conducted field tests for various products in domestic as well as international markets. Based on the feedback received changes –wherever required –were made in

the design, so that the commercial launch is smooth and without any surprises.

On a regular basis, your Company carries out training programs for the OEM network on servicing and troubleshooting & maintenance of our clutch systems. This has been an ongoing activity over the years and an annual calendar with the various OE customers to train their network on servicing and maintenance of our clutch systems is drawn up every year and executed meticulously. During the year, the Company conducted 408 workshop training sessions with OEM clients like Tata Motors Ltd., Ashok Leyland, Man Trucks, Volvo Eicher Commercial Vehicles and Daimler India Commercial Vehicles and trained around 3200 technicians. This ongoing activity will help enhance customer confidence. Besides this, the service team conducts new and refresher training courses for the local garages too. During the year the company conducted 35 training programmes at Plant level training 1047 mechanics. More than 400 field visits were also conducted for supporting the training sessions. Service manuals, installation guides distribution and warranty norms and codes trainings are also conducted on a regular basis.

Setco will continue to overtake the expectations of customers to overwhelm them by superior service ensuring that the bottom line benefits.



CHANGING GEARS, BUILDING A CULTURE OF EXCELLENCE

At SETCO, each member has imbibed and is driven by the Core Values of the Company. We perceive people as assets whose future value can be enhanced through investment; because only energetic and progressive intellectual capital can take a Company to the next level. Well-qualified and experienced professionals from the Industry at various business functions across hierarchy, gives us the edge in our path to progress. An easily approachable and transparent work culture empowers everyone to take decisions in their respective fields so that they are always a cut above where their skills sets are adding value to the organization across departments and regions.

SETCO gains its competitive advantage through collective intellectual excellence and adhering to international parameters. Talent retention, building a talent pipeline and sustaining and increasing motivational levels are focussed at SETCO. The Company has well planned plethora of employee engagement activities to ensure that these activities foster team bonding and help create a positive environment. Some of noteworthy initiatives by the Company towards employee engagement in the last year were:

Learning and Development - The Company focussed on developing leadership qualities in its employees by participation in various leadership development programmes conducted by institutes of repute. Internal Trainers and Domain experts also organise training sessions on a monthly basis. The Evaluation is done quarterly on behavioural and technical parameters.

Keeping in line with the vision of the initiative, HR has extensively conducted various training programs viz - ISO/TS Awareness and Internal Auditor, Core Tools - SPC, APQP, MSA, PPAP, PFMEA, DFMEA (General Awareness and Basics for all employees and Advanced Tools for the Core team). This has resulted in a cross functional team of 'Change Agents' in the Company that brought about success to the project through various activities.

Employee Engagement Activities were carried out all throughout the year like Women's Day, Yoga Session for employees on International Yoga Day, Cricket Tournament and participation in Vadodara International Marathon 2017. Festivals like Dasshera, Diwali, Independence Day, Safety Day, Environment Day, are celebrated with enthusiasm and active participation from the employees.

Safety of the employees being one of the top priorities, safety audit was conducted and a Safety Leadership workshop was organised. As a compassionate company, it also launched Employee Benevolence Scheme under which monetary benefit and support is provided to the family of the employee if there is any unfortunate incident.

Competency Mapping is done for all positions at both the manufacturing units. Apart from the existing Suggestion Scheme (Sujhaav...Ek behtar kal ke liye), Kaizen Awards, new rewards and recognition initiatives launched were:

The single biggest competitive advantage a company has are its People, because you can't replicate them

- 'I Appreciate' Note: An Appreciation Card is given to the employee by peers / superiors. This has further boosted the culture of appreciation.
- 'Leading by Example': Managers / Immediate Superiors are recognised for their efforts who are nominated by their team members
- Chairman's Awards: An Annual award for the best performer of the year based on multiple objective criteria.
- Special incentive scheme for Workmen - Monthly cash rewards given on the basis of adherence to /contribution towards Safety, punctuality (no unauthorized absenteeism), Productivity, Housekeeping and Quality.

From the future perspective continued efforts towards enhancing the employee satisfaction are undertaken and the road ahead is being worked upon with activities like Integrated Sports Calendar

Comprising both indoor and outdoor games (Chess, Carrom, Tug of War, Cricket, Badminton, Football, and Table Tennis) rolled out. Qualified coaches and trainers are taken on board for training the employees. Also, employees are being prepared at a professional level for the Marathon 2018

The Company participated in ACMA Excellence in HR Awards for 2016-17: The feedback from the experts from industry will help the HR in shaping up the employee engagement

activities.

Benefits of Competency Mapping to be capitalized by aligning the HR processes with the Competency Dictionary. Application of the activity for Training calendar, recruitment and promotion decisions will be undertaken.

In order to leverage the business by taking solid steps towards Employer Branding, the internal domain experts get associated with reputed educational institutions and play an active role in external agencies like ACMA, Baroda Management Association, Ahmedabad Management Association to name a few.

As a part of Succession Planning, potential successors are identified for critical positions and personalised career/ individual development for them is charted out.

The efforts at Setco are continuous towards its team and the expectations are set towards transparency, accountability, integrity and teamwork keeping in mind the core values of the company.

For us we are not creating management, but we are focusing on leaders. We believe in the philosophy of immersive leadership and not just job accountability. In every thing we do - whether its production, quality, customer interface or managing accounts, our approach is immersive. We expect our team of leaders to look into details.

Creating Immersive Leadership is our new mantra.

Changing Gears: Managing Money

At Setco, Corporate & Operations Finance function plays a pivotal role in effecting controls, driving processes and creating an enabling environment for conscious management. While we ensure that we tabulate results in a time-bound manner and meet shareholder requirements, we play a very immersive role with every function to ensure cost effective operations. Our continuous endeavour is to keep all ratios in check and ensure that our business ratings continuously improve.

While ensuring all statutory compliances are adhered to, finance has also facilitated change at organisational level - be it the

introduction of the new Companies Act or continuously evolving SEBI / Stock Exchange requirements or concerns about IT / data security. It has also managed the transition at organisational level through of introduction of new accounting standards - IND-AS - as well as introduction of the most discussed indirect tax reform in the form of Goods and Service Tax (GST).

As we grow we are more conscious of creating a transparent MIS function allowing conscious and quick decision making at all levels.

We have only one rule - 'don't lose money'.

CHANGING GEARS. BUILDING COMMUNITIES

SETCO Foundation's mission is to enable communities to actively ensure that every child and woman has full access to healthcare, nutrition, education and an opportunity for growth. Each of the developmental projects emphasize on holistic development and building synergetic relations within the community landscape. Today we reach over to over 5600 beneficiaries.

Our Company serves beneficiaries in Panchmahal district of Gujarat, with services connecting people to jobs, health and school. The alignment of business priorities with the societal causes has created tremendous value for all stakeholders.

Committed to the Tradition of Good Nutrition

Since the inception, SETCO Foundation has implemented various types of supplementary feeding programmes. Providing milk in anganwadis to eradicate malnutrition was the first step. Beneficiaries of these nutrition programmes are mainly children of preschool age from underprivileged families. Nursing and expectant mothers from the low socio-economic level of the populace have also received food aid from the supplementary feeding programme. Our focus is to provide under-nourished children, particularly those below the age of six years, with nutrition therapy and balanced food to supplement their unbalanced staple diet, with an aim to ensure normal growth and sustain their health. This intervention has successfully reduced the malnutrition rate as 78% children under the umbrella of SETCO Foundation show normal growth as compared to national average of 55%. We have integrated health education with food and nutrition services to make the community aware and eventually self-driven in meeting its nutritional needs. We are committed to end malnutrition.

Transforming and Moulding the Future

Child development and growth is of paramount importance and catalyses the building of a healthy community. Education can only have a impact if early childhood is well supported through play based education, nutrition and care. Pre-school education acts as the foundation stone for child

development. So, utmost importance is given to children of 3 – 6 years. The pre-school education imparted through the medium of anganwadis has increased the enrolment of children in primary school. Additionally a majority of pre-schoolers eventually continue onto good local primary schools.

Strengthening the Foundation

95 % of the brain development happens under the age 6. The ECD (Early Childhood Development) project has been moulding the child care in the anganwadis and at home by various stimulation as well as simulation activities. The interventions through our trained child development aides brought about significant positive impact on the physical, cognitive, emotional and social development of children, especially those suffering from or high risk of developmental delay and disability.

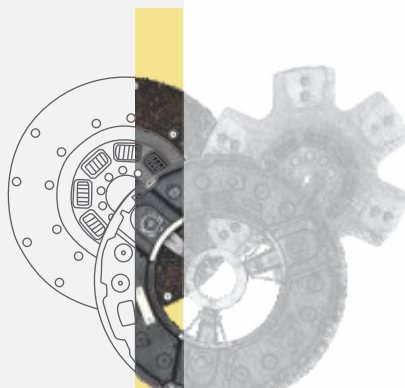
Maternal Care Progression

A healthy mother has a healthy baby. Efforts have been concentrated towards streamlining proper attention towards the physical as well as the mental health and well-being of the mother and child in the 1st 1000 days. The foundation is creating the backbone of transformation through our three pronged approach which encompasses community health workers, pre-school teacher and child development aide. 97% deliveries have been institutionalised. The health workers regularly monitor beneficiaries, especially pregnant women and nursing mothers. Regular home visits are being conducted to create awareness about the dietary patterns to be followed by the mother and the child.

Defining the Altitude of Attitude through Sports

SETCO Foundation has successively continued to escalate its reach through sports and is unlocking the hidden talent of girls and boys in the Panchmahal district of Gujarat, as they continue to emerge as star players at various fronts. The sports programme offers opportunity to boys & girls to build health, body awareness, teamwork, collaboration, decision making and confidence.

“We should
always keep in
mind that we
have two hands,
where, one is to
help others”.



Vesting the Feminine Essence

Foundation under its program for adolescent girls, conducts an array of workshops to create awareness on women hygiene and handling adolescence, which encompasses reproductive and sexual health of these girls. The emphasis lies on helping adolescent girls embrace womanhood positively.

The foundation also promotes income generating skill amongst adolescents, resulting in additional incomes in the homes. The combined impact of health self-care, sports & life skills have had a tremendous positive impact on these adolescent girls confidence and sense of self. The greatest impact has been delaying the marriage age of the girls to adulthood preventing adolescent pregnancies.

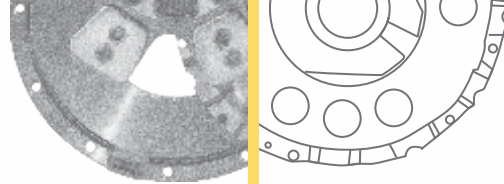
Empowering Women for Developmental Revolution

Empowering women emphasizes on equipping them with life skills and providing livelihood for a secure future. We have a range of programs on which women are being trained to start their own business by developing skills, encouraging entrepreneurship abilities, vocational training and linkages with the government bank. More than 300 women have been employed in SETCO, Sun Pharma, Sagar Springs and other industries.

Conscious Operationalisation of Framework

The framework of SETCO Foundation functions with an integrated model that collaborated with the government as well as different communities. The CSR interventions are being performed in a project mode adopting a 360 degree approach, with concurrent participatory monitoring.





Outreach

- Children under GMCD 780 from 18 AWC's. (0 – 3 years)
- 476 pregnant women and 452 nursing mothers covered under maternal health care
- 570 adolescent girls covered under growth monitoring
- Covered 690 girls under life skills and health workshops
- Linkages of women with government schemes
- Covered 322 boys and girls under self-defence program
- Covered 536 children under pre-school program
- 78% of children under the umbrella of SETCO Foundation have been showing normal growth as compared to national average of 55%
- Integrated with Sport Authority of Gujarat (SAG) for coaching camps (Participated 50 students)
- The adolescent intervention has successfully reduced the early childhood marriage rate

Outcomes

- 5 women have started their own business
- Increase in regular attendance of children to 72 % (486 out of 672 registered children)
- 40% children tracked in green zone from SAM and MAM during the year
- 543 children have received immunizations (out of 936 children 0 - 3 years)
- 51 highly delayed children were identified through GMCD.
- Out of 315 children with developmental delays 28 have reached their milestones
- 285 children enrolled in primary school
- 78 adolescent girls have reached intermediate level in self-defence
- 5 students have been enrolled in judo excellency
- 96% of adolescent girls in the age group of 13 - 22 were married above the age of 18 years



BOARD OF DIRECTORS' PROFILE



Harish Sheth
Chairman &
Managing Director

Mr. Sheth is the founder of Setco Automotive Limited. 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 Bachelor's degree in Mechanical Engineering from the University of Michigan, Ann Arbor and an MBA (Finance) from the Columbia University, New York.

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 specialization in Finance & MIS from Purdue University and has completed an Executive Education program from MIT, Cambridge-Boston, USA.



Udit Sheth
Joint Managing
Director



Shveta Vakil
Executive Director

Mr. Vakil has over 40 years of diverse experience ranging from Greenfield projects, setting up JVs, strategising 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 Bachelor's degree from Mumbai University and has also pursued an Advanced Management Programme from IIM, Ahmedabad.

Mrs. Urja Shah has completed Bachelors in Environmental Science and a Masters in Environmental Policy from Duke University, USA. She also has a Certificate in International Development Studies from Duke University. She has pursued certificate courses in Financial Accounting and Marketing from Boston University, USA. Mrs. Urja has been playing a very significant role in the Company's activities related to Corporate Social Responsibility.



Urja Shah
Executive Director



Arun Arora
Independent Director

Dr. Arora has been Executive Chairman with Edvance Learning Private Limited and Edvance Pre-Schools Private Limited. He was also the former CEO of The Economic Times and President, Bennett & Coleman. Dr. Arora also holds an Advanced Management Programme Degree from the Harvard Business School. In recognition of his immense contribution in the field of education, Dr. Arora was conferred with a degree of Doctor of Philosophy by EILM University, Sikkim for the academic session 2013-14.

Mr. Jha 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.



Ashok Kumar Jha
IAS (Retired),
Independent Director



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.

Mrs. Suhasini S. Sathe is an entrepreneurial person by nature and able to see the 'bigger picture'. She has more than 30 years hands on experience gained from the manufacturing industry with specific skills in Product, Performance & Marketing Management, Business Growth & Development. She utilizes skills from an extensive background within General Management, Sales and Marketing / Business Development and Innovation Management. She is also the Co-Founder and presently Managing Director of the Sathe Group of Companies. Mrs. Sathe holds a Bachelors of Engineering (Mechanical) for V.J.T.I., Mumbai University and is proficient in the use of CAD-CAM software. Her interests include traveling and knows German & Spanish languages.



Suhasini Sathe
Independent Director



MANAGEMENT DISCUSSION AND ANALYSIS

Economic Outlook

Post the global financial crisis of 2008, most developed nations have reported subdued economic recovery. Current policy trends and national referendums in some advanced nations point to a policy shift towards economic protectionism. This can impact collaborative trade policies and practices, which drove the growth in the past. The changing geopolitical environment resulted in global economy registering almost flat growth of 3.1%. Expectation of stable growth in China and USA as well as optimism about Eurozone growth prospects have resulted in rebound in commodity cycle. According to International Monetary Fund (IMF) estimates global economic growth is likely to pick up to 3.4% and 3.6% in FY 18 and FY 19 respectively.

In contrast to global scenario, Indian economy registered a robust GDP growth of around 7.4% in the first half of the year. However, demonetization and uncertainty about GST implementation impacted overall economic activity resulting in annual GDP growth dropping to 7.1% for 2017. However, even at this level, India retains the tag of one of the fastest growing economies in the world. Though industrial sector witnessed a slowdown, it was offset by a strong growth in agriculture sector, on the back of good monsoon after two years of drought.

Government's efforts to integrate its various flagship schemes like Make In India, Skill India, Start Up India, Digital India and others is likely to result in increased job opportunities and higher economic growth. Government's focus on infrastructure spends and project 'BharatNet' which aims to connect rural areas with high-speed internet connectivity would unleash the untapped potential of business opportunities in years to come. Likely reforms in banking sector to address assets quality issues would also unlock huge capital. Normal monsoon, moderate medium term inflation at around 4%, stable and lower interest rates and upswing in consumer demand is expected to boost private sector investments. These factors is likely to ensure India retains its tag of fastest growing economy in FY 18 also. IMF estimates Indian economy to grow 7.2% in 2017 and 7.7% in 2018. Economic Survey 2016-17 also predicts real GDP growth towards lower end of the range between 6.75 - 7.50% in FY2017-18.

Automobile Industry

Automobile industry plays a significant role in India's GDP with a share of around 7.1%. It also contributes

significantly to employment creation and FDI inflows. Increase in demand from rural markets and in infrastructure spending are the key factors driving the growth of the automobile sector in recent years. Current year was eventful for the industry with major challenges in the form of demonetization and ban on production and sales of BS III vehicles from April 2017, forcing the companies to review and revise their strategies and policies.

Commercial vehicles segment, led by Light Commercial Vehicles (LCV) grew by around 4.2% in FY2017 over previous year. Compared to growth of over 20% each in earlier two years, Medium and Heavy Commercial Vehicles (MHCV) segment registered a negligible growth of around 0.04% while LCVs registered a growth of 7.41% over previous year. Pick up in industrial activity, good monsoon and likely price increase in case of BS IV compliant vehicles was expected to drive the growth further. However, industry faced major challenges in the form of uncertainty about GST implementation, demonetization and uncertainty on production and sales of BS III vehicles from April 2017. Lower economic activity in construction and housing and impact of demonetization resulting in cash crunch in the third and fourth quarter forced the companies to review and revise their strategies and policies.

With effect of implementation of BS IV norms and GST behind, Indian economy is expected to return to the growth trajectory driven by good monsoon, increased government spend on infrastructure and improvement in manufacturing and service sector driven by increased demand. As per ICRA report, MHCV production is expected to register a growth of around 6-8%. Industry also awaits policy reforms about use of old vehicles and restrictions on overloading, which will be an additional boost to MHCV production.

Proposed move of pollution norms from BS-IV to BS-VI or EURO-VI by the year 2020 would make automotive companies to go for light weight fuel efficient model which may lead to higher vibration. Clutch is a critical part which also performs additional and key function to dampen the vibrations coming from engine and propagate it in transmission system and the proposed shift would necessitate up-gradation in clutch design. Besides focusing on up-gradation, measuring Noise Vibration Harmonics (NVH) is a key aspect for clutch manufacturer. Company has recently acquired PROSIG NVH system

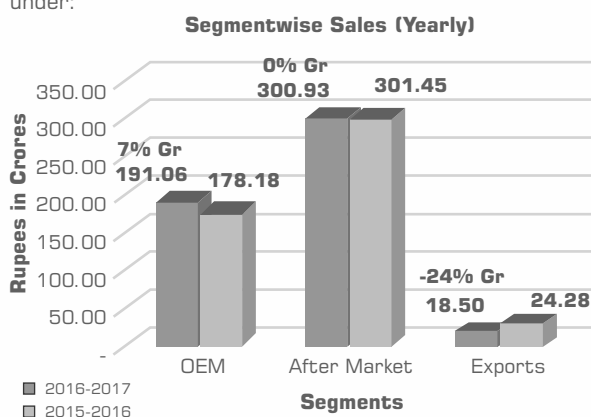
MANAGEMENT DISCUSSION AND ANALYSIS

which would enable it to carry out the NVH field testing and measure the vibration to optimise the clutch dampening system. Company is working with all its OEM customers to suit the clutch system complying with BS-VI norms to transfer the high power and torque for better driver comfort and enhanced durability.

Your Company's Operational Highlights in FY 2016 -17:

- In view of the business situation discussed earlier, Revenue from operations increased by 1.10% YoY to Rs. 511 cr.
- EBITDA decreased by Rs. 3 cr YoY to Rs 70 cr from Rs 73 cr for FY 2015-16. EBITDA margins were impacted by 0.7% to 13.8% of net sales. Margins impact is on account of flat sales, increase in commodity prices in the last quarter which could not be passed on to the customers and increase in fixed costs.
- Increase in Depreciation cost (Rs 2 cr), Interest (Rs 1.5 cr), foreign exchange fluctuation resulting in non-cash loss (Rs 6.1 cr) and drop in dividend income (Rs 3.2 cr) resulted in Profit before Tax of Rs 25 cr as against Rs 41 cr for FY 2015-16 which shows decline of 38% over the previous year.
- Net Profits stood at Rs 19 cr as against Rs 33 cr in FY 2015-16.
- Earnings per Share (Basic) decreased to Rs 1.44 from Rs 2.50 in the previous year.
- Net Worth increased to Rs. 212 cr from Rs. 193 cr in FY 2015-16.
- In view of lower profits, Board of Directors has recommended a dividend of Rs. 0.65 per equity share of Rs 2 each (32.50%) compared to Rs. 0.80 per equity share of Rs 2 each (40%) in the previous year.

Revenue contribution from 3 main market segments, i.e. OEM, After-Market and International Business (IB) is as under:



OEM

Production for MHCV trucks during the year was stagnant at 3.65 lakh units, still lower than the previous cycle peak of 3.85 lakhs units during 2011-12. Revival and growth witnessed in the previous two years lost the momentum in the current year. Second half of the year which generally witnesses higher sales was impacted first

by demonetization and then continued uncertainty on sale and registration of BS III vehicles beyond March 31, 2017. Despite such adverse market conditions also, company has maintained its market share across all customers / segments. **Supply of new Clutch Cover assemblies to Ashok Leyland and commencement of supply of LCV clutches for Tata Motors during the second half of the year** enabled the company to register 7.2% growth in revenues from OEM segment. Company retains its leadership position in OEM segment with more than 85% market share.

The setback witnessed during the year is a transitional phenomenon and next year is expected to see revival in OEM production as a result of long term government policy focusing on infrastructure and agriculture sector as well as development of rural areas. Implementation of BS IV norms and GST is expected to continue affecting the business in the initial part of the year and real growth is expected to be witnessed from second quarter onwards. Full year impact of new businesses commenced during the year will also boost company's revenues in the coming year.

Company is all geared to foray into fast growing Farm Equipment and Construction Machinery segment. The products have successfully completed internal validation and customer field trials. These clutch systems offer superior features & performance to meet the growing demand of dual & double clutches. India is the largest tractor market in the world with around 6,25,000 units getting produced every year & growing with a CAGR of 7%.

Aftermarket

Your company's Aftermarket business comprising sales through i) distribution network of OEM and ii) its own network of independent distributors caters to the replacement demand for clutches through major part of vehicle life. Total sales from Aftermarket segment continued to be flat during the year, in line with general market conditions, partially as an effect of drop in OEM production during 2012-13 and 2013-14 as well as an effect of demonetization.

With effects of demonetization behind us and implementation of Goods and Service Tax (GST), aftermarket demand is expected to be in positive trajectory. Introduction of GST is expected to affect tax evasion by unorganized segment and drive customer demand to organized segment where your company has a commanding position. OES distribution network covers over 10000 retailers and 15000 garages. Further, through its own distributor network, company has access to more than 4000 retail outlets and 7500 garages. Regular training and visits to production facilities by garage owners / mechanics are arranged to acquaint them with production processes and quality standards. These measures would go a long way in creating brand value in the long term.

International Business (IB)

Your company continues to invest in its export product portfolio to meet demand from international markets.

MANAGEMENT DISCUSSION AND ANALYSIS

However, longer gestation period coupled with subdued global markets and stiff competition have resulted in company's export business witnessing a drop in revenues to Rs 19 cr.

Company has developed special range of clutches for American MHCV segment which are fully tested in market condition and shall be launched in the current year. Company believes international business will be the driving factor in its medium term growth plans and substantially improve the margins.

Our International, Fully Owned Subsidiaries:

Setco Automotive (UK) Ltd - (SAUL)

Overall, weak market sentiment in European market, aided by after effects of BREXIT decision and weakening of Pound, resulted in U.K. subsidiary registering sales of £ 3.76 Mn (Rs 33.1 cr), a decline of 4.4% compared to £ 3.94 Mn (Rs 39.1 cr) in the previous year. With operating margins dropping due to currency depreciation and increase in interest cost on loans from parent company, subsidiary has reported a loss of £ 1.07 Mn (Rs 9.4 cr) compared to a loss of £ 0.74 Mn (Rs 7.3 cr) in the previous year.

Company has reorganized its operations with a view to control costs and increase operating efficiency during the year. These are expected to yield substantial savings in the coming years. Your management believes that UK operations do contribute positively to the group performance and also that it will turn around, on standalone basis in the medium term. Positive trend is already visible from the first quarter performance in the current year.

Setco Automotive (NA) Inc. (SANAI)

American economy, overall, witnessed a sharp slowdown resulting in large OEM's pushing their production capacity in the aftermarket thus affecting our business directly. Ban on the mining industry continued to affect sales of Hydraulic Pressure Convertors for almost 8 months of the year. Overall your American subsidiary recorded sales of \$ 5.28 Mn (Rs 36.0 cr) against sales of \$5.55 Mn (Rs 36.8 cr) in the previous year, a drop of 5%. As a result, your American subsidiary has reported a loss of \$ 0.37 Mn (Rs 2.5 cr) compared to a loss of \$ 0.36 Mn (Rs 2.4 cr) in the previous year. Since January 2017, company has witnessed a steady increase in the order book and we expect it to continue in the coming year. Company has initiated organizational restructuring exercise aimed at cost rationalization. New range of clutches designed for American aftermarket is proposed to be launched in second half of the year. Based on positive trends witnessed, these measures are expected to yield positive results in the coming years.

Our Indian Subsidiary - Lava Cast Pvt. Ltd.

Company's strategic foray into foundry business, in collaboration with M/s Lingotes Especiales SA of Spain, with annual capacity of around 30000 MT of fully machined grey & SG iron castings went into commercial production from April 2016.

Company produced castings of around 7500 MT during the year which were supplied to Setco Automotive. Stabilisation of yields and rejections over the period and marginal utilization of capacity ramped up gradually during the year resulted in higher operating costs, mainly power, interest and depreciation resulting in a net loss of Rs 21.02 cr during the year.

Lava Cast has capability to produce high quality fully machined Ferrous Iron components like Clutch Covers, Pressure Plates, Release Bearing Housings as well as Brake Discs, Brake Drums, etc. It has been in discussions with various domestic customers for business development and efforts are expected to yield results during the year. With automotive industry poised for a significant turnaround, high quality castings shall be in great demand and Lava Cast can fill the space efficiently.

OPPORTUNITIES

- Sustained improvement in economic fundamentals, stable interest regime and focus on infrastructure sector will drive growth in auto sector.
- Automobiles manufacturing is a focal area of Government's 'Make In India' initiative since it expects Commercial Vehicle production to reach two million mark by 2026, as highlighted in 'Auto Mission Plan 2016-26'.
- Proposed Voluntary Vehicle Fleet Modernisation Plan under consideration of government aims to incentivise fleet owners to replace old vehicles. It will take a sizeable number of vehicles off the road to be replaced by new vehicles, resulting in reduced vehicle pollution. As and when implemented, it will give a big boost to the commercial vehicle industry.
- Various government initiatives aim towards balanced, penetrative growth across the country. This coupled with substantial government spending on infrastructure sector and rural economy will further increase demand for commercial vehicles.
- Being a single source supplier to leading global commercial vehicle manufactures in India gives the company an opportunity to work with these Global OEMs in their international operations.
- Company has developed clutches for farm equipment (Tractor) segment and is in talks with various OEM customers for the same. Agriculture plays a significant role in India's GDP and tractor segment has performed steadily over the years. During FY 2016-17, domestic tractor volumes increased by around 18%. With vast potential in both - OEM as well as Aftermarket segments – these clutches will contribute significantly to company's growth in future.

MANAGEMENT DISCUSSION AND ANALYSIS

- Implementation of GST would result in rationalization of costs / price structure and expansion of domestic market.

THREATS

- Global economic & political developments can result in volatility in commodity prices and / or foreign exchange fluctuations, affecting operating margins in the short term.
- Possibility of new manufacturers – either domestic or global – can affect company's competitive advantage and margins.
- Indian economy is still a predominantly agriculture based. Dependence on monsoon and poor irrigation network can directly affect overall economic growth, having direct, adverse impact on the business.
- Significant revenue is derived from domestic market. Prolonged economic slowdown or disruptions can affect the performance of the company.

Human Resource

Human Resource function is closely integrated with the business and has been an important pillar supporting growth aspiration. The function focuses on Leadership Development, Succession Planning and Skills & Competency Development. Keeping this in mind all strategies are evolved for recruitment and offers a career and not a job to an individual. Thus right from time of recruitment a career path is envisaged for the employee and basis his performance growth opportunities are offered. This coupled with offering a conducive work environment, keeping in mind work life balance and appropriate compensation policy duly supported by offering opportunities for skills development through on the job training or external training at leading institute. Family is considered important and efforts are made to lend support to employees' children for education as well as professional programs to prepare children to face real life challenge as they grow. Thus employees can bank on support to manage their families as well.

A robust Performance Management System is in place with a clear sight on goals, which are in sync with overall corporate goals and basis their achieving goals, appropriate rewards are offered keeping them motivated. Company has clear guidelines in place for authority and responsibilities thereby employees are clearly accountable to perform their role with full clarity. When it comes to skills development, proper emphasis is given on both functional as well as soft skills to make employees well rounded and are prepared in advance for being ready to take challenges of future. Employee Engagement Programs are integral part of the function and are designed in a manner that keeps motivational levels high and they range from competitive sports to celebration festivals, cultural events to recognition through rewarding for exceptional achievement.

Risk Management & Internal Controls

Company's Risk Management policies are formulated with a view to be able to respond swiftly to the potential risks and implement necessary mitigation measures. A prudent risk management approach is adopted to identify and analyse internal and external risks and minimize its impact on the operations. Company continuously reviews and refines its Risk Management Policy to align itself with business environment. A comprehensive framework is developed to identify, monitor and mitigate various risks.

The internal control system of the company is commensurate with the size and complexity of the business and the nature of industry it operates in. It is devised with a focus on safeguarding company's assets, ensuring reliability of financial statements and maintaining organizational effectiveness along with ensuring compliance with procedures, laws, rules and statutes that apply to it. Cross Functional Teams are formed for collective decision making and monitoring in main operating areas like capital expenditure, procurements & pricing, quality and various compliances. These controls are periodically tested and duly verified by the Internal Auditors as well as the Statutory Auditors and covers all locations and key areas of business.

The Company has also appointed an Independent firm of internal auditors to ensure all transactions are recorded and reported under the guidelines of Accounting Standards.

Cautionary Statement

Statements in the Report on Management Discussion and Analysis, describing the company's objectives, projections, estimates and forecasts may be forward looking within the meaning of applicable securities laws and regulations. Actual results may differ materially from those either expressed or implied. Important developments that could affect the company's operations include significant political and / or economic environment in India, downturn in commercial vehicles segment, exchange rate fluctuations, tax laws, litigations, labour relations, interest and other costs and other factors such as litigation and industrial relations.



DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present the Thirty Fourth Annual Report on business and operations of the company together with the audited Financial Statements for the financial year ended March 31, 2017. This report states compliance as per the requirements of the Companies' Act, 2013 ("the Act"), the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") and other rules and regulations as applicable to the Company.

FINANCIAL PERFORMANCE

The highlights of the financial performance for the year under review as compared to the previous financial year are given below:

(Amount Rs. in Cr. except for EPS)

Particulars	Standalone		Consolidated	
	2016-17	2015-16	2016-17	2015-16
Revenue from Operations & Other Income	518.55	518.17	570.47	570.05
Gross Profit before Finance Cost & Depreciation	74.24	86.37	61.68	80.50
Less : Finance Cost	32.36	30.76	52.17*	33.39
Less : Depreciation	16.61	14.72	30.22	18.70
Profit / (Loss) before Taxes	25.27	40.89	(20.71)	28.41
Less : Provision for Tax Expenses	6.07	7.47	(7.93)	5.51
Profit / (Loss) after Taxes	19.20	33.42	(12.78)	22.90
Less : Non-Controlling Interest	-	-	(4.94)	(0.30)
Profit / (Loss) for the year attributable to equity holders of the parent	19.20	33.42	(7.84)	23.20
Earnings Per Share (Rs.)	1.44	2.50	(0.59)	1.74

* Finance cost for the year has increased mainly on account of commencement of commercial production at company's subsidiary, Lava Cast Pvt. Ltd. during the year.

The financial results of the company are discussed in detail in the Management Discussion and Analysis Report.

DIVIDEND

The Board of Directors at its meeting held on May 30, 2017 has recommended a dividend of Rs.0.65 paisa i.e @ 32.50 % per equity share for the year ended March 31, 2017. The declaration and payment of dividend is subject to the approval of shareholders at the ensuing annual general meeting of the Company.

The amount of dividend and tax thereon aggregate to Rs. 10.45 crore (including Dividend Distribution Tax).

SHARE CAPITAL

During the financial year 2016-17, there was no change in the paid up share capital of the Company. Accordingly, the paid up share capital of the Company stands at 13,35,96,675 Equity Shares of Rs.2/- each aggregating to Rs.26,71,93,350/-.

FIXED DEPOSITS

Your Company has not accepted deposits from the public falling within the ambit of Section 73 of the Act and the Rules framed thereunder.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

The particulars of Loans, Guarantees and Investments under Section 186 of the Act read with the Companies (Meetings of Board and its Powers) Rules, 2014, for the financial year 2016-17 are given in the Notes to the standalone financial statement.

CONTRACTS AND ARRANGEMENTS WITH RELATED PARTIES

All Related Party Transactions are placed before the Audit Committee as also the Board for approval. The transactions entered into pursuant to the omnibus approval so granted and a statement giving details of all

DIRECTORS' REPORT

related party transactions is placed before the Audit Committee and the Board of Directors for their approval on a quarterly and annual basis.

All transactions entered into with related parties as defined under the Companies Act, 2013 during the financial year, were in the ordinary course of business and on an arm's length pricing basis and do not attract the provisions of Section 188 of the Companies Act, 2013. There were no materially significant transactions with the related parties during the financial year, which were in conflict with the interest of the Company and hence, enclosing of Form AOC-2 is not required. Suitable disclosure as required by the Accounting Standard (AS18) has been made in the notes to the Financial Statements.

The Policy on materiality of related party transactions and dealing with related party transactions may be accessed on the Company's website at the link <http://www.setcoauto.com/statutory-policies>.

The details of related party transactions are given in Note 28 to the financial statements.

EMPLOYEE STOCK OPTION PLAN (ESOPS)

Your Company believes that equity based compensation schemes are an effective tool to reward the employees in the growth of the Company, to create an employee ownership, to attract new talents, to retain the key resources in the organisation.

Board of Directors of your Company had approved the Setco Employees' Stock Option Scheme, 2015 which was subsequently approved by the Company's shareholders at the Extra Ordinary General Meeting of the Company held on June 5, 2016 for issue and allotment of not more than 5,00,000 equity shares (of face value of Rs 10/- each) under the Scheme to senior management staff and such equity shares shall rank pari-passu in all respects with the then existing equity shares of the Company. The scheme covers the employees of Setco Automotive Limited, and the employees of the Holding / Subsidiary Company(ies) of Setco.

Subsequent to the sub-division of equity shares of Rs 10 each into equity shares of Rs 2 each, number of options under the scheme stand enhances to 25,00,000 equity shares of Rs 2 each.

During the year under review, the Nomination and Remuneration Committee at its meeting held on May 30, 2016 granted 6,10,000 stock options (of face value of Rs 2/- each) to the eligible employees of the Company at an

exercise price of Rs.16/- per option under Employees Stock Option Scheme 2015. This price is at a discount of Rs.15.95/- on closing share price on the Bombay Stock Exchange on the last trading day before the grant of these options.

The Nomination and Remuneration Committee administers these plans. The stock option plans are in compliance with Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 ("Employee Benefits Regulations") and there have been no material changes to these plans during the financial year. The Company has received a certificate from the Statutory Auditors of the Company that the scheme have been implemented in accordance with the applicable SEBI Guidelines and resolution passed by the shareholders of the Company. The certificate would be placed at the Annual General Meeting for inspection of the members.

There has been no material change in the subsisting scheme. In terms of the provisions of the SEBI (Share Based Employee Benefits) Regulations, 2014, the details of the Stock Options granted under the ESOP Scheme is annexed herewith as Annexure 1.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Your directors have analyzed Company's operations, state of affairs and financials in detail in Management Discussion and Analysis in a separate section forming part of this Annual Report. Material changes and commitments, if any, affecting the financial position of the Company between the end of the year under review and the date of this Report are also mentioned therein.

SUBSIDIARIES

Performance of Company's subsidiaries is elaborated in detail under 'Management Discussion & Analysis'.

During the year under review, the Company has incorporated a wholly owned subsidiary company, "SETCO MEA DMCC" in Dubai, United Arab Emirates (UAE) on August 3, 2016 with an Authorised Capital of AED 1,00,000. SETCO MEA DMCC shall cater to customers in the Middle East and African continent by reduced logistics cost and improved customer service interface. The company has not commenced operations during the year.

Section 136 of the Companies Act, 2013 has exempted companies from attaching the annual reports and other particulars of its subsidiary Companies with the annual report of the Company. Accordingly, the Annual Reports of the subsidiaries are not attached with this Annual Report. However, statement containing salient features

DIRECTORS' REPORT

of financial statements of subsidiaries as per Section 129 (3) of the Companies Act, is also included in this Annual Report in form AOC-1 as Annexure 2 to the Directors' Report. The financial statements of the subsidiary companies are available for inspection of the shareholders at the Registered Office of the Company between 11.00 a.m. to 3.00 p.m. on all working days except Tuesdays, up to and including the date of the Meeting.

The Policy for determining material subsidiaries as approved may be accessed on the Company's website at the link <http://www.setcoauto.com/statutory-policies>.

INTERNAL FINANCIAL CONTROLS

The Company has appropriate internal control systems for business processes with regard to its operations, financial reporting and compliance with applicable laws and regulations. It has documented policies and procedures covering financial and operating functions and processes. These policies and procedures are updated from time to time and compliance is monitored by the internal audit function as per the audit plan. The Company continues its efforts to align all its processes and controls with best practices.

Audit Committee and the Board reviews these internal control systems to ensure they remain effective and are achieving their intended purpose. The Company's internal audit team conducts periodic audits, checks and has laid down controls to prevent, detect and correct any irregularities in the operations of the Company.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

In accordance with the provisions of Section 135 read with schedule VII of the Act, the Company, as a part of its Corporate Social Responsibility ("CSR") initiative has adopted a CSR policy outlining various CSR activities to be undertaken by the Company.

The mission of the Company's CSR activities is to enable a community to actively ensure that every child and woman has full access to healthcare, nutrition, education and an opportunity for growth. Through a network of eighteen anganwadis, these initiatives aim to prevent malnutrition, improve pre-school education standards and empower women to make them economically independent. More than 5600 children and women have so far been covered under the same. The initiative to provide nutritionally balanced food has drastically reduced malnutrition rate in many areas. 78% of children covered show normal growth as compared to a national average of 55%. The drive of empowering women emphasizes on equipping them with life skills and providing livelihood for a secure future. It has

also started the sports program which instils leadership and boosts confidence through the self-defense and sports for adolescents.

The Corporate Social Responsibility Committee (CSR Committee) has formulated and recommended to the Board, the Corporate Social Responsibility Policy (CSR Policy) of the Company indicating therein the CSR activities to be undertaken by the Company. The CSR Policy has been approved by the Board of Directors.

The CSR Policy may be accessed on the Company's website at the link <http://www.setcoauto.com/statutory-policies>.

During the year under review, the Company has spent Rs.96.22 lakhs on CSR activities. The Annual Report on CSR activities is given at Annexure 3 hereto.

INDUSTRIAL RELATIONS

The relations with the employees have continued to remain cordial.

PREVENTION OF SEXUAL HARASSMENT AT WORKPLACE POLICY

Company has in place prevention of Sexual Harassment Policy in line with the requirements of the Sexual Harassment of women at the workplace ('Prevention, Prohibition and Redressal) Act, 2013 and rules framed thereunder.

All women employees (permanent, contract, temporary, trainees) are covered under the policy. Internal Complaints Committee has been set up to receive complaints, investigate the matter and report to the management for redressal of complaints of sexual harassment. During the year under review, no complaints were received by the committee.

VIGIL MECHANISM

Your Company has adopted a Vigil Mechanism Policy, as stipulated under section 177 of the Companies Act. The policy enables any employee to raise concerns about unacceptable, improper and/or any unethical practices, actual or suspected frauds or violation of the Company's Code of Conduct, taking place in the organisation. All employees are protected from any adverse action for reporting any unacceptable/improper practice and/or any unethical practice, fraud or violation of any law, rule or regulation. The Policy on Vigil Mechanism and Whistle Blower Policy may be accessed on the Company's website at the link <http://www.setcoauto.com/statutory-policies>. No such fraud or wrongful conduct was reported during the year under review.

DIRECTORS' REPORT

RISK MANAGEMENT

The Company has adopted an Enterprise Risk Management Policy, pursuant to Section 134 of the Companies Act. The Risk Management framework enables timely identification, mitigation and control of the risks which may threaten the existence of the Company. It also describes the risk management approach across the enterprise at various levels. Major risks identified by the business and functions are systematically addressed through mitigation actions on a periodic basis. The objective of risk management in the Company is to act as enabler in maintaining its knowledge edge, sustaining and expanding the business, being competitive and ensuring execution of various initiatives within budgeted cost and time resulting in improved turnover and profitability.

BOARD OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

Changes in the Board

The Board of the Company is duly constituted with an appropriate mix of Executive and Non-Executive Directors as stipulated under the SEBI (LODR), Regulations, 2015 and the Companies Act. During the year under review, Mr. Pratap Merchant, Independent Director of the Company resigned w.e.f. the closing hours of May 30, 2017 on personal grounds. The Board places on record its appreciation for the service rendered by Mr. Pratap Merchant.

Mr. Harish Sheth, Chairman and Managing Director, Mr. Udit Sheth and Mr. Shvetal Vakil, Executive Directors were appointed for a period of 3 years with effect from January 1, 2015 by the members of the Company at the Annual General Meeting of the Company held on September 9, 2014. The term of appointment of these directors expires on December 31, 2017. Based on the recommendation of the Nomination and Remuneration Committee, the Board of Directors at its meeting held on 21st August, 2017 has proposed to re-appoint Mr. Harish Sheth as the Chairman and Managing Director, Mr. Udit Sheth, Joint Managing Director and Mr. Shvetal Vakil as the Executive Director of the Company for a period of 3 years w.e.f. January 1, 2018 subject to the approval of Members.

Further, Mrs. Urja Shah, Executive Director was appointed for a period of 3 years with effect from November 11, 2014 by the members of the Company at the Annual General Meeting of the Company held on September 28, 2015. The term of her appointment as director expires on November 10, 2017. Based on the

recommendation of the Nomination and Remuneration Committee, the Board of Directors at its meeting held on 21st August, 2017 has proposed to re-appoint Mrs. Urja Shah as the Executive Director of the Company for a period of 3 years w.e.f. November 11, 2017 subject to the approval of Members.

A resolution to this effect is placed in the Notice for this Annual General Meeting for consideration / approval of the members. Your Directors recommend their appointment and remuneration as set out in the Notice.

Re-appointment

In terms of the provisions of the Companies Act, 2013 and the Articles of Association of the Company, Mr. Udit Sheth, Joint Managing Director of the Company retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Your directors recommend reappointment of Mr. Harish Sheth, Chairman and Managing Director of the Company. A resolution to the effect is placed in the Notice for the ensuing Annual General Meeting for consideration / approval of the members for your consideration and approval.

The information as required to be disclosed under the Listing Regulations in case of re-appointment of the director is provided in Report on Corporate Governance annexed to this report and in the notice of the ensuing Annual General Meeting.

Independent Directors

The Independent Directors hold office for a fixed tenure of five years and are not liable to retire by rotation.

In accordance with section 149(7) of the Companies Act, each Independent Director has provided a written declaration to the company that he / she meet the criteria of independence as laid out under Section 149(6) of the Act and regulation 16(1)(b) of the Listing Regulations.

The disclosure in pursuance of Schedule V to the Companies Act, 2013 and SEBI Listing Regulation pertaining to the remuneration, incentives etc. to the Directors is given in the Corporate Governance Report.

Board Effectiveness

Familiarization Program for the Independent Directors:

The details of programs for familiarization of Independent Directors with the Company, their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company and related matters are put up on the website of

DIRECTORS' REPORT

the Company at the link <http://www.setcoauto.com/statutory-policies>.

Evaluation process

Pursuant to the provisions of the Act and the Listing Regulations the Board has carried out annual performance evaluation of its own performance, the Directors individually as well as the evaluation of the working of its Committees. The criteria applied for evaluation are explained in the Corporate Governance report.

The policy of the Company on directors' appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director and other matters provided under sub-section (3) of Section 178 of the Companies Act, 2013 and SEBI Listing Regulation adopted by the Board is appended as Annexure 4 to the Directors' Report. We affirm that the remuneration paid to the directors is as per the terms laid out in the Remuneration Policy of the Company.

Key Managerial Personnel

The following persons have been designated as Key managerial Personnel of the Company pursuant to section 2(51) and section 203 of the Companies Act, read with the Rules framed thereunder:

- Mr Harish Sheth, Chairman & Managing Director
- Mr. Jatinder S Gujral, Chief Executive Officer w.e.f. July 1, 2017
- Mr Vinay Shahane, Vice President Finance (Chief Financial Officer)

Mr Bhautesh Shah, ceased to be Company Secretary and Compliance officer of the Company w.e.f. 14.8.2017.

Policy on Remuneration of Directors, Key Managerial Personnel and Senior Managerial Personnel and Criteria for matters under Section 178:

Information regarding the Policy on Remuneration of Directors, Key Managerial Personnel and Senior Managerial Personnel & criteria for determining qualifications, positive attributes, independence of a director and other matters provided under sub-section (3) of Section 178 of the Companies Act and Listing Regulation adopted by the Board is appended as Annexure 4 to the Directors' Report. We affirm that the remuneration paid to the directors is as per the terms laid out in the Remuneration Policy of the Company.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 134(5) of the Companies Act, your Directors state that:

- (a) in the preparation of the annual accounts, the applicable accounting standards have been followed and there were no material departures;
- (b) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2017 and of the profit of the Company for the year ended on that date;
- (c) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) they have prepared the annual accounts on a 'going concern' basis;
- (e) they have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- (f) they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

Meetings:

A calendar of meetings is prepared and circulated in advance, to the Directors.

Board Meetings

During the year, five meetings of the Board of Directors were convened and held, the details of which are given in the report on Corporate Governance. The intervening gap between the meetings was within the period prescribed under the Act and SEBI LODR Regulations.

Audit Committee

The Audit Committee comprises of three Independent Directors as its members. During the year, four meetings of the Audit Committee were convened and held, the details of which are given in the Corporate Governance Report. All the recommendations made by the Audit Committee were accepted by the Board.

DIRECTORS' REPORT

CSR Committee

The CSR Committee of the Board of Directors comprises four directors, of which two are Independent Directors. The Committee met twice during the year, the details of which are given in the report on Corporate Governance.

AUDITORS

Statutory Auditors

The tenure of appointment of M/s. Manesh Mehta & Associates, Chartered Accountants, (Firm Registration No: 115832W), the existing statutory auditors will expire at the conclusion of the 34th Annual General Meeting, as per provisions of Section 139(2) of the Companies Act and the Rules framed thereunder.

The Board of Directors of the Company, at its meeting held on August 21, 2017 has, subject to the approval of the members at the ensuing Annual General Meeting, approved the appointment of M/s. V. Parekh & Associates, Chartered Accountants, (Firm Registration No. 107488W) as the new Statutory Auditors of the Company in place of M/s. Manesh Mehta & Associates for a term of 5 years commencing from the conclusion of the 34th Annual General Meeting till the conclusion of the 39th Annual General Meeting, subject to the ratification of their appointment by the Members annually. M/s V. Parekh & Associates have confirmed their eligibility under Section 141 of the Companies Act and the Rules framed thereunder for appointment as Auditors of the Company. As required under Regulation 33 of the Listing Regulations, the new auditors have also confirmed that they hold a valid certificate issued by The Peer Review Board of the Institute of Chartered Accountants of India.

Directors' comments on Auditors Qualification in Consolidated Auditors Report:

The Auditors have made qualification in their Report on the Consolidated Accounts for not having ascertained and eliminated the unrealized profit element in the stocks lying with the subsidiaries out of inter-company transactions, in terms of the Accounting Standard-21, "Consolidated Financial Statements".

In view of the accounting method followed at the subsidiaries, it was very difficult / not possible to segregate the stock from different sources and work out its valuation. However, the steps are being taken to modify the accounting software to enable the extraction of the relevant information. This will enable the subsidiaries to provide information on unrealized profits in the stocks received from the Company.

SECRETARIAL AUDITOR

In terms of Section 204 of the Companies Act, and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed M/s. P. R. Shah & Co., Practicing Company Secretaries, (Membership No.1483, CP No. 436) to conduct Secretarial Audit for the financial year 2016-17. The Secretarial Audit Report for the financial year ended March 31, 2017 is annexed here with marked as Annexure 5 in Form MR-3 to this Report. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

CORPORATE GOVERNANCE

Pursuant to Regulation 34 of the SEBI LODR Regulations, a separate report on Corporate Governance has been included in this Annual Report along with a certificate from the Secretarial Auditors of the Company regarding the compliance with provisions of Corporate Governance.

All Board members and senior management personnel have affirmed compliance with the Code of Conduct for the year 2016-17. A declaration to this effect signed by the Chairman & Managing Director of the company is contained in this Annual Report.

The Chairman & Managing Director and CFO have certified to the Board with regard to the financial statements and other matters as required under Regulation 17(8) of the SEBI LODR Regulations and the said certificate is contained in this Annual Report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

- A. Conservation 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. Most of the components for manufacturing clutches are procured indigenously except for certain critical components which are imported, for offering better quality at a competitive price to customers.
- C. Foreign Exchange Earnings and Outgo: Details of foreign exchange earnings and outgo during the financial year 2016-2017 are furnished in Notes to the Accounts.

DIRECTORS' REPORT

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).

Further, the Company's Unit is accredited with Environmental Management System (EMS) (ISO 14001) as well as Occupational Health, Safety Standards (OHSAS 18001) and VDA 6.3 Certification.

EXTRACT OF ANNUAL RETURN

Extract of Annual Return, as provided under Section 92(3) of the Companies Act read with Companies (Management and Administration) Rules, 2014, in Form MGT-9 is annexed herewith as Annexure 6 to this Report.

PARTICULARS OF EMPLOYEES AND RELATED DISCLOSURES

Disclosures pertaining to the remuneration and other details in terms of the provisions of Section 197(12) of the Companies Act read with Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is detailed in the Corporate Governance Report.

The information required pursuant to Section 197 of the Companies Act read with Rule 5(1)(i) of the Companies (Appointment and Remuneration) Rules, 2014 in respect of ratio of remuneration of each director to the median remuneration of the employees of the Company for the year under review will be made available for inspection at the Registered Office of the Company during the working hours of the Company for a period of 21 days before the date of the Annual General Meeting of the Company pursuant to Section 136 of the Companies Act, 2013 and any member interested in obtaining such information may write to the Company and the same will be furnished on request.

GENERAL

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no

transactions on these items during the year under review:

1. Issue of equity shares with differential rights as to dividend, voting or otherwise.
2. Issue of shares (including sweat equity shares) to employees of the Company under any scheme save and except ESOS referred to in this Report.
3. Neither the Managing Director nor the Whole-time Directors of the Company received any remuneration or commission from any of its subsidiaries.
4. No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and Company's operations in future.

ACKNOWLEDGEMENTS

The Board places on record its appreciation for the continued co-operation and support extended to the Company by customers, vendors, Central and State Government, government departments, regulators, banks, financial institutions, rating agencies, stock exchanges and depositories, auditors, business associates and all the employees with whose help, cooperation and hardwork the Company is able to achieve the results.

The Board deeply acknowledges the trust and confidence placed by the shareholders of the Company.

CAUTIONARY STATEMENT

Statements in the Board's Report and the Management Discussion and Analysis describing the company's objectives, projections, estimates and expectations may constitute 'forward looking statements' within the meaning of applicable laws and regulations. Actual results may differ materially from those either expressed or implied. Important factors that could affect the company's operations include significant political and / or economic environment in India, downturn in commercial vehicles segment, exchange rate fluctuations, tax laws, litigations, labour relations, interest and other costs.

For and on behalf of the Board

Harish Sheth
Chairman and Managing Director
DIN: 01434459

Place: Mumbai
Date: August 21, 2017

DIRECTORS' REPORT

ANNEXURE 1 TO DIRECTORS' REPORT

Disclosure pursuant to Regulation 14 of SEBI (Share Based Employee Benefits) Regulations, 2014 as amended.

A General Disclosure

Disclosures in terms of the Guidance note on accounting for employee share-based payments or any other relevant accounting standards: For details please refer to notes to Financial Statement mentioned in Annual Report 2016-17.

B Summary

	Description	
1	Date of Shareholders Approval	June 5, 2015 – Extra Ordinary General Meeting
2	Total number of options approved under the scheme*	25,00,000 stock options were approved under the Setco Employee Stock Option Scheme, 2015
3	Date of Grant	May 30, 2016
4	Options Granted	6,10,000 stock options
5	Vesting Schedule	20% of the total options - 30.5.2017 30% of the total options – 30.5.2018 50% of total options – 30.5.2019
6	Pricing Formula	The options are granted to Eligible Employees and Directors of the Company at an Exercise Price of Rs. 16/- per share (as against closing price of Rs.31.95/- as on May 27, 2016) in accordance with the provisions of the Scheme.
7	Maximum Term of Options Granted	Four years from the date of grant
8	Source of Shares	Primary
9	Variation in terms of Options	--
10	Method used for Accounting of ESOP	Fair Value Method
11	Where the Company has calculated the employee compensation cost using the intrinsic value of the stock option, the difference between employee compensation cost so computed and the employee compensation cost that shall have been recognised if it had used the fair value of the option, shall be disclosed. The impact of this difference on profits and on EPS of the Company shall also be disclosed.	The Company is following accounting as per (Indian Accounting Standard) Ind-As 102 issued by the Ministry of Corporate Affairs
12	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with (IND-AS) Earnings Per Share	The diluted EPS of the Company after considering the effect of potential equity shares arising on account of exercise of options is Rs. 1.44 per share
13	Weighted average exercise price and weighted average fair value of the options shall be disclosed separately for options whose exercise price either equals or is less than the market price for the stock	Weighted average exercise price : Rs. 16.00 Weighted average fair value of options based on Black Scholes methodology:Rs. 16.54

C Options Movement During the year

	Description	
1	Options Outstanding at the beginning of the Year	Nil
2	Option Granted during the year	6,10,000
3	Options vested during the year	Nil
4	Options exercised during the year	0
5	No. of shares arising as a result of exercise of options during the year	--
6	Options cancelled & lapsed during the year	72,000
7	Options Outstanding at the end of the year	5,38,000
8	Options exercisable at the end of the year	5,38,000
9	Money realized by exercise of options (in Rs.)	--

DIRECTORS' REPORT

D Options granted to Senior Management Personnel/s

The company has granted options during the current financial year under the ESOP scheme to Senior Management Personnel/s.

E Options granted to any employee during the year amounting to 5% or more of options granted during the year

The company has granted options during the current financial year under the ESOP scheme to employees during the year amounting to 5% or more of options.

F Options granted to any employee equal to or exceeding 1% of the issued capital of the company at the time of grant

The company has not granted options during the current financial year under the ESOP scheme to any employee equal to or exceeding 1% of the issued capital of the company.

G A description of the method and significant assumption used during the year to estimate the fair values of options.

For share options granted to employees, in many cases market prices are not available, because the options granted are subject to terms and conditions that do not apply to traded options. If traded options with similar terms and conditions do not exist, the fair value of the options granted shall be estimated by applying a Black Scholes option pricing model.

The inputs to the model are:

- Underlying price of the shares as on the date of the grant
- Exercise price of the options
- Expected life of the options
- Expected volatility of the options
- Expected dividend yield of the option
- Risk free rate of interest

*The Shareholders at the Extra Ordinary General Meeting of the Company held on June 5, 2015 had approved the 5,00,000 (Five Lakhs) stock options under the Setco Stock Option scheme 2015 of Rs. 10/- each. Further, at the Annual General meeting of the Company held on September 28, 2015, the shareholders approved the sub- division of shares from face value Rs. 10/- each into five equity shares of Rs. 2/- each w.e.f. December 17, 2015, consequently the number of options now stands at 25,00,000 (Twenty Five lakhs) of Rs.2/- each.

DIRECTORS' REPORT

ANNEXURE 2 TO DIRECTORS' REPORT

Form AOC-1

[Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014]
Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures

Part "A": Subsidiaries

Name of the subsidiary	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	Share capital	Reserves and surplus	Total assets	Total Liabilities	Investments	Turnover	Profit before taxation	Provision for taxation	Profit after taxation	Proposed Dividend	Rs. In Lakhs	
													% of share holding	
WEW Holdings Limited	Same as Holding Company	1 GBP = Rs. 81.45	520.00	-0.39	521.31	2.15	521.28	-	-1.12	-	-1.12	-	100.00	
Lava Cast Private Limited	Same as Holding Company	INR	6,662.50	-2,285.05	20,177.75	15,800.29	-	4,936.43	-3,287.15	1,185.15	-2,102.00	-	79.78	
Setco Automotive (UK) Ltd.	Same as Holding Company	1 GBP = Rs. 81.45	2,230.00	-1,490.00	6,430.00	5,690.00	1360.00	3,310.00	-940.00	-	-940.00	-	100.00	
Setco Automotive (NA), Inc	Same as Holding Company	1 USD = Rs. 65.19	1,711.00	-396.00	5,169.00	3,854.00	-	3,607.00	-464.00	214.30	-249.70	-	100.00	

DIRECTORS' REPORT

ANNEXURE 3 TO DIRECTORS' REPORT ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES FOR THE FINANCIAL YEAR 2016-17

1	A brief outline of the company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs.	CSR activities at Setco are carried out as per the CSR Policy with primary focus on Health and Nutrition, Education and Women Empowerment.					
2	The Composition of the CSR Committee.	1. Mrs. Unja Shah, Executive Director (Chairman) 2. Mr. Udit Sheth, Executive Director 3. Dr. Arun Arora, Independent Director 4. Mrs. Suhasini Sathe, Independent Director					
3	Average net profit of the company for last three financial years (Amount in crores)	Rs. 28.89 Crores					
4	Prescribed CSR Expenditure (two percent of the amount as in item 3 above) (Amount in crores)	Rs. 0.58 Crores					
5	Details of CSR spent during the financial year:	Rs. 0.58 Crores					
	(1) Total amount to be spent for the Financial Year	Not Applicable					
	(2) Amount unspent, if any;	The manner in which the amount is spent is detailed as under:					
	(3) Manner in which the amount spent during the financial year :	(Rs. in Lakhs)					

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
S.No	CSR Project or Activity identified	Sector in which the Project is covered	Projects or programs (1) Local area or other (2) Specify the state and district where projects or programs was undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs (1) Direct Expenditure on projects or programs (2) Overhead	Cumulative Expenditure upto the reporting period	Amount spent: Direct or through implementing agency
1	(A) Improving the nutritional and health status of adolescent girls, women & children aged 0-6 years; (B) Pre-school education system at the Anganwadi level (C) Empowering women at the grass root level enabling them to become financially and socially independent, thereby empowering the community around them	Eradicating hunger and malnutrition; Promoting healthcare including preventive healthcare; Promoting education; Empowering women.	Kalol, Panchmahals, Gujarat; and other parts of Gujarat	70.00	76.22	76.22	Implementing Agency-Secto Foundation
2	(A) Annakshetra (Food to poor and disabled) (B) Medical Aid (C) Preserving and Uplifting of Culture (D) Activities related to vedic education	Eradicating hunger and malnutrition; Promoting healthcare including preventive healthcare; Promoting culture; Promoting Education.	State of Gujarat	20.00	20.00	20.00	Implementing Agency - Agnihotri K. G. Vyas Charitable Trust

DIRECTORS' REPORT

ANNEXURE 4 TO DIRECTORS' REPORT

Appointment & Remuneration Policy

1. Introduction:

Setco Automotive Limited (SAL) recognizes the importance of aligning the business objectives with specific and measureable individual objectives and targets. The Company has therefore formulated the remuneration policy for its directors, key managerial personnel and other employees keeping in view the following objectives:

- (a) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate, to run the company successfully;
- (b) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- (c) remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.

2. Scope:

This Policy sets out the guiding principles for the Nomination and Remuneration Committee for identifying persons who are qualified to become Directors and to determine the independence of the Independent Directors; and for recommending to the Board the remuneration of the directors, key managerial personnel and other employees of the Company.

3. Criteria for Determining Qualifications, Positive Attributes & Independence of Director:

(a) Qualifications of Directors:

A director shall possess appropriate skills, experience and knowledge in one or more fields of finance, law, management, sales, marketing, administration, research, corporate governance, operations or other disciplines related to the Company's business.

In evaluating the suitability of individual Board members, the NRC may take into account factors, such as:

- General understanding of the Company's business dynamics, global business and social perspective;
- Educational and professional background;
- Standing in the profession;
- Personal and professional ethics, integrity and values;
- Willingness to devote sufficient time and energy in carrying out their duties and responsibilities effectively.

(b) Positive attributes of Directors:

An independent director shall be a person of integrity, who possesses relevant expertise and experience and who shall uphold ethical standards of integrity and probity; act objectively and constructively; exercise his responsibilities in a bona-fide manner in the interest of the Company; devote sufficient time and attention to his professional obligations for informed and balanced decision making; and assist the Company in implementing the best corporate governance practices.

(c) Independence of Independent Directors:

An Independent director shall meet the requirements of the Companies Act, 2013 and Listing Regulation concerning independence of directors.

4. Remuneration Policy:

(a) Remuneration to Executive Directors and Key Managerial Personnel:

The Board, on the recommendation of the Nomination and Remuneration Committee (NRC), shall review and approve the remuneration payable to the Executive Directors of the Company within the overall limits approved by the shareholders.

The Board, on the recommendation of the NRC, shall also review and approve the remuneration payable to the Key Managerial Personnel of the Company.

(b) Remuneration to Non-Executive Directors (NEDs):

The Board, on the recommendation of the NRC shall review and approve the remuneration payable to the Non-Executive Directors of the Company within the overall limits approved by the shareholders.

Non-Executive Directors shall be entitled to sitting fees for attending the meetings of the Board and the Committees thereof. In addition to the sitting fees, the Non-Executive Directors shall also be entitled to Commission based on the profit of the Company.

(c) Remuneration to other employees:

Employees shall be assigned grades according to their qualifications and work experience, competencies as well as their roles and responsibilities in the organization.

Individual remuneration shall be determined within the appropriate grade and shall be based on various factors such as job profile, skill sets, seniority, experience and prevailing remuneration levels for equivalent jobs.

DIRECTORS' REPORT

ANNEXURE 5 TO DIRECTORS' REPORT

FORM NO. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2017

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]

To,

The Members,

Setco Automotive Limited

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Setco Automotive Limited**. (hereinafter called the company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts / statutory compliances and expressing my opinion thereon.

Based on our verification of the **Setco Automotive Limited's** books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the company has, during the audit period covering the financial year ended on March 31, 2017 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by **Setco Automotive Limited** ("the Company") for the financial year ended on March 31, 2017 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 and The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
 - (d) The Securities and Exchange Board of India (Share Based Employee Benefits), Regulations, 2014;
 - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; **(Not applicable to the Company during the Audit Period)**
 - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; **(Not applicable to the Company during the Audit Period)** and
 - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; **(Not applicable to the Company during the Audit Period)**

We have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India i.e. Secretarial Standards - 1 for Board Meetings and Secretarial Standards - 2 for General Meeting
- (ii) SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

DIRECTORS' REPORT

We further report that:

The Board of Directors of the Company is duly constituted with proper balance of Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes.

We further report that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

**For P. P. Shah & Co.,
Practicing Company Secretaries**

**Pradip Shah
FCS No. 1483
C P No.: 436**

Place: Mumbai
Date: August 21, 2017

DIRECTORS' REPORT

ANNEXURE 6 TO DIRECTORS' REPORT

FORM NO. MGT 9

EXTRACT OF ANNUAL RETURN

as on financial year ended on **31.03.2017**

Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Company (Management & Administration) Rules, 2014.

I REGISTRATION & OTHER DETAILS:

i	CIN	L35999GJ1982PLC005203
ii	Registration Date	5-May-1982
iii	Name of the Company	Setco Automotive Limited
iv	Category/Sub-category of the Company	Indian Non-Government Company
v	Address of the Registered office & contact details	Baroda - Godhra Highway, Kalol (Panchmahal), Gujarat - 389 330
vi	Whether listed company	Yes
vii	Name, Address & contact details of the Registrar & Transfer Agent, if any.	Link Intime India Pvt. Ltd., C-101, 247 Park, L.B.S. Marg, Vikhroli (West), Mumbai – 400 083; Contact No: 022 49186000

II PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the company shall be stated

Sr. No	Name & Description of main products/services	NIC Code of the Product /service	% to total turnover of the company
1	Manufacture of clutches for Medium and Heavy Commercial Vehicles	29301	100

III PARTICULARS OF HOLDING, SUBSIDIARY & ASSOCIATE COMPANIES

Sr. No	Name & Address of the Company	CIN/GLN	HOLDING/ SUBSIDIARY/ ASSOCIATE	% OF SHARES HELD	APPLICABLE SECTION
1	Setco Engineering Private Limited	U54100MH1979PTC171127	Holding	50.69	2(87)(ii)
2	Lava Cast Private Limited	U27205MH2011PTC217467	Subsidiary	79.78	2(87)(ii)
3	Setco Automotive (UK) Ltd	N.A.	Subsidiary	100*	2(87)(ii)
4	Setco Automotive (NA), Inc	N.A.	Subsidiary	100#	2(87)(ii)
5	WEW Holdings Limited	N.A.	Subsidiary	100	2(87)(ii)
6	Setco MEA DMCC (w.e.f 31.7.2016)		Subsidiary	100	2(87)(ii)

* The share capital of Setco Automotive (UK) Ltd is held 20% by Setco Automotive Limited and 80% by WEW Holding Limited.

Wholly owned Subsidiary of Setco Automotive (UK) Ltd.

DIRECTORS' REPORT

IV SHAREHOLDING PATTERN (Equity Share capital Break up as % to total Equity)

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/HUF	15,522,880	-	15,522,880	11.62	15,522,880	-	15,522,880	11.62	0.00
b) Central Govt. or State Govt.	-	-	-	-	-	-	-	-	0.00
c) Bodies Corporates	69,363,845	-	69,363,845	51.92	69,363,845	-	69,363,845	51.92	0.00
d) Bank/FI	-	-	0	-	-	-	0	-	-
e) Any other	-	-	0	-	-	-	0	-	-
SUB TOTAL: (A) (1)	84,886,725	-	84,886,725	63.54	84,886,725	-	84,886,725	63.54	0.00
(2) Foreign									
a) NRI- Individuals	-	-	-	-	-	-	-	-	-
b) Other Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	-	-	-	-	-	-	-	-	-
d) Banks/FI	-	-	-	-	-	-	-	-	-
e) Any other...	-	-	-	-	-	-	-	-	-
SUB TOTAL (A) (2)	-	-	-	-	-	-	-	-	-
Total Shareholding of Promoter (A) = (A)(1) + (A)(2)	84,886,725	-	84,886,725	63.54	84,886,725	-	84,886,725	63.54	0.00
B. PUBLIC SHAREHOLDING									
(1) Institutions									
a) Mutual Funds	446,377	-	446,377	0.34	-	-	-	-	-0.34
b) Banks/FI	45,375	375	45,750	0.03	197,197	375	197,572	0.15	0.12
c) Central govt	-	-	-	-	-	-	-	-	-
d) State Govt.	-	-	-	-	-	-	-	-	-
e) Venture Capital Fund	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) FIIS	-	-	-	-	-	-	-	-	--
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (FPI)	5,152,500	-	5,152,500	3.86	2,484,771	-	2,484,771	1.86	-2.00
SUB TOTAL (B)(1):	5,644,252	375	5,644,627	4.23	2,681,968	375	2,682,343	2.01	-2.22

DIRECTORS' REPORT

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
(2) Non Institutions									
a) Bodies corporates	7,693,746	5,250	7,698,996	5.76	6,881,793	5,250	6,887,043	5.16	-0.60
i) Indian	-	-	-	-	-	-	-	-	-
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals	-	-	-	-	-	-	-	-	-
i) Individual shareholders holding nominal share capital upto Rs.2 lakhs	9,031,995	3,865,295	12,897,290	9.65	15,596,847	3,530,820	19,127,667	14.32	4.67
ii) Individuals shareholders holding nominal share capital in excess of Rs. 2 lakhs	5,075,916	-	5,075,916	3.80	7,543,402	127,500	7,670,902	5.74	1.94
c) Others (specify)	-	-	-	0	-	-	-	-	-
i Clearing Members	117,427	-	117,427	0.09	713,366	-	713,366	0.53	0.44
ii Market Makers	-	-	-	0	-	-	-	-	-
iii Foreign Nationals	-	-	-	0	-	-	-	-	-
iv Non Residents Indians (Repat)	4,746,515	-	4,746,515	3.55	4,011,705	-	4,011,705	3.00	-0.55
v Non Residents Indians (Non Repat)	180,053	-	180,053	0.13	224,466	-	224,466	0.17	0.03
vi Foreign Companies	11,764,915	-	11,764,915	8.81	5,828,964	-	5,828,964	4.36	-4.45
vii Trusts	11,250	-	11,250	0.01	12,000	-	12,000	0.01	0.00
viii Hindu Undivided Family	552,111	20,850	572,961	0.43	1,530,644	20,850	1,551,494	1.16	0.73
SUB TOTAL (B)(2):	39,173,928	3,891,395	43,065,323	32.23	42,343,187	3,684,420	46,027,607	34.45	2.22
Total Public Shareholding (B) = (B)(1)+(B)(2)	44,818,180	3,891,770	48,709,950	36.46	45,025,155	3,684,795	48,709,950	36.46	0.00
C. Shares held by Custodian for GDRs & ADRs				0					
Grand Total (A+B+C)	129,704,905	3,891,770	133,596,675	100	129,911,880	3,684,795	133,596,675	100	-

DIRECTORS' REPORT

(ii) SHARE HOLDING OF PROMOTERS

Sr. No.	Shareholders Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share holding during the year
		No. of shares	% of total shares of the company	% of shares pledged encumbered to total shares	No. of shares	% of total shares of the company	% of shares pledged encumbered to total shares	
1	Harish Kiritbhai Sheth	2,958,655	2.215	-	7,222,655	5.405	-	3.19
2	Urja Harish Shah	4,264,725	3.19	-	725	0.00	-	-3.19
3	Sneha Harish Sheth	3,382,500	2.53	-	3,382,500	2.53	-	0.00
4	Udit Harish Sheth	4,917,000	3.68	-	4,917,000	3.68	2.06	0.00
5	Setco Engineering Private Limited	67,713,845	50.69	31.36	67,713,845	50.69	35.99	0.00
6	Urdit Investments Private Limited	1,650,000	1.24	-	1,650,000	1.24	-	0.00
	Total	84,886,725	63.54	31.36	84,886,725	63.54	38.05	0.00

DIRECTORS' REPORT

(iii) CHANGE IN PROMOTERS' SHAREHOLDING (SPECIFY IF THERE IS NO CHANGE)

Sr. No.	Name	Shareholding		Date	Increase / Decrease in Shareholding	Reason	Cumulative Shareholding during the year	
		No. of shares At the beginning (01-04-2016) / end of the year (31-3-2017)	% of total shares of the company				No. of shares	% of total shares of the company
1	Harish Kiritbhai Sheth	2,958,655	2.215	01-Apr-16				
				13-Jul-16	4,264,000	*Refer Note	7,222,655	5.405
		7,222,655	5.405	31-Mar-17			7,222,655	5.405
2	Udit Harish Sheth	4,917,000	3.68	01-Apr-16				
		4,917,000	3.68	31-Mar-17			4,917,000	3.68
3	Urja Harish Sheth	4,264,725	3.19	01-Apr-16				
				13-Jul-16	(4,264,000)	**Refer Note	725	0.00
		725	0.00	31-Mar-17			725	0.00
4	Sneha Harish Sheth	3,382,500	2.53	01-Apr-16				
		3,382,500	2.53	31-Mar-17			3,382,500	2.53
5	Setco Engineering Private Limited	67,713,845	50.69	01-Apr-16				
		67,713,845	50.69	31-Mar-17			67,713,845	50.69
6	Urdit Investments Private Limited	1,650,000	1.24	01-Apr-16				
		1,650,000		31-Mar-17			1,650,000	1.24

* Inter se off market Transfer of Equity Shares by way of gift without consideration from relative i.e. from daughter, Urja Sheth

** Inter se off market Transfer of Equity Shares by way of gift without consideration to a relative i.e. father Mr. Harish Sheth.

DIRECTORS' REPORT

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters & Holders of GDRs & ADRs)

Sr. No.	Name	Shareholding		Date	Increase / Decrease in Shareholding	Reason	Cumulative Shareholding during the year	
		No. of shares At the beginning (01-04-2016) / end of the year (31-3-2017)	% of total shares of the company				No. of shares	% of total shares of the company
1	New Vernon Private Equity Limited	11,764,915	8.81	01-Apr-16				
				10-Jun-16	(546587)	Sale	11,218,328	8.40
				17-Jun-16	(88182)	Sale	11,130,146	8.33
				24-Jun-16	(525469)	Sale	10,604,677	7.94
				30-Jun-16	(226000)	Sale	10,378,677	7.77
				01-Jul-16	(51329)	Sale	10,327,348	7.73
				08-Jul-16	(37424)	Sale	10,289,924	7.70
				15-Jul-16	(200268)	Sale	10,089,656	7.55
				22-Jul-16	(91743)	Sale	9,997,913	7.48
				05-Aug-16	(81932)	Sale	9,915,981	7.42
				26-Aug-16	(12943)	Sale	9,903,038	7.41
				30-Sep-16	(155457)	Sale	9,747,581	7.30
				07-Oct-16	(38954)	Sale	9,708,627	7.27
				21-Oct-16	(6333)	Sale	9,702,294	7.26
				28-Oct-16	(335450)	Sale	9,366,844	7.01
				23-Dec-16	(15355)	Sale	9,351,489	7.00
				06-Jan-17	(17114)	Sale	9,334,375	6.99
				13-Jan-17	(104917)	Sale	9,229,458	6.91
				20-Jan-17	(25344)	Sale	9,204,114	6.89
				10-Feb-17	(34864)	Sale	9,169,250	6.86
2	Shah Paryank Ramesh			03-Mar-17	(81149)	Sale	9,088,101	6.80
				10-Mar-17	(21070)	Sale	9,067,031	6.79
				17-Mar-17	(5686)	Sale	9,061,345	6.78
				24-Mar-17	(107736)	Sale	8,953,609	6.70
				31-Mar-17	(3124645)	Sale	5,828,964	4.36
		5,828,964	4.36	31-Mar-17			5,828,964	4.36
		4,471,345	3.35	01-Apr-16				
				08-Jul-16	(500,000)	Sale	3,971,345	2.97
				12-Aug-16	(1,000,000)	Sale	2,971,345	2.22
				03-Mar-17	545000	Purchase	3,516,345	2.63
3	Barclays Wealth Trustees India Private Limited	3,516,345	2.63	31-Mar-17			3,516,345	2.63
		3,100,000	2.32	01-Apr-16				
		3,100,000	2.32	31-Mar-17			3,100,000	2.32
4	Morgan Stanley Asia (singapore) Pte.	4,602,500	3.45	01-Apr-16				
				08-Jul-16	(32,618)	Sale	4,569,882	3.42
				26-Aug-16	(103,341)	Sale	4,466,541	3.43
				02-Sep-16	(197,891)	Sale	4,268,650	3.20
				09-Sep-16	(89,148)	Sale	4,179,502	3.13

DIRECTORS' REPORT

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters & Holders of GDRs & ADRs)

Sr. No.	Name	Shareholding		Date	Increase / Decrease in Shareholding	Reason	Cumulative Shareholding during the year	
		No. of shares At the beginning (01-04-2016) / end of the year (31-3-2017)	% of total shares of the company				No. of shares	% of total shares of the company
				16-Sep-16	(189,847)	Sale	3,989,655	2.99
				23-Sep-16	(187,036)	Sale	3,802,619	2.85
				30-Sep-16	(67,114)	Sale	3,735,505	2.80
				07-Oct-16	(174,004)	Sale	3,561,501	2.67
				14-Oct-16	(135,073)	Sale	3,426,428	2.56
				21-Oct-16	(70,055)	Sale	3,356,373	2.51
				28-Oct-16	(134,873)	Sale	3,221,500	2.41
				11-Nov-16	(7,739)	Sale	3,213,761	2.41
				18-Nov-16	(2,144)	Sale	3,211,617	2.40
				09-Dec-16	(17,537)	Sale	3,194,080	2.39
				16-Dec-16	(62,611)	Sale	3,131,469	2.34
				23-Dec-16	(30,679)	Sale	3,100,790	2.32
				30-Dec-16	(21,762)	Sale	3,079,028	2.30
				06-Jan-17	(65,674)	Sale	3,013,354	2.56
				13-Jan-17	(38,929)	Sale	2,974,425	2.23
				20-Jan-17	(25,044)	Sale	2,949,381	2.21
				27-Jan-17	(23,092)	Sale	2,926,289	2.19
				03-Feb-17	(190,219)	Sale	2,736,070	2.05
				10-Feb-17	(42,047)	Sale	2,694,023	2.02
				17-Feb-17	(31,058)	Sale	2,662,965	2.00
				24-Feb-17	(19,421)	Sale	2,643,544	1.98
				03-Mar-17	(86,259)	Sale	2,557,285	1.91
				10-Mar-17	(28,138)	Sale	2,529,147	1.89
				17-Mar-17	(52,045)	Sale	2,477,102	1.85
				24-Mar-17	(70,652)	Sale	2,406,450	1.80
				31-Mar-17	(338,200)	Sale	2,068,250	1.55
		2,068,250	1.55	31-Mar-16			2,068,250	1.55
		-	0.00	01-Apr-16				
5	Minal Bharat Patel#			31-Mar-17	2,003,666	Purchase	2,003,666	1.50
6	K S Gopalaswamy	2,003,666	1.50	31-Mar-17			2,003,666	1.50
		770,596	0.58	01-Apr-16				
		770,596	0.58	31-Mar-17				
7	IIFL National Development Agenda Fund	2,500,000	1.87	01-Apr-16			770,596	0.58
				05-Aug-16	(280,000)	Sale	2,220,000	1.66
				12-Aug-16	(691,879)	Sale	1,528,121	1.14
				24-Mar-17	(1,48,121)	Sale	1,380,000	1.03
				31-Mar-17	(6,85,000)	Sale	695,000	0.52
		695,000	0.52	31-Mar-17			695,000	0.52

DIRECTORS' REPORT

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters & Holders of GDRs & ADRs)

Sr. No.	Name	Shareholding		Date	Increase / Decrease in Shareholding	Reason	Cumulative Shareholding during the year	
		No. of shares At the beginning (01-04-2016) / end of the year (31-3-2017)	% of total shares of the company				No. of shares	% of total shares of the company
8	Tejal Merchantile Private Limited	500,000	0.37	01-Apr-16				
				28-Oct-16	(51,024)	Sale	448,976	34.00
				04-Nov-16	(55,897)	Sale	393,079	0.29
				24-Mar-16	301,572	Purchase	694,651	0.52
9	Hardik Bharat Patel#	6,94,651	0.52	31-Mar-16			694,651	0.52
		-	0.00	01-Apr-16				
				31-Mar-17	652,906	Purchase	652,906	0.49
10	Emerging India Focus Funds	652,906	0.49	31-Mar-17			652,906	0.49
		550,000	0.41	01-Apr-16				
				05-Aug-16	(94,499)	Sale	455,501	0.34
				12-Aug-16	(38,980)	Sale	416,521	0.31
11	Atlas Network Pvt. Ltd. **	416,521	0.31	31-Mar-17			416,521	0.31
		790,000	0.59	01-Apr-16				
				10-Jun-16	(64,255)	Sale	725,745	0.54
				17-Jun-16	(154,794)	Sale	570,951	0.43
				24-Jun-16	(348,951)	Sale	222,000	0.17
				01-Jul-06	(222,000)	Sale	-	0.00
			0.00	31-Mar-17			-	0.00
12	Harshal Jyotindra Shah**	616,475	0.46	01-Apr-16				
				06-May-16	(12,000)	Sale	604,475	0.45
				03-Jun-16	(40,000)	Sale	564,475	0.42
				10-Jun-16	(8,000)	Sale	556,475	0.42
				24-Jun-16	(12,000)	Sale	544,475	0.41
				15-Jul-16	(15,000)	Sale	529,475	0.40
				22-Jun-16	(20,000)	Sale	509,475	0.38
				05-Aug-16	(20,000)	Sale	489,475	0.37
				16-Sep-16	(15,000)	Sale	474,475	0.36
				04-Nov-16	(43,000)	Sale	431,475	0.32
				18-Nov-16	(18,836)	Sale	412,639	0.31
		412,639	0.31	31-Mar-17			412,639	0.31

** Ceased to be in the list of Top 10 Shareholders as on 31-03-2017. The same is reflected above since the shareholder was on of the Top 10 shareholders as on 01-04-2016.

Not in the list of Top 10 Shareholders as on 01-04-2016. The same is reflected above since the shareholder was on of the Top 10 shareholders as on 31-03-2017.

DIRECTORS' REPORT

(v) Shareholding of Directors & KMP

Sr. No.	Name	Shareholding		Date	Increase / Decrease in Shareholding	Reason	Cumulative Shareholding during the year	
		No. of shares At the beginning (01-04-2016) / end of the year (31-3-2017)	% of total shares of the company				No. of shares	% of total shares of the company
1	Harish Sheth	2,958,655		01-Apr-16				
				15-Jul-16	4,264,000	* Refer Note	72,22,655	5.405
		72,22,655	5.405	31-Mar-17			72,22,655	5.405
2	Arun Arora	266,250	0.20	01-Apr-16				
		266,250	0.20	31-Mar-17			266,250	0.20
3	Ashok Kumar Jha	22,500	0.02	01-Apr-16				
		22,500	0.02	31-Mar-17				
4	B L Naik	39,000	0.03	01-Apr-16			22,500	0.00
				08-Jul-16	1,000	Purchase	40,000	0.03
				03-Feb-17	500	Purchase	40,500	0.03
				24-Mar-17	1,000	Purchase	41,500	0.03
		41,500	0.03	31-Mar-17			41,500	0.03
5	Pratap Merchant	22,500	0.02	01-Apr-16				
		22,500	0.02	31-Mar-17			22,500	0.02
6	Shvetal Vakil	258,750	0.19	01-Apr-16				
		258,750	0.19	31-Mar-17			258,750	0.19
7	Suhasini Sathe	-	-	01-Apr-16				-
		-	-	31-Mar-17		Not Applicable	-	-
8	Udit Sheth	4,917,000	3.68	01-Apr-16				
		4,917,000	3.68	31-Mar-17			4,917,000	3.68
9	Urja Sheth	4,264,725	3.19	01-Apr-16				
				15-Jul-16	(4,264,000)	*** Refer Note	725	0.00
		725	0.00	31-Mar-17			725	0.00
10	Vinay Shahane	18,750	0.01	01-Apr-16				
		18,750	0.01	31-Mar-17			18,750	0.01
11	Bhautesh Shah Company Secretary			01-Apr-16				-
				31-Mar-17		Not Applicable	-	-

* Inter se off market Transfer of Equity Shares by way of gift without consideration from relative i.e. from daughter, Urja Sheth.

** Inter se off market Transfer of Equity Shares by way of gift without consideration to a relative i.e. father Mr. Harish Sheth.

DIRECTORS' REPORT

V INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	2,228,046,912	100,000,000	-	2,328,046,912
ii) Interest due but not paid	3,604,873	-	-	3,604,873
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	2,231,651,785	100,000,000	-	2,331,651,785
Change in Indebtedness during the financial year				
Additions	506,719,483	264,000,000	-	770,719,483
Reduction	268,236,766	225,999,992	-	494,236,758
Net Change	238,482,717	38,000,008	-	276,482,725
Indebtedness at the end of the financial year				
i) Principal Amount	2,466,607,760	138,000,008	-	2,604,607,768
ii) Interest due but not paid	3,526,742	-	-	3,526,742
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	2,470,134,502	138,000,008	-	2,608,134,510

DIRECTORS' REPORT

VI REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole Time Director and/or Manager:

(Amount in Rs. Lakhs)

Sr. No	Name of the MD/WTD/Manager	Particulars of Remuneration									
		Gross salary								Total (A)*	Ceiling as per the Act
		Salary as per provisions contained in section 17(1) of the Income Tax, 1961.	Value of perquisites u/s 17(2) of the Income tax Act, 1961	Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	Contribution to Provident and Other Fund	Stock option	Sweat Equity	Commission	as % of profit	others (specify)	
1	Harish Sheth	120	0	0	14.40	0	0	0	0	0	120
2	Udit Sheth	85	0	0	10.20	0	0	0	0	0	85
3	Shvetal Vakil	100	0	0	8.64	0	0	0	0	0	100
4	Urja Shah	30	0	0	3.6	0	0	0	0	0	30
*Excluding contribution to provident fund											335

B. Remuneration to other directors:

Sr.No	Name of the Directors	Particulars of Remuneration				Total (B)
		Fee for attending committee meetings	Commission	Others please specify		
1	Arun Arora	7.75	5.90	0	13.65	
2	Ashok Kumar Jha	5.75	5.90	0	11.65	
3	Bhalchandra Naik	5.75	5.90	0	11.65	
4	Pratap Merchant	3.75	5.90	0	9.65	
5	Suhasini Sathe	3.40	5.90	0	9.3	
		26.4	29.50		55.9	
	Total (A)	335				
	Total (B)	55.9				
	Total Managerial Remuneration	390.9				
	Overall Ceiling as per the Act.	Within 10% of the Companies Act, 2013				

DIRECTORS' REPORT

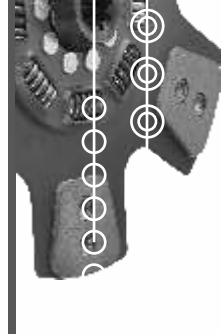
(Amount in Rs. Lakhs)

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/MTD

Particulars of Remuneration		Key Managerial Personnel			
Sr. No.	Gross Salary	CEO	Company Secretary	CFO	Total
1	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961.	12,000,000	1,376,004	3,964,524	17,340,528
	(b) Value of perquisites u/s 17(2) of the Income Tax Act, 1961	-	-	-	-
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	-	-	-	-
2	Stock Option	-	-	-	-
3	Sweat Equity	-	-	-	-
4	Commission:	-	-	-	-
	- as % of profit	-	-	-	-
5	Others, please specify	-	-	-	-
	Total	12,000,000	1,376,004	3,964,524	17,340,528

VII PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES

Type	Section of the Companies Act	Brief Description	Details of Penalty/Punishment/Compounding fees imposed	Authority (RD/NCLT/Court)	Appeal made if any (give details)
A. COMPANY			Not Applicable		
			Not Applicable		
B. DIRECTORS			Not Applicable		
			Not Applicable		
C. OTHER OFFICERS IN DEFAULT			Not Applicable		



CORPORATE GOVERNANCE REPORT

1. Philosophy

Your Company Setco upholds the standards of governance and is compliant with the Corporate Governance provisions as stipulated under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 in both letter and spirit. The Company's core values of honesty and transparency have since its inception been followed in every line of decision making.

The philosophy on corporate governance enshrines the goal of achieving the highest levels of transparency, accountability and equity in all spheres of its operations and in all its dealing with the shareholders, employees, the government and other parties. Setco understands and respects its fiduciary role and responsibility to shareholders. Setting the tone at the top, your Directors cumulatively at the Board level, advocate good governance standards at Setco.

Parameters of Statutory compliances evidencing the standards expected from a listed entity have been duly observed and a Report on Corporate Governance as well as the Certificate from Auditors confirming compliance with the requirements of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 forms part of the Annual Report.

Governance Structure

The Board of Directors of the Company includes individuals who are professionals in their respective areas of specialization and who have held eminent positions. The members of the Board are individuals with leadership qualities and strategic insights. The Company is currently headed by an Executive Chairman who is also the Managing Director. Directors including Non-Executive Directors are professionally competent. Company has an appropriate mix of Executive and Independent Directors to maintain independence of Board, and as at March 31, 2017, the Board consists of nine members, of which five are Non-Executive Independent Directors. All Directors informed the Company about the Board Membership and Board's Committee Membership they occupy in other

companies including Chairmanship in Board / Committee of such companies. Directors notify Company of any change that take place in these disclosures at the Board Meetings. The Board has unfettered and complete access to all information within the Company and to any of the employees.

With a view to have a more focused attention on various facets of business and for better accountability, the Board has constituted the following committees viz., Audit Committee, Stakeholders' Relationship Committee, Nomination and Remuneration Committee, Finance / Operations Committee, Corporate Social Responsibility (CSR) Committee and Selection Committee. Each of these Committees has been mandated to operate within a given framework.

In accordance with Regulation 17 read along with Para C Schedule V of the SEBI (Listing Obligation and Disclosure Requirements), Regulations, 2015, the details required are set forth.

2. Board of Directors

The Board of Directors, along with its Committees, provides leadership and guidance to the management and directs and supervises the performance of the Company, thereby enhancing stakeholder value. The Board has a fiduciary relationship in ensuring that the rights of all stakeholders are protected.

An active, well informed and independent Board is necessary to ensure high level of corporate governance.

(i) Composition of the Board

The Board of Directors of the Company comprising executive, non-executive and independent Directors are properly blended with in-depth knowledge and expertise accelerating the growth of the Company.

The Board comprises of 9 Directors of which 5 (Five) Directors are Independent, and 4 (Four) Directors are Executive.

CORPORATE GOVERNANCE REPORT

The Composition of Board and category of Directors are as follows:

Category	Name of the Director
Executive Directors	
• Promoter Directors	1. Mr. Harish Sheth 2. Mr. Udit Sheth
• Non Promoter Directors	3. Mr. Shvetal Vakil 4. Mrs. Urja Shah
Non-Executive Directors	
• Independent	5. Dr. Arun Arora 6. Mr. Ashok Kumar Jha 7. Mr. Bhalchandra Naik 8. Mr. Pratap Merchant (Resigned w.e.f. May 30, 2017) 9. Mrs. Suhasini Sathe

Mr. Harish Sheth is the father of Mr. Udit Sheth and Mrs. Urja Shah. None of the other present directors are related to each other.

As prescribed under Regulation 27 of the SEBI (LODR), Regulations, 2015, 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.

The Company has an Executive Chairman. According Regulation 27 of the SEBI (LODR), Regulations, 2015, in case a company does not have a regular non-executive Chairman at least half of the Board should comprise of Independent Directors. Table given above shows that the Company is in compliance with the requirements.

(ii) 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, five board meetings were held on April 15, 2016, May 30, 2016, August 11, 2016, November 14, 2016 and February 13, 2017. A separate meeting of the Independent directors was held on February 13, 2017.

Proper notices and detailed agenda papers for the Board / Committee meetings along with all material information are sent well in advance to enable Directors to study deliberate, suggest and guide the Company in its decisions.

The Board at its meetings reviews various management aspects such as performance of the Company, business plans, annual budgets, capex plans, appointment / remuneration of senior management, general economic conditions, functioning of foreign subsidiaries, foreign exchange exposures, details of investor grievances and major legal issues.

Further, the Board also periodically reviews the compliance reports of applicable laws to the Company as well as steps taken to rectify instances of non-compliances, if any.

The following table provides the attendance record at the Board Meeting and Annual General Meeting of the Company during the financial year 2016-17 and directorships, memberships and chairmanships in other public limited companies at the end of the financial year 2016-17:

The Composition of Board and category of Directors are as follows:

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#	No. of shares Held\$
Mr. Harish Sheth	4	Present	1	1	-	71,61,575
Dr. Arun Arora	5	Absent	2	3	3	2,66,250
Mr. Ashok Kumar Jha	5	Absent	5	4	1	22,500
Mr. BhalchandraNaik	5	Present	1	1	1	40,500
Mr. Pratap Merchant	5	Absent	4	3	1	22,500
Mrs. SuhasiniSathe	4	Absent	1	-	-	NIL
Mr. Shvetal Vakil	5	Present	1	-	-	2,58,750
Mr. Udit Sheth	5	Absent	2	-	-	49,17,000
Mrs. Urja Shah	5	Absent	1	-	-	725

@ Including Directorship of Setco Automotive Limited.

Committees considered are Audit Committee and Stakeholders Relationship Committee including that of Setco Automotive Limited.

\$ Face Value of Rs.2/- each

CORPORATE GOVERNANCE REPORT

Performance Evaluation of the Board

The Independent Directors of the Company evaluated the performance of the Non Independent Directors and the Chairman, who were evaluated on parameters such as level of engagement and contribution, independence of judgment, safeguarding the interest of the Company and its minority shareholders etc. The performance evaluation of the Independent Directors was carried out by the entire Board. The Directors expressed their satisfaction with the evaluation process.

As per the SEBI Guidance note on Board Evaluation, a Board effectiveness assessment questionnaire was designed for the performance evaluation of the Board, its Committees, Chairman and individual directors and in accordance with the criteria set and covering various aspects of performance including structure of the board, meetings of the board, functions of the board, role and responsibilities of the board, governance and compliance, evaluation of risks, grievance redressal for investors, conflict of interest, stakeholder value and responsibility, relationship among directors, director competency, board procedures, processes, functioning and effectiveness. The said questionnaire was circulated to all the directors for the annual performance evaluation.

Based on the assessment of the responses received to the questionnaire from the directors on the annual evaluation of the Board, its Committees, Chairman and the individual Directors, the Board Evaluation Report was placed before the meeting of the Independent Directors for consideration.

Similarly, the Board at its meeting assessed the performance of the Independent Directors. The Directors were quite satisfied with the results of the performance evaluation of the Board & its Committees, Chairman and individual directors.

Evaluation of the performance of the Board, its Committees and the Directors

Pursuant to the provisions of the Act and the SEBI LODR Regulation the peer review concluded on the note that each of the individual directors was performing efficiently and effectively contributing to a well performing Board and shared a common vision to turning organization goals into reality.

(iii) Brief Profiles, other directorships and committee memberships etc. of Directors seeking appointment / re-appointment at the 34th Annual General Meeting

Name of the Director	Mr. Harish Sheth	Mr. Udit Sheth
Date of Birth	11/9/1947	10/1/1979
Qualifications	Bachelor's degree in Mechanical Engineering from University of Michigan, Ann Arbor and MBA (Finance) from the Columbia University, New York	Bachelor's Degree in Science with a specialization in Finance & MIS from Purdue University and has completed as Executive Education program from MIT, Cambridge – Boston, USA.
Brief Resume & Specialised Expertise	Mr. Harish Sheth is the founder of Setco Automotive Ltd. He has steered Setco inception in 1982 and has made the company the largest manufacturer of clutches for Medium and Heavy Commercial Vehicles in India today. He has been instrumental in shaping Setco from a single product/single location organization to a multiple product/multi location one having two manufacturing facilities in India, one in Manchester, UK and one in Paris, Tennessee, USA.	Mr. Udit Sheth joined the Company in June 2002. 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 UK and USA acquisitions.
No. of Shares held in the Company	72,22,655	49,17,000
Directorships in other Companies	<ol style="list-style-type: none"> Setco Engineering Private Limited SE TransStadia Private Limited White River Entertainment Private Limited TransStadia Playsport Private Limited TransStadia Sport Sciences Private Limited TransStadia Capital Private Limited TransStadia Technologies Private Limited TransStadia Holdings Private Limited TransStadia Boxing India Private Limited Setco Holdings Private Limited Hrehan Venture Advisors Private Limited 	<ol style="list-style-type: none"> Transstadia Capital Private Limited Setco Engineering Private Limited Se Transstadia Private Limited White River Entertainment Private Limited TransStadiaPlaySport Private Limited TransStadia Sport Sciences Private Limited TransStadia Hospitality Private Limited TransStadia Technologies Private Limited TransStadia Holdings Private Limited TransStadia Boxing India Private Limited Setco Holdings Private Limited Lava Cast Private Limited Setco Automotive (U.K.) Ltd., U.K. Setco Automotive (N.A.) Inc., U.S.A. WEW Holdings Ltd., Mauritius
Committee positions held*	Stakeholders' Relationship Committee - Setco Automotive Limited	Nil

CORPORATE GOVERNANCE REPORT

Name of the Director	Mr. Shveta Vakil	Mrs. Urja Shah
Date of Birth	31/3/1951	11/11/1975
Qualifications	Bachelor's Degree from Mumbai University and Advance Management Programmed in from IIM, Ahmedabad.	Bachelors in Environmental Science and Masters in Environmental Policy from Duke University, USA; Certificate in International Development Studies from Duke University; and Certificate in Financial Accounting and Marketing from Boston University, USA.
Brief Resume & Specialised Expertise	Mr. Shveta Vakil has over 40 years of rich experience ranging from greenfield projects to setting up JV's evolving growth oriented strategies including M&A. Mr. Vakil acted as General Manager, Hindustan Lever setting up business of exports of Agri Products & also acted as Director & Vice President in Bunge India Pvt. Ltd., an American Transnational & Global Leader in Veg. Oils and Oilseeds.	Mrs. Urja Shah has been playing a very significant role in the Company's activities related to Corporate Social Responsibility.
No. of Shares held in the Company	258,750	725
Directorships in other Companies	1. TransStadia Technologies Private Limited 2. TransStadia Hospitality Private Limited 3. White River Entertainment Private Limited 4. TransStadia Boxing India Private Limited 5. Setco Automotive (N.A.) Inc. 6. TransStadia Holdings Private Limited 7. SE Transstidia Private Limited	1. Transstidia Capital Private Limited 2. Hrehan Venture Advisors Private Limited
Committee positions held*	Nil	Nil

* Committees considered are Audit Committee and Stakeholders' Relationship Committee including that of Setco Automotive Limited

3. Committees of Board of Directors

The Board of Directors presently has Six Committees viz., Audit Committee, Stakeholders Relationship Committee, Nomination and Remuneration Committee, Corporate Social Responsibility (CSR) Committee, Finance / Operations Committee and Selection Committee. The composition of committees is in accordance with the Companies Act, 2013 and the Listing Agreement.

Audit Committee:

The Audit Committee inter-alia reviews financial statements, compliance with Accounting Standards and listing agreement with stock exchange and other legal requirements covering financial statements, related party transactions, internal audit reports by the independent internal auditors, recommends appointment and scope of internal auditors and appointment of statutory auditors and recommending their remuneration to the Board.

The composition and terms of reference of Audit Committee are in accordance with the Companies Act, 2013 and Regulation 18 of the SEBI (LODR), Regulations, 2015.

The Committee met four times during the financial year 2016-17 viz., May 30, 2016, August 11, 2016, November 14, 2016 and February 13, 2017. The detailed constitution and attendance at the Committee meetings which were held during the year are as follows:

Name of the Director	Category	Position	No. of meetings	
			Held	Attended
Mr. Bhalchandra L. Naik	Independent Director	Chairman	4	4
Dr. Arun Arora	Independent Director	Member	4	4
Mr. Ashok Kumar Jha	Independent Director	Member	4	4

CORPORATE GOVERNANCE REPORT

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

The Statutory Auditors, Internal Auditors, Group Financial Advisor and Chief Financial Officer are invitees to the Audit Committee Meetings. The Company Secretary acts as the Secretary to the Committee.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee determines on behalf of the Board and on behalf of the Shareholders, the Company's policy governing remuneration payable to the Executive Directors as well as the nomination and appointment of Directors. The terms of reference of the Nomination and Remuneration Committee are as per the governing provisions of Section 178 Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (specified in Part D of Schedule II).

The Committee inter-alia reviews as well as recommends the remuneration package after considering the factors such as experience, expertise, position, responsibilities shouldered by the individual and leadership qualities, and the Committee also approves and oversees the operation of Employee Stock Option Plans.

It comprises of three Directors all of them are independent. The composition of Nomination and Remuneration Committee is in accordance with Regulation 19 of the SEBI (LODR), Regulations, 2015 and the Companies Act, 2013.

The Committee met once during the financial year 2016-17 viz. May 30, 2016. The detailed constitution and attendance at meetings of the Committee is as under:

Name of the Director	Category	Position	No. of meetings	
			Held	Attended
Dr. Arun Arora	Independent Director	Chairman	1	1
Mr. B. L. Naik	Independent Director	Member	1	1
Mr. Ashok Kumar Jha	Independent Director	Member	1	1

Remuneration Policy of the Company is appended as Annexure 2 to the Directors' Report. The non-executive Directors are paid sitting fees as per the provisions of the Companies Act, 2013, the rules made there under and Articles of Association of the Company for attending the Board / Committee meetings.

The members of the Company at the 31st Annual General Meeting held on September 9, 2014 have approved the payment of commission upto 1% of profits payable to Non-Executive Directors of the Company and authorised the Board to determine such commission.

The detailed information for Directors' remuneration / commission for financial year 2015-16 are as follows:

Rs. in lakhs

Name of the Director	Category	Salary, allowances and perquisites	Contribution to Provident and Other Fund	Commission / Performance Incentive	Sitting Fees	Total
Mr. Harish Sheth	Chairman and Managing Director	120.00	14.40	--	--	134.40
Dr. Arun Arora	Independent Director	--	--	5.90	7.75	13.65
Mr. Ashok Kumar Jha	Independent Director	--	--	5.90	5.75	11.65
Mr. Bhalchandra Naik	Independent Director	--	--	5.90	5.75	11.65
Mr. Pratap Merchant	Independent Director	--	--	5.90	3.75	9.65
Mrs. Suhasini Sathe	Independent Director	--	--	5.90	3.40	9.30
Mr. Shvetal Vakil	Executive Director	100.00	8.64	--	--	108.64
Mr. Udit Sheth	Joint Managing Director	85.00	10.20	--	--	95.20
Mrs. Urja Shah	Executive Director	30.00	3.60	--	--	33.60

Stakeholders Relationship Committee

The name of the Shareholders' / Investors' Grievance Committee has been changed to Stakeholders Relationship Committee in line with the provisions of Companies Act, 2013. The Committee, inter-alia, oversees transfer of shares in physical form, transmission of shares, issue of duplicate share certificates, depository operations and compliances of regulatory provisions etc. and evaluates investor grievances redressal system.

The Stakeholders' Relationship Committee comprises of 3 Directors, of which one is independent director and two executive directors. The Chairman of the committee is an Independent Director.

CORPORATE GOVERNANCE REPORT

The Committee met four times during the financial year 2016-17 viz., May 30, 2016, August 11, 2016, November 14, 2016 and February 13, 2017. The detailed constitution and attendance at the committee meetings is as under:

Name of the Director	Category	Position	No. of meetings attended	
			Held	Attended
Dr. Arun Arora	Independent Director	Chairman	4	4
Mr. Harish Sheth	CMD	Member	4	3
Mrs. Urja Shah	Executive Director	Member	4	4

Mr. Bhautesh Shah, Company Secretary is designated as the Compliance Officer of the Company.

The status of investor grievances received during the financial year 2016-17 is as follows:

No. of Complaints pending as on April 1, 2016	Nil
No. of Complaints / queries received during the year	39
No. of Complaints resolved during the year	39
No. of Complaints pending as on March 31, 2017	Nil

Finance / Operations Committee

The Finance / Operations Committee is empowered to borrow funds, invest surplus funds, to decide / modify operations of bank accounts and other routine administrative and management functions.

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

The Committee met Six times during the financial year 2016-17.

Selection Committee

The Selection Committee has been constituted during the financial year 2013-14 to consider appointment of the Directors / relatives of Directors for place of profit, to recommend remuneration / perquisites payable to them and to review/recommend / approve increment / revision in the remuneration / perquisites payable to them.

The Committee comprises of Dr. Arun Arora, Mr. Ashok Kumar Jha and Mr. B. L. Naik, Independent Directors and Mr. Pradip C. Shah, outside Expert.

Corporate Social Responsibility (CSR) Committee

The CSR Committee has been constituted during the financial year 2015-16, inter-alia, to formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall define the activities to be undertaken by the Company; recommend the amount of expenditure to be incurred on the CSR activities; and monitor the Corporate Social Responsibility Policy of the company from time to time.

The Committee comprises of Mr. Udit Sheth, Executive Director, Mrs. Urja Shah, Executive Director, Dr. Arun Arora and Mrs. SuhasiniSathe, Independent Directors.

The Committee met once during the financial year 2016-17 viz. May 30, 2016. The detailed constitution and attendance at the committee meetings is as under:

Name of the Director	Category	Position	No. of meetings attended	
			Held	Attended
Mrs. Urja Shah	Executive Director	Chairman	1	1
Dr. Arun Arora	Non Executive Independent	Member	1	1
Mrs. SuhasiniSathe	Non Executive Independent	Member	1	1
Mr. Udit Sheth	Executive Director	Member	1	1

CORPORATE GOVERNANCE REPORT

4. Means of Communication:

The Company publishes its quarterly, half-yearly and yearly financial results in leading English and Gujarati newspapers like Economic Times, Business Standard, VadodaraSamachar etc. The results are also posted on Company's website viz. www.setcoauto.com and website of the stock exchange. Information relating to shareholding pattern and compliance on corporate governance norms are also posted on Company's website.

All price sensitive information are immediately informed to the Stock Exchange before the same is communicated to general public through press releases, if any. Further, the Company disseminates to the Stock Exchange all presentations made to Institutional Investors / Analysts which is also available on the website of the Company www.setcoauto.com.

5. 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 or any other authority.

6. Disclosure of materially significant Related Party Transactions

The Company did not enter into any materially significant transactions with Promoters, Directors or the Management, their subsidiaries or relatives etc., which were in conflict with the interest of the Company. Details of Related Party Transactions are provided in Note 28 of notes forming part of financial statements. Necessary approvals have been obtained wherever required.

7. Management Discussion and Analysis Report

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

8. Risk Management

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

9. Code of Conduct

Pursuant to the Regulation 17(5) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, 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 2016-17.

The declaration 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, 2017 as per Para D of Schedule V of Listing Regulation is annexed to this Report.

The Code of conduct is also placed on the Company's website.

10. Insider Trading:

The Company has also laid down a Code 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. The Company has amended and adopted the Code for Prevention of Insider Trading, 2015 as required under SEBI (Prohibition of Insider Trading) Regulations, 2015.

11. Whistle Blower Policy:

The Whistle Blower Policy of the Company, which also incorporates the vigil mechanism has been framed by the Company. No personnel has been denied access to the audit committee of the Company.

12. General Body Meetings

i. Details of last three Annual General Meetings held:

Financial Year	Venue	Day & Date	Time
2013-2014	Baroda – Godhra	Tuesday, September 9, 2014	12.30 p.m..
2014-2015	Highway, Kalol, 389330	Monday, September 28, 2015	3.00 p.m
2015-2016	District– Panchmahal, Gujarat.	Thursday, September 29, 2016	3.00 p.m

CORPORATE GOVERNANCE REPORT

ii. Special Resolutions passed during the last three years

Date of AGM / EGM	Section	Particulars of Special Resolution
September 9, 2014 (31st AGM)	1. Sections 196, 197, 203 and Schedule V of Companies Act, 2013	Re-appointment of Mr. Harish Sheth as the Chairman and Managing Director
	2. Sections 196, 197 and Schedule V of Companies Act, 2013	Re-appointment of Mr. Udit Sheth as the Executive Director
	3. Sections 196, 197 and Schedule V of Companies Act, 2013	Re-appointment of Mr. Shveta Vakil as the Executive Director
	4. Section 180(1)(c) of Companies Act, 2013	Increase in Borrowing Limits of the Company for an amount not exceeding Rs. 400 Crore over and above the aggregate of the paid-up capital and free reserves of the Company
	5. Section 180(1)(a) of Companies Act, 2013	Powers for creation of mortgages, charges, hypothecations etc. for an amount not exceeding Rs. 400 Crore over and above the aggregate of the paid-up capital and free reserves of the Company
Friday, June 5, 2015 (EGM)	1. Section 62(1)(b) of Companies Act, 2013 and provisions of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014.	Approval of Setco Employee Stock Option Scheme, 2015 and Issue of Securities thereto
	2. Section 62(1)(b) of Companies Act, 2013 and provisions of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014.	Approval for extending benefits of Setco Employee Stock Option Scheme, 2015 to the employees of subsidiary company(ies)
	3. Section 62(1)(b) of Companies Act, 2013 and provisions of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014.	Approval for extending benefits of Setco Employee Stock Option Scheme, 2015 to the employees of the holding company
	4. Section 188 of Companies Act, 2013	Approval for payment of remuneration to Mr. Harshal Shah of such amount as may be determined by the Board of Directors from time to time subject to maximum of Rs. 7,50,000 per month for providing services as a member of the Advisory Board of the Company.
	5. Section 14 of the Companies Act, 2013	Amendment of Article 80(a) of the Articles of Association.
September 28, 2015 (32nd AGM)	1. Sections 61 of Companies Act, 2013	Sub-division of Shares
	2. Sections 13, 61 of Companies Act, 2013	Amendment to Memorandum of Association
	1. Sections 196, 197 and Schedule V of Companies Act, 2013	Appointment of Mrs. Urja Shah as the Executive Director
	2. Sections 196, 197 and Schedule V of Companies Act, 2013	Re-designation of Mr. Udit Sheth as Joint Managing Director
	3. Section 23, 42 and 62(1)(c) of Companies Act, 2013	Issue of Further Securities
September 29, 2016 (33rd AGM)	1. Section 14 of Companies Act, 2013	Alteration of Articles of Association of the Company
	2. Section 23, 42 and 62(1)(c) of Companies Act, 2013	Issue of Further Securities

- iii. There were no resolutions passed through the Postal Ballot during the Financial Year 2016-17. None of the businesses proposed to be transacted at the ensuing Annual General Meeting require passing of resolution through postal ballot.

CORPORATE GOVERNANCE REPORT

13. General Shareholder Information:

(i) 34th Annual General Meeting

Day & date : Wednesday, September 27, 2017
Time : 2 p.m.
Venue : Vadodara – Godhra Highway, Kalol, District – Panchmahal, Pin Code – 389 330, Gujarat.

(ii) Financial Year : April 1, 2016 – March 31, 2017

First Quarterly Results : On or before 14th September, 2017

Second Quarterly Results : On or before 14th November, 2017

Third Quarterly Results : On or before 14th February, 2018

Fourth Quarterly Results : On or before 30th May, 2018

(iii) Dates of Book Closure : September 20, 2017 – September 27, 2017

(iv) Dividend Payment Date : On or after September 28, 2017

(v) Listing on Stock Exchange : The Bombay Stock Exchange Limited

Stock Code : 505075

National Stock Exchange of India Ltd.

(w.e.f. 1.7.2016)

Scrip Code: SETCO

Demat ISIN in NSDL & CDSL : INE878E01021

Listing Fees : The Company has paid Listing Fees of both the Stock Exchanges for the year 2017-2018.

(vi) Dematerialisation of Equity Shares:

About 97.24% of the total equity share capital is held in dematerialised form with NSDL and CDSL.

(vii) Market Price Data for Financial Year 2016-17

Month	BSE			NSE		
	Share Price (Rs.)		BSE Sensex	Share Price (Rs.)		NSE Nifty
	High Price*	Low Price*	Closing**	High Price*	Low Price*	Closing**
April-16	34.00	29.00	25,606.62	-	-	-
May-16	36.25	30.00	26,667.96	-	-	-
June-16	54.60	31.50	26,999.72	-	-	-
July-16	54.80	45.15	28,051.86	55.05	45.25	8638.50
August-16	53.80	41.85	28,452.17	53.95	41.90	8786.20
September-16	46.75	38.00	27,865.96	46.70	36.60	8611.15
October-16	45.50	40.05	27,930.21	45.40	40.00	8625.70
November-16	45.45	34.50	26,652.81	45.50	34.00	8224.50
December-16	40.25	34.50	26,626.46	40.20	34.50	8185.80
January-17	39.50	36.00	27,655.96	39.65	36.00	8561.30
February-17	39.45	34.45	28,743.32	39.30	34.60	8879.60
March-17	38.45	33.45	29,620.50	38.45	33.30	9173.75

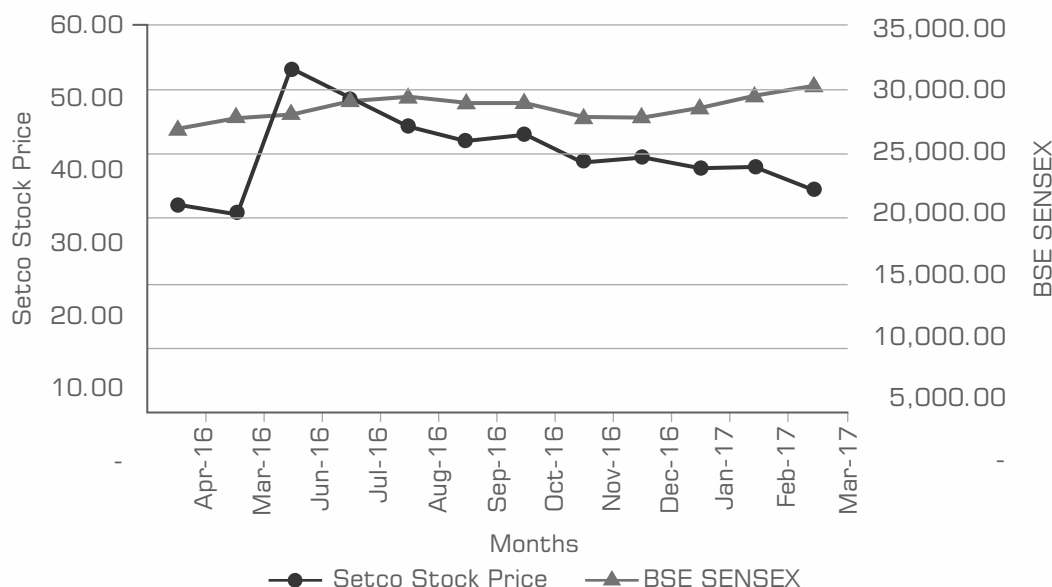
* considered highest price and lowest price during the respective month

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

Face value Rs. 2/- each

CORPORATE GOVERNANCE REPORT

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



(ix) Registrar and Share Transfer Agents

Link Intime India Private Limited, Unit: Setco Automotive Limited, C-101, 247 Park, LBS.Marg, Vikhroli (West), Mumbai - 400083, Tel No.:(022) 4918 6000

(x) Share Transfer System

Shareholders are requested to communicate with Link Intime India Private Limited, Company's Registrar and Share Transfer Agents for matters related to share transfers in physical form, dividend, share certificates and change of address.

The Company ensures that the Registrar processes all the requests received from shareholders within 15 days 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 Stakeholders Relationship Committee of the Board of Directors of the Company at its meetings held periodically takes note of status of investors' grievances / correspondences received during the quarter and also ratifies transfers affected during the quarter.

(xi) Distribution of Shareholding as on March 31, 2017

Distribution of Shareholding				
No. of Shares	Shareholders		Shares Held	
	No.	%	Shares	%
1 - 500	7,875	50.53%	1,793,302	1.34%
501 - 1000	3,326	21.34%	2,695,450	2.02%
1001 - 2000	2,400	15.40%	3,404,629	2.55%
2001 - 3000	763	4.90%	1,949,918	1.46%
3001 - 4000	228	1.46%	829,955	0.62%
4001 - 5000	276	1.77%	1,304,230	0.98%
5001 - 10000	361	2.32%	2,653,686	1.99%
More than 10000	355	2.28%	118,965,505	89.05%
	15,584	100.00%	133,596,675	100.00%

CORPORATE GOVERNANCE REPORT

(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 confirms or rejects the request to the depositories.
- Upon confirmation, the Depository credits the shareholder's 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, 2017, 97.24% of Equity Shares (i.e. 12,99,11,880 Equity Shares of Rs. 2/- each) were held in dematerialized form and the rest in physical form. Trading in Company's equity shares is permitted 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, 2017.

(xiv) Plant Locations in India

Gujarat: Vadodara – 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 the Registrar & Share Transfer Agents of the Company, 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-101, 247 Park, LBS.Marg, Vikhroli (West), Mumbai - 400083, Tel No. : (022) 4918 6000

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.

14. Other Mandatory / Non Mandatory Requirements:

A certificate from the Practicing Company Secretary Auditor of the Company certifying compliance of Corporate Governance is annexed herewith.

Discretionary Requirements as per Part E of Schedule II under SEBI (LODR), Regulations, 2015

The Company complied with majority of such non mandatory requirements, details of which are as follows:

- a. The Board : The Board of the Company is chaired by Executive Chairman who maintains the Chairman's Office at the Company's expense.
- c. Shareholder Rights: 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. Reporting of internal auditor As per the requirements, the internal auditor may report directly to the Audit Committee. The same is reported by briefing the Audit Committee through discussion and presentation of the observations, review, comments and recommendations etc. in the Internal Audit presentation by the Internal Auditor of the Company.

The Company has made all disclosures regarding compliance with corporate governance requirements specified in regulation 17 to 27 and clauses (b) to (i) of sub regulation (2) of regulation 46 of SEBI Listing Regulations, in the section on corporate governance of the annual report.

Transfer of Shares to Investor Education Protection Fund (IEPF)

Pursuant to the provisions of Investor Education and Protection Fund Authority (Accounting, Auditing, Transfer and Refund) Rules, 2016, which have come into effect from September 07, 2016, the shares on which dividend has not been paid or claimed for seven consecutive years or more, such shares have to be transferred to the Investor

CORPORATE GOVERNANCE REPORT

Education and Protection Fund (IEPF), a Fund constituted by the Government of India under Section 125 of the Companies Act, 2013.

The Company has sent communication to all the concerned Shareholders whose shares are liable to be transferred to IEPF as per the aforesaid Rules, requesting them to encash the unclaimed dividend within three months from the date of the communication sent to them i.e 17.5.2017. The details of Shareholders to whom communication has been sent along with details of dividend pertaining to them is available on the Company's website i.e. www.setcoauto.com under 'Investors Section'.

In the event valid claim is not received from you within the aforesaid timeline, the Company will proceed to transfer the Equity Shares to IEPF without any further notice. Please note that the concerned Shareholders can claim both, the unclaimed dividend amount and the shares from the IEPF Authority by making an application in the prescribed Form IEPF – 5, online and sending a physical copy of the same, duly signed (as per the specimen signature recorded with the Company), along with requisite documents enumerated in Form IEPF – 5, to the Company Secretary. Please also note that no claim shall lie against the Company in respect of shares/unclaimed Dividend transferred to IEPF pursuant to the said Rules.

To claim above unpaid dividend or in case you need any information/clarification, please write to or contact our RTA M/s. Link Intime India Pvt. Ltd., C-101, 247 Park, LBS.Marg, Vikhroli (West), Mumbai - 400083, Tel No.:(022) 49186270, e-mail :iepf.shares@linkintime.co.in.

Please provide following details in all your communications: 1. Name of the Company, 2. Folio No. or DP and Client ID, 3. Name of shareholder, 4. Contact No., 5. Email ID. Also provide self-attested KYC documents of the shareholder like PAN, cancelled cheque leaf along with Aadhar Card / latest utility bill as address proof.

Other useful information for Shareholders

Dividend: Electronic Clearing Services (ECS)/ National Electronic Clearing Services (NECS) facility. 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 mandate, 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.

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 125 of the Companies Act, 2013. 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
Final Dividend 2009-10	18.09.2010	17.10.2017
Final Dividend 2010-11	28.09.2011	27.10.2018
Final Dividend 2011-12	17.09.2012	16.10.2019
Final Dividend 2012-13	28.09.2013	27.10.2020
Final Dividend 2013-14	09.09.2014	08.09.2021
Interim Dividend 2014-15	11.11.2014	10.11.2021
Final Dividend 2014-15	28.09.2015	27.09.2022
Final Dividend 2015-16	29.09.2016	28.09.2023

Shareholders who have not yet encashed their dividend warrants for the previous years may approach with un-encashed dividend warrants to the Company, at its Corporate Office for revalidation / issue of duplicate dividend warrants.

Certificate on Corporate Governance

The Certificate from the Practicing Company Secretaries regarding compliance of conditions of corporate governance is annexed and forms part of this Annual Report. in terms of Chapter IV of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 is attached and forms part of this Annual Report.

CORPORATE GOVERNANCE REPORT

Certificate under Para D of Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

To

The Members of
Setco Automotive Limited

We, Harish K. Sheth, Chairman and Managing Director and Udit Sheth, Joint Managing Director of Setco Automotive Limited, hereby declare that all the members of the Board of Directors and Senior Management Personnel have affirmed compliance with the Code of Conduct, as applicable to them, for the year ended 31st March, 2017.

Harish K. Sheth

Chairman & Managing Director

DIN: 01434459

Udit Sheth

Joint Managing Director

DIN: 00187221

Mumbai, August 21, 2017

CORPORATE GOVERNANCE REPORT

Certificate for Corporate Governance

To

The Members of
Setco Automotive Limited

We have examined the compliance of conditions of Corporate Governance by Setco Automotive Limited ("the Company") for the year ended on March, 31, 2017 as stipulated in under Chapter IV of the Securities and Exchange Board of India (Listing and Obligations Disclosure Requirements) Regulations, 2015 (collectively referred to as "Corporate Governance Requirements") with BSE Limited and the National Stock Exchange of India Ltd. (NSE) ("the stock exchange/s"),.

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 Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above referred Corporate Governance Requirements.

We further 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 **P. P. SHAH & Co.**
Practicing Company Secretary

Pradip C. Shah
Partner
FCS - 1483
COP - 436

Place: Mumbai
Date: August 21, 2017

CORPORATE GOVERNANCE REPORT

Certification

We, Harish Sheth, Chairman & Managing Director, and Vinay Shahane, Vice President – Finance of Setco Automotive Limited hereby certify that: -

- A. We have reviewed financial statements and the cash flow statement for the year ended March 31, 2017 and that to the best of our knowledge and belief:
 - (1) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (2) these statements together present a true and fair view of the listed entity'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 listed entity's code of conduct.
- C. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the listed entity 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
 - (1) significant changes in internal control over financial reporting during the year;
 - (2) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - (3) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the listed entity's internal control system over financial reporting.

Date: May 30, 2017

Place: Mumbai

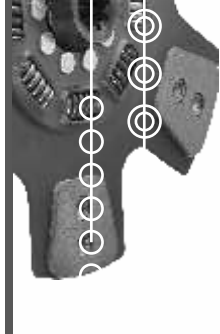
Harish K. Sheth

Chairman & Managing Director

DIN: 01434459

Vinay Shahane

Vice President – Finance



INDEPENDENT AUDITORS' REPORT

TO
THE MEMBERS OF
SETCO AUTOMOTIVE LIMITED

- **Report on the Standalone Financial Statements**

We have audited the accompanying standalone financial statements of **SETCO AUTOMOTIVE LIMITED** ("the company"), which comprise the Balance Sheet as at 31ST March 2017, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

- **Management's Responsibility for the Standalone Financial Statements**

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and Companies (Accounting Standards) Amendment Rules, 2016. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial control, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

- **Auditor's Responsibility**

Our responsibility is to express an opinion on these standalone financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

- **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements, give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2017 and its profit and its cash flows for the year ended on that date.

- **Emphasis of Matters**

We draw attention to the following matters in the Notes to the standalone financial statements:

- i) Trade payables' balances are under reconciliation process. Necessary adjustments, if any, will be accounted when the same is reconciled. In respect of Trade receivables and other debit/credit balances, balance confirmations have not

been obtained and therefore, are subject to reconciliation and adjustment if any. (Refer Note No. 33 (i) of Standalone Financial Statements).

- ii) The Company has invested Rs. 21,99,43,378/- (Rs. 11,55,99,533/-) in Equity & Preference shares of wholly owned ultimate foreign subsidiaries including conversion of loans/debtors of Rs. 10,43,43,845 into equity shares of GBP 1 per share at par in case of Setco Automotive (UK) Ltd and also has outstanding receivables in form of loans & advances and debts (net) aggregating Rs. 57,64,32,948/- (Rs. 64,03,46,206/-) from them as at 31.03.2017. In Setco Automotive (UK) Ltd, the valuation of equity shares is supported by valuation report of Independent Chartered Accountant. Apart from company's direct investments into these wholly owned ultimate foreign subsidiaries referred to above, the company's ultimate wholly owned subsidiary, M/s Setco Automotive (UK) Ltd has an exclusive investment of Rs. 13,42,89,554/- into equity shares of its step down wholly owned subsidiary, M/s. Setco Automotive (N.A.) Inc. These wholly owned ultimate foreign subsidiaries incurred consolidated accumulated losses of Rs. 24,19,85,788/- as at 31.03.2017 resulting into erosion of fair portion of their consolidated net worth. The management is of the opinion that this is a temporary phase considering business plans, future projected profitable operations, asset base, the investment being strategic in nature, going concern basis and solvency of subsidiaries supported by the Parent company (i.e. Setco Automotive Ltd), no provision is required to be made for diminution in value of these investments made in, loans & advances & debts due from the said subsidiaries and they are considered good. (Refer Note No. 43 (ii) of Standalone Financial Statements).
- iii) The company has in earlier years invested Rs. 15,35,00,000/- in 30,70,000 equity shares of SE Transstadia Pvt Ltd., a sports and entertainment Infrastructure company. The said company has completed the project and has commenced commercial operations in March, 2017. The company has accumulated loss of Rs. 12,36,18,141/- as per latest audited financial statements as at 31.03.2016. In the opinion of the management, this investment is strategic in nature which has long term perspective and has comparatively long gestation period. This situation being a temporary phase and considering the future business plans, assets base and other developments, despite accumulated losses, the management firmly believes that there is no erosion in value of its investment in said related entity. (Refer Note No. 43 (iii) of Standalone Financial Statements).
- iv) The company has invested Rs. 53,15,50,000/- in 5,31,55,000 equity shares of Rs. 10/- each in its partly owned subsidiary Lava Cast Pvt Ltd. The company's first year of commercial production ended on 31st March, 2017 resulting in accumulated loss of Rs. 22,85,05,024/-. The management is of the opinion that this being a temporary phase and this financial year being the first full year of operation and considering the future business plans, assets base etc., no provision is required to be made for diminution in the value of this investment made in the said subsidiary. (Refer Note No. 43 (v) of Standalone Financial Statements).

Our opinion is not modified in respect of these matters.

• Report on other Legal and Regulatory Requirements

As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of Section 143(11) of the Act, we give in the Annexure A, a statement on the matters specified in paragraphs 3 and 4 of the said Order:

As required by section 143(3) of the Act, we report that :

- a) We have sought and 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 it appears from our examination of those books.
- c) The Balance Sheet, the Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account.
- d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and Companies (Accounting Standards) Amendment Rules, 2016.
- e) In our opinion, the matters described under the Emphasis of Matters paragraph above, prima facie, do not appear to have any adverse impact on the functioning of the Company.
- f) On the basis of written representations received from the directors as on 31 March, 2017 and taken on record by the Board of Directors, none of the director is disqualified as on 31 March, 2017, from being appointed as a director in terms of Section 164(2) of the Act.
- g) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in Annexure-B, and

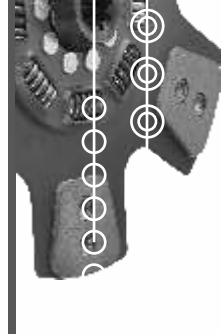
h) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us :

- i. The Company has disclosed the impact of pending litigations as at 31st March, 2017 on its financial position in standalone financial statements. (Refer Note No. 32 (B) of the Standalone Financial Statements.)
- ii. The Company did not have any long-term contracts including derivative contracts as at 31st March, 2017 for which there were any material foreseeable losses;
- iii. There has been no delay in transferring the amounts, required to be transferred to the Investor Education and Protection Fund by the Company.
- iv. The Company has provided requisite disclosures in the financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016. Based on our audit procedures and relying on the management representation, we report that the disclosures are in accordance with books of account maintained by the Company and as produced to us by the Management. (Refer Note No. 46 of Standalone Financial Statements)

For **MANESH MEHTA & ASSOCIATES**
Chartered Accountants
(Firm Registration No. 115832W)

(Manesh P. Mehta)
Partner
Membership No. 036032

Place: Mumbai
Date: May 30, 2017



ANNEXURE A TO INDEPENDENT AUDITORS' REPORT

(Referred to in paragraph under the heading "Report on Other Legal and Regulatory Requirements" of our report of even date)

- i. In respect of its fixed assets :
 - a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of available information.
 - 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 its assets. As informed to us, no material discrepancies were noticed on such verification.
 - c) The title deeds of immovable properties (except self generated immovable properties) are held in the name of the Company.
- ii. 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 and no discrepancies were noticed during such verification.
- iii. According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013 except loans given to its wholly owned ultimate foreign subsidiary companies.
 - a. The terms and conditions of such loans are not prima facie prejudicial to the Company's interest.
 - b. No schedule of repayment of principal or interest has been stipulated for such loans.
 - c. In view of (b) above, the question of any overdue amount does not arise.
- iv. According to the information and explanations given to us, the Company has complied with the provisions of section 185 & 186 of the Act, with respect to Loans & Investments made.
- v. According to the information and explanations given to us, the Company has not accepted any deposits under the directives issued by the Reserve Bank of India or within the meaning of section 73 to 76 or any other relevant provisions of the Companies Act, 2013 and the rules framed there under.
- vi. We have been informed that company is not required to maintain cost records u/s 148(1) of the Companies Act 2013.
- vii. 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 dues including Provident Fund, Employees' State Insurance, Income Tax, Central Sales-Tax, Service Tax, Custom Duty, Excise Duty, Value Added Tax, Cess, Professional Tax, Wealth Tax and Tax Deducted at Source with appropriate authorities though there have been few instances of delay in deposition in respect of Provident Fund, Employees' State Insurance, Income Tax, Service Tax, Tax Deduction at Source and Custom Duty. According to the information and explanations given to us, there are no undisputed items outstanding as at 31.03.2017 for more than six months from the date they became payable.
 - b) According to information and explanations given to us and records of the company examined by us, there were disputed dues of income tax and Value Added Tax as of 31st March, 2017 which have not been deposited except specifically stated:

Sr. No.	Name of the statute	Nature of the dues	Amount (Rs.)	Period to which the amount relates (A.Y)	Forum where dispute is pending	Remark, if any
1	Income Tax Act, 1961	Penalty u/s 271(1)(c)	12,01,090/-	2004-05	CIT(A)-4, Vadodara	Refer Note no. 32(B) of Standalone Financial statements.
2	Income Tax Act, 1961	Income tax dues Nil (Note:1)	Nil Nil Nil Nil	2003-04 2004-05 2005-06 2006-07	ITAT, D Bench Ahmedabad	
3	GVAT Act, 2003	VAT, penalty u/s 68(5) of GVAT Act, 2003	10,88,178/- (Deposited)	2016-17	Deputy Commissioner- Appeal, Vadodara	
4	Income Tax Act, 1961	Income tax dues	Nil (Note:2)	2013-14 2014-15	Commissioner of Income Tax (Appeals)- Vadodara	

Note: 1- The Income Tax department has preferred appeals at ITAT, Ahmedabad for A.Y 2003-04 to 2007-08. In case of A.Y 2003-04 to 2007-08, CIT(A), Vadodara has allowed the appeals in favour of the Company. The ITAT has already passed the orders for A.Y 2002-03, 2005-06, 2006-07 and 2007-08 in favour of the Company.

Note:2- The Company has preferred an appeal at CIT(A)- Vadodara, for both the years i.e A.Y 2013-14 & 2014-15 for the disallowance of depreciation amount of Product development by the department. Since the Company pays tax under MAT i.e Section 115 JB, there is no additional demand due but the tax credit may reduce due to the demand raised by the Income Tax Department.

- viii. In our opinion and according to the information & explanations given to us, the company has not defaulted in repayment of loans from banks and financial institutions. The company has neither taken any loan from government nor issued any debentures.
- ix. In our opinion and according to the information and explanations given to us and examination of records of the company, the company has not raised any money by way initial public offer or further public offer (including debt instruments) during the year. To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion the term loans raised during the year were applied for the purposes for which those were raised.
- x. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud by the Company or on the Company by its officers or employees were noticed or reported during the year.
- xi. In our opinion and as per the information and explanation given to us, managerial remuneration has been paid or provided as per the provisions of section 197 read with Schedule V of the Act. In view of inadequate profits, the Chairman & Managing Director has been paid remuneration within the limits laid down under Part – II of Schedule V of the Act.
- xii. In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- xiii. As per the information and explanation given to us, the transactions with the related parties are in compliance with Section 177 and 188 of the Act and the details thereof have been disclosed in the standalone financial statements as required under Accounting Standard (AS) 18, "Related Party Transactions" specified under section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules 2014. (Refer Note No.28 of the Standalone Financial Statements).
- xiv. As per the information and explanation given to us, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review.
- xv. As per the information and explanation given to us, the Company has not entered into any non-cash transactions with directors or persons connected with him.
- xvi. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

For **MANESH MEHTA & ASSOCIATES**
Chartered Accountants
(Firm Registration No. 115832W)

(**Manesh P. Mehta**)
Partner
Membership No. 036032

Place: Mumbai
Date: May 30, 2017



ANNEXURE B TO INDEPENDENT AUDITORS' REPORT

(Referred to in paragraph under the heading "Report on Other Legal and Regulatory Requirements" of our report of even date)

We have audited the internal financial controls over financial reporting of Setco Automotive Limited ("the Company") as of 31st March, 2017 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Generally Accepted Accounting Principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial controls over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, a reasonably adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March, 2017 based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. However, such internal financial controls over financial reporting need to be improved and strengthened.

For **MANESH MEHTA & ASSOCIATES**
Chartered Accountants
(Firm Registration No. 115832W)

(Manesh P. Mehta)
Partner
Membership No. 036032

Place: Mumbai
Date: May 30, 2017

BALANCE SHEET

AS AT 31ST MARCH, 2017

(Rs.)

	Note No.	As at 31 ST March, 2017		As at 31 ST March, 2016	
		Rupees	Rupees		Rupees
EQUITY & LIABILITIES :					
Shareholders' Funds					
Share Capital	2	26,71,93,350		26,71,93,350	
Reserves & Surplus	3	2,14,19,86,039		1,94,62,88,768	
			2,40,91,79,389		2,21,34,82,118
Non-current Liabilities					
Long-term Borrowings	4	56,09,15,744		63,50,76,234	
Deferred Tax Liabilities (Net)	5	10,87,16,916		9,80,05,316	
Long-term Provisions	6	1,15,99,311		95,17,626	
			68,12,31,971		74,25,99,176
Current Liabilities					
Short-term Borrowings	7	1,71,08,96,864		1,42,66,66,130	
Trade Payables	8				
- Total outstanding dues of micro enterprises and small enterprises		3,54,04,029		2,90,10,369	
- Total outstanding dues of creditors other than micro enterprises and small enterprises		79,45,45,122		83,76,14,273	
Other Current Liabilities	9	40,83,25,279		36,50,84,608	
Short-term Provisions	10	2,57,31,495		17,10,47,947	
			2,97,49,02,789		2,82,94,23,327
TOTAL			6,06,53,14,149		5,78,55,04,621
ASSETS :					
Non Current Assets					
Fixed Assets	11				
- Property, Plant & Equipment		1,29,58,61,541		1,31,64,89,909	
- Intangible Assets		14,63,36,513		13,07,92,878	
- Capital Work-in-Progress		10,97,250		79,82,928	
- Intangible Assets under Development		17,12,54,945		12,65,12,220	
			1,61,45,50,249		1,58,17,77,935
Non-current Investments	12	1,25,14,93,628		1,11,21,49,783	
Long-term Loans & Advances	13	37,46,38,755		39,52,70,394	
Other Non Current Assets		-		-	
			1,62,61,32,383		1,50,74,20,177
Current Assets					
Inventories	14	80,73,04,581		78,49,78,391	
Trade receivables	15	1,28,69,34,425		1,25,54,71,583	
Cash and Cash Equivalents	16	7,14,85,677		1,21,79,986	
Short-term Loans & Advances	17	65,89,06,834		64,36,76,549	
Other Current Assets		-		-	
			2,82,46,31,517		2,69,63,06,509
TOTAL			6,06,53,14,149		5,78,55,04,621

Notes including Significant Accounting Policies are an integral part of the financial statements: 1 to 49

As per our report of even date attached

For **Manesh Mehta & Associates**

Chartered Accountants
(Firm Registration No. : 115832W)

Manesh P. Mehta
Partner
Membership No. : 036032
Place : Mumbai
Date : May 30, 2017

Harish Sheth
Chairman & Managing Director

Arun Arora
Director
Pratap Merchant
Director
Vinay Shahane
Vice President - Finance

For and on behalf of the Board

Udit Sheth
Joint Managing Director

Ashok Kumar Jha
Director
Suhasini Sathe
Director
Bhautesh Shah
Company Secretary

Place : Mumbai
Date : May 30, 2017

Shveta Vakil
Executive Director

Bhalchandra Naik
Director
Urja Shah
Executive Director

STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED 31ST MARCH, 2017

(Rs.)

	Note No.	Year Ended 31 st March 2017	Year Ended 31 st March 2016
REVENUE :			
Revenue from Operations (Net)	18	5,10,81,97,296	5,05,14,88,790
Other Income	19	7,73,13,387	13,02,05,067
Total Revenue		5,18,55,10,683	5,18,16,93,857
EXPENSES :			
Cost of Materials and Components consumed	20	2,92,58,23,337	2,85,31,72,857
Changes in Inventories of Finished Goods and Work in Progress Decrease/(Increase)	21	(2,177,862)	2,93,41,505
Employee Benefit Expense	22	46,08,64,194	44,93,33,534
Finance Cost	23	32,35,45,326	30,75,55,032
Depreciation and Amortization Expenses	11	17,60,89,101	15,67,09,610
Less : Capitalized under the head "Intangible Assets Under Development" (Refer Note No: 11(5) & 45)		(99,72,651)	(95,33,095)
Net Depreciation and Amortization Expenses	11	16,61,16,450	14,71,76,515
Other Expenses	24	1,05,86,02,955	98,61,74,822
Total Expenses		4,93,27,74,400	4,77,27,54,265
Profit/(Loss) before Tax		25,27,36,283	40,89,39,592
Less : Tax Expenses			
Current Tax		5,54,43,416	8,05,99,259
Deferred Tax		1,07,11,600	83,35,000
MAT Credit Entitlement	25		
Previous Periods		13,04,335	76,790
Current Year		(67,73,192)	(1,47,36,195)
Tax Adjustment for Earlier years		47,493	4,71,157
		6,07,33,652	7,47,46,011
Profit for the Period		19,20,02,631	33,41,93,581
Earnings Per Share (Face value of Rs. 2/- each)	26		
Before considering exceptional items			
- Basic		1.44	2.50
- Diluted		1.44	2.50
After Considering Exceptional Items			
- Basic		1.44	2.50
- Diluted		1.44	2.50

Notes including Significant Accounting Policies are an integral part of the financial statements: 1 to 49

As per our report of even date attached

For **Manesh Mehta & Associates**

Chartered Accountants

(Firm Registration No. : 115832W)

Manesh P. Mehta

Partner

Membership No. : 036032

Place : Mumbai

Date : May 30, 2017

Harish Sheth
Chairman & Managing Director

Arun Arora
Director

Pratap Merchant
Director

Vinay Shahane
Vice President - Finance

For and on behalf of the Board

Udit Sheth
Joint Managing Director

Ashok Kumar Jha
Director

Suhasini Sathe
Director

Bhautesh Shah
Company Secretary

Place : Mumbai
Date : May 30, 2017

Shveta Vakil
Executive Director

Bhalchandra Naik
Director

Urja Shah
Executive Director

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST MARCH, 2017

(Rs.)

	2016-2017	2015-2016
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax	25,27,36,283	40,89,39,592
Adjustment for		
Depreciation	16,61,16,450	14,71,76,515
(Profit)/Loss on Sale of Property, Plant & Equipment	(1,37,347)	(41,08,468)
Unrealized Foreign Exchange Loss / (Gain)	4,21,59,250	(1,07,65,496)
Interest Expense	32,35,45,326	30,75,55,032
Interest Income	(7,26,77,173)	(6,60,79,589)
Dividend Income	-	(3,22,80,000)
Miscellaneous Income	(34,14,280)	(36,15,464)
Corporate Tax	(5,54,90,909)	(8,10,70,416)
MAT Credit Entitlement	54,68,857	1,46,59,405
Employee Stock Options Cost	36,94,639	-
Operating Profit / (Loss) before Working Capital Changes and Other Changes	66,20,01,096	68,04,11,111
Trade receivables	(5,63,04,006)	(37,41,16,225)
Inventories	(2,23,26,190)	(5,74,79,165)
Loans and Advances	(1,24,57,055)	(14,52,17,660)
Trade Payables	(3,43,41,668)	43,22,17,196
Other Liabilities	(16,76,68,107)	13,24,73,469
Working Capital Changes and Other Changes	(29,30,97,026)	(1,21,22,385)
Cash Flow Generated from Operations	36,89,04,070	66,82,88,726
Direct Taxes (Tax deducted at Source)	(17,93,500)	(31,23,221)
Net Cash Flow from Operating Activities	36,71,10,570	66,51,65,505
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Property, Plant & Equipment	(12,85,57,987)	(22,45,73,841)
Sale of Property, Plant & Equipment	79,34,554	2,42,99,788
Intangible Asset	(7,81,27,983)	(8,80,28,846)
Interest Income	7,26,77,173	6,60,79,589
Dividend Income	-	3,22,80,000
Decrease/(Increase) in Investment	(13,93,43,845)	(29,25,00,000)
Net Cash Used in Investing Activities	(26,54,18,088)	(48,24,43,310)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Cash Credit	33,82,30,734	11,89,33,398
Proceeds from Short Term / Other Loans	9,20,00,000	10,00,00,000
Proceeds from Term / Other Loans	34,04,88,749	11,04,18,500
Repayment of Short Term Loans	(14,60,00,000)	-
Repayment of Term Loans	(34,82,36,758)	(12,85,81,196)

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST MARCH, 2017

(Rs.)

	2016-2017	2015-2016
Interest Paid	(32,35,45,326)	(30,75,55,032)
Miscellaneous Income	34,14,280	36,15,464
Final Dividend & Dividend Distribution Tax	-	(12,86,35,052)
Net Cash Flow from Financing Activities	(4,36,48,321)	(23,18,03,918)
Net Increase in Cash and Cash Equivalents (A + B + C)	5,80,44,161	(4,90,81,723)
Opening Cash and Cash Equivalents	54,00,729	5,44,82,452
Closing Cash and Cash Equivalents	6,34,44,890	54,00,729

Notes:

1. The above Cash Flow Statement has been prepared under the "Indirect method" as set out in the Accounting Standard - 3 on Cash Flow Statements, as specified under section 133 of Companies Act, 2013, read with rule 7 of the Companies (Accounts) Rules, 2014.
2. Previous year's figures have been regrouped / restated / reclassified wherever necessary.
3. Purchase of Property, Plant & Equipment includes cost incurred on Capital Work-in-Progress.
4. Cash and Cash Equivalents includes cash on hand, cheques on hand and readily convertible deposit accounts held with scheduled banks.

Notes including Significant Accounting Policies are an integral part of the financial statements: 1 to 49

As per our report of even date attached

For **Manesh Mehta & Associates**

Chartered Accountants

(Firm Registration No. : 115832W)

Manesh P. Mehta

Partner

Membership No. : 036032

Place : Mumbai

Date : May 30, 2017

Harish Sheth

Chairman & Managing Director

Arun Arora
Director

Pratap Merchant
Director

Vinay Shahane

Vice President - Finance

For and on behalf of the Board

Udit Sheth

Joint Managing Director

Ashok Kumar Jha
Director

Suhasini Sathe
Director

Bhautesh Shah

Company Secretary

Place : Mumbai

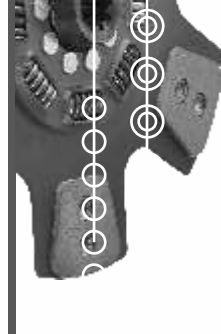
Date : May 30, 2017

Shvetal Vakil

Executive Director

Bhalchandra Naik
Director

Urja Shah
Executive Director



NOTES FORMING PART OF THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis Of Preparation

The Financial Statements are prepared under historical cost convention (Except for certain fixed assets which are carried at revalued amounts) on accrual basis and they are in consonance with generally accepted accounting principles in India and applicable Accounting Standards specified under section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014, Companies (Accounting Standards) Amendment Rules, 2016 and other pronouncement of ICAI. The accounting policies adopted in preparation of financial statements are consistent with those followed in the previous year.

1.2 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.

1.3 Fixed Assets / Intangible Assets

A. Property, Plant & Equipment

- i. Property, Plant & Equipment are stated at cost of acquisition/construction except for land & Buildings which are stated at revalued amounts as at that date based on external valuers' report, less accumulated depreciation and impairment loss, if any. The cost of Property, Plant & Equipment includes directly attributable 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 directly attributable overheads. Capital work in progress comprises of the cost of fixed assets that are not yet ready for their intended use at the reporting date.

- ii. The ministry of corporate affair has made the component accounting approach for fixed assets mandatory from 1st April, 2015, vide notification dated 29th August, 2014. As per external technical expert's opinion, the company's fixed assets are of such nature that separate components are not distinctly identifiable having different useful life. And therefore, component level accounting and reporting is not practically feasible for the company.

- iii. The Company estimates the useful lives for Property, Plant & Equipment as follows:

Asset Classification	Useful Life
Buildings (Including Temporary Shed)	3-30 years
Plant & Machinery	1-15 years
Furniture & Fixtures	1-10 years
Equipments	2-5 years
Pollution Equipments	2-8 years
Computers	1-3 years
Electric Fittings	10 years
Vehicles	4-8 years

The Company believes that the useful lives as given above best represent the useful lives of these assets based on technical advice and is different from the useful lives as prescribed under Part C of Schedule II of the Companies Act, 2013. The useful lives of these assets are periodically reviewed.

- iv. The Company has adopted Revaluation Model for entire class of Land & Buildings. The Company follows Cost Model for all other Property, Plant & Equipment.

B. Intangible Assets

Intangible assets are stated at cost of acquisition net of cenvat credit less accumulated amortization. Expenditure, identifiable and reliably measurable, incurred on product development yielding future economic benefits is recognized as internally generated Intangible Asset as per Accounting Standard 26 "Intangible Assets".

1.4 Depreciation / Amortisation

- i. Depreciation is charged on straight-line method (SLM) and is based on useful lives of

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

the assets as determined by external experts in accordance with requirements of Schedule II to the Companies Act, 2013. The additional charge of depreciation on account of revaluation is withdrawn from revaluation reserve and is credited to the General Reserve as per Guidance note on the provisions of Schedule II to the Companies Act, 2013 issued by The Institute of Chartered Accountants of India. Depreciation on additions during the year to Property, Plant & Equipment is charged on pro-rata basis.

- ii. Payments for Long Term leasehold land and expenses incurred for the development of such land are amortized over a period of lease.
- iii. 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 License fees): over a period of three years.

1.5 Investments

Long Term Investments are stated at cost. Provision for diminution is made when such diminution is considered other than temporary in nature.

1.6 Inventories

Inventories are valued in accordance with Accounting Standard (AS)-2 "Valuation of Inventories" at lower of cost (exclusive of cenvat credits availed on inputs) and net realizable value. Raw materials & components, Stores and Packing material are valued on weighted average cost basis. 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 net realizable value.

1.7 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.

1.8 Revenue Recognition

- i. Sales is 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 approved by the Board.
- 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. Dividend income is accounted when right to receive the same is established.

1.9 Foreign Currency Transactions

Transactions in foreign currency 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 foreign borrowing liabilities, if any for acquisition of fixed assets, where such exchange difference is adjusted in the carrying cost of fixed assets.

1.10 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 Short term Loans and Advances.

1.11 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.

1.12 Employee Benefits

A. Short Term Employee Benefits

Short term employee benefits are recognized as an expense at the undiscounted amounts in the statement of profit and loss of year in which the related services are rendered.

B. Defined Contribution Plans

Provident Fund & ESIC are defined contribution schemes established under a State Plan. The contributions to the said schemes are charged to the statement of profit and loss in the year of incurrence.

C. 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 Projected Unit

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

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 statement of profit and loss in the year in which they arise.

D. Compensated Absences

Employees are entitled to accumulate leave subject to certain limits for future encashment. The liability in respect of compensated absences is provided for on the basis of actuarial valuation made at the end of the financial year using Projected Unit Credit Method. The said liability is not funded.

1.13 Research & Development Expenses

- i. Revenue expenses pertaining to research activities are charged to statement of profit and loss under the respective heads of expenses.
- ii. Expenditure incurred on fixed assets used for R & D is capitalized under the head "Fixed Assets".
- iii. Expenditure incurred on development activities which do not qualify as Intangible Asset is charged to statement of Profit and Loss.

1.14 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.

1.15 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. Unutilized MAT credit is recognized.
- 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.

1.16 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.

1.17 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 year. The number of shares used in computing diluted EPS comprises the weighted average number of 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 potential equity shares, the difference between the number of shares issuable and the number of shares that would have been 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.

1.18 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 (Share Based Employee Benefits) Regulations, 2014 and the Guidance Note on "Accounting for employee share based payments" issued by The Institute of Chartered Accountants of India. 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 statement of profit and loss 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".

1.19 Government Grants

- i. Government grant is recognized when there is reasonable assurance that the grant will be received and all relevant conditions are complied with.
- ii. Grant received by way of investment subsidy in relation to total investment is credited to capital reserve.

1.20 Segment Reporting

The Company is operating only in one business segment Viz. Auto Components.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2017

2 SHARE CAPITAL

2.1 Authorised, issued, subscribed and fully paid - up: (Rs.)

Particulars	31 st March 2017	31 st March 2016
Authorized Capital:		
25,00,00,000 (25,00,00,000) Equity Shares of Rs. 2/- each	50,00,00,000	50,00,00,000
Issued, Subscribed and Fully Paid up Share Capital:		
13,35,96,675 (13,35,96,675) Equity Shares of Rs. 2/- each	26,71,93,350	26,71,93,350

- Pursuant to the approval of members in the Annual General Meeting held on 28th September, 2015 the equity shares of face value of Rs. 10/- each have been subdivided into equity shares of face value of Rs. 2/- each with effect from 17th December, 2015. As a result, the number of equity shares has increased from 2,67,19,335 to 13,35,96,675 shares. Accordingly the number of shares has been adjusted for all the periods presented.
- The company has only one class of equity shares having a par value of Rs. 2 per share. Each shareholder of equity share is entitled to one vote per share.
- The company declares and pays dividends in Indian rupees. The board of directors in their meeting held on 30th May, 2017 have proposed dividend of Rs. 0.65 per share for financial year ended 31st March, 2017. The proposed dividend is subject to the approval of the share holders at the ensuing Annual General Meeting. The total dividend appropriation would amount to approximately Rs. 10,45,15,980 including corporate dividend tax of Rs. 1,76,78,141/-.
- In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company after distribution of all preferential amounts, in proportion to their shareholding.

2.2 Reconciliation of number of shares outstanding at the beginning and at the end of the reporting period

	31 st March 2017		31 st March 2016	
	Number	Rs.	Number	Rs.
Equity Shares				
As at the beginning of the year	13,35,96,675	26,71,93,350	13,35,96,675	26,71,93,350
Add : Share issued on exercise of employee stock options	-	-	-	-
	13,35,96,675	26,71,93,350	13,35,96,675	26,71,93,350
Less : Changes, if any during the year	-	-	-	-
Outstanding at the end of the year	13,35,96,675	26,71,93,350	13,35,96,675	26,71,93,350

2.3 Aggregate number and class of shares allotted as fully paid up pursuant to contract(s) without payment being received in cash, bonus shares and shares bought back for the period of 5 years immediately preceding March 31, 2017.

	31 st March '16 Number	31 st March '15 Number	31 st March '14 Number	31 st March '13 Number	31 st March '12 Number
Equity shares with voting rights					
Equity shares allotted as fully paid bonus shares by Capitalization of Securities Premium & General Reserve	-	-	-	4,43,01,355*	-

* 8860271 equity shares of Rs. 10/- each restated as equity shares of Rs. 2/- each.

2.4 Details of Shareholders holding more than 5% shares in the company

Name of Shareholders	31 st March 2017		31 st March 2016	
	Number of Equity shares	% Holding	Number of Equity shares	% Holding
Equity Shares of Rs. 2/- each fully paid				
Setco Engineering Private Limited (Promoter Group)	6,77,13,845	50.69	6,77,13,845	50.69
New Vernon Private Equity Limited *	N.A.	N.A.	1,17,64,915	8.81
Harishbhai K. Sheth	71,61,575	5.36	N.A.	N.A.

* Share holding is below 5% as at 31.03.2017

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2017

2.5 Shares in respect of each class in the company held by Holding Company

(Rs)

Particulars	31 st March 2017		31 st March 2016	
	Number of Equity shares	Rs.	Number of Equity shares	Rs.
Equity Shares of Rs. 2/- each fully paid Setco Engineering Private Limited (Promoter Group)*	6,77,13,845	13,54,27,690	6,77,13,845	13,54,27,690

*with the acquisition of further shares of the company by Setco Engineering Private Limited (Promoter Group Company), the Company has become subsidiary of Setco Engineering Private Limited w.e.f. 27th August, 2014.

3 RESERVE & SURPLUS

(Rs.)

Particulars	31 st March 2017	31 st March 2016
(i) Capital Reserve (Opening & Closing Balance)		
a) On forfeiture of Shares	21,000	21,000
b) Cash Subsidy	30,00,000	30,00,000
Total	30,21,000	30,21,000
(ii) Revaluation Reserve		
As per Last Balance Sheet	27,75,31,868	28,03,56,373
Less : Transferred to General Reserve	28,10,223	28,24,505
Total	27,47,21,645	27,75,31,868
(iii) Securities Premium Reserve		
As per Last Balance Sheet	1,88,19,583	1,88,19,583
Total	1,88,19,583	1,88,19,583
(iv) Employee Stock Options outstanding		
As per Last Balance Sheet	-	-
Add: Amounts recorded on grants/modifications/ cancellations during the year	36,94,639	-
Total	36,94,639	-
(v) General Reserve		
As per Last Balance Sheet	19,48,74,004	19,20,49,500
Add : Transferred from Revaluation Reserve	28,10,223	28,24,505
Total	19,76,84,227	19,48,74,004
(vi) Surplus in Statement of Profit and Loss:		
As per Last Balance Sheet	1,45,20,42,313	1,24,64,83,784
Add : Profit for the year	19,20,02,631	33,41,93,581
Less : Appropriations		
Proposed Final Dividend (Refer Note No. 10)	-	(10,68,77,340)
Total Dividend	-	(10,68,77,340)
Corporate Dividend Tax (Refer Note No. 10)	-	(2,17,57,712)
Transfer to General Reserve	-	-
Total	1,64,40,44,944	1,45,20,42,313
Total (I to VI)	2,14,19,86,038	1,94,62,88,768

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2017

4 LONG TERM BORROWINGS

(Rs.)

	31 st March 2017	31 st March 2016
Term Loans		
From Banks		
Secured	27,97,68,633	31,92,55,211
Unsecured	-	-
From other parties		
Secured	16,47,103	33,21,023
Unsecured	9,20,00,008	-
Total (A)	37,34,15,744	32,25,76,234
Other Loans		
From Banks		
Secured	18,75,00,000	31,25,00,000
Unsecured	-	-
Total (B)	18,75,00,000	31,25,00,000
Total (A+B)	56,09,15,744	63,50,76,234
The above amount includes		
Secured Borrowings	46,89,15,736	63,50,76,234
Unsecured Borrowings	9,20,00,008	-

- Indian rupee term loan from Bank of Baroda is repayable in 16 quarterly installments each of Rs. 46,87,500/- to be repaid by May, 2017. The loan is secured by first pari passu charge on company's fixed assets (excluding cars / vehicles) and the second charge on pari passu basis on stocks and book debts as collateral security.
- Indian rupee term loan from Bank of Baroda is repayable in 16 quarterly installments each of Rs. 2,40,00,000/- to be repaid by November, 2019. The loan is secured by first pari passu charge on company's fixed assets (excluding cars / vehicles) and the second charge on pari passu basis on stocks and book debts as collateral security.
- Indian rupee corporate loan from Bank of Baroda is repayable in 16 quarterly installments each of Rs. 3,12,50,000/- to be repaid by August, 2019. The loan is secured by first pari passu charge on company's fixed assets (excluding cars/vehicles) and the second charge on pari passu basis on stocks and book debts as collateral security and personal guarantee of Chairman & Managing Director and Joint Managing Director of the Company.
- Indian rupee term loan from Bank of Baroda is repayable in 16 quarterly installments each of Rs. 1,41,00,000/- to be repaid by September, 2022. The loan is secured by first pari passu charge on company's fixed assets (excluding cars/vehicles) and the second charge on pari passu basis on stocks and book debts as collateral security and personal guarantee of Chairman & Managing Director and Joint Managing Director of the Company.
- Indian rupee term loan from IDBI Bank is repayable in 16 quarterly installments each of Rs. 62,50,000/- to be repaid by January, 2020. The loan is secured by first pari passu charge on company's fixed assets (excluding cars/vehicles) and the second charge on pari passu basis on stocks and book debts as collateral security and personal guarantee of Chairman & Managing Director and Joint Managing Director of the Company.
- Indian rupee vehicle loan from Daimler Financials Services India Pvt. Ltd. is repayable in 36 EMI each of Rs. 1,55,350/- to be repaid by February, 2019. The loan is secured by hypothecation of particular vehicle.
- Indian rupee vehicle loan from Axis Bank is repayable in 36 EMI each of Rs. 96,534/- to be repaid by July, 2019. The loan is secured by hypothecation of particular vehicle.
- Indian rupee term loan from Tata Capital is repayable in 30 EMI each of Rs. 66,66,666/- to be repaid by March, 2020. The loan is secured by personal guarantee of Chairman & Managing Director and pledge of shares by Setco Engineering P. Ltd., Holding Company.

5 DEFERRED TAX LIABILITIES (NET)

(Rs.)

Particulars	31 st March, 17	31 st March, 16
Deferred Tax Liabilities:		
Timing differences related to Fixed Assets	31,73,80,340	29,72,47,924
Deferred Tax Assets:		
Timing differences related to Expenses	32,42,340	1,40,59,924
Net deferred tax liability	10,87,16,916	9,80,05,316
Total provision made in Statement of Profit and Loss	1,07,11,600	83,35,000

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2017

6 LONG TERM PROVISIONS

(Rs.)

Particulars	31st March, 17	31st March, 16
Provision for employee benefits		
Provision for Gratuity	30,39,035	52,992
Provision for compensated absences	85,60,276	94,64,634
Total	1,15,99,311	95,17,626

7 SHORT TERM BORROWINGS

(Rs.)

Particulars	31st March, 17	31st March, 16
Loans repayable on demand:		
Working Capital Loan from Banks		
Secured	1,66,48,96,864	1,32,66,66,130
Unsecured	-	10,00,00,000
Total (A)	1,66,48,96,864	1,42,66,66,130
From other parties		
Secured		
Unsecured	4,60,00,000	-
Total (B)	460,00,000	-
Total (A+B)	1,71,08,96,864	1,42,66,66,130

Working Capital Loans are secured by first charge by way of hypothecation of current assets including stocks, book debts etc. and second charge on entire fixed assets of the company on paripassu basis.

Unsecured Loan of Rs. Nil (Rs. 10,00,00,000/-) is from Kotak Mahindra Bank and is secured by personal guarantee of Chairman & Managing Director and Joint Managing Director of the Company and by corporate guarantee of Setco Engineering Pvt Ltd, Holding company. The Company has paid off this loan during the year.

Unsecured Loan of Rs. 4,60,00,000 (Rs. Nil) is from Finquest Financial Solutions P Ltd. to be repaid by May, 2017.

8 TRADE PAYABLES

(Rs.)

Particulars	31st March, 17	31st March, 16
Micro, Small and Medium Enterprises (MSME)	3,54,04,029	2,90,10,369
Others	79,45,45,122	83,76,14,273
Total	82,99,49,151	86,66,24,642

The information has been determined to the extent such parties could be identified on the basis of the information available with the company regarding the status of suppliers under MSME.

Interest paid/payable to the enterprises registered under MSME is Rs. NIL (Rs. NIL)

	Particulars	31st March, 17	31st March, 16
i	Principal amount remaining unpaid to any supplier at the end of each accounting year:	3,54,04,029	2,90,10,369
ii	Interest due on above	40,168	Nil
	Total (i) & (ii)	3,54,44,197	2,90,10,369
iii	Amount of interest paid by the Company to the suppliers in terms of section 16 of the Act.	Nil	Nil
iv	Amount paid to the suppliers beyond the respective due date.	Nil	Nil
v	Amount of interest due and payable for the period of delay in payments (which have been paid but beyond the due date during the year) but without adding the interest specified under the Act.	Nil	Nil
vi	Amount of interest accrued and remaining unpaid at the end of each accounting year:	40,168	Nil
vii	Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23 of the Act.	Nil	Nil

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2017

9 OTHER CURRENT LIABILITIES

(Rs.)

Particulars	31st March, 17	31st March, 16
Other Liabilities		
Payable towards Statutory Liabilities	3,76,78,729	4,31,61,110
Payable to Employees	1,40,60,136	3,31,32,313
Current Maturities of Long Term Loans (Refer Note No. 4)	33,27,95,160	26,63,04,548
Interest accrued and due	35,26,742	36,04,873
Unpaid/Unclaimed Dividend*	80,40,787	67,79,257
Independent After Market - Deposit	50,00,000	50,00,000
Other Payable	10,00,000	10,00,000
Creditors for Capital Expenditure	62,23,725	61,02,506
Total	40,83,25,279	36,50,84,607

*There are no amounts due for payment to the Investor Education and Protection Fund u/s. 125 of Companies Act, 2013 at the year end.

10 SHORT TERM PROVISIONS

(Rs.)

Particulars	31st March, 17	31st March, 16
Provision for Employee Benefits		
Provision for Gratuity	49,06,646	44,22,597
Provision for compensated absences	3,81,433	48,91,039
Others		
Proposed Final Dividend*	-	10,68,77,340
Corporate Tax on Dividend*	-	2,17,57,712
Provision for Taxation (Net of Advance Tax Paid)	2,04,43,416	3,30,99,259
Total	2,57,31,495	17,10,47,947

* In view of Accounting Standard-4 "Contingencies And Events Occuring After Balancesheet Date" as amended by Ministry of Corporate Affairs vide Notification dated 30th March, 2016, the provision for proposed dividend shall be made in the accounts on the date of its approval by the shareholders.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2017

11. FIXED ASSETS

(Rs.)

Sr. No.	PARTICULARS	GROSS BLOCK			Cost as on 31.03.2017	DEPRECIATION			NET BLOCK	
		Cost as on 01.04.2016	Additions for the year	Adjustment for the year		Up to 01.04.2016	Additions for the year	Adjustment for the year	Up to 31.03.2017	As on 31.03.2017
1	2	3	4	5	6	7	8	9	10	11
A Tangible Assets										
01	Free Hold Land	20,68,39,600	-	-	20,68,39,600	-	-	-	-	20,68,39,600
02	Lease Hold Land	3,93,34,994	-	-	3,93,34,994	27,00,897	3,90,007	-	30,90,904	3,62,44,090
03	Buildings	41,98,90,244	1,74,85,456	-	43,73,75,700	6,76,84,527	1,46,21,846	-	8,23,06,373	35,50,69,327
04	Plant & Machinery	1,15,63,60,271	10,46,75,823	(88,25,266)	1,25,22,10,828	54,09,80,142	11,04,02,142	(10,38,847)	65,03,43,437	60,18,67,391
05	Furniture & Fixtures	2,61,47,112	42,45,040	-	3,03,92,152	1,16,15,963	19,20,778	-	1,35,36,741	1,68,55,411
06	Office Equipments	1,63,21,268	10,39,983	-	1,73,61,251	75,69,239	29,34,300	-	1,05,03,539	68,57,712
07	Pollution Equipments	2,77,500	-	-	2,77,500	1,52,385	20,908	-	1,73,293	1,04,207
08	Computers	4,68,65,736	25,74,984	(35,935)	4,94,04,785	3,35,57,401	84,45,146	(25,147)	4,19,77,400	74,27,385
09	Electric Fittings	5,94,74,198	17,82,347	-	6,12,56,545	1,70,15,259	52,27,510	-	2,22,42,769	3,90,13,776
10	Vehicles	3,94,94,185	36,40,033	-	4,31,34,218	1,32,39,386	43,12,190	-	1,75,51,576	2,55,82,642
Sub Total (Property, Plant & Equipment)		2,01,10,05,108	13,54,43,666	(88,61,201)	2,13,75,87,573	69,45,15,199	14,82,74,827	(10,63,994)	84,17,26,032	1,29,58,61,541
B Intangible Assets										
01	Goodwill	19,61,719	-	-	19,61,719	19,61,719	-	-	19,61,719	-
02	Product Development	19,46,85,583	4,19,37,814	-	23,66,23,397	7,90,00,621	2,00,92,589	-	9,90,93,210	13,75,30,187
03	Technical Know how	27,75,310	-	-	27,75,310	27,75,310	-	-	27,75,310	-
04	Computer Software	6,48,86,922	14,20,095	-	6,63,07,017	4,97,79,006	77,21,685	-	5,75,00,691	88,06,326
05	Web Site Development	5,63,988	-	-	5,63,988	5,63,988	-	-	5,63,988	-
Sub Total (Intangible Assets)		26,48,73,522	4,33,57,909	-	30,82,31,431	13,40,80,644	2,78,14,274	-	16,18,94,918	14,63,36,513
C Intangible Asset Under Development (Product Development)										
Sub Total (Intangible Asset Under Development)		12,65,12,220	8,66,80,539	(4,19,37,814)	17,12,54,945	-	-	-	-	17,12,54,945
D Capital Work in Progress:										
01	Capital Work in Progress	79,82,928	10,97,250	(79,82,928)	10,97,250	-	-	-	-	10,97,250
Total D		79,82,928	10,97,250	(79,82,928)	10,97,250	-	-	-	-	10,97,250
Grand Total (A + B + C + D)		2,41,03,73,778	26,65,79,363	(5,87,81,943)	2,61,81,71,199	82,85,95,843	17,60,89,101	(1,063,994)	1,00,36,20,950	1,61,45,50,249
Previous Year :		2,12,03,16,241	36,30,60,707	(7,30,03,170)	2,41,03,73,778	68,37,73,158	15,67,09,610	(1,18,86,925)	82,85,95,843	1,58,17,77,935

Note:

- (1) During the F.Y-2014-15, the company based on external technical evaluation, reassessed the remaining useful lives of Property, Plant & Equipment from 1st April, 2014. Accordingly the useful lives of Property, Plant & Equipment required a change from previous estimates. w.e.f 1st April, 2014, the company has charged depreciation based on the revised useful lives of Property, Plant & Equipment. The estimated lives of Property, Plant & Equipments adopted are different from those prescribed under schedule II of the act and have been determined based on technical advice obtained from external expert.
- (2) The Gross Block of Property, Plant & Equipment include Rs. 28,58,49,329/- on account of revaluation of Land & Buildings as at 31.03.2013 based on report issued by the External Valuers. Consequent to the said revaluation, there is additional charge of depreciation of Rs. 28,10,224/- in current year, the equivalent amount thereof has been withdrawn from revaluation reserve and credited to the general reserve as per guidance note on the provisions of the schedule II to the Companies Act, 2013 issued by the Institute of Chartered Accountants of India.
- (3) Additions in gross block include interest on borrowing of Rs. Nil/- (Previous Year Rs. 33,73,366/-) in accordance with accounting standard - 16 - "Borrowing Costs".
- (4) Product development being item of technical nature, auditors have relied on the management representation.
- (5) Intangible assets under development, inter alia includes qualifying expenses including Depreciation of Rs. 99,72,651/- (Previous Year Rs. 95,33,095/-) incurred on product development activities carried out in in-house R & D Centre. (Refer Note no - 45)
- (6) Adjustment in "Intangible Asset Under Development" represents transfer to "Product Development" under the head Intangible Assets, of those items whose commercial production has commenced during the year.
- (7) The company follows Revaluation Model for Land & Buildings. The company believes that cost of additions made in said class (i.e. Land & Buildings) do not differ significantly from their fair value and hence the same shall be subjected to revaluation as per accounting policy adopted by the company. Apart from Land & Buildings, the company follows Cost Model for all other Property, Plant & Equipment.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2017

12 NON CURRENT INVESTMENT (Long Term)

(Rs.)

Particulars	31 st March 2017	31 st March 2016
12.1 Trade Investments (unquoted)		
Investment in Holding Company (At Cost) :		
i) 3,46,50,000 (4,26,50,000) 9% 15 years Non Cumulative Compulsorily Redeemable Preference Share of Rs. 10/- each fully paid of Setco Engineering Private Limited (Refer Note No. 12.4)	34,65,00,000	42,65,00,000
Investment in Subsidiary Companies (At Cost) :		
i) 20,94,269 (8,00,000) Equity Shares of £ 1 each fully paid up of wholly owned ultimate foreign subsidiary - Setco Automotive UK Limited (UK)	16,91,83,845	6,48,40,000
ii) 1,28,778 (1,28,778) Equity Shares of MUR 100 each fully paid up of wholly owned foreign subsidiary - WEW Holdings Limited(Mauritius)	19,080,525	1,90,80,525
iii) 2,15,014 (2,15,014) 0% Redeemable Preference Shares of MUR 100 each fully paid up of wholly owned foreign subsidiary - WEW Holdings Limited(Mauritius)	31,679,008	3,16,79,008
iv) 5,31,55,000 (4,16,55,000) Equity Share of Rs. 10/- each fully paid up of Subsidiary - Lava Cast Private Limited (Refer Note No. 12.5 & 12.6)	53,15,50,000	41,65,50,000
Investment in other related entities (At Cost) :		
i) 30,70,000 (30,70,000)Equity Share @ Rs. 50/- each fully paid up of SE Transstadia Private Limited (Refer Note No. 12.7)	15,35,00,000	15,35,00,000
12.2 Non Trade Investment (unquoted) (At Cost) :		
i) 10 (10) Equity Shares of Rs. 25/- each of Kalol Urban Co.op.Bank Limited	250	250
Total	1,25,14,93,628	1,11,21,49,783

12.3 Investments in other related entities, Holding company, Subsidiaries/Joint Venture have been made in terms of investment limits approved by Board of Directors of the company from time to time.

12.4 During the year, the company has converted Rs. 10,43,43,845/- out of the balances of loans & advances and debtors due from its wholly owned ultimate foreign subsidiary, M/s. Setco Automotive (UK) Ltd. into equity share capital comprising 12,94,269 equity shares of face value of £ 1 in its said wholly owned ultimate foreign subsidiary. The valuation of shares at £ 1 is supported by Valuation Report of an independent Chartered Accountant.

12.4 The Company has entered into a joint venture agreement with Lingotes Especiales, Spain to establish a Foundry Project in Lava Cast Private Limited. The Company holds 79.78% Equity shares as on 31st March, 2017 in this joint venture and accordingly Lava Cast Private Limited has been reported as subsidiary company in financial statements.

12.5 As per Legal Experts' opinion obtained by the Company on its investment (along with Corporate Guarantee extended to the Bankers of investee company) in F.Y.2013-14 , Lava Cast Private Limited qualifies to be treated as both, Subsidiary and Joint Venture for legal purposes and the Company's exposure in Lava Cast Private Limited is in compliance with the provisions of Sections 185 & 186 of the Companies Act, 2013 and relevant Rules prescribed there under.

12.6 For detailed investment strategies, Refer Note No. 43.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2017

13 LONG TERM LOANS AND ADVANCES

(Rs.)

Particulars	31 st March 2017	31 st March 2016
Unsecured, considered good		
Capital Advances	3,58,80,924	3,90,58,607
Other Deposits	1,68,36,347	1,66,39,005
MAT Credit Entitlement	19,42,34,387	18,87,65,530
Loans And Advances to related parties		
Unsecured, considered good		
Setco Automotive (NA) Inc.	4,72,37,097	3,75,15,252
Setco Automotive (UK) Ltd.	8,04,50,000	11,32,92,000
Total	37,46,38,755	39,52,70,394

14 INVENTORIES

(Rs.)

Particulars	31 st March 2017	31 st March 2016
Raw Materials & Components (Including Goods in transit Rs.39,60,842/- (Rs. Nil))	41,06,57,164	39,87,59,071
Work-in-Progress	18,17,47,744	15,11,39,703
Finished Goods (Including Sales in Transit Rs. 1,21,35,428/- (Rs. 1,28,62,783/-) (Refer Note No.27)	12,68,50,885	15,57,88,322
Stores & Packing Materials	8,59,18,024	7,76,67,789
Scrap	21,30,764	16,23,506
Total	80,73,04,581	78,49,78,391

15 TRADE RECEIVABLES

(Rs.)

Particulars	31 st March 2017	31 st March 2016
Debts outstanding for a period exceeding six months		
Unsecured		
Considered Good	20,45,42,174	15,27,96,937
Considered Doubtful	1,81,352	1,81,352
	20,47,23,526	15,29,78,289
Less : Provision for Doubtful Debts	1,81,352	1,81,352
	20,45,42,174	15,27,96,937
Other Debts (Unsecured and Considered Good)	1,08,23,92,251	1,10,26,74,646
Total	1,28,69,34,425	1,25,54,71,583

16 CASH AND CASH EQUIVALENTS

(Rs.)

Particulars	31 st March 2017	31 st March 2016
Cash and Cash Equivalents		
Cash Balance	10,40,586	26,89,941
Bank Balances	1,41,12,958	26,23,507
Fixed Deposit Account (Lien-marked on Margin Account)	87,281	87,281
Cheques on Hand *	4,82,04,065	-
Total	6,34,44,890	54,00,729
Others:-		
Unpaid/Unclaimed Dividend	80,40,787	67,79,257
Total	7,14,85,677	1,21,79,986

*Since realised.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2017

17 SHORT TERM LOANS AND ADVANCES

(Rs.)

Particulars	31 st March 2017	31 st March 2016
Loans And Advances to related parties		
Unsecured, considered good		
Setco Automotive (UK) Limited	28,99,31,967	28,26,27,542
Western Engineering Works	9,33,22,616	7,60,50,864
Lava Cast Private Ltd.	2,83,515	51,92,816
Setco Engineering Pvt Ltd.	-	7,82,295
SE Transstadia Private Limited	66,81,068	1,94,56,187
Advances recoverable in cash or kind		
Prepaid Expenses	1,30,64,067	1,32,75,501
Advance for Goods & Services	9,13,67,797	12,47,95,007
Other Loans And Advances		
Balance with Central Excise	13,50,235	14,17,307
Employees Advances	31,08,595	30,02,431
MAT Credit Entitlement	2,00,00,000	2,00,00,000
Statutory Dues Receivable - VAT	12,27,10,812	7,70,24,756
Statutory Dues Receivable - Excise	36,79,050	95,42,267
Statutory Dues Receivable - Service Tax	1,16,13,612	73,86,355
Statutory Dues Receivable - Income Tax	17,93,500	31,23,221
Total	65,89,06,834	64,36,76,549

18 REVENUE FROM OPERATIONS (NET)

(Rs.)

Particulars	Year ended 31 st March 2017	Year ended 31 st March 2016
i) Sales of Finished Goods	5,69,69,19,795	5,63,84,72,203
Less : Sales in Transit	1,56,04,037	1,64,82,931
Less : Sales Taxes & VAT	25,83,51,636	25,75,54,973
Total	5,42,29,64,121	5,36,44,34,299
Less : Excise Duty	31,80,41,876	32,53,67,259
Total	5,10,49,22,245	5,03,90,67,040
ii) Other Operating Revenue		
Duty Drawback	32,75,051	1,24,21,750
Total	32,75,051	1,24,21,750
Total	5,10,81,97,296	5,05,14,88,790

19 OTHER INCOME

(Rs.)

Particulars	Year ended 31 st March 2017	Year ended 31 st March 2016
Gain on Insurance Claim	-	3,82,174
Lease Rent	24,000	24,000
Dividend - Holding Company*	-	3,22,80,000
Profit on Sale of Property ,Plant & Equipment (Net)	1,37,347	41,08,468
Interest Income - Holding	-	7,82,295
Interest Income - Subsidiary	7,26,77,173	6,40,06,860
Interest Income - Others	-	12,90,434
Miscellaneous Income - Subsidiary	34,14,280	36,15,464
Miscellaneous Income - Others	-	10,000
VAT Refund of Previous Year	9,21,293	-
Foreign Exchange Gain/(Loss) (Net)	0	2,16,91,358
Sundry Balances Written back	1,39,294	20,14,014
Total	7,73,13,387	13,02,05,067

*The Company has in earlier years subscribed to the 9% 15 years non-cumulative compulsorily redeemable preference shares of Rs.10/- each of Setco Engineering Pvt Ltd, the Holding Company. In view of the statutory constraints caused due to non-availability of adequate distributable profit, the holding company could not declare any dividend on the said preference shares in current year (P.Y. Rs. 3,22,80,000).

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2017

20 COST OF MATERIALS AND COMPONENTS CONSUMED

(Rs.)

Particulars	Year ended 31 st March 2017	Year ended 31 st March 2016
Opening Stock	39,87,59,071	31,98,77,329
Add : Purchases (Net)	2,99,17,86,975	2,98,83,59,086
Less : Closing Stock	41,06,80,886	39,87,59,071
Less : Sales of Manufacturing Scrap	5,40,41,823	5,63,04,487
Total	2,92,58,23,337	2,85,31,72,857

21 CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK IN-PROGRESS

(Rs.)

Particulars	Year ended 31 st March 2017	Year ended 31 st March 2016
Opening Stock :		
Finished Goods	14,29,25,539	16,83,25,062
Stock- in -Progress	15,11,39,703	13,71,39,735
Goods-in-Transit	1,28,62,783	3,09,61,793
Scrap	16,23,506	14,66,446
	30,85,51,531	33,78,93,036
Closing Stock :		
Finished Goods	11,47,15,457	14,29,25,539
Stock- in -Progress	18,17,47,744	15,11,39,703
Goods-in-Transit	1,21,35,428	1,28,62,783
Scrap	21,30,764	16,23,506
	31,07,29,393	30,85,51,531
(Increase)/Decrease in Inventories Total	(21,77,862)	2,93,41,505

22 EMPLOYEE BENEFITS

(Rs.)

Particulars	Year ended 31 st March 2017	Year ended 31 st March 2016
Salaries, Wages and Bonus*	41,78,96,760	40,71,06,940
Contribution to Employees welfare funds*	2,30,59,603	2,31,09,593
Staff Welfare expenses	1,99,07,831	1,91,17,001
Total	460,864,194	44,93,33,534

* Including managerial remuneration of Rs. 2,81,50,000/- (Previous year Rs. 3,95,08,459/-) net of Rs. 92,50,000/- (Previous year Rs. 92,50,000/-) charged to Related Entity.

23 FINANCE COST

(Rs.)

Particulars	Year ended 31 st March 2017	Year ended 31 st March 2016
Interest Expense	31,06,75,566	29,27,26,531
Other Financial Charges	1,28,69,760	1,48,28,501
Total	32,35,45,326	30,75,55,032

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2017

24 OTHER EXPENSES

(Rs.)

Particulars	Year ended 31 st March 2017	Year ended 31 st March 2016
Stores and Tools Consumed	8,51,02,083	8,33,84,089
Carriage Inward	6,44,87,778	6,92,73,777
Power and Fuel	6,35,34,401	5,98,51,164
Job work Charges	5,87,35,946	8,20,27,502
Repairs and Maintenance to Machineries	45,91,649	1,09,06,647
Repairs to Building	16,88,462	22,56,221
Other Repairs	1,05,46,213	51,59,342
Computer Expenses	2,36,99,058	1,96,26,836
Factory Expenses	40,01,057	56,92,281
Rent	91,87,702	1,14,03,542
Rates and Taxes	27,64,848	56,37,435
Insurance	87,64,760	75,29,907
Conveyance	1,92,50,053	1,79,99,803
Travelling Expenses	4,47,47,961	4,34,95,854
Legal & Professional Charges	5,56,37,525	5,53,19,901
Statutory Auditors' Remuneration	35,00,000	30,00,000
Printing and Stationary	45,16,876	37,95,882
Communication Expenses	55,17,468	60,02,704
Books, Subscription and Membership	11,73,365	7,09,684
Directors' Sitting Fees	26,40,000	31,45,000
Commission to Non Executive Directors	29,18,763	44,85,846
Office Expenses	29,66,966	25,24,691
Corporate Social Responsibility Expenses	76,22,238	70,59,840
Donation	29,18,601	4,61,900
General Expenses	2,20,83,478	1,92,82,021
Sundry Balance Written off	2,71,409	30,35,828
Foreign Exchange Fluctuation	4,05,48,864	-
Marketing and Sales Promotion	8,51,83,795	7,90,11,903
Advertisement Expenses	14,84,688	3,66,267
Discount, Commission and other Expenses on Sales	24,10,02,568	20,17,62,871
Packing and Forwarding Expenses	17,65,88,218	16,96,94,123
Loss on Insurance Claim	-	38,49,498
Excise Duty on Finished Goods Stock *	9,26,162	(15,77,537)
Total	1,05,86,02,955	98,61,74,822

* Indicates difference between Excise Duty on Opening Stock and Closing Stock of Finished Goods.

25 MAT Credit

During the year, company has recognized MAT Credit of Rs. 67,73,192/- for current financial year (Previous year Rs. 1,47,36,195/-) and same is shown as adjustment from the current tax amount in the statement of profit and loss. The company has also recognised reversal of Net MAT credit of Rs. 13,04,335/- (Rs. 76,790/-) in respect of previous periods.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2017

26 EARNING PER SHARE

(Rs.)

Particulars	2016-17	2015-16
Profit available to Equity Shareholders after Tax	19,20,02,631	33,41,93,581
Weighted Average Number of Equity Shares of Rs. 2/- each		
Basic	13,35,96,675	13,35,96,675
Diluted	13,36,77,497	13,35,96,675
Earnings Per Share in Rs. :		
Basic	1.44	2.50
Diluted	1.44	2.50

Pursuant to the approval of members in the Annual General Meeting held on 28th September, 2015, the equity shares of face value of Rs. 10/- each have been subdivided into equity shares of face value of Rs. 2/- each with effect from 17th December, 2015. As a result, the number of equity shares has increased from 2,67,19,335 to 13,35,96,675 shares. The earning per share for all the periods presented has been restated accordingly in terms of Accounting Standard - 20 "Earning Per Share" specified u/s 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014. Earning per share is calculated after considering weighted average number of shares that would be issued on the conversion of dilutive potential equity shares.

27 SALES-IN-TRANSIT

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 approval of financial statements amounts to Rs. 1,56,04,037/- (Rs. 1,64,82,931/-). With a view to reflect true and correct position of revenue, the said amount is reduced from total sales of the year and the stock value there of Rs. 1,21,35,428/- (Rs. 1,28,62,783/-) is shown under the head "Finished Goods" in Note 14 under the head "Inventories".

28 RELATED PARTY DISCLOSURES AS PER ACCOUNTING STANDARD - 18 "RELATED PARTY TRANSACTIONS"

A. Names of Related Parties and Nature of Relationship :

Sr. No.	Name of the Related Party	Relationship
1	Setco Engineering Private Limited	Holding Company
2	Setco Automotive (UK) Limited UK	Wholly Owned Ultimate Foreign Subsidiary Companies
3	Setco Automotive N.A. Inc. (USA)	
4	WEW Holdings Limited, Mauritius	
5	Setco MEA DMCC	
6	Lava Cast Private Limited	Subsidiary Company
		Key Managerial Personnel *
7	Shri Harish Sheth	Chairman & Managing Director
8	Shri Udit Sheth	Joint Managing Director
9	Shri Shvetal Vakil	Executive Director
10	Smt. Urja Shah	Executive Director
11	Shri Vinay Shahane	Chief Financial Officer
12	Shri Bhautesh Shah	Company Secretary
13	Western Engineering Works	Enterprises over which Key Managerial Personnel are able to exercise significant influence
14	SE Transstadia Private Limited	
15	White River Entertainment Pvt. Ltd.	
16	Transstadia Technologies Private Limited	
17	Transstadia Play sport Private Limited	
18	Transstadia Sport Sciences Private Limited	
19	Transstadia Capital Private Limited	
20	Transstadia Boxing India Private Limited	
21	Transstadia Holdings Private Limited	
22	Setco Holdings Private Limited	
23	Transstadia hospitality Private Limited	

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2017

24	Urdit Exports	
25	Setco Foundation	
26	Shri Harshal Shah	Relatives of Key Managerial Personnel
27	Hrehan Venture Advisors Pvt. Ltd.	

The Company has designated Managing Director, Chief Financial Officer & Company Secretary as Key Managerial Personnel for the purposes of Section 203 of Companies Act, 2013.

B. Transactions with Related Parties :

(Rs.)

Sr. No.	Nature of Transaction	2016-17	2015-16
A)	Transactions with Holding Company :		
	Redemption of Investment	8,00,00,000	-
	Investment	-	2,30,00,000
	Interest Income	-	7,82,295
	Dividend Income	-	3,22,80,000
	Dividend Paid	5,41,71,076	2,03,14,153
	Outstanding at Year End :		
	Investment	34,65,00,000	42,65,00,000
	Amount Receivable	-	7,82,295
B)	Transactions with Wholly Owned Ultimate Foreign Subsidiaries :		
	Export		
	- Setco Automotive (UK) Limited	7,87,26,797	12,43,99,209
	- Setco Automotive (NA), Inc.	2,38,83,870	3,04,90,859
	Import		
	- Setco Automotive (UK) Limited	2,58,496	1,06,083
	- Setco Automotive (NA), Inc.	-	17,33,918
	Expenditure including Capital items (Net)		
	- Setco Automotive (UK) Limited	4,35,29,113	4,84,18,880
	- Setco Automotive (NA), Inc.	1,03,27,782	35,67,420
	- WEW Holding Limited	8,74,355	10,41,070
	Interest Income		
	- Setco Automotive (UK) Limited	6,64,40,291	5,65,47,289
	- Setco Automotive (NA), Inc.	62,36,882	42,22,473
	Others Income		
	- Setco Automotive (UK) Limited	8,36,680	9,81,864
	- Setco Automotive (NA), Inc.	25,77,600	26,33,600
	Investment		
	- Setco Automotive (UK) Limited	10,43,43,845	-
	Outstanding at Year End :		
	Investment		
	- Setco Automotive (UK) Limited	16,91,83,845	6,48,40,000
	- WEW Holding Limited	5,07,59,533	5,07,59,533
	Loans & Advances		
	- Setco Automotive (UK) Limited	37,03,81,967	39,59,19,542
	- Setco Automotive (NA), INC.	4,72,37,097	3,75,15,252
	Amount Receivable		
	- Setco Automotive (UK) Limited	14,45,67,105	21,21,07,541
	- Setco Automotive (NA), INC.	3,53,90,313	2,57,58,619
	Amount Payable		
	- Setco Automotive (UK) Limited	1,63,08,610	2,92,18,072
	- Setco Automotive (NA), INC.	48,34,924	17,36,676

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2017

C)	Transactions with Indian Subsidiary : Lava Cast Private Limited	2016-17	2015-16
	Investment	11,50,00,000	16,45,00,000
	Sale - Scrap	3,49,32,725	2,81,13,447
	Sale - Assets	31,36,591	2,25,48,823
	Purchase (Gross)	60,93,36,007	22,32,89,356
	Interest Income	-	32,37,098
	Jobwork Charges	3,65,933	19,67,897
	Expenditure Recovered	4,91,489	99,88,817
	Gratuity Transferred (net)	-	2,24,380
	Leave Salary transferred	-	2,79,020
	Outstanding at Year End :		
	Investment	53,15,50,000	41,65,50,000
	Amount Receivable	1,40,09,776	51,92,816
	Amount Payable	17,18,82,626	15,28,32,720
D)	Transactions with Enterprises over which Key Managerial Personnel are able to exercise significant influence :		
	Investments		
	- SE Transstadia Private Limited	-	10,50,00,000
	Expenditure Recovered		
	- SE Transstadia Private Limited	2,51,33,435	2,71,81,431
	Marketing Commission Paid		
	- Western Engineering Works	8,58,58,042	8,63,79,240
	Dividend Paid		
	- Transstadia Capital Private Limited	13,20,000	4,95,000
	- Setco Foundation (CSR Activity)	75,44,000	35,50,000
	Outstanding at Year End :		
	Investment		
	- SE Transstadia Private Limited	15,35,00,000	15,35,00,000
	Amount Receivable		
	- SE Transstadia Private Limited	66,81,068	1,94,56,187
	- Western Engineering Works	9,33,22,616*	7,60,50,864*
E)	Transactions with Key Managerial Personnel and their relatives :		
	Managerial Remuneration (Directors) (Including PF & Excluding Commission to Non-Executive Directors)		
	- Shri Harish Sheth**	1,38,00,000	2,12,58,459
	- Shri Shvetal Vakil	1,07,20,000	1,31,20,000
	- Shri Udit Sheth	95,20,000	1,10,20,000
	- Smt. Urja Shah	33,60,000	33,60,000
	Dividend Paid		
	- Shri Harish Sheth	57,29,260	8,87,597
	- Shri Udit Sheth	39,33,600	14,75,100
	- Smt. Urja Shah	580	12,79,418
	- Smt. Sneha Sheth	27,06,000	7,65,000
	- Other	2,22,000	83,250
	Remuneration of other Key Managerial Personnel	62,95,079	50,58,551

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2017

Others :		
Relative of Key Managerial Personnel		
- Hrehan Venture Advisors Pvt. Ltd.	82,14,000	78,04,600
Outstanding at Year End :		
Amount Payable		
- Shri Harish Sheth	-	44,58,459
- Shri Shvetal Vakil	-	24,00,000
- Shri Udit Sheth	-	15,00,000

* The Commission paid/payable to the Firm (in which Three Directors of the Company are interested) is approved as per the provisions of Section 188 of the Companies Act, 2013. The Commission payable in respect of Sales for the F.Y. 2015-16 has been accounted during the year under review. Advance of Rs. 9,33,22,616/- (Rs. 7,60,50,864/-) paid to the said firm during the year against the commission is to be adjusted against Commission to be determined on approval of accounts for the year ended 31st March, 2017 as per consistent policy followed by the Company from year to year.

** The members of the company in Annual General Meeting held on 9th September, 2014 passed a Special Resolution for appointment of Mr. Harish Sheth as Chairman & Managing Director for a period of three years w.e.f 01.01.2015. The minimum remuneration approved by the members in the said meeting is Rs. 1,20,00,000 (Rupees One Crore Twenty Lacs) per annum. In pursuance of said special resolution passed by the members and in view of inadequacy of profits in F.Y. 2016-17, the Chairman & Managing Director has been paid remuneration within the limits laid down under Part-II of Schedule V of the Companies Act, 2013.

29 CLAUSE 34 OF SEBI (LODR) REGULATIONS 2015

(Rs.)

Loans and Advances in the nature of loans given to Subsidiaries in terms of schedule V of SEBI (LODR) Regulations 2015.

Sr. No.	Name of the Company	As at 31.03.2017	As at 31.03.2016	Maximum Balance during 2016-2017	Maximum Balance during 2015-2016
	Wholly Owned Ultimate Foreign Subsidiary				
1	Setco Automotive (UK) Limited, UK	37,03,81,967	39,59,19,542	43,44,58,840	39,59,19,542
2	Setco Automotive (NA) Inc., USA	4,72,37,097	3,75,15,252	4,72,37,097	3,75,15,252

29A DISCLOSURE U/S 186(4) OF THE COMPANIES ACT, 2013

Details of Investments made, loans and corporate guarantee given in respect of subsidiaries are presented at Note no. 12, 13, 17, 28, 29 and 32. Loans & corporate guarantees given are for Business purpose of Subsidiaries.

30 SEGMENT INFORMATION

The Company is operating only in one business segment viz. Auto Components

31 PAYMENT to AUDITORS

(Rs.)

Particulars	2016-17	2015-16
a) As Auditors		
Statutory Audit Fees	35,00,000	30,00,000
Tax Audit & Other Fees	7,50,000	5,00,000
Total	42,50,000	35,00,000

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2017

32 CONTINGENT LIABILITIES & COMMITMENTS

A) Contingent Liabilities :

- i) Guarantees given by the bank on behalf of the Company Rs. 1,14,91,814/- (Rs. 1,12,32,290/-).
- ii) Guarantee given for £ 1.40 million (£ 1.40 million) to ICICI Bank Limited, U.K. for Wholly Owned Ultimate Foreign Subsidiary's credit facilities Rs. 11,40,30,000/- (Rs. 13,37,98,000/-).
- iii) Guarantee given for \$ 4.00 million (\$ 4.00 million) to Bank of Baroda, New York, USA for Wholly Owned Ultimate Foreign Subsidiary's credit facilities Rs. 26,07,60,000/- (Rs. 26,64,00,000/-).
- iv) Guarantee given for Rs. 1,83,26,00,000/- (Rs. 1,83,26,00,000/-) to Bank of Baroda, Mumbai, India, for subsidiary's credit facilities.
- v) Warranty Claims raised by Customer but not acknowledged as debt Rs. Nil (Rs. 1,18,98,637/-).

B. Note on Pending Litigation :

- i) The Pollution Control Department had filed a Civil / Criminal case against the Company and all the Directors in 1993. The Civil matter was disposed in favour of the Company.
In criminal matter against the Company and the Directors, Hon. High Court had quashed the case against all the Nominee Directors. The case will now proceed against the Company and the Managing Director in Local Court.
- ii) The Company had filed a case against a competitor for cancellation of registration of design granted by Controller of Patents and Designs in Kolkata High Court. In view of the settlement of differences under a consent terms, the said case became infructuous, and the process of withdrawal of the case is under process.
- iii) The company has preferred an appeal with Deputy commissioner of sales tax Gujarat, Vadodara against the order of Commercial tax Officer imposing penalty of Rs. 10,88,178/- which is paid and disclosed under the head short term loans and advances. The company is confident of receiving adjudication in its favour.
- iv) The Company has preferred an appeal against an order issued by DCIT, Godhra imposing penalty of Rs. 12,01,090/- for A.Y. 2004-05 with CIT(A) -4 Vadodara. The company is confident of receiving adjudication in its favour.
- v) The company had preferred an appeal with CIT (A) for assessment years 2002-03 to 2007-08 wherein company has received adjudication in their favour. However, the department has preferred appeals for the above assessment years at ITAT (Tribunal). Out of which appeals of revenue for A.Y. 2002-03, 2005-06, 2006-07 and 2007-08 are dismissed and adjudication is received in company's favour.
- vi) The company has preferred an appeal with CIT (Appeals)-Vadodara for A.Y. -2013-14 & 2014-15 for disallowance of depreciation on product development amounting to Rs. 86,83,078 & Rs. 1,58,22,183 for A.Y.-2013-14 & 2014-15 respectively. No demand is raised as company pays tax u/s. 115JB (MAT), but MAT Credit is reduced.
The Company's Management reasonably expects that these cases when ultimately concluded / adjudicated will not have any material or adverse effect on the Company's results or the Operations or financial condition.

C. Commitments :

- i) Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 3,00,33,205/- (Rs. 2,10,30,068/-).

33 TRADE PAYABLES & RECEIVABLES

- i) Trade payables' balances are under reconciliation process. Necessary adjustments, if any, will be accounted when the same is reconciled. In respect of Trade receivables and other debit/credit balances, balance confirmations have not been obtained and therefore, are subject to reconciliation and adjustment if any.
- ii) In the opinion of the management, current and non-current assets are recoverable in the normal course of business.

34 RAW MATERIALS & COMPONENTS CONSUMED

(Rs.)

Sr. No.	Particulars	2016-17 Value	2015-16 Value
1	Steel Strips	46,40,17,106	48,09,46,837
2	Springs	38,01,97,270	37,82,14,591
3	Ceramic Buttons	57,10,32,039	61,04,51,229
4	Castings	78,25,23,767	91,73,63,420
5	Other Components	78,20,94,978	52,25,01,266
	Total	2,97,98,65,160	2,90,94,77,344
	Less : Sales of Manufacturing Scrap	5,40,41,823	5,63,04,487
	Total	2,92,58,23,337	2,85,31,72,857

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2017

35 STOCK OF WORK-IN-PROGRESS

(Rs.)

Particulars	2016-17 Value	2015-16 Value
Components for Clutch Driven Plate	9,44,02,665	8,02,31,148
Components for Clutch Cover Assly	6,45,32,893	4,99,25,639
Components for Release Bearing Assly	1,08,09,882	94,12,777
Other Components	1,20,02,304	1,15,70,139
Total	18,17,47,744	15,11,39,703

36 STOCK AND TURNOVER

(Rs.)

Particulars	Opening Stock	Closing Stock	Sales
Clutch Driven Plate	6,68,59,978 (7,38,99,765)	5,39,00,440 (6,68,59,978)	2,68,45,71,615 (2,74,18,77,730)
Clutch Cover Assy.	5,07,24,608 (6,16,67,833)	2,87,32,291 (5,07,24,608)	2,54,20,32,381 (2,38,68,12,823)
Others Components	2,53,40,953 (3,27,57,464)	3,20,82,726 (2,53,40,953)	47,03,15,799 (50,97,81,650)
Total*	14,29,25,539 (16,83,25,062)	11,47,15,457 (14,29,25,539)	5,69,69,19,795 (5,63,84,72,203)

*Excluding Sales in Transit Effect.

37 CIF VALUE OF IMPORTS

(Rs.)

Particulars	2016-17	2015-16
Raw Materials, Components & Spares Parts	56,24,98,010	67,86,35,999
Capital Goods	-	2,53,51,962
Total	56,24,98,010	70,39,87,961

38(i) EXPENDITURE IN FOREIGN CURRENCY:

(Rs.)

Particulars	2016-17	2015-16
Technical Fees (Intangible Assets Under Development)	5,21,21,142	4,75,47,415
Market Research / Marketing Expenses	2,64,93,820	2,40,51,444
Travelling Expenses	34,00,521	43,42,428
Commission paid	-	2,26,181
Other Expenses	44,69,335	58,98,965
Total	8,64,84,818	8,20,66,433

(ii) REMITTANCE OF DIVIDEND IN FOREIGN CURRENCY :

(Rs.)

Particulars	2016-17	2015-16
Number of Persons	2	2
Number of Shares	29,990	29,990
Amount in Rupees		
Dividend	23,992	8,997

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2017

39 VALUE OF IMPORTED AND INDIGENEOUS RAW MATERIALS, COMPONENTS AND STORES AND SPARES CONSUMED AND PRECENTAGE OF EACH TO TOTAL CONSUMPTION

The Consumption of Raw Materials & Components includes consumption of Imported Components Rs. 67,26,55,771/- (Rs. 76,07,44,895/-) which is 22.99% (26.64%) in total consumption.

40 EARNINGS IN FOREIGN CURRENCY

(Rs.)

Particulars	2016-17	2015-16
Exports of Goods at FOB value	18,59,72,958	23,84,30,537
Interest from wholly owned ultimate foreign subsidiaries	7,26,77,173	6,07,69,762
Other income from wholly owned ultimate foreign subsidiaries	34,14,280	36,15,464
Total	26,20,64,411	30,28,15,763

41 EMPLOYEE BENEFITS

(Rs.)

Disclosure pursuant to AS – 15 (Revised) 'Employee Benefits'

(i) Defined Contribution Plans

An amount of Rs 2,30,59,603/- (Rs. 2,31,09,593/-) (Provident Fund & ESIC) is recognized as an expense and included in Note 22 under the head "Employee Benefits".

(ii) Defined Benefit Plans

Contribution to Gratuity Fund

CHANGES IN BENEFIT OBLIGATION

(Rs.)

	2016-17	2015-16
Opening defined benefits obligation	3,87,27,960	3,47,91,172
Transfer in/(out) obligation	-	(9,11,930)
Interest Cost	28,44,605	25,66,462
Current Service Cost	46,40,250	44,91,015
Benefit Paid	(23,30,486)	(25,60,104)
Actuarial (Gain)/Loss on obligation	22,41,527	3,51,345
Closing defined benefit obligation	4,61,23,856	3,87,27,960

FAIR VALUE OF PLAN ASSETS

(Rs.)

	2016-17	2015-16
Opening fair value of plan assets	3,42,52,371	2,86,77,112
Transfer in / (Out) of plan assets	-	(11,36,310)
Expected Return on Plan assets	26,66,891	23,63,614
Contributions made by the employer during the year	40,00,000	69,39,001
Benefit Paid	(23,30,486)	(25,60,104)
Actuarial Gain/(Loss) on Plan assets	(4,10,601)	3,72,796
Expenses deducted from fund	-	(4,03,738)
Closing fair value of plan assets	3,81,78,175	3,42,52,371

Note : The Plan assets comprise insurer managed funds for which details of portfolio are not available.

AMOUNT RECOGNISED IN THE BALANCE SHEET

(Rs.)

	2016-17	2015-16
Defined Benefit Plan - Gratuity (Funded)		
Present value of funded obligation	(3,81,78,175)	(3,42,52,371)
Present value of non-funded obligation	(79,45,681)	(44,75,589)
Total Obligation	(4,61,23,856)	(3,87,27,960)
Fair Value of Plan Assets at the end of the year	3,81,78,175	3,42,52,371
Net Asset / (Liability) included under the head Long Term Provisions (Note 6) & Short Term Provisions (Note 10)	(79,45,681)	(44,75,589)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2017

EXPENSES RECOGNISED IN THE PROFIT & LOSS STATEMENT

(Rs.)

	2016-17	2015-16
Current Service Cost	46,40,250	44,91,015
Interest Cost on Benefit obligation	28,44,605	25,66,462
Expected Return on Plan Assets	(26,66,891)	(23,63,614)
Net actuarial (Gain) or Loss recognized during the year	26,52,128	(21,451)
Expenses deducted from fund	-	4,03,738
Amount Included in Note 22 – “Employee Benefits”	74,70,092	50,76,150

BALANCE SHEET RECONCILIATION

(Rs.)

	2016-17	2015-16
Opening Net Liability	44,75,589	61,14,060
Transfer in/(Out) obligation	-	(9,11,930)
Transfer in/(Out) plan assets	-	11,36,310
Expense as above	74,70,092	50,76,150
Contributions made during the year	(40,00,000)	(69,39,001)
Liability recognized in Balance Sheet	79,45,681	44,75,589

The charge for the current year on statement of Profit & Loss on account of compensated absences is Rs. NIL (Rs. 37,82,123/-). The said liability is provided based on actuarial valuation. The said liability is not funded. The charge of Rs. 34,20,495/- has reversed during the current financial year mainly on account of benefits paid.

THE PRINCIPAL ACTUARIAL ASSUMPTION USED IN DETERMINING GRATUITY AND LONG TERM COMPENSATED ABSENCES :

	2016-17	2015-16
Mortality Table	2006-08 (Ultimate) - Indian Assured Lives Mortality	2006-08 (Ultimate) - Indian Assured Lives Mortality
Discount rate	7.40%	7.80%
Estimated future salary growth	6.00%	6.00%
Expected rate of return on plan assets (Applicable to Gratuity only)	7.40%	7.80%
Attrition Rate	5% at younger ages reducing to 1% at older ages	5% at younger ages reducing to 1% at older ages
Valuation Method	Projected Unit Credit Method	Projected Unit Credit Method

Note : Note : The estimates of future salary increase considered in actuarial valuation, takes account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Amounts of the Current and Previous four periods in respect of Gratuity are as follows :

Particulars	As on 31st March'2017	As on 31st March'2016	As on 31st March'2015	As on 31st March'2014	As on 31st March'2013
Defined benefit obligation	4,61,23,856	3,87,27,960	3,47,91,172	2,80,93,982	2,51,34,368
Plan Assets	3,81,78,175	3,42,52,371	2,86,77,112	2,40,79,347	1,98,01,075
Surplus/(Deficit)	(79,45,681)	(44,75,589)	(61,14,060)	(40,14,634)	(53,33,293)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2017

Table of Experience Adjustments *

(Rs.)

	2016-17	2015-16	2014-15
Defined Benefit Obligation	4,61,23,856	3,87,27,960	3,47,91,172
Plan Assets	3,81,78,175	3,42,52,371	2,86,77,112
Surplus / (Deficit)	(79,45,681)	(44,75,589)	(61,14,060)
Experience Adjustments on Plan Liabilities	6,89,026	(1,41,988)	1,82,022
Actuarial Loss / (Gain) due to change in assumptions	15,52,501	4,93,333	12,92,950
Experience Adjustments on Plan Assets	4,10,601	(3,72,796)	(5,857)
Net Actuarial Loss / (Gain) for the year	26,52,128	(21,451)	14,69,115

* In the absence of availability of relevant information of prior years (other than reported as above), experience adjustments on plan assets and liabilities thereof have not been furnished.

42 Employee Stock Option Plan - ESOP 2010.

- Pursuant to approval of shareholders at their meeting held on May 30, 2016, the Company has established an 'Employee Stock Option Scheme 2015' ('ESOP 2015' or 'the Scheme') to be administered by the Nomination & Remuneration Committee of the Board of Directors.
- Under the Scheme, options not exceeding 610,000 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 before and not more than four years after the date of grant of the options. The options granted to the employees would be capable of being exercised within a period of one year from the date of vesting.
- The exercise price of the option is Rs. 16/- per Option which is at discount of Rs. 15.95 from the closing market price of the shares on the Stock Exchange as on the date prior to the date of the Nomination & Remuneration Committee resolution approving the grant.
- Pursuant to the above mentioned scheme, the Company has, during the year, granted 6,10,000 options vesting over a period of three years commencing from the date of grant.
- The following are the number of options outstanding during the year:

Stock Options	Year ended March 31, 2017	Year ended March 31, 2016
At the beginning of the year	-	-
Granted	6,10,000	-
Exercised	-	-
Cancelled	72,000	-
At the end of the year	5,38,000	-

- The above outstanding options comprise of only one class granted to eligible employees in category of senior management.

- The company follows the Intrinsic Value Method of accounting for the options.

Balance Sheet Presentation	Year ended March 31, 2017	Year ended March 31, 2016
Total Stock Options Cost	85,81,100	Nil
Less: Deferred employee compensation	48,86,461	Nil
Stock Options Outstanding as at 31.03.2017	36,94,639	Nil

- In accordance with the requirements of SEBI (Share Based Employee Benefits) Regulations, 2014, 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:

	Year ended March 31, 2017
Profits after Taxation	
As reported	19,20,02,631
Add : Intrinsic Value Compensation Cost	36,94,639
Less : Fair Value Compensation Cost	35,41,790
Proforma	19,21,55,480
Earnings Per Share	

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2017

Basic	
No. of Shares	13,35,96,675
EPS as reported (Rs.)	1.44
Performa EPS (Rs.)	1.44
Diluted	
No. of Shares	13,36,77,497
EPS as reported (Rs.)	1.44
Performa EPS (Rs.)	1.44
The following assumptions were used for calculation of fair value of grants:	
Dividend Yield	Class-I 2.04%
Expected Volatility	16.38%
Risk free interest rate	6.00%
Expected term	3 years

43 Investment Strategies :

- i) Over a period, considering the Company's growth prospects and overall economic scenario from time to time, necessitating building strength to withstand the challenges, the Company initiated/followed strategies to integrate, expand the base and diversify. In the process, the Company not only invested in Capex, but also ventured into inorganic developments by investments made into subsidiaries/joint ventures and related entities. These investments may not directly give returns in short term on year to year basis but will contribute to the Company, long term enduring benefits which will be reflected in growth in top and bottom line of the company.
 - 1) Rs. 5,07,59,533/- (Rs. 5,07,59,533/-) Invested in equity and preference share of WEW Holdings Limited (Mauritius) a Wholly Owned Foreign subsidiary to oversee global investments.
 - 2) Rs. 16,91,83,845/- (Rs. 6,48,40,000/-) Invested in Equity shares of Setco Automotive (UK) Limited Wholly Owned Ultimate Foreign Subsidiary a Technical know How and development Hub of the group for domestic and international markets.
 - 3) Rs. 53,15,50,000/- (Rs. 41,65,50,000/-) Invested in Equity shares of Lava Cast Private Limited a Subsidiary established as a backward integration project to augment the supply of critical casting components. The Company has entered in to joint venture agreement with Lingotes Especiales S.A. Spain.
 - 4) Rs. 15,35,00,000/- (Rs. 15,35,00,000/-) Invested in Equity shares of SE Transstadia Private Limited, a Unique and State of the Art Sports Infrastructure Project with the latest modern Technology, a first of its kind project in India.
 - 5) Rs. 34,65,00,000/- (Rs. 42,65,00,000/-) Invested in preference shares of Setco Engineering Private Limited-Holding Company, predominantly an Investment Company.
 - 6) The company has formed a 100% subsidiary in UAE in the name of Setco MEA DMCC. The said subsidiary's equity capitalisation has not been done as at 31.03.2017 and it is yet to commence its operations.
- ii) The Company has invested Rs. 21,99,43,378/- (Rs. 11,55,99,533/-) in Equity & Preference shares of wholly owned ultimate foreign subsidiaries Including conversion of loans/debtors of Rs. 10,43,43,845 into equity shares of GBP 1 per share at par in case of Setco Automotive (UK) Ltd and also has outstanding receivables in form of loans & advances and debts (net) aggregating Rs. 57,64,32,948/- (Rs. 64,03,46,206/-) from them as at 31.03.2017. In Setco Automotive (UK) Ltd, the valuation of equity shares is supported by valuation report of Independent Chartered Accountant. Apart from company's direct investments into these wholly owned ultimate foreign subsidiaries referred to above, the company's ultimate wholly owned subsidiary, M/s Setco Automotive (UK) Ltd has an exclusive investment of Rs. 13,42,89,554/- into equity shares of its step down wholly owned subsidiary, M/s. Setco Automotive (N.A.) Inc. These wholly owned ultimate foreign subsidiaries incurred consolidated accumulated losses of Rs. 24,19,85,788/- as at 31.03.2017 resulting into erosion of fair portion of their consolidated net worth. The management is of the opinion that this is a temporary phase considering business plans, future projected profitable operations, asset base, the investment being strategic in nature, going concern basis and solvency of subsidiaries supported by the Parent company (i.e. Setco Automotive Ltd), no provision is required to be made for diminution in value of these investments made in, loans & advances & debts due from the said subsidiaries and they are considered good.
- III The company has in earlier years invested Rs. 15,35,00,000 in 30,70,000 equity shares of SE Transtadia Pvt Ltd., a sports and entertainment Infrastructure company. The said company has completed the project and has commenced commercial operations in March 2017. The company has accumulated loss of Rs. 12,36,18,141 as per latest audited financial statements as at 31.03.2016. In the opinion of the management, this investment is strategic in nature which has long term perspective and has comparatively long gestation period. This situation being a temporary phase and considering the future business plans, assets base and other developments, despite accumulated losses, the management firmly believes that there is no erosion in value of its investment in said related entity.
- IV The company has invested in 3,46,50,000 9% Non-Cumulative compulsorily redeemable preference shares of Rs. 10/- each upto 31.03.2017 in setco Engineering Pvt Ltd its holding company. In view of insufficiency of distributable profits, the said holding company did not declare any dividend on said shares in current year. During the F.Y. 2016-17, 80,00,000 preference shares of Rs. 10/- each have been liquidated/redeemed at par and it is strategically decided to liquidate/redeem the balance preference shares within three years.
- V The company has invested Rs. 53,15,50,000 in 5,31,55,000 equity shares of Rs. 10/- each in its partly owned subsidiary Lava cast Pvt Ltd. The company's first year of commercial production ended on 31st March, 2017 resulting in accumulated loss of Rs. 22,85,05,024/-. The management is of the opinion that this being a temporary phase and this financial year, being the first full year of operation and considering the future business plans, assets base etc., no provision is required to be made for diminution in the value of this investment made in the said subsidiary.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2017

44 Corporate Social Responsibility Expenditure :

- a) Gross amount required to be spent by the Company during the year : Rs. 57,78,949/- (Rs. 50,19,308/-)
b) Amount spent during the year on :

	In Cash	Yet to be paid in Cash	Total
(i) Construction/ acquisition of any Assets	-	-	-
(ii) On purposes other than (i) above *	96,22,238	-	96,22,238

*Includes Contribution to a trust controlled by the Company (Setco Foundation) in relation to CSR Expenditure : Rs. 75,44,000/- (Rs. 35,50,000/-).

45 Research & Development

The company has a set up of recognized Research & Development Centre (R & D Centre) at its Kalol plant. During the current financial year, the R & D Centre has conducted activities mainly related to the product development, particularly development of new products for domestic & international markets. The qualifying product development expenses of the said R & D Centre which satisfy recognition criteria for intangible asset as set out in Accounting Standard-26 "Intangible Asset" are capitalized by the company as Intangible Asset and is included under the head "Intangible Asset under development in Note no. 11 - Fixed Assets" and the same shall be amortised as per amortization policy consistently followed by the company. Based on the Accounting Expert's opinion obtained by the company in preceding previous year, the accounting treatment referred to above is within the purview of Accounting Standard-26 "Intangible Assets".

The details of expenditure incurred during financial year 2015-2016 are as under :

Particulars	2016-17			2015-16
	Approved (DSIR) R&D Expenditure	Other R & D Expenditure	Total	Amount
Capital Expenditure	10,00,000	-	10,00,000	79,57,336
Intangible assets under development Including Depreciation of Rs. 99,72,651/- (Rs. 95,33,095/-)	-	3,45,25,944	3,45,25,944	3,70,26,992
Revenue Expenditure - Research Expenses	13,67,630		13,67,630	25,310
Total R&D Expenditure	23,67,630	3,45,25,944	3,68,93,574	4,50,09,638

46 SPECIFIED BANK NOTES HELD AND TRANSACTED DURING THE PERIOD FROM 08.11.2016 TO 30.12.2016

	SBNs	Other Denomination Notes	Total
Closing Cash in Hand as on 08.11.2016	45,44,500	1,95,845	47,40,345
Add : Permitted Receipts	-	9,69,000	9,69,000
Less : Permitted Payments	-	9,53,076	9,53,076
Less : Amount Deposited in Banks	45,44,500	-	45,44,500
Closing Cash in Hand as on 30.12.2016	-	2,11,769	2,11,769

47 Prior Period Expenses of Rs. 58,22,981/- (Rs. 25,33,713/-) has been recognized under relevant heads in Statement of Profit & Loss.

48 Figures in brackets represent previous year's figures.

49 Previous year's figures have been regrouped/ reclassified wherever necessary to correspond with the current year's classification/ disclosure.

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

Harish Sheth
Chairman & Managing Director

For and on behalf of the Board
Udit Sheth
Joint Managing Director

Shveta Vakil
Executive Director

Chartered Accountants
(Firm Registration No. : 115832W)

Arun Arora
Director

Ashok Kumar Jha
Director

Bhalchandra Naik
Director

Pratap Merchant
Director

Sahasini Sathe
Director

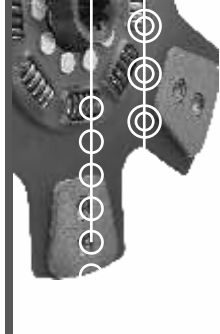
Urja Shah
Executive Director

Manesh P. Mehta
Partner
Membership No. : 036032
Place : Mumbai
Date : May 30, 2017

Vinay Shahane
Vice President - Finance

Bhautesh Shah
Company Secretary

Place : Mumbai
Date : May 30, 2017



INDEPENDENT AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

TO
THE MEMBERS OF
SETCO AUTOMOTIVE LIMITED

- **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of SETCO AUTOMOTIVE LIMITED ("the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries collectively referred to as "the Group"), comprising of the Consolidated Balance Sheet as at March 31, 2017, the Consolidated Statement of Profit and Loss, the Consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as "Consolidated Financial Statements").

- **Management's Responsibility for the Consolidated Financial Statements**

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with accounting principles generally accepted in India, including Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and Companies (Accounting Standards) Amendment Rules, 2016. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding company, as aforesaid.

- **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in sub-paragraph (b) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our qualified audit opinion on the Consolidated Financial Statements.

- **Basis for Qualified Opinion**

In the absence of relevant information in the accounts of wholly owned ultimate foreign subsidiaries of the Holding company, about the stocks lying with the said subsidiaries out of inter-company transactions, the unrealized profits, if

any, is unascertained and not eliminated, which was required to be eliminated as per Accounting Standard-21, "Consolidated Financial Statements" specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and Companies (Accounting Standards) Amendment Rules, 2016. (Refer Note No. 28(ii) - "Notes forming part of Consolidated Financial Statements"). This matter was also qualified in our report on consolidated financial statements for the year ended 31st March, 2016.

- **Qualified Opinion**

Except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph above, in our opinion and to the best of our information and according to the explanations given to us, and based on consideration of the reports of the auditors on the financial statements of the subsidiaries, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at 31st March, 2017, and its consolidated loss and its consolidated cash flows for the year ended on that date.

- **Emphasis of Matters**

- a) Attention is invited to Note No. 12.5 – Notes forming part of Consolidated Financial Statements which refers to the fact the parent company has in earlier years invested Rs. 15,35,00,000/- in 30,70,000 equity shares of SE Transstadia Pvt Ltd., a sports and entertainment Infrastructure company. The said company has completed the project and has commenced commercial operations in March 2017. The said company has accumulated loss of Rs. 12,36,18,141/- as per latest audited financial statements as at 31.03.2016. In the opinion of the management, this investment is strategic in nature which has long term perspective and has comparatively long gestation period. This situation being a temporary phase and considering the future business plans, assets base and other developments, despite accumulated losses, the management firmly believes that there is no erosion in value of its investment in said related entity.
- b) Attention is invited to Note No. 33(i) – Notes forming part of Consolidated Financial Statements which refers to the fact that in respect of Parent Company, Trade Payables' balances are under reconciliation process. Necessary adjustments, if any, will be accounted when the same is reconciled. In respect of Trade Receivables and other debit/credit balances, balance confirmations have not been obtained and therefore, are subject to reconciliation and adjustments, if any. In respect of Indian Subsidiary, Trade Payable, Creditors for capital expenditure and Capital advances are subject to reconciliation and/or confirmation.
- c) Attention is invited to Note No. 37 – Notes forming part of Consolidated Financial Statements which refers to the fact that disclosure in respect of Materials & Component Consumption, Inventories, Deferred Tax Assets, Deferred Tax Liabilities, Trade Receivables and change in Inventories of Finished Goods and Work in Progress are reflected, each at aggregate amounts only on the basis of information available from wholly owned ultimate foreign subsidiaries.
- d) In forming our opinion on the consolidated financial statements, we have relied upon management's presentation & classification of amounts as per requirements of Schedule III of the Act in respect of wholly owned ultimate foreign subsidiaries.

Our opinion is not qualified in respect of these matters.

- **Other Matters**

- a) Financial Statements of Indian subsidiary which reflect total Assets of Rs. 20177.75 lacs as at 31st March, 2017, total revenues of Rs. 4955.67 lacs and net cash inflows amounting to Rs. 30.01 lacs for the year ended on that date, in which the share of loss (net) of the Group is Rs. 1607.91 lacs, have been audited by us.
- b) We did not audit the financial statements of wholly owned ultimate foreign subsidiaries, whose financial statements reflect total assets of Rs. 9414.33 lacs as at 31st March, 2017, total revenues of Rs. 6972.07 lacs and net cash outflows amounting to Rs. 33.30 lacs for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these wholly owned ultimate foreign subsidiaries, is based solely on the reports of the other auditors.

- **Report on Other Legal and Regulatory Requirements**

1. Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, is not applicable in case of consolidated financial statements.

2. As required by Section 143(3) of the Act, we report that:

- (a) We have sought and, except for the possible effect of the matters described in paragraph "Basis for Qualified Opinion" above, obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
- (b) In our opinion, except for the possible effect of the matters described in paragraph "Basis for Qualified Opinion" above, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.
- (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
- (d) In our opinion, except for the possible effect of the matters described in the "Basis for Qualified Opinion" paragraph above, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and Companies (Accounting Standards) Amendment Rules, 2016.
- (e) The matters described in the "Basis for Qualified Opinion" and "Emphasis of matters" paragraphs above, in our opinion, prima facie, do not appear to have any adverse effect on the functioning of the Group.
- (f) On the basis of the written representations received from the directors of the Group Companies incorporated in India as on 31st March, 2017 and taken on record by the Board of Directors of the Holding Company and subsidiary company incorporated in India, none of the directors of the Group's companies incorporated in India is disqualified as on 31st March, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.
- (g) The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the "Basis for Qualified Opinion" paragraph above.
- (h) With respect to the adequacy of the internal financial controls over the financial reporting of the Holding Company and its subsidiary company which is incorporated in India and the operating effectiveness of such controls, refer to our separate Report in Annexure.
- (i) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Group has disclosed the impact of pending litigations as at 31st March, 2017 on its financial position in consolidated financial statements. (Refer Note No. 32 (B) of the Consolidated Financial Statements.)
 - ii. The Group did not have any long-term contracts including derivative contracts as at 31st March, 2017 for which there were any material foreseeable losses;
 - iii. There has been no delay in transferring the amounts, required to be transferred to the Investor Education and Protection Fund by the Group.
 - iv. The Holding Company and subsidiary company incorporated in India has provided requisite disclosures in the consolidated financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016. Based on our audit procedures and relying on the management representation, we report that the disclosures are in accordance with books of account maintained by the Holding Company and subsidiary company incorporated in India and as produced to us by the Management. (Refer Note No. 36 of Consolidated Financial Statements)

For **MANESH MEHTA & ASSOCIATES**
Chartered Accountants
(Firm Registration No. 115832W)

(Manesh P. Mehta)
Partner
Membership No. 036032

Place: Mumbai
Date: May 30, 2017



ANNEXURE TO INDEPENDENT AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

(Referred to in paragraph under the heading "Report on Other Legal and Regulatory Requirements" of our report of even date)

In conjunction with our audit of the consolidated financial statements of the group as of and for the year ended 31st March 2017, we have audited the internal financial controls over financial reporting of Setco Automotive Limited (hereinafter referred to as "the Holding Company") and its subsidiary company which is incorporated in India, as of that date (collectively referred to as "Companies").

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding company and its subsidiary company which is incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Companies' internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the ICAI and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Companies' internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Generally Accepted Accounting Principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the companies; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with Generally Accepted Accounting Principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Holding Company and its subsidiary company incorporated in India, have, in all material respects, a reasonably adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March, 2017, based on the internal control over financial reporting criteria established by the Companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. However, such internal financial controls over financial reporting need to be improved and strengthened.

For **MANESH MEHTA & ASSOCIATES**
Chartered Accountants
(Firm Registration No. 115832W)

(Manesh P. Mehta)
Partner
Membership No. 036032

Place: Mumbai
Date: May 30, 2017

CONSOLIDATED BALANCE SHEET

AS AT 31st MARCH, 2017

(Rs.)

	Note No.	As at 31 st March, 2017		As at 31 st March, 2016	
		Rupees	Rupees		Rupees
EQUITY & LIABILITIES :					
Shareholders' Funds					
Share Capital	2	26,71,93,350		26,71,93,350	
Reserves & Surplus	3	1,77,88,03,924		1,87,47,90,415	
			2,04,59,97,274		2,14,19,83,765
			8,16,65,298		8,98,38,345
Minorities Interests					
Non-Current Liabilities					
Long Term Borrowings	4	1,74,89,41,654		1,90,82,30,223	
Deferred Tax Liabilities (Net)	5A	-		7,66,64,588	
Long Term Provisions	6	1,23,68,352		1,01,86,252	
			1,76,13,10,006		1,99,50,81,063
Current Liabilities					
Short Term Borrowings	7	2,06,59,87,714		1,79,54,14,296	
Trade Payables	8				
- Total outstanding dues of micro enterprises and small enterprises		3,54,04,029		2,90,10,369	
- Total outstanding dues of creditors other than micro enterprises and small enterprises		82,66,23,242		75,67,32,965	
Other Current Liabilities	9	55,80,71,402		42,26,54,979	
Short Term Provisions	10	2,57,81,176		17,10,84,024	
			3,51,18,67,563		3,17,48,96,633
TOTAL			7,40,08,40,141		7,40,17,99,806
ASSETS :					
Non-Current Assets					
Fixed Assets	11				
- Property, Plant & Equipment		2,97,40,11,303		1,66,42,75,119	
- Intangible Assets		32,56,20,592		33,19,73,405	
- Capital Work-in-Progress		10,97,250		1,24,10,24,790	
- Intangible Assets under Development		17,12,54,945		12,65,12,220	
- Pre-Operative Expenses		-		16,89,17,639	
			3,47,19,84,090		3,53,27,03,173
Non Current Investments	12	50,00,00,250		58,00,00,250	
Deferred Tax Assets (Net)	5B	5,14,22,669		-	
Long Term Loans & Advances	13	24,93,86,747		26,69,49,080	
Other Non Current Assets	14	1,79,68,139		37,92,878	
			81,87,77,805		85,07,42,208
Current Assets					
Inventories	15	1,37,68,62,923		1,44,61,25,693	
Trade Receivables	16	1,23,57,27,237		1,11,40,65,706	
Cash and Cash Equivalents	17	9,35,10,183		4,74,54,188	
Short Term Loans & Advances	18	40,39,77,903		41,07,08,838	
Other Current Assets		-		-	
			3,11,00,78,246		3,01,83,54,425
TOTAL			7,40,08,40,141		7,40,17,99,806

Notes including Significant Accounting Policies are an integral part of the Financial Statements: 1 to 39

As per our report of even date attached

For **Manesh Mehta & Associates**

Chartered Accountants
(Firm Registration No. : 115832W)

Manesh P. Mehta
Partner
Membership No. : 036032
Place : Mumbai
Date : May 30, 2017

Harish Sheth
Chairman & Managing Director

Arun Arora
Director
Pratap Merchant
Director
Vinay Shahane
Vice President - Finance

For and on behalf of the Board

Udit Sheth
Joint Managing Director

Ashok Kumar Jha
Director
Suhasini Sathe
Director
Bhautesh Shah
Company Secretary

Place : Mumbai
Date : May 30, 2017

Shveta Vakil
Executive Director

Bhalchandra Naik
Director
Urja Shah
Executive Director

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED 31ST MARCH, 2017

(Rs.)

	Note No.	Year Ended 31 st March 2017	Year Ended 31 st March 2016
REVENUE :			
Revenue from Operations (Net)	19	5,69,64,32,042	5,63,67,92,498
Other Income	20	83,38,464	6,36,67,286
Total Revenue		5,70,47,70,506	5,70,04,59,784
EXPENSES :			
Cost of Materials and Components consumed	21	2,84,78,70,188	3,04,80,90,265
Changes in Inventories of Finished Goods and Work in Progress Decrease / (Increase)	22	(83,65,446)	2,93,41,505
Employee Benefit Expense	23	77,87,11,978	66,53,25,036
Finance Cost	24	52,16,78,133	33,38,65,100
Depreciation and Amortization Expenses	11	31,22,06,813	19,65,78,885
Less : Capitalized under the head of Intangible Assets Under Development (Refer Note No. 11(3) & 35)		(99,72,651)	(95,33,095)
Net Depreciation and Amortization Expenses	11	30,22,34,162	18,70,45,790
Other Expenses	25	1,46,97,02,457	1,15,25,94,190
Total Expenses		5,91,18,31,472	5,41,62,61,886
Profit/(Loss) before Tax		(20,70,60,966)	28,41,97,898
Less : Tax Expenses			
Current Tax		5,54,43,416	8,05,99,259
Deferred Tax		(12,92,33,191)	(1,12,19,161)
MAT Credit Entitlement	26		
Previous Periods		13,04,335	76,790
Current Year		(67,73,192)	(1,47,36,195)
Tax Adjustment for Earlier years		47,493	4,59,721
		(7,92,11,139)	5,51,80,414
Profit for the year before adjustment for Minority Interests		(12,78,49,827)	22,90,17,484
Less :- Share of Profit / (Loss) transferred to Minority Interests		(4,94,09,047)	(30,05,342)
Profit for the year after adjustment for Minority Interests		(7,84,40,780)	23,20,22,826
Earnings Per Share (Face value of Rs. 2/- each)	27		
Before considering exceptional items			
- Basic		(0.59)	1.74
- Diluted		(0.59)	1.74
After Considering Exceptional Items			
- Basic		(0.59)	1.74
- Diluted		(0.59)	1.74

Notes including Significant Accounting Policies are an integral part of the Financial Statements: 1 to 39

As per our report of even date attached

For **Manesh Mehta & Associates**

Chartered Accountants

(Firm Registration No. : 115832W)

Manesh P. Mehta

Partner

Membership No. : 036032

Place : Mumbai

Date : May 30, 2017

Harish Sheth

Chairman & Managing Director

Arun Arora

Director

Pratap Merchant

Director

Vinay Shahane

Vice President - Finance

For and on behalf of the Board

Udit Sheth

Joint Managing Director

Ashok Kumar Jha

Director

Suhasini Sathe

Director

Bhautesh Shah

Company Secretary

Place : Mumbai

Date : May 30, 2017

Shvetal Vakil

Executive Director

Bhalchandra Naik

Director

Urja Shah

Executive Director

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST MARCH, 2017

(Rs.)

	2016-2017	2015-2016
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax	(20,70,60,966)	28,41,97,899
Adjustment for		
Depreciation	30,22,34,162	18,70,45,790
(Profit)/Loss on Sale of Property, Plant & Equipment	(1,50,534)	(43,83,056)
Unrealized Foreign Exchange Loss / (Gain)	4,21,34,352	(1,05,27,067)
Interest Expense	52,16,78,133	33,38,65,100
Interest Income	(13,93,530)	(62,83,168)
Dividend Income	-	(3,22,80,000)
Miscellaneous Income	(53,07,007)	(74,419)
Corporate Tax	(5,54,90,909)	(8,10,58,980)
MAT Credit Entitlement	54,68,857	1,46,59,405
Employee Stock Options Cost	36,94,639	-
Operating Profit / (Loss) before Working Capital Changes and Other Changes	60,58,07,197	68,51,61,503
Trade receivables	(14,65,02,695)	(33,16,59,380)
Inventories	6,92,62,770	(13,48,30,677)
Loans and Advances	80,69,612	(1,68,75,188)
Trade Payables	7,86,17,760	37,17,66,202
Other Liabilities	(18,33,48,579)	15,56,71,802
Working Capital Changes and Other Changes	(17,39,01,132)	4,40,72,759
Cash Flow Generated from Operations	43,19,06,065	72,92,34,262
Direct Taxes (Tax deducted at Source)	(34,03,355)	(36,50,393)
Net Cash Flow from Operating Activities	42,85,02,710	72,55,83,869
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Property, Plant & Equipment	(17,00,58,975)	(95,80,83,204)
Sale of Property, Plant & Equipment	79,47,741	2,45,74,276
Intangible Asset	(8,81,63,143)	(9,07,02,155)
Interest Income	13,93,530	62,83,168
Dividend Income	-	3,22,80,000
Margin Money with Bank	(12,54,217)	24,48,078
Decrease/(Increase) in Investment	8,00,00,000	(12,80,00,000)
Net Cash Used in Investing Activities	(17,01,35,064)	(1,11,11,99,836)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Cash Credit	32,45,73,418	16,75,92,220
Proceeds from Short Term Loans	9,20,00,000	10,00,00,000
Proceeds from Term / Other Loans	36,47,91,778	65,53,43,710
Repayment of Short Term Loans	(14,60,00,000)	-

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST MARCH, 2017

(Rs.)

	2016-2017	2015-2016
Repayment of Term Loans	(34,96,97,622)	(13,54,65,397)
Proceeds from Shares issued to Minorities	4,12,36,000	-
Interest Paid	(52,16,78,133)	(33,38,65,100)
Miscellaneous Income	53,07,007	74,419
Final Dividend & Dividend Distribution Tax	-	(12,86,35,052)
Net Cash Flow from Financing Activities	(18,94,67,552)	32,50,44,801
D. Impact of Exchange Fluctuation on the Cash Flow	(1,11,84,585)	(53,84,384)
Net Increase in Cash and Cash Equivalents (A + B + C + D)	5,77,15,509	(6,59,55,550)
Opening Cash and Cash Equivalents	2,71,34,294	9,30,89,844
Closing Cash and Cash Equivalents	8,48,49,803	2,71,34,294

Notes :-

1. The above Cash Flow Statement has been prepared under the "Indirect method" as set out in the Accounting Standard - 3 on Cash Flow Statements, as specified under section 133 of Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014.
2. Previous year's figures have been regrouped / restated / reclassified wherever necessary.
3. Purchase of Property, Plant & Equipment, inter alia, includes cost of Capital Work-in-Progress and Pre-Operative Expenses.
4. Cash and Cash Equivalents includes cash on hand, cheques on hand and readily convertible deposit accounts held with banks.

Notes including Significant Accounting Policies are an integral part of the Financial Statements: 1 to 39

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

Chartered Accountants
(Firm Registration No. : 115832W)

Manesh P. Mehta
Partner
Membership No. : 036032
Place : Mumbai
Date : May 30, 2017

Harish Sheth
Chairman & Managing Director

Arun Arora
Director
Pratap Merchant
Director
Vinay Shahane
Vice President - Finance

For and on behalf of the Board
Udit Sheth
Joint Managing Director

Ashok Kumar Jha
Director
Suhasini Sathe
Director
Bhautesh Shah
Company Secretary

Place : Mumbai
Date : May 30, 2017

Shvetal Vakil
Executive Director

Bhalchandra Naik
Director
Urja Shah
Executive Director



NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2017

1 SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of Preparation

The Financial Statements of Indian parent company and its Indian subsidiary company are prepared under historical cost convention (Except for certain fixed assets which are stated at revalued amounts) on accrual basis and they are in consonance with generally accepted accounting principles in India and applicable Accounting Standards specified under section 133 of Companies Act 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014, Companies (Accounting Standards) Amendment Rules, 2016 and other pronouncements of ICAI. The financial statements of wholly owned ultimate foreign subsidiaries have been prepared in accordance with generally accepted accounting principle of their respective country of incorporation or International Financial Reporting Standards.

1.2 Principles of Consolidation

The consolidated financial statements relate to Setco Automotive Limited ("the Company" / "Parent Company" / "Holding Company") and its subsidiary companies. The consolidated financial statements have been prepared on following basis :

- a. The consolidated financial statements are based on the audited accounts of the company and the audited accounts of the subsidiaries of the same reporting date.
- b. The financial statements of the company and its subsidiary companies are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, incomes and expenses, after fully eliminating significant intra group balances and intra group transactions in accordance with Accounting Standard (AS) 21 – "Consolidated Financial Statements".
- c. In case of foreign subsidiaries, being non-integral foreign operations, revenue items are converted at the average rate prevailing during the year. All assets and liabilities are converted at rates prevailing at the end of the year. Any exchange difference arising on consolidation is

accumulated under "Foreign Currency Translation Reserve."

- d. The consolidated financial statements have been prepared, as far as possible, 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 financial statements.
- e. Impact of variation in accounting policies followed by the foreign subsidiaries to comply with local regulations relating to amortization of some intangible assets, and treatment of foreign exchange fluctuations have not been considered in this consolidation, being unascertained.
- f. Minority Interests' share of net profit / loss of consolidated subsidiaries for the year is identified and adjusted against the income/Loss of the group in order to arrive at the net income / loss attributable to shareholders of the company.
- g. Minority Interests' share of net assets of consolidated subsidiaries is identified and presented in the consolidated balance sheet, separate from liabilities and the equity of the company's shareholders.

1.3 Other Investments

Investments other than in subsidiaries have been accounted as per Accounting Standard (AS) 13 - "Accounting for Investments".

1.4 Goodwill

Goodwill appearing in one of the wholly owned ultimate foreign subsidiary's books is tested annually for impairment, if any event occurs or circumstances change that more likely than not would indicate the carrying amount may be impaired. As of 31st March, 2017, goodwill is not considered to be impaired.

1.5 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

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST March 2017

in computing Basic EPS is the weighted average number of shares outstanding during the year. The number of shares used in computing diluted EPS comprises the weighted average number of 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 potential equity shares, the difference between the number of shares issuable and the number of shares that would have been 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.

1.6 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 (Share Based Employee Benefits) Regulations, 2014 and the Guidance Note on "Accounting for employee share based payments" issued by The Institute of Chartered Accountants of India. 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 statement of profit and loss 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".

1.7 Other Significant Accounting Policies

These are set out under "Significant Accounting Policies" as given in the Company's separate standalone financial statements.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST March 2017

2 SHARE CAPITAL

2.1 Authorised, issued, subscribed and fully paid - up: (Rs.)

Particulars	31 st March 2017	31 st March 2016
Authorised Capital:		
25,00,00,000 (25,00,00,000) Equity Shares of Rs. 2/- each	50,00,00,000	50,00,00,000
Issued, Subscribed and Fully Paid up Share Capital:		
13,35,96,675 (13,35,96,675) Equity Shares of Rs. 2/- each	26,71,93,350	26,71,93,350

- Pursuant to the approval of members of the Parent Company in the Annual General Meeting held on 28th September, 2015 the equity shares of face value of Rs. 10/- each have been subdivided into equity shares of face value of Rs. 2/- each with effect from 17th December, 2015. As a result, the number of equity shares has increased from 2,67,19,335 to 13,35,96,675 shares. Accordingly the number of shares has been adjusted for all the periods presented.
- The Parent company has only one class of equity shares having a par value of Rs. 2/- per share. Each shareholder of equity share is entitled to one vote per share.
- The Parent Company declares and pays dividends in Indian rupees. The board of directors in their meeting held on 30th May, 2017 have proposed dividend of Rs. 0.65/- per share for financial year ended 31st March, 2017. The proposed dividend is subject to the approval of the share holders at the ensuing Annual General Meeting. The total dividend appropriation would amount to approximately Rs. 10,45,15,980/- including corporate dividend tax of Rs. 1,76,78,141/-.
- In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company after distribution of all preferential amounts, in proportion to their shareholding.

2.2 Reconciliation of number of shares outstanding at the beginning and at the end of the reporting period

Particulars	31 st March 2017		31 st March 2016	
	Number	Rs.	Number	Rs.
Equity Shares				
As at the beginning of the year	13,35,96,675	26,71,93,350	13,35,96,675	26,71,93,350
Add : Share issued on exercise of employee stock options	-	-	-	-
	13,35,96,675	26,71,93,350	13,35,96,675	26,71,93,350
Less : Changes, if any during the year	-	-	-	-
Outstanding at the end of the year	13,35,96,675	26,71,93,350	13,35,96,675	26,71,93,350

2.3 Aggregate number and class of shares allotted as fully paid up pursuant to contract(s) without payment being received in cash, bonus shares and shares bought back for the period of 5 years immediately preceding March 31, 2016.

	31 st March '16	31 st March '15	31 st March '14	31 st March '13	31 st March '12
	Number	Number	Number	Number	Number
Equity shares with voting rights					
Equity shares allotted as fully paid bonus shares by Capitalization of Securities Premium & General Reserve	-	-	-	4,43,01,355*	-

*88,60,271 Equity Shares of Rs. 10/- each restated as equity shares of Rs. 2/- each.

2.4 Details of Shareholders holding more than 5% shares in the company

Name of Shareholders	31 st March 2017		31 st March 2016	
	Number of Equity shares	% Holding	Number of Equity shares	% Holding
Equity Shares of Rs. 2/- each fully paid				
Setco Engineering Private Limited (Promoter Group)	6,77,13,845	50.69	6,77,13,845	50.69
New Vernon Private Equity Limited *	N.A.	N.A.	1,17,64,915	8.81
Harishbhai K. Sheth	71,61,575	5.36	N.A.	N.A.

*Share Holding is below 5% as at 31.03.2017

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST March 2017

2.5 Shares in respect of each class in the company held by Ultimate Holding Company

Particulars	31 st March 2017		31 st March 2016	
	Number of Equity shares	Rs.	Number of Equity shares	Rs.
Equity Shares of Rs. 2/- each fully paid				
Setco Engineering Private Limited (Promoter Group)*	6,77,13,845	13,54,27,690	6,77,13,845	13,54,27,690

* with the acquisition of further shares of the company by Setco Engineering Private Limited (Promoter Group Company), the Company has become subsidiary of Setco Engineering Private Limited w.e.f. 27th August, 2014.

3 RESERVE & SURPLUS

(Rs.)

Particulars	31 st March 2017	31 st March 2016
(i) Capital Reserve (Opening & Closing Balance)		
a) On forfeiture of Shares	21,000	21,000
b) Cash Subsidy	30,00,000	30,00,000
Total	30,21,000	30,21,000
(ii) Revaluation Reserve		
As per Last Balance Sheet	29,03,27,921	29,34,63,224
Less : Transferred to Statement of Profit and Loss	5,62,657	3,10,798
Less : Transferred to General Reserve	28,10,223	28,24,505
Add : On Revaluation of Building	1,17,82,720	-
Total	29,87,37,761	29,03,27,921
(iii) Securities Premium Reserve		
As per Last Balance Sheet	1,88,19,583	1,88,19,583
Total	1,88,19,583	1,88,19,583
(iv) Employee Stock Options outstanding		
As per Last Balance Sheet	-	-
Add : Amounts recorded on grants / modifications / cancellations during the year	36,94,639	-
Total	36,94,639	-
(v) General Reserve		
As per Last Balance Sheet	19,48,74,005	19,19,71,494
Add : Transferred from Revaluation Reserve	28,10,223	28,24,505
Add : Transferred from Statement of Profit and Loss	-	78,006
Total	19,76,84,228	19,48,74,005
(vi) Foreign Currency Translation Reserve	1,33,03,392	4,63,26,463
(vii) Surplus in Statement of Profit and Loss		
As per Last Balance Sheet	1,32,14,21,444	1,21,78,00,879
Add : Profit for the year	(7,84,40,780)	23,20,22,826
Less : Appropriations		
Proposed Final Dividend (Refer Note No. 10)	-	(10,68,77,340)
Total Dividend	-	(10,68,77,340)
Corporate Dividend Tax (Refer Note No. 10)	-	(2,17,57,712)
Transfer from Revaluation Reserve	5,62,657	3,10,798
Transfer to General Reserve	-	(78,006)
Total	1,24,35,43,321	1,32,14,21,444
Total (I to VII)	1,77,88,03,924	1,87,47,90,415

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST March 2017

4 LONG TERM BORROWINGS

(Rs.)

Particulars	31 st March 2017	31 st March 2016
Term Loans		
From Banks		
Secured	1,46,46,51,558	1,59,24,09,200
Unsecured	-	-
From other parties		
Secured	47,90,088	33,21,023
Unsecured	9,20,00,008	-
Total (A)	1,56,14,41,654	1,59,57,30,223
Other Loans		
From Banks		
Secured	18,75,00,000	31,25,00,000
Unsecured	-	-
Total (B)	18,75,00,000	31,25,00,000
Total (A+B)	1,74,89,41,654	1,90,82,30,223
The above amount includes		
Secured Borrowings	1,65,69,41,646	1,90,82,30,223
Unsecured Borrowings	9,20,00,008	-

- Indian rupee term loan obtained by Parent Company, Setco Automotive Limited from Bank of Baroda is repayable in 16 quarterly installments each of Rs. 46,87,500/- to be repaid by May, 2017. The loan is secured by first pari passu charge on company's fixed assets (excluding cars / vehicles) and the second charge on pari passu basis on stocks and book debts as collateral security.
- Indian rupee term loan obtained by Parent Company, Setco Automotive Limited from Bank of Baroda is repayable in 16 quarterly installments each of Rs. 2,40,00,000/- to be repaid by August, 2019. The loan is secured by first pari passu charge on company's fixed assets (excluding cars / vehicles) and the second charge on pari passu basis on stocks and book debts as collateral security.
- Indian rupee corporate loan obtained by Parent Company, Setco Automotive Limited from Bank of Baroda is repayable in 16 quarterly installments each of Rs. 3,12,50,000/- to be repaid by August, 2019. The loan is secured by first pari passu charge on company's fixed assets (excluding cars/vehicles) and the second charge on pari passu basis on stocks and book debts as collateral security and personal guarantee of Chairman & Managing Director and Joint Managing Director of the Company.
- Indian rupee term loan obtained by Parent Company, Setco Automotive Limited from Bank of Baroda is repayable in 16 quarterly installments each of Rs. 1,41,00,000/- to be repaid by September, 2022. The loan is secured by first pari passu charge on company's fixed assets (excluding cars/vehicles) and the second charge on pari passu basis on stocks and book debts as collateral security and personal guarantee of Chairman & Managing Director and Joint Managing Director of the Company.
- Indian rupee term loan obtained by Parent Company, Setco Automotive Limited from IDBI Bank is repayable in 16 quarterly installments each of Rs. 62,50,000/- to be repaid by January, 2020. The loan is secured by first pari passu charge on company's fixed assets (excluding cars/vehicles) and the second charge on pari passu basis on stocks and book debts as collateral security.
- US \$ vehicle term loans obtained by Wholly Owned ultimate Foreign Subsidiary Company, Setco Automotive (N.A.) INC. from Ford Motor Credit is to be repaid in 60 EMI each of \$ 1066/- to be repaid by April, 2019. The loan is secured by first pari passu charge on vehicles.
- US \$ vehicle term loans obtained by Wholly Owned ultimate Foreign Subsidiary Company, Setco Automotive (N.A.) INC. from Ford Motor Credit is to be repaid in 66 EMI each of \$ 344/- to be repaid by June, 2022. The loan is secured by first pari passu charge on vehicles.
- US \$ vehicle term loan obtained by Wholly Owned ultimate Foreign Subsidiary Company, Setco Automotive (N.A.) INC. from Ally Financial is to be repaid in 60 EMI each of \$ 482/- to be repaid by February, 2022. The loan is secured by first pari passu charge on vehicle.
- Indian Rupee Term Loan of Rs. 110.05 Crores is sanctioned by Bank of Baroda obtained by Indian Subsidiary Company, Lava Cast Private Limited. The Term Loan is repayable in 24 quarterly installments each of Rs. 458.54 Lacs, commencing from October, 2017 to be repaid by October, 2023. The Loan is secured by first charge by way of Equitable Mortgage of Factory Land and Building & Hypothecation of Plant & Machinery & Other Movable Fixed

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST March 2017

Assets of the Company & Second Charge on Company's entire Current Assets. Loan is further Secured by Corporate Guarantee of Parent Company, Setco Automotive Limited.

- Indian Rupee Term Loan of Rs. 19.21 Crores is sanctioned by Bank of Baroda obtained by Indian Subsidiary Company, Lava Cast Private Limited. The Term Loan is repayable in 24 quarterly installments each of Rs. 80.04 Lacs, commencing from October, 2017 to be repaid by October, 2023. The Loan is secured by first charge by way of Equitable Mortgage of Factory Land and Building & Hypothecation of Plant & Machinery & Other Movable Fixed Assets of the Company & Second Charge on Company's entire Current Assets. Loan is further Secured by Corporate Guarantee of Parent Company, Setco Automotive Limited.
- Indian rupee vehicle loan obtained by Parent Company, Setco Automotive Limited from Daimler Financials Services India Pvt. Ltd. is repayable in 36 EMI each of Rs. 1,55,350/- to be repaid by February, 2019. The loan is secured by hypothecation of particular vehicle.
- Indian rupee vehicle loan obtained by Parent Company, Setco Automotive Limited from Axis Bank is repayable in 36 EMI each of Rs. 96,534/- to be repaid by July, 2019. The loan is secured by hypothecation of particular vehicle.
- Indian rupee term loan obtained by Parent Company, Setco Automotive Limited from Tata Capital is repayable in 30 EMI each of Rs. 66,66,666/- to be repaid by March, 2020. The loan is secured by personal guarantee of Chairman & Managing Director and pledge of shares by Setco Engineering Private Limited, the Ultimate Holding Company.

5A DEFERRED TAX LIABILITIES (NET)

(Rs.)

Particulars	31 st March 2017	31 st March 2016
Net deferred tax liability	-	7,66,64,588

5B DEFERRED TAX ASSETS (NET)

(Rs.)

Particulars	31 st March 2017	31 st March 2016
Net deferred tax assets	5,14,22,669	-

By virtue of arrangement entered into by Lava Cast Private Limited ("The Indian Subsidiary Company") with Setco Automotive Limited ("The Parent Company"), the Indian Subsidiary Company has secured binding & confirmed sales order from its Parent Company. Based on financial projections worked out by the Indian Subsidiary Company on the strength of said confirmed order, the Indian Subsidiary Company is virtually certain that there will be availability of future taxable profits. Therefore the Indian Subsidiary Company has recognised deferred tax asset on Unabsorbed Depreciation & Carried Forward Business Losses to the extent there exists virtual certainty of its realisation in future.

6 LONG TERM PROVISIONS

(Rs.)

Particulars	31 st March 2017	31 st March 2016
Provision for employee benefits		
Provision for Gratuity	30,39,035	52,992
Provision for compensated absences	93,29,317	1,01,33,260
Total	1,23,68,352	1,01,86,252

7 SHORT TERM BORROWINGS

(Rs.)

Particulars	31 st March 2017	31 st March 2016
Loans repayable on demand:		
Working Capital Loan from Banks		
Secured	2,01,99,87,714	1,69,54,14,296
Unsecured	-	10,00,00,000
From other parties		
Secured	-	-
Unsecured	4,60,00,000	-
Total	2,06,59,87,714	1,79,54,14,296

- Indian Rupee Working Capital Loans obtained by Parent Company, Setco Automotive Limited are secured by first charge by way of hypothecation of current assets including stocks, book debts etc. and second charge on entire fixed assets of the company on paripassu basis.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST March 2017

- US \$ Working Capital Loans obtained by Wholly Owned ultimate Foreign Subsidiary Company, Setco Automotive (N.A.) INC. sanctioned by Bank of Baroda (USA) is secured by first charge by way of hypothecation of current assets including stocks, book debts etc. and second charge on entire fixed assets of the company on paripassu basis and corporate guarantee of Setco Automotive Limited, Parent Company.
- GBP Working Capital Loans obtained by Wholly Owned Foreign Subsidiary Company, Setco Automotive (UK) Limited sanctioned by ICICI (UK) is secured by first charge by way of hypothecation of current assets including stocks, book debts etc. and second charge on entire fixed assets of the company on paripassu basis and corporate guarantee of Setco Automotive Limited, Parent Company.
- Indian Rupee Working Capital (Cash Credit) obtained by Indian Subsidiary Company, Lava Cast Private Limited is sanctioned by Bank of Baroda is secured by first charge by way of hypothecation of current assets including stocks, book debts etc. and Second charge on entire fixed assets of the company. Working Capital Loan is further Secured by Corporate Guarantee of Parent Company, Setco Automotive Limited.
- Indian Rupee Unsecured Loan of Rs. Nil (Rs. 10,00,00,000/-) is obtained by Parent Company, Setco Automotive Limited from Kotak Mahindra Bank and is secured by personal guarantee of Chairman & Managing Director and Joint Managing Director of the Company and by corporate guarantee of Setco Engineering Private Limited, Ultimate Holding Company. The company has paid off this loan during the year.
- Indian Rupee Unsecured Loan of Rs. 4,60,00,000/- (Rs. Nil) is obtained by Parent Company, Setco Automotive Limited from Finquest Financial Solutions Private Limited to be repaid by May, 2017.

8 TRADE PAYABLES

(Rs.)

Particulars	31st March, 17	31st March, 16
Micro, Small and Medium Enterprises (MSME)	3,54,04,029	2,90,10,369
Others	82,66,23,242	75,67,32,965
Total	86,20,27,271	78,57,43,334

The information has been determined to the extent such parties could be identified on the basis of the information available with the Parent Company regarding the status of suppliers under MSME. Details of dues to Micro and Small Enterprises as defined under MSMED Act, 2006.

	Particulars	31st March, 17	31st March, 16
i	Principal amount remaining unpaid to any supplier at the end of each accounting year.	3,54,04,029	2,90,10,369
ii	Interest due on above	40,168	Nil
	Total (i) & (ii)	3,54,44,197	2,90,10,369
iii	Amount of interest paid by the Company to the suppliers in terms of section 16 of the Act.	Nil	Nil
iv	Amount paid to the suppliers beyond the respective due date.	Nil	Nil
v	Amount of interest due and payable for the period of delay in payments (which have been paid but beyond the due date during the year) but without adding the interest specified under the Act.	Nil	Nil
vi	Amount of interest accrued and remaining unpaid at the end of each accounting year.	40,168	Nil
vii	Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23 of the Act.	Nil	Nil

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST March 2017

9 OTHER CURRENT LIABILITIES

(Rs.)

Particulars	31 st March 2017	31 st March 2016
Other Liabilities		
Payable towards Statutory Liabilities	4,80,80,263	5,76,12,035
Payable to Employees	2,94,27,280	4,80,74,504
Current Maturities of Long Term Loans (Refer Note No. 4)	44,19,05,226	26,74,44,370
Interest accrued and due	35,26,742	36,04,873
Unpaid/Unclaimed Dividend *	80,40,786	67,79,257
Independent After Market - Deposit	50,00,000	50,00,000
Other Payable	10,00,000	10,00,000
Creditors for Capital Expenditure	2,10,91,105	3,31,39,940
Total	55,80,71,402	42,26,54,979

*There are no amounts due for payment to the Investor Education and Protection Fund u/s. 125 of Companies Act, 2013 at the year end.

10 SHORT TERM PROVISIONS

(Rs.)

Particulars	31 st March 2017	31 st March 2016
Provision for Employee Benefits		
Provision for Gratuity	49,06,646	44,22,597
Provision for compensated absences	4,31,114	49,27,116
Others		
Proposed Final Dividend *	-	10,68,77,340
Corporate Tax on Dividend *	-	2,17,57,712
Provision for Taxation (Net of Advance Tax Paid)	2,04,43,416	3,30,99,259
Total	2,57,81,176	17,10,84,024

*In view of Accounting Standard - 4, "Contingencies and Events Occuring After Balance Sheet Date" as amended by Ministry of Corporate Affairs vide Notification Dated 30th March, 2016, the Provision for proposed dividend shall be made in the accounts by the Parent Company on the date of its approval by the shareholders.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2017

11. FIXED ASSETS

(Rs.)

Sr. No.	PARTICULARS	GROSS BLOCK			Cost as on 31.03.2017	Up to 01.04.2016	DEPRECIATION			NET BLOCK	
		Additions for the year	Adjustment for the year	Cost as on 31.03.2017			Additions for the year	Adjustment for the year	Up to 31.03.2017	As on 31.03.2017	As on 31.03.2016
1	2	3	4	5	6	7	8	9	10	11	12
A	Property, Plant & Equipment										
01	Free Hold Land	42,05,12,210	16,28,302	(34,60,320)	41,86,80,192	-	-	-	-	41,86,80,192	42,05,12,210
02	Lease Hold Land	3,93,34,994	-	-	3,93,34,994	27,00,897	3,90,007	-	30,90,904	3,62,44,090	3,66,34,097
03	Buildings	53,81,99,684	31,02,52,820	(1,06,97,809)	83,77,54,695	10,48,10,827	2,94,55,639	(33,94,352)	13,08,72,114	70,68,82,581	43,33,88,857
04	Plant & Machinery	1,26,87,40,993	1,07,85,70,287	(1,76,93,373)	2,32,96,17,907	63,26,98,028	17,09,77,601	(86,44,541)	79,50,31,088	1,53,45,86,819	63,60,42,965
05	Furniture & Fixtures	2,64,76,829	65,88,221	(52,164)	3,30,12,886	1,18,94,932	21,44,932	(51,573)	1,39,88,291	1,90,24,595	1,45,81,897
06	Office Equipments	2,11,16,468	18,00,880	(1,55,520)	2,27,61,828	1,23,64,439	30,65,280	(1,55,520)	1,52,74,199	74,87,629	87,52,029
07	Pollution Equipments	2,77,500	-	-	2,77,500	1,52,385	20,908	-	1,73,293	1,04,207	1,25,115
08	Computers	10,53,08,316	38,88,302	(36,88,053)	10,55,08,565	6,58,12,004	1,79,90,653	(34,25,875)	8,03,76,782	2,51,31,783	3,94,56,312
09	Electric Fittings	5,94,74,198	17,46,80,647	-	23,41,54,845	1,70,05,132	2,24,68,903	(25,147)	3,94,48,888	19,47,05,958	4,24,69,066
10	Vehicles	4,75,77,127	51,17,339	(2,14,818)	5,24,79,648	1,53,04,556	65,46,012	(5,34,369)	2,13,16,199	3,11,63,450	3,22,72,571
	Sub Total (Property, Plant & Equipment)	2,52,70,18,319	1,58,25,26,798	(3,59,62,057)	4,07,35,83,060	86,27,43,199	25,30,59,935	(1,62,31,377)	1,09,95,71,757	2,97,40,11,303	1,66,42,75,119
B	Intangible Assets										
01	Goodwill	8,72,76,319	-	(27,66,960)	8,45,09,359	19,61,719	-	-	19,61,719	8,25,47,640	8,53,14,600
02	Product Development	19,46,85,583	4,19,37,814	-	23,66,23,397	7,90,00,621	2,00,92,589	-	9,90,93,210	13,75,30,187	11,56,84,962
03	Technical Know how	13,95,51,230	80,15,414	(1,32,75,360)	13,42,91,284	5,00,22,442	1,73,22,985	(84,28,293)	5,69,17,134	7,53,74,150	8,95,28,788
04	Computer Software	6,76,14,231	1,14,55,255	-	7,90,69,486	4,98,71,957	95,63,165	-	5,94,35,122	1,96,34,364	1,77,42,274
05	Web Site Development	5,63,988	-	-	5,63,988	5,63,988	-	-	5,63,988	-	-
06	Startup Costs	13,74,04,407	-	(44,56,359)	13,29,48,048	11,37,01,627	1,21,68,139	(34,55,969)	12,24,13,797	1,05,34,251	2,37,02,781
	Sub Total (Intangible Assets)	62,70,95,758	6,14,08,483	(2,04,98,679)	66,80,05,562	29,51,22,354	5,91,46,878	(1,18,84,262)	34,23,84,970	32,56,20,592	33,19,73,405
C	Intangible Assets under Development										
	Product Development	12,65,12,220	8,66,80,539	(4,19,37,814)	17,12,54,945	-	-	-	-	17,12,54,945	12,65,12,220
	Computer Software	-	61,70,910	(61,70,910)	-	-	-	-	-	-	-
D	Pre-Operative Expenses	12,65,12,220	9,28,51,449	(4,81,08,724)	17,12,54,945	-	-	-	-	17,12,54,945	12,65,12,220
	Grand Total (A+B+C+D)	3,44,95,43,936	1,73,67,86,730	(27,34,87,099)	4,91,28,43,567	1,15,78,65,553	31,22,06,813	(2,81,15,639)	1,44,19,56,727	3,47,08,86,840	2,29,16,78,383
E	Capital Work in Progress :										
01	Capital Work in Progress	1,24,10,24,790	10,97,250	(1,24,10,24,790)	10,97,250	-	-	-	-	10,97,250	1,24,10,24,790
	Total E	1,24,10,24,790	10,97,250	(1,24,10,24,790)	10,97,250	-	-	-	-	10,97,250	1,24,10,24,790
	Grand Total (A + B + C + D + E)	4,69,05,68,726	1,73,78,83,980	(1,51,45,11,889)	4,91,39,40,817	1,15,78,65,553	31,22,06,813	(2,81,15,639)	1,44,19,56,727	3,47,19,84,090	3,53,27,03,173
	PREVIOUS YEAR :	3,63,12,79,057	1,09,92,43,378	(3,99,53,709)	4,69,05,68,726	95,93,81,661	19,65,78,885	19,05,007	1,15,78,65,553	3,53,27,03,173	2,67,18,97,395

Note:

- Adjustments for the year include net impact of Foreign Exchange Fluctuation of Rs. 2,05,47,891/- (Previous Year Rs. 1,92,57,431/-).
- Product development being item of technical nature, auditors have relied on the management representation in respect of Parent Company.
- Intangible assets under development, inter alia includes qualifying expenses including Depreciation of Rs. 99,72,651/- (Previous Year Rs. 95,33,095/-) incurred on product development activities carried out in in-house R & D Centre in respect of Parent Company. (Refer Note No. 35)
- Adjustment in "Intangible Asset Under Development" represents transfer to "Product Development" under the head Intangible Assets, of those items whose commercial production has commenced during the year in respect of Parent Company.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST March 2017

12 NON CURRENT INVESTMENT (Long Term)

(Rs.)

Particulars	31 st March 2017	31 st March 2016
12.1 Trade Investments (unquoted)		
Investment in Ultimate Holding Company (At Cost) :		
i) 3,46,50,000 (4,26,50,000) 9% 15 years Non Cumulative Compulsorily Redeemable Preference Share of Rs. 10/- each fully paid of Setco Engineering Private Limited (Refer Note No. 12.4)	34,65,00,000	42,65,00,000
Investment in other related entities (At Cost) :		
i) 30,70,000 (30,70,000) Equity Share @ Rs. 50/- each fully paid up of SE Transstadia Private Limited (Refer Note No. 12.5)	15,35,00,000	15,35,00,000
12.2 Non Trade Investment (unquoted) (At Cost) :		
i) 10 (10) Equity Shares of Rs. 25/- each of Kalol Urban Co. Op. Bank Limited	250	250
Total	50,00,00,250	58,00,00,250

12.3 Investments in other related entities & Ultimate Holding Company have been made in terms of investment limits approved by Board of Directors of the company from time to time.

12.4 The Parent Company has invested in 3,46,50,000 9% Non-Cumulative Compulsorily Redeemable Preference Shares of Rs. 10/- each upto 31.03.2017 in Setco Engineering Pvt Ltd., its Ultimate Holding Company. In view of insufficiency of distributable profits, the said Ultimate Holding Company did not declare any dividend on said shares in current year. During the F.Y. 2016-17, 80,00,000 preference shares of Rs. 10/- each have been liquidated/redeemed at par and it is strategically decided to liquidate/redeem the balance preference shares within three years.

12.5 The Parent Company has in earlier years invested Rs. 15,35,00,000 in 30,70,000 equity shares of SE Transstadia Pvt Ltd., a sports and entertainment Infrastructure company. The said company has completed the project and has commenced commercial operations in March 2017. The said company has accumulated loss of Rs. 12,36,18,141 as per latest audited financial statements as at 31.03.2016. In the opinion of the management, this investment is strategic in nature which has long term perspective and has comparatively long gestation period. This situation being a temporary phase and considering the future business plans, assets base and other developments, despite accumulated losses, the management firmly believes that there is no erosion in value of its investment in said related entity.

13 LONG TERM LOANS AND ADVANCES

(Rs.)

Particulars	31 st March 2017	31 st March 2016
Unsecured, considered good		
Capital Advances	3,73,78,814	6,13,56,545
Other Deposits	1,70,24,347	1,68,27,005
Advance Paid to Gratuity Fund	7,49,199	-
MAT Credit Entitlement	19,42,34,387	18,87,65,530
Total	24,93,86,747	26,69,49,080

14 OTHER NON CURRENT ASSETS

(Rs.)

Particulars	31 st March 2017	31 st March 2016
Fixed Deposit Account (Lien-marked on Margin Account)	1,79,68,139	37,92,878

15 INVENTORIES

(Rs.)

Particulars	31 st March 2017	31 st March 2016
Inventories	1,37,68,62,923	1,44,61,25,693

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST March 2017

16 TRADE RECEIVABLES

(Rs.)

Particulars	31 st March 2017	31 st March 2016
Debts outstanding for a period exceeding six months		
Unsecured		
Considered Good	4,77,84,135	4,60,94,306
Considered Doubtful	1,81,352	1,81,352
	4,79,65,487	4,62,75,658
Less : Provision for Doubtful Debts	1,81,352	1,81,352
	4,77,84,135	4,60,94,306
Other Debts (Unsecured and Considered Good)	1,18,79,43,102	1,06,79,71,400
Total	1,23,57,27,237	1,11,40,65,706

17 CASH AND CASH EQUIVALENTS

(Rs.)

Particulars	31 st March 2017	31 st March 2016
Cash and Cash Equivalents		
Cash Balance	12,97,169	30,29,668
Bank Balances	3,52,61,288	2,40,17,345
Fixed Deposit Account (Lien-marked on Margin Account)	87,281	87,281
Cheques on Hand *	4,82,04,065	-
Total	8,48,49,803	2,71,34,294
Others		
Fixed Deposit Account (Lien-marked on Margin Account)	6,19,593	1,35,40,637
Unpaid/Unclaimed Dividend	80,40,787	67,79,257
Total	9,35,10,183	4,74,54,188

*Since Realised

18 SHORT TERM LOANS AND ADVANCES

(Rs.)

Particulars	31 st March 2017	31 st March 2016
Loans And Advances to related parties		
Unsecured, considered good		
Western Engineering Works	9,33,22,616	7,60,50,864
Setco Engineering Private Limited	-	7,82,295
SE Transstadia Private Limited	66,81,068	1,94,56,187
Transstadia Technologies Private Limited	46,36,247	-
Advances recoverable in cash or kind		
Prepaid Expenses	2,36,09,470	1,86,13,911
Advance for Goods & Services	9,34,50,782	13,15,00,259
Advance Paid to Gratuity Fund	9,39,984	2,94,482
Other Loans And Advances		
Balance with Central Excise	1,41,97,553	3,35,47,001
Employees Advances	31,08,595	30,02,431
MAT Credit Entitlement	2,00,00,000	2,00,00,000
Other Receivables	-	8,41,070
Statutory Dues Receivable - VAT	12,30,93,345	7,70,24,756
Statutory Dues Receivable - Excise	54,25,201	1,80,10,580
Statutory Dues Receivable - Service Tax	1,21,09,687	79,34,609
Statutory Dues Receivable - Income Tax	34,03,355	36,50,393
Total	40,39,77,903	41,07,08,838

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST March 2017

19 REVENUE FROM OPERATIONS (NET)

(Rs.)

Particulars	Year ended 31 st March 2017	Year ended 31 st March 2016
i) Sales of Finished Goods	6,28,51,59,127	6,22,37,75,911
Less : Sales in Transit	1,56,04,037	1,64,82,931
Less : Sales Taxes & VAT	25,83,53,060	25,75,54,973
Total	6,01,12,02,030	5,94,97,38,007
Less : Excise Duty	31,80,45,039	32,53,67,259
Total	5,69,31,56,991	5,62,43,70,748
ii) Other Operating Revenue		
Duty Drawback	32,75,051	1,24,21,750
	32,75,051	1,24,21,750
Total	5,69,64,32,042	5,63,67,92,498

20 OTHER INCOME

(Rs.)

Particulars	Year ended 31 st March 2017	Year ended 31 st March 2016
Gain on Insurance Claim	-	382,174
Lease Rent	24,000	24,000
Dividend - Ultimate Holding Company *	-	3,22,80,000
Profit on Sale of Property, Plant & Equipment (Net)	1,50,534	43,83,056
Interest Income - Ultimate Holding Company	-	782,295
Interest Income - Others	13,93,530	55,00,873
Miscellaneous Income	53,07,007	74,419
Foreign Exchange Gain/(Loss) (Net)	3,93,702	1,82,26,455
VAT Refund of Previous Year	9,21,293	-
Sundry Balances Written back	1,48,398	20,14,014
Total	83,38,464	6,36,67,286

* The Parent Company has in earlier years, subscribed to the 9% 15 years non-cumulative compulsorily redeemable preference shares of Rs. 10/- each of Setco Engineering Private Limited, the Ultimate Holding Company. In view of the statutory constraints caused due to non-availability of adequate distributable profit, the ultimate holding company could not pay dividend on the said preference shares in current year (P.Y. Rs. 3,22,80,000).

21 COST OF MATERIALS AND COMPONENTS CONSUMED

(Rs.)

Particulars	Year ended 31 st March 2017	Year ended 31 st March 2016
Cost of Materials & Components Consumed	2,84,78,70,188	3,04,80,90,265

22 CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK IN-PROGRESS

(Rs.)

Particulars	Year ended 31 st March 2017	Year ended 31 st March 2016
Decrease / (Increase) in Inventories	(83,65,446)	2,93,41,505

23 EMPLOYEE BENEFITS

(Rs.)

Particulars	Year ended 31 st March 2017	Year ended 31 st March 2016
Salaries, Wages and Bonus	68,33,93,685	56,85,77,739
Contribution to Employees welfare funds	6,98,11,814	7,42,76,238
Staff Welfare expenses	2,55,06,479	2,24,71,059
Total	77,87,11,978	66,53,25,036

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST March 2017

24 FINANCE COST

(Rs.)

Particulars	Year ended 31 st March 2017	Year ended 31 st March 2016
Interest Expense	50,47,53,100	31,81,57,948
Other Financial Charges	1,69,25,033	1,57,07,153
Total	52,16,78,133	33,38,65,100

25 OTHER EXPENSES

(Rs.)

Particulars	Year ended 31 st March 2017	Year ended 31 st March 2016
Stores and Tools Consumed	16,30,99,078	9,69,23,745
Carriage Inward	8,59,42,652	8,76,19,440
Power and Fuel	21,92,38,551	7,54,21,141
Job work Charges	9,25,27,023	8,20,27,502
Repairs and Maintenance to Machineries	1,03,67,914	1,42,11,744
Repairs to Building	38,28,350	38,11,680
Other Repairs	1,15,64,970	59,30,350
Computer Expenses	2,36,99,058	1,96,26,836
Factory Expenses	1,30,22,932	1,16,13,221
Rent	91,87,702	1,21,03,542
Rates and Taxes	88,53,493	1,35,65,122
Insurance	1,61,83,732	1,37,58,499
Conveyance	2,12,25,408	1,81,68,033
Travelling Expenses	5,41,32,665	5,38,00,567
Legal & Professional Charges	7,35,89,596	6,80,58,022
Statutory Auditors' Remuneration	52,99,838	44,69,098
Printing and Stationary	59,14,319	52,06,993
Communication Expenses	89,43,956	97,22,579
Books, Subscription and Membership	11,73,365	7,09,684
Directors' Sitting Fees	26,40,000	31,45,000
Commission to Non Executive Directors	29,18,763	44,85,846
Office Expenses	36,82,158	33,59,539
Corporate Social Responsibility Expenses	76,22,238	70,59,840
Donation	29,18,601	4,61,900
General Expenses	3,90,53,516	3,63,57,343
Sundry Balance Written off	5,93,863	36,33,653
Swachh Bharat Cess (SBC)	-	4,28,086
Foreign Exchange Fluctuation	4,32,80,268	-
Marketing and Sales Promotion	9,25,68,956	8,78,89,370
Advertisement Expenses	18,24,157	19,86,604
Discount, Commission and other Expenses on Sales	25,27,45,819	21,84,68,840
Doubtful Debts	-	-
Packing and Forwarding Expenses	19,12,09,634	18,62,98,411
Loss on Insurance Claim	-	38,49,498
Excise Duty on Finished Goods Stock *	8,49,882	(15,77,537)
Total	1,46,97,02,457	1,15,25,94,190

* Indicates difference between Excise Duty on Opening Stock and Closing Stock of Finished Goods.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST March 2017

26 MAT CREDIT

During the year, the Parent Company has recognized MAT Credit of Rs. 67,73,192/- for current financial year (Previous Year Rs. 1,47,36,195/-) and same is shown as adjustment from the current tax amount in the statement of profit and loss. The Parent Company has also recognised reversal of Net MAT Credit of Rs. 13,04,335/- (Previous Year Rs. 76,790/-) in respect of previous periods.

27 EARNING PER SHARE

(Rs.)

Particulars	31 st March 2017	31 st March 2016
Profit available to Equity Shareholders after Tax and Minority Interest	(7,84,40,780)	23,20,22,826
Weighted Average Number of Equity Shares of Rs. 2/- each		
Basic	13,35,96,675	13,35,96,675
Diluted	13,36,77,497	13,35,96,675
Earnings Per Share in Rs. :		
Basic	(0.59)	1.74
Diluted	(0.59)	1.74

Pursuant to the approval of members of the Parent Company in the Annual General Meeting held on 28th September, 2015, the equity shares of face value of Rs. 10/- each have been subdivided into equity shares of face value of Rs. 2/- each with effect from 17th December, 2015. As a result, the number of equity shares has increased from 2,67,19,335 to 13,35,96,675 shares. The earning per share for all the periods presented has been restated accordingly in terms of Accounting Standard - 20 "Earning Per Share" specified u/s 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014. Earning Per Share is calculated after considering weighted average number of shares that would be issued on the conversion of dilutive potential equity shares.

28 SALES- IN- TRANSIT

- In respect of Parent Company, Setco Automotive Limited, 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 approval of financial statements amounts to Rs. 1,56,04,037/- (Rs. 1,64,82,931/-). With a view to reflect true and correct position of revenue, the said amount is reduced from total sales of the year and the stock value there of Rs. 1,21,35,428/- (Rs. 1,28,62,783/-) is shown under the head "Finished Goods" in Note 15 under the head "Inventories".
- In the absence of information in accounts of wholly owned ultimate foreign subsidiaries about the stocks on hand out of intercompany transactions, the unrealized profit on such stocks, if any, is unascertained and not eliminated.

29 Enterprises consolidated as subsidiary in accordance with Accounting Standard 21 - "Consolidated Financial Statements"

Sr. Names of Subsidiaries with country of incorporation No.	Percentage of Voting Power	Financial Year
i Setco Automotive (UK) Limited – UK (SAUL)	32.19% by Setco Automotive Ltd. 67.81% by WEW Holding Ltd.	April to March
ii Setco Automotive (N.A.) Inc. – U.S.A. (SANAI) (Wholly owned Subsidiary of Setco Automotive (UK) Ltd.)	100%	April to March
iii WEW Holding Limited Mauritius - (WEW) (Wholly owned subsidiary of Setco Automotive Ltd. India)	100%	April to March
iv Lava Cast Private Limited - (India) (Partly owned subsidiary of Setco Automotive Ltd. India)	79.78%	April to March

The Company has formed a 100% Subsidiary in UAE in the name of Setco MEA DMCC. The said Subsidiary's Equity capitalisation has not been done yet and hence it is not considered for the purpose of consolidation.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST March 2017

30 Additional Information, as required under Schedule III to the Companies Act, 2013, of Enterprises Consolidated as Subsidiaries

Sr. No.	Name of Enterprise	Net Assets i.e. Total Assets minus Total Liabilities		Share in Profit or Loss	
		As % of Consolidated Net Assets	Amount (Rs.)	As % of Consolidated Profit or Loss	Amount (Rs.)
I. Parent					
	Setco Automotive Limited	117.75	2,40,91,79,389	244.77	19,20,02,631
II. Subsidiaries					
a. Indian					
	Lava Cast Private Limited	(4.58)	(9,38,05,024)	(267.97)	(21,02,00,066)
	Less : Minority Interest in Subsidiary	(3.99)	(8,16,65,298)	62.99	4,94,09,047
		(8.58)	(17,54,70,322)	(204.98)	(16,07,91,019)
b. Foreign					
	1. Setco Automotive (UK) Limited	(7.27)	(14,86,96,992)	(110.28)	(8,65,01,618)
	2. Setco Automotive (NA) Inc.	(1.90)	(3,89,72,011)	(29.38)	(2,30,47,976)
	3. WEW Holdings Limited	(0.00)	(42,791)	(0.13)	(1,02,799)
Total		100.00	2,04,59,97,273	(100.00)	(7,84,40,781)

31 SEGMENT INFORMATION

The Company is operating only in one business segment viz. Auto Components

32 CONTINGENT LIABILITIES & COMMITMENTS

A. Contingent Liabilities:-

- Guarantees given by the bank on behalf of Parent Company, Setco Automotive Limited Rs. 1,14,91,814/- (Rs. 1,12,32,290/-).
- Guarantees given by the bank on behalf of Indian Subsidiary, Lava Cast Private Limited Rs. 7,38,03,387/- (Rs. 7,40,03,387/-).
- Guarantee given for £ 1.40 million (£ 1.40 million) to ICICI Bank Limited, U.K. for Wholly Owned Ultimate Foreign Subsidiary, Setco Automotive (UK) Limited's credit facilities Rs. 11,40,30,000/- (Rs. 13,37,98,000/-).
- Guarantee given for \$ 4.00 million (\$ 4.00 million) to Bank of Baroda, New York, USA for Wholly Owned Ultimate Foreign Subsidiary, Setco Automotive (N.A.) INC. 's credit facilities Rs. 26,07,60,000/- (Rs. 26,64,00,000/-).
- Guarantee given for Rs. 1,83,26,00,000/- (Rs. 1,83,26,00,000/-) to Bank of Baroda, Mumbai, India, for Indian subsidiary, Lava Cast Private Limited's credit facilities.
- Warranty Claims raised by Customer but not acknowledged as debt Rs. Nil (Rs. 1,18,98,637/-).

B. Note on Pending Litigation :

(In respect of Parent Company, Setco Automotive Limited)

- The Pollution Control Department had filed a Civil / Criminal case against the Company and all the Directors in 1993. The Civil matter was disposed in favour of the Company.
In criminal matter against the Company and the Directors, Hon. High Court had quashed the case against all the Nominee Directors. The case will now proceed against the Company and the Managing Director in Local Court.
- The Company had filed a case against a competitor for cancellation of registration of design granted by Controller of Patents and Designs in Kolkata High Court. In view of the settlement of differences under a consent terms, the said case became infructuous, and the process of withdrawal of the case is under process.
- The company has preferred an appeal to Deputy Commissioner of Sales Tax Gujarat, Vadodara against the order of Commercial tax Officer imposing penalty of Rs. 10,88,178/- which is paid and disclosed under the head short term loans and advances. The company is confident of receiving adjudication in its favour.
- The Company has preferred an appeal against an order issued by DCIT, Godhra imposing penalty of Rs. 12,01,090/- for A.Y. 2004-05 to CIT(A)-4 Vadodara. The company is confident of receiving adjudication in its favour.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST March 2017

- v) The company had preferred an appeal to CIT (A) for assessment years 2002-03 to 2007-08 wherein company has received adjudication in their favour. However, the department has preferred appeals for the above assessment years at ITAT (Tribunal). Out of which appeals of revenue for A.Y. 2002-03, 2005-06, 2006-07 and 2007-08 are dismissed and adjudication is received in company's favour.
- vi) The company has preferred an appeal with CIT(Appeal)-Vadodara for A.Y. 2013-14 & 2014-15 for disallow depreciation on product development amounting to Rs.86,83,078 & Rs.1,58,22,183 for A.Y. 2013-14 & 2014-15 respectively. No Demand is raised as company pays tax u/s. 115JB (MAT), but MAT Credit is reduced. The Company's Management reasonably expects that these cases when ultimately concluded / adjudicated will not have any material or adverse effect on the Company's results of the operations or financial condition.

C. Commitments :

- i) Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 3,99,87,915/- (Rs. 2,61,80,068/-).

33 TRADE PAYABLES & RECEIVABLES

- i) In Respect of Parent Company, Trade Payables' balances are under reconciliation process. Necessary adjustments, if any, will be accounted when the same is reconciled. In respect of Trade receivables and other debit/credit balances, balance confirmations have not been obtained and therefore, are subject to reconciliation and adjustment if any. In respect of Indian Subsidiary, Trade Payables, Creditors for capital expenditure and Capital advances are subject to reconciliation and/or confirmation.
- ii) In the opinion of the management, current and non-current assets are recoverable in the normal course of business.

34 Employee Stock Option Plan - ESOP 2015.

- a. Pursuant to approval of shareholders at their meeting held on May 30, 2016, the Company has established an 'Employee Stock Option Scheme 2015' ('ESOP 2015' or 'the Scheme') to be administered by the Nomination & Remuneration Committee of the Board of Directors.
- b. Under the Scheme, options not exceeding 610,000 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 before and not more than four years after the date of grant of the options. 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. 16/- per Option which is at discount of Rs. 15.95 from the closing market price of the shares on the Stock Exchange as on the date prior to the date of the Nomination & Remuneration Committee resolution approving the grant.
- d. Pursuant to the above mentioned scheme, the Parent Company has, during the year, granted 6,10,000 options vesting over a period of three years commencing from the date of grant.
- e. The following are the number of options outstanding during the year:

Stock Options	Year ended March 31, 2017	Year ended March 31, 2016
At the beginning of the year	-	-
Granted	6,10,000	-
Exercised	-	-
Cancelled	72,000	-
At the end of the year	5,38,000	-

- f. The above outstanding options comprise of only one class granted to eligible employees in category of senior management.

- g. The company follows the Intrinsic Value Method of accounting for the options.

Balance Sheet Presentation	Year ended March 31, 2017	Year ended March 31, 2016
Total Stock Options Cost	85,81,100	Nil
Less : Deferred Employee Compensation	48,86,461	Nil
Stock Options Outstanding as at 31.03.2017	36,94,639	Nil

- h. In accordance with the requirements of SEBI (Share Based Employee Benefits) Regulations, 2014, 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:

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST March 2017

	Year ended March 31, 2017
Profits after Taxation	
As reported	19,20,02,631
Add : Intrinsic Value Compensation Cost	36,94,639
Less : Fair Value Compensation Cost	35,41,790
Proforma	19,21,55,480
Earnings Per Share	
Basic	
No. of Shares	13,35,96,675
EPS as reported (Rs.)	1.44
Performa EPS (Rs.)	1.44
Diluted	
No. of Shares	13,36,77,497
EPS as reported (Rs.)	1.44
Performa EPS (Rs.)	1.44
The following assumptions were used for calculation of fair value of grants:	Class-I
Dividend Yield	2.04%
Expected Volatility	16.38%
Risk free interest rate	6.00%
Expected term	3 years

35 Research & Development

The Parent Company, Setco Automotive Limited has a set up of recognized Research & Development Centre (R & D Centre) at its Kalol plant. During the current financial year, the R & D Centre has conducted activities mainly related to the product development, particularly development of new products for domestic & international markets. The qualifying product development expenses of the said R & D Centre which satisfy recognition criteria for intangible asset as set out in Accounting Standard-26 "Intangible Asset" are capitalized by the company as Intangible Asset and is included under the head "Intangible Asset under development in Note no. 11 - Fixed Assets" and the same shall be amortised as per amortization policy consistently followed by the company. Based on the Accounting Expert's opinion obtained by the company in preceding previous year, the accounting treatment referred to above is within the purview of Accounting Standard-26 "Intangible Assets".

The details of expenditure incurred during financial year 2016-2017 are as under : (Rs.)

Particulars	2016-17			2015-16
	Approved (DSIR) R&D Expenditure	Other R & D Expenditure	Total	Amount
Capital Expenditure	10,00,000	-	10,00,000	79,57,336
Intangible assets under development Including Depreciation of Rs. 99,72,651/- (Rs. 95,33,095/-)	-	3,45,25,944	3,45,25,944	3,70,26,992
Revenue Expenditure - Research Expenses	13,67,630	-	13,67,630	25,310
Total R&D Expenditure	23,67,630	3,45,25,944	3,68,93,574	4,50,09,638

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST March 2017

36 SPECIFIED BANK NOTES HELD AND TRANSACTED BY PARENT COMPANY AND ITS SUBSIDIARY COMPANY DURING THE PERIOD FROM 08.11.2016 TO 30.12.2016

	SBNs	Other Denomination Notes	Total
Closing Cash in Hand as on 08.11.2016	45,65,000	2,11,566	47,76,566
Add : Permitted Receipts	-	11,00,000	11,00,000
Less : Permitted Payments	-	10,88,911	10,88,911
Less : Amount Deposited in Banks	45,65,000	-	45,65,000
Closing Cash in Hand as on 30.12.2016	-	2,22,655	2,22,655

37 Disclosure in respect of Materials & Component Consumption, Inventories, Deferred Tax Assets, Deferred Tax Liabilities, Trade Receivables and change in Inventories of Finished Goods and Work in Progress are reflected, each at aggregate amounts only on the basis of information available from wholly owned ultimate foreign subsidiaries.

38 Figures in brackets represent previous year's figures.

39 Previous year's figures have been regrouped/ reclassified wherever necessary to correspond with the current year's classification/ disclosure.

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

Chartered Accountants
(Firm Registration No. : 115832W)

Manesh P. Mehta
Partner
Membership No. : 036032
Place : Mumbai
Date : May 30, 2017

Harish Sheth
Chairman & Managing Director

Arun Arora
Director

Pratap Merchant
Director

Vinay Shahane
Vice President - Finance

For and on behalf of the Board

Udit Sheth
Joint Managing Director

Ashok Kumar Jha
Director

Suhasini Sathe
Director

Bhautesh Shah
Company Secretary

Place : Mumbai
Date : May 30, 2017

Shvetal Vakil
Executive Director

Bhalchandra Naik
Director

Urja Shah
Executive Director

To,
The Company Secretary
Setco Automotive Limited
Corporate Office: 2/A, Ground Floor,
Film Centre Building, 68, Tardeo Road,
Mumbai – 400 034, India.

NATIONAL ELECTRONIC CLEARING SERVICE (NECS) MANDATE FORM

1. Shareholder's Name :
2. Folio No. :
3. No. of Shares :
4. Bank Name :
5. Branch Name:
Address :

Telephone No. :

6. Bank Account Number : (10-Digit or more number only)
7. Ledger Folio No. of the Account:(if appearing on Cheque Book)

- | | | | |
|--------------------------------------|---------|---------|-------------|
| 8. Account type :
(Please tick ✓) | Savings | Current | Cash Credit |
|--------------------------------------|---------|---------|-------------|

- | | | | | | | | | | | |
|---|--|--|--|--|--|--|--|--|--|--|
| 9. 9-Digit Code Number :
of the Bank & Branch
appearing on the
MICR Cheque issued
by the Bank | <table border="1" style="width: 100%; border-collapse: collapse;"><tr><td style="width: 12.5%; height: 30px;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td></tr></table> | | | | | | | | | |
| | | | | | | | | | | |

10. 11-Digit IFSC Code :
(Optional)

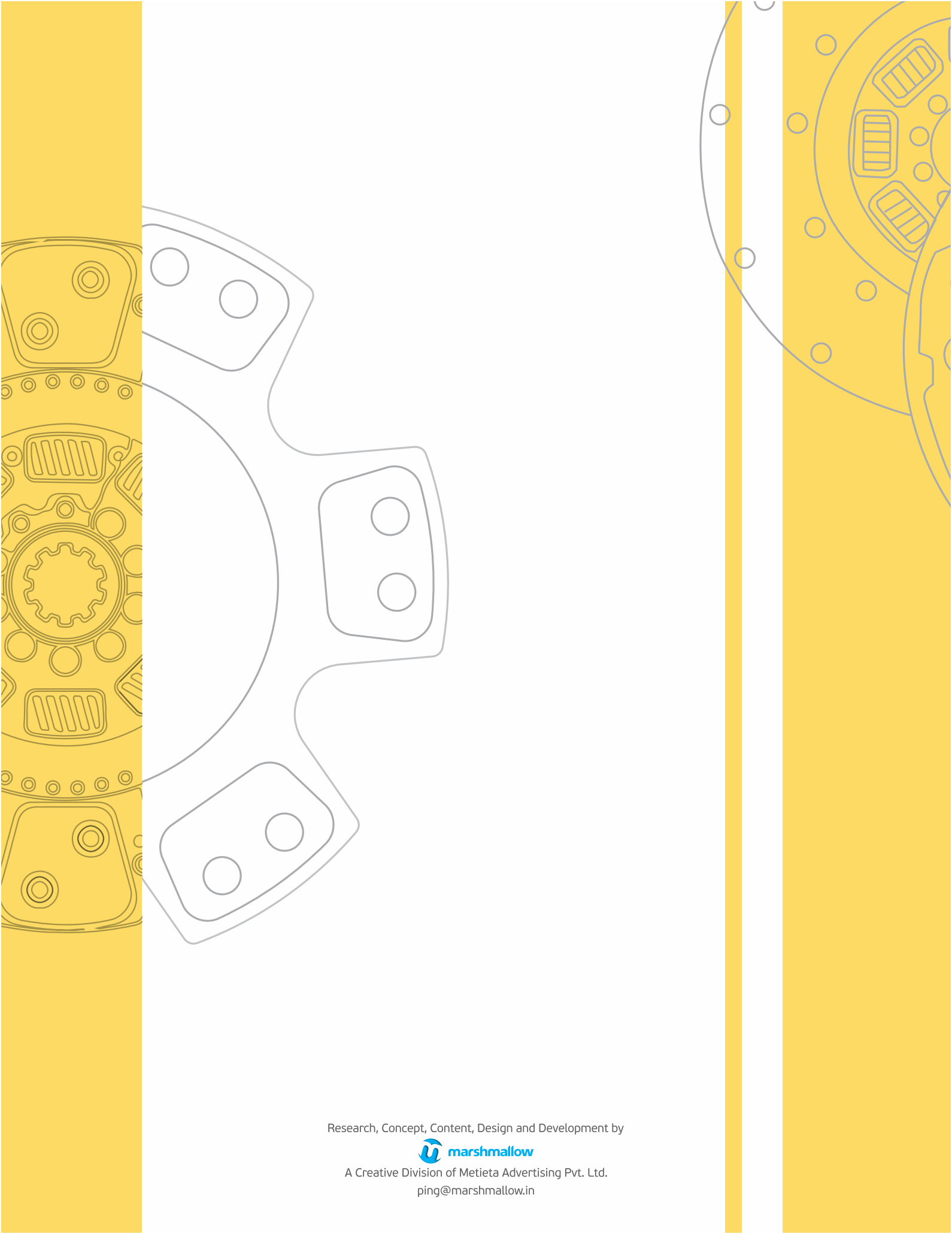
I agree to avail the NECS introduced by RBI with respect to payment of dividend to me.

I hereby declare that the particulars given above are correct and complete. If the transaction is delayed or not effected at all for reasons beyond the control of the Company, I would not hold Setco Automotive Limited responsible.

Date

Signature of the Sole/First Shareholder

(Please attach (i) self-attested photocopies of any two of your Passport / PAN Card / Driving License / Voters Identity Card towards proof of identification & (ii) a blank cancelled cheque or photocopy of a cheque issued by your Bank for verification of the 9-digit code Number provided above).



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ping@marshmallow.in





CIN: L35999GJ1982PLC005203

Regd. Office: Baroda - Godhra Highway, Kalol (Panchmahals), Pincode - 389 330, Gujarat, India
Phone: 02676-305600, Fax: 02676-235524. Email: investor.relations@setcoauto.com, Website: www.setcoauto.com

NOTICE is hereby given that the Thirty Fourth Annual General Meeting of the Members of the Company will be held at the Registered Office of the Company at Baroda - Godhra Highway, Kalol, District Panchmahals, Pin Code - 389 330, Gujarat, India, on Wednesday, September 27, 2017 at 2 p.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt:
 - (a) the Audited Financial Statements of the Company for the financial year ended March 31, 2017 together with the Reports of the Board of Directors and the Auditors thereon; and
 - (b) the Audited Consolidated Financial Statements of the Company for the financial year ended March 31, 2017.
2. To declare Dividend for the Financial Year 2016-17;
3. To appoint a Director in place of Mr. Udit Sheth, who retires by rotation and being eligible offers himself for re-appointment;
4. To appoint statutory auditors and fix their remuneration

"RESOLVED THAT pursuant to the provisions of Sections 139, 142 and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, as may be applicable and pursuant to the recommendations of the Audit Committee, M/s. V. Parekh & Associates, Chartered Accountants (Firm Registration No. 107488W), be appointed as statutory auditors of the Company, in place of retiring auditors M/s. Manesh Mehta & Associates, Chartered Accountants (Firm Registration No. 115832W), to hold office from the conclusion of this 34th Annual General Meeting (AGM) until the conclusion of the 39th AGM, subject to ratification by members every year, as applicable, at such remuneration and out of pocket expenses, as may be decided by the Board of Directors of the Company."

SPECIAL BUSINESS:

5. To consider, and if thought fit, to pass with or without modification(s) the following resolution proposed as a **Special Resolution:**

"RESOLVED THAT in accordance with the provisions of Sections 196, 197, 203 of the Companies Act, 2013 ("the Act") read with Schedule V to the Act and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and all other applicable provisions, if any, of the Act (including any statutory modifications or re-enactment thereof, for the time being in force) and Article 87 of Articles of Association of the Company, the approval of the Company be and is hereby accorded to the re-

appointment of **Mr. Harish Sheth** (DIN 01434459) as Chairman and Managing Director of the Company for a period of 3 (Three) years with effect from January 1, 2018 on the remuneration and terms and conditions detailed in the Explanatory Statement to this Notice which include remuneration not exceeding the amount that remains unutilized from the overall permitted limit of 10% of net profits of the Company after payment of remuneration to all other Whole-time Directors of the Company, subject to minimum remuneration (remuneration includes remuneration, perquisites, benefits and amenities) of Rs. 1,20,00,000 (Rupees One Hundred Twenty Lakhs only) per annum, and further subject to compliances as may be applicable under the provisions of the Companies Act, 2013, as recommended by the Nomination and Remuneration Committee and approved by the Board of Directors ("the Board") of the Company."

"RESOLVED FURTHER THAT when in any financial year the Company has no profits or its profits are inadequate, Mr. Harish Sheth shall be entitled to receive maximum remuneration in accordance with Schedule V to the Act; or such higher amount of remuneration as may be approved by the Central Government."

"RESOLVED FURTHER THAT in the event of any statutory amendment(s), modification(s) to the Act, Schedule V to the Act or any rules made under the Act or relaxation(s) by the Central Government, as may be applicable, the Board be and is hereby authorized to vary the remuneration, including salary, perquisites, allowance, commission etc. within such modified prescribed limit or ceiling as aforesaid without any further reference to the shareholders of the Company."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to take such steps as may be necessary to give effect to this Resolution."

6. To consider, and if thought fit, to pass with or without modification(s) the following resolution proposed as a **Special Resolution:**

"RESOLVED THAT in accordance with the provisions of Sections 196, 197 of the Companies Act, 2013 ("the Act") read with Schedule V to the Act and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and all other applicable provisions, if any, of the Act (including any statutory modifications or re-enactment thereof, for the time being in force) and Article 87 of Articles of Association of the Company, and subject to the approval of Central Government as applicable, the

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approval of the Company be and is hereby accorded to the re-appointment of **Mr. Udit Sheth** (DIN 00187221) as the Joint Managing Director of the Company for a period of 3 (Three) years with effect from January 1, 2018 on the remuneration and terms and conditions detailed in the Explanatory Statement to this Notice which include (a) remuneration upto a maximum of Rs. 102,00,000/- (Rupees One Hundred Two Lakhs only) per annum (remuneration includes remuneration, perquisites, benefits and amenities) with such additional sum by way of annual increments within the overall limit of 10% of net profits of the Company; and (b) additional annual performance incentive not exceeding 1% of net profits of the Company for the relevant financial year, as set out in the explanatory statement to the notice, as may be recommended by the Nomination and Remuneration Committee and approved by the Board; subject to limits under Schedule V to the Act."

"RESOLVED FURTHER THAT when in any financial year the Company has no profits or its profits are inadequate, Mr. Udit Sheth shall be entitled to receive maximum remuneration in accordance with Schedule V to the Act; or such higher amount of remuneration as may be approved by the Central Government."

"RESOLVED FURTHER THAT in the event of any statutory amendment(s), modification(s) to the Act, Schedule V to the Act or any rules made under the Act or relaxation(s) by the Central Government, as may be applicable, the Board be and is hereby authorized to vary the remuneration, including salary, perquisites, allowance, commission etc. within such modified prescribed limit or ceiling as aforesaid without any further reference to the shareholders of the Company."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to take such steps as may be necessary to give effect to this Resolution."

7. To consider, and if thought fit, to pass with or without modification(s) the following resolution proposed as a **Special Resolution**:

"RESOLVED THAT in accordance with the provisions of Sections 196, 197 of the Companies Act, 2013 ("the Act") read with Schedule V to the Act and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and all other applicable provisions, if any, of the Act (including any statutory modifications or re-enactment thereof, for the time being in force) and Article 87 of Articles of Association of the Company, and subject to the approval of Central Government as applicable, the approval of the Company be and is hereby accorded to the re-appointment of **Mr. Shvetal Vakil** (DIN 00140956) as an Executive Director of the Company

for a period of 3 (Three) years with effect from January 1, 2018 on the remuneration and terms and conditions detailed in the Explanatory Statement to this Notice which include (a) remuneration upto a maximum of Rs. 111,00,000/- (Rupees One Hundred Eleven Lakhs only) per annum (remuneration includes remuneration, perquisites, benefits and amenities) with such additional sum by way of annual increments within the overall limit of 10% of net profits of the Company; and (b) additional annual performance incentive not exceeding 1% of net profits of the Company for the relevant financial year, as set out in the explanatory statement to the notice, as may be recommended by the Nomination and Remuneration Committee and approved by the Board; subject to limits under Schedule V to the Act."

"RESOLVED FURTHER THAT when in any financial year the Company has no profits or its profits are inadequate, Mr. Shvetal Vakil shall be entitled to receive maximum remuneration in accordance with Schedule V to the Act; or such higher amount of remuneration as may be approved by the Central Government."

"RESOLVED FURTHER THAT in the event of any statutory amendment(s), modification(s) to the Act, Schedule V to the Act or any rules made under the Act or relaxation(s) by the Central Government, as may be applicable, the Board be and is hereby authorized to vary the remuneration, including salary, perquisites, allowance, commission etc. within such modified prescribed limit or ceiling as aforesaid without any further reference to the shareholders of the Company."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to take such steps as may be necessary to give effect to this Resolution."

8. To consider, and if thought fit, to pass with or without modification(s) the following resolution proposed as a **Special Resolution**:

"RESOLVED THAT in accordance with the provisions of Sections 196, 197 of the Companies Act, 2013 ("the Act") read with Schedule V to the Act and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and all other applicable provisions, if any, of the Act (including any statutory modifications or re-enactment thereof, for the time being in force) and Article 87 of Articles of Association of the Company, and subject to the approval of Central Government as applicable, the approval of the Company be and is hereby accorded to the re-appointment of **Mrs. Urja Shah** (DIN 02675341) as an Executive Director of the Company for a period of 3 (Three) years with effect from November 11, 2017 on the remuneration and terms and conditions detailed in the Explanatory Statement

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to this Notice which include remuneration of (a) Rs. 42,00,000/- (Rupees Forty Two Lakhs only) per annum (remuneration includes remuneration, perquisites, benefits and amenities) with such additional sum by way of annual increments within the overall limit of 10% of net profits of the Company, as set out in the explanatory statement to this Notice, as may be recommended by the Nomination and Remuneration Committee and approved by the Board; subject to limits under Schedule V to the Act. "

"RESOLVED FURTHER THAT when in any financial year the Company has no profits or its profits are inadequate, Mrs. Urja Shah shall be entitled to receive maximum remuneration as per Schedule V to the Act; or such higher amount of remuneration as approved by the Central Government".

"RESOLVED FURTHER THAT in the event of any statutory amendment(s), modification(s) to the Act, Schedule V to the Act or any rules made under the Act or relaxation(s) by the Central Government, as may be applicable, the Board be and is hereby authorized to vary the remuneration, including salary, perquisites, allowance, commission etc. within such modified prescribed limit or ceiling as aforesaid without any further reference to the shareholders of the Company."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to take such steps as may be necessary to give effect to this Resolution."

9. Issue of Further Securities:

To consider and, if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution:-**

"RESOLVED THAT in accordance with the provisions of section 23, 42 and 62(1)(c), as may be applicable, and other applicable provisions, if any, of the Companies Act, 2013 and the applicable rules framed thereunder ("Act") (including any amendment thereto or re-enactment thereof, and in accordance with the provisions of the Memorandum and Articles of Association of the Company and subject to and in accordance with any other applicable law or regulation, in India or outside India, including without limitation, the Listing Regulation entered into with the stock exchanges where the equity shares of the Company are listed ("Stock Exchanges"), the provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2009 ("SEBI ICDR Regulations") (including any amendment thereto or re-enactment thereof, for the time being in force), the Foreign Exchange Management Act, 1999 ("FEMA"), as amended, Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended, and in accordance with the rules, regulations, guidelines,

notifications, circulars and clarifications issued thereon, from time to time, by the Securities and Exchange Board of India, Reserve Bank of India, the Stock Exchanges, the Government of India, the Registrar of Companies or any other relevant authority from time to time ("Governmental Authorities"), to the extent applicable, and subject to such approvals, consents, permissions and sanctions as may be required from such Governmental Authorities, and subject to such conditions and modifications as may be prescribed, stipulated or imposed by such Governmental Authorities while granting such approvals, consents, permissions and sanctions, which the Board of Directors of the Company (hereinafter referred to as the "Board" which term shall be deemed to include any committee(s) thereof constituted/to be constituted by the Board to exercise its powers including the powers conferred by this Resolution) is hereby authorized to accept, the Board be and is hereby authorized, on behalf of the Company, to create, issue, offer and allot, (including the provisions for reservation on firm and/or competitive basis, of such part of issue and for such categories of persons including employees of the Company, as may be permitted), in the course of one or more public or private offerings with or without a green shoe option (including Qualified Institutions Placement ("QIP") under SEBI ICDR Regulations), equity shares of the Company with a face value of Rs.2 (Rupees two) each ("Equity Shares") and/or Equity Shares through convertible bonds, depository receipts and/or other securities convertible into Equity Shares at the option of the Company and/or the holder(s) of such securities, and/or securities linked to Equity Shares or other securities with or without warrants, which may either be detachable or linked, and which warrant has a right exercisable by the warrant holder to subscribe for the Equity Shares and/or warrants with an option exercisable by the warrant-holder to subscribe for Equity Shares and/or any instruments or securities representing either Equity Shares and/or convertible securities linked to Equity Shares (including the issue and allotment of Equity Shares pursuant to a green shoe option, if any), (all of which are hereinafter collectively referred to as "Securities") or any combination of Securities, to eligible investors under applicable laws, regulations and guidelines as decided by the Board, including but not limited to qualified institutional buyers in accordance with Chapter VIII of the SEBI ICDR Regulations, (whether residents and/or non-residents and/or institutions/banks and/or incorporated bodies, mutual funds, venture capital funds, and Indian and/or multi-lateral financial institutions, other eligible investors and/or individuals and/or trustees and/or stabilising agents or otherwise, and whether or not such investors are

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members of the Company), through placement document and/or letter of offer or circular and/or on public and/or private/preferential placement basis, such issue and allotment to be made at such time/times, in one or more tranches, for cash, at such price or prices, including at discount / premium to the market price in such manner and on such terms and conditions including security, rate of interest etc., considering the then prevailing market conditions and other relevant factors wherever necessary, in consultation with the merchant bankers and/or other advisors or otherwise, on such terms and conditions as the Board, may, in its absolute discretion, decide at the time of issue of Securities provided that the total amount raised through the issuance of such Securities shall not exceed Rs. 150 crores or its equivalent in one or more currencies, if any, as may be decided by the Board, to investors as mentioned above and that the combination of Securities would result in a maximum issue of up to 3,15,00,000 equity shares of Rs.2/- each of the Company, if and after they are exchanged with the equity shares of the Company AND THAT the new equity shares to be issued would result in a maximum dilution of up to 20% of the expanded issued and paid up equity share capital of the Company, taking into consideration the un-exercised stock options as on date."

The pricing of the Securities that may be issued to qualified institutional buyers pursuant to a QIP shall be freely determined subject to such price not being less than the price calculated in accordance with Chapter VIII of the SEBI ICDR Regulations. The Company may, in accordance with applicable law, offer a discount of not more than 5% or such percentage as permitted under applicable law on the price determined pursuant to the SEBI ICDR Regulations.

"RESOLVED FURTHER THAT without prejudice to the generality of the above, the aforesaid issue of the Securities may have all or any terms or conditions or combination of terms in accordance with applicable regulations, prevalent market practices, etc."

"RESOLVED FURTHER THAT any issue of Securities made by way of QIP in terms of Chapter VIII of the SEBI ICDR Regulations, the allotment of the Securities, or any combination of Securities as may be decided by the Board shall be completed within 12 months from the date of this Resolution or such other time as may be allowed under the SEBI ICDR Regulations from time to time."

"RESOLVED FURTHER THAT in the event the Equity Shares are issued pursuant to the QIP, the "relevant date" for the purpose of pricing of the Equity Shares shall be the date of the meeting in which the Board (including a committee of the Board) decides to open the proposed issue, and in the event that convertible securities (as defined under the SEBI ICDR

Regulations) are issued pursuant to the QIP, the relevant date for the purpose of pricing of such convertible securities, shall be the date of the meeting in which the Board of the Company (including a committee of the Board) decides to open the proposed issue of such convertible securities."

"RESOLVED FURTHER THAT the Board be and is hereby authorized to issue and allot such number of Securities as may be required to be issued and allotted, including issue and allotment of Equity Shares upon conversion of any Securities referred to above or as may be necessary in accordance with the terms of the offer. Subject to the provisions of the Memorandum and Articles of Association of the Company, all such Equity Shares shall rank paripassu inter-se and with the then existing Equity Shares of the Company in all respects, including dividend, which shall be subject to relevant provisions on that behalf contained in the Articles of Association of the Company."

"RESOLVED FURTHER THAT for the purpose of giving effect to any offer, issue or allotment of Equity Shares or Securities or instruments representing the same, as described above, the Board, where required in consultation with the merchant bankers and/or other advisors, be and is hereby authorised on behalf of the Company, to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary or desirable for such purpose, including but not limited to finalization and approval of the preliminary as well as final offer document(s), determining the form and manner of the issue, including the selection of qualified institutional buyers to whom the Securities are to be offered, issued and allotted, number of Securities to be allotted, issue price, face value, discounts permitted under applicable law (now or hereafter), premium amount on issue/conversion of the Securities, if any, rate of interest, and matters related thereto, and with power on behalf of the Company to settle all questions, difficulties or doubts that may arise in regard to such issue(s) or allotment(s) as it may, in its absolute discretion, deem fit."

"RESOLVED FURTHER THAT the Board be and is hereby authorized to appoint lead managers, underwriters, guarantors, depositories, custodians, registrars, stabilizing agents, trustees, bankers, lawyers, advisors and all such agencies as may be involved or concerned in such offerings of Securities and to remunerate them by way of commission, brokerage, fees or the like and also to enter into and execute all such arrangements, agreements, memorandum, documents, etc., with such agencies and also to seek the listing of such Securities on the Stock Exchange(s) and the Equity Shares to be issued on conversion of the Securities as set forth in the aforesaid resolution, if any, on the Stock

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Exchange(s), authorising any director(s) or any officer(s) of the Company to sign for and on behalf of the Company, the offer document(s), agreement(s), arrangement(s), application(s), authority letter(s), or any other related paper(s) / document(s) and give any undertaking(s), affidavit(s), certificate(s), declaration(s) as the Board may in its absolute discretion deem fit including the authority to amend or modify the aforesaid document(s)."

"RESOLVED FURTHER THAT the Board be and is

Registered Office:
Baroda-Godhra Highway,
Kalol, District Panchmahals,
Pin Code – 389 330,
Gujarat, India.

Date: August 21, 2017

NOTES:

1. The relative Explanatory Statement pursuant to Section 102 of the Companies Act, 2013, in respect of resolutions set out hereinabove at Item No. 5 to 9 is annexed hereto and forms part of this Notice.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
3. The instrument appointing Proxy(ies) must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting. Proxies submitted on behalf of the companies, societies etc., must be supported by an appropriate resolution/authority, as applicable. A person can act as proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than 10% of the total share capital of the Company. A member holding more than 10% of the total share capital of the Company may appoint a single person as proxy and such person shall not act as proxy for any other person or shareholder.
4. Corporate members intending to send their authorized representatives to attend the meeting are requested to send to the Company a certified copy of the Board resolution authorizing their representatives to attend and vote on their behalf at the Meeting.
5. During the period beginning 24 hours before the time fixed for the commencement of the meeting and ending with the conclusion of the meeting, a member would be entitled to inspect, at any time during the business hours of the Company, the proxies lodged provided not less than three days' notice in writing of the intention so to inspect is given to the Company.
6. Members / proxies are requested to bring duly filled attendance slip sent herewith to attend the meeting.

hereby authorized to form a committee and/or delegate all or any of its power to any committee of directors (including any officer(s) of the company) to give effect to the aforesaid resolutions and is authorized to take such steps and to do all such acts, deeds, matters and things and accept any alterations or modification(s) as they may deem fit and proper and give such directions as may be necessary to settle any question or difficulty that may arise in regard to issue and allotment of Equity Shares."

**By Order of the
Board of Directors**

**Viany Shahane
Vice President – Finance**

7. All documents referred to in the accompanying Notice and the Explanatory Statement shall be open for inspection at the Registered Office of the Company between 11.00 a.m. to 3.00 p.m. on all working days except Tuesdays, up to and including the date of the Meeting.
8. The Register of Members and the Share Transfer Books of the Company will be closed from Wednesday, September 20, 2017 to Wednesday, September 27, 2017 (both days inclusive).
9. Dividend as recommended by the Board, if declared at the meeting, will be payable on or after September 28, 2017, to those members whose names appear on the Register of Members as on Book Closure Date.
10. Members holding shares in demat form are requested to direct their Depository Participants for any change in address or update their bank account details.
11. Members are requested to address all correspondence including dividend matters to the Registrar and Share Transfer Agents, Link Intime India Private Limited, C 101, 247 Park, L B S Marg, Vikhroli (West), Mumbai 400 083.
12. Members who have not claimed their dividends pertaining to earlier years are requested to correspond with the Registrar and Share Transfer Agents of the Company viz., Link Intime India Private Limited at their address specified above or the Company Secretary, at the Corporate Office of the Company for claiming the unclaimed dividends.
13. In terms of provisions of Section 124 and 125 of the Companies Act, 2013 (corresponding to Section 205C of the Companies Act, 1956), any dividend not encashed or claimed within seven years from the date of transfer to the Company's Unpaid Dividend Account, will be transferred to 'Investor Education & Protection Fund' according to statutory stipulations. The relevant dates of transfer to Investor Education

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& Protection Fund are provided in the Corporate Governance Report forming part of the Annual Report of the Company.

14. As required under Regulation 27 of SEBI (LODR) Regulations, 2015 with the Stock Exchange, the details of Director seeking re-appointment at the ensuing Annual General Meeting are provided in the Corporate Governance Report.
15. The members are requested to update their Bank Account details and address details with the Registrar (in case of physical holding) and with their Depository Participant (in case of electronic holding). The Bank Account / Address details can be updated in the prescribed format as attached or can be downloaded from the Company's website viz., www.setcoauto.com.
16. Entire Annual Report is available on the Company's website viz., www.setcoauto.com.
17. This Notice is being sent to all the Members, whose names appear in the Register of Members / Statements of beneficial ownership maintained by the Depositories i.e., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) as on the close of business hours on August 18, 2017.
18. In compliance with Listing Regulation with the Stock Exchange(s) and the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014, the Company is offering e-voting facility to all its Members as an alternate mode to exercise their right to vote. For this purpose, the Company has entered into an agreement with Central Depository Services (India) Limited (CDSL) for facilitating e-voting to enable the Members to cast their votes electronically. Please note that e-voting is optional.
19. The facility for voting through ballot paper shall be made available at the Meeting and the members attending the Meeting who have not cast their vote by remote e-voting shall be able to exercise their right to vote at the meeting through ballot paper.
20. The Members who have cast their vote by remote e-voting prior to the Meeting may also attend the Meeting but shall not be entitled to cast their vote again.
21. Voting through electronic means
The instructions for shareholders voting electronically are as under:
 - (i) The voting period begins on September 24, 2017 at 9.00 a.m. and ends on September 26, 2017 at 5.00 p.m. During this period shareholders of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (Record Date) of September 20, 2017, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.

- (ii) The shareholders should log on to the e-voting website www.evotingindia.com.
- (iii) Click on Shareholders/Members.
- (iv) Enter User ID :
 - a. For CDSL: 16 digits beneficiary ID,
 - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
- (v) Next Enter the Image Verification as displayed and Click on Login.
- (vi) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.
- (vii) If you are a first time user follow the steps given below:

For Members holding shares in Demat Form and Physical Form

PAN	Enter your 10 digit alpha-numeric PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) • Members who have not updated their PAN with the Company/ Depository Participant are requested to use the sequence number which is printed on Attendance Slip indicated in the PAN field.
Dividend Bank Details or Date of Birth (DOB)	Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the company records in order to login. • If both the details are not recorded with the depository or company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (iv).

- (viii) After entering these details appropriately, click on "SUBMIT" tab.
- (ix) Members holding shares in physical form will then directly reach the Company selection screen. However, Members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts

NOTICE

for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

- (x) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (xi) Click on the EVSN of Setco Automotive Limited on which you choose to vote.
- (xii) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xiii) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- (xiv) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- (xv) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- (xvi) You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.
- (xvii) If Demat account holder has forgotten the existing login password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- (xviii) **Shareholders can also cast their vote using CDSL's mobile app m-Voting available for android based mobiles. The m-Voting app can be downloaded from Google Play Store. Apple and Windows phone users can download the app from the App Store and the Windows Phone Store respectively. Please follow the instructions as prompted by the mobile app while voting on your mobile.**
- (xix) Note for Non – Individual Shareholders and Custodians
 - Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to www.evotingindia.com and register themselves as Corporates.
 - A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
 - After receiving the login details a compliance user should be created using the admin login and password. The Compliance user would

be able to link the account(s) for which they wish to vote on.

- The list of accounts should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
- A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.

- (xx) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.com, under help section or write an email to helpdesk.evoting@cdslindia.com.

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

Item No. 5:

Mr. Harish Sheth is the Managing Director of the Company since its inception in 1982. He was last reappointed as the Chairman and Managing Director of the Company w.e.f. January 1, 2015 for a period of three years, ending on December 31, 2017 by the Board of Directors ("the Board") and approved by members of the Company at its Annual General Meeting held on September 9, 2014 under the applicable provisions of the Companies Act, 2013. The tenure of his appointment is due for renewal w.e.f. January 1, 2018. Your directors have approved his reappointment as Chairman and Managing Director for a further period of 3 years from January 1, 2018 on remuneration as detailed herein below based on the recommendation of the Nomination and Remuneration Committee. The reappointment and remuneration as approved by the Board is subject to approval by the members of the Company, as may be required under the provisions of the Companies Act, 2013 (the Act).

- i. Remuneration of an amount not exceeding the amount that remains unutilized from the overall permitted limit of 10% of net profits of the Company after payment of remuneration to all other Whole-time Directors of the Company, subject to minimum remuneration (remuneration includes remuneration, perquisites, benefits and amenities) of Rs.1,20,00,000 (Rupees One Hundred Twenty Lakhs only) per annum, and further subject to compliances as may be applicable under the provisions of the Companies Act, 2013, as recommended by the Nomination and Remuneration Committee and approved by the Board of Directors of the Company.
- ii. Perquisites as detailed herein below which shall not be included in the computation of the ceiling on proposed remuneration as per Schedule V and other applicable provisions of the Companies Act, 2013:

NOTICE

- (a) Company's contribution to Provident Fund, as per the rules of the Company.
- (b) Gratuity not exceeding one-half months' salary for each completed year of service as per rules of the Company.
- (c) Superannuation premium as applicable and to the extent it is not taxable under the provisions of the Income Tax Act, 1961.
- (d) Encashment of leave at the end of the tenure as per the rules of the Company.

iii. Minimum Remuneration:

In the event of absence or inadequacy of profits in any financial year, Mr. Harish Sheth shall be entitled to receive maximum remuneration in accordance with Schedule V to the Act; or such higher amount of remuneration as may be approved by the Central Government.

The Explanatory Statement accompanying Notice should be treated as an abstract of the terms of re-appointment. An agreement for the reappointment, remuneration and other terms will be executed with Mr. Harish Sheth on approval of the resolution put for your approval.

The Board recommends the Resolution at Item No.5 of the Notice for approval of the shareholders as a Special Resolution.

Mr. Harish Sheth is interested in the resolution. Mr. Udit Sheth and Mrs. Urja Shah being relatives of Mr. Harish Sheth are considered to be interested or concerned in the resolution.

None of the other Directors and key managerial personnel of the Company or their respective relatives are concerned or interested in the Resolution mentioned at Item No.5 of the Notice.

Mr. Harish Sheth held 72,22,655 Equity Shares of Rs.2/- each in the Company as on March 31, 2017.

Item No. 6:

Mr. Udit Sheth was last reappointed as the Executive Director of the Company w.e.f. January 1, 2015 for a period of three years, ending on December 31, 2017 by the Board of Directors ("the Board") and approved by members of the Company at its Annual General Meeting held on September 9, 2014 under the applicable provisions of the Companies Act, 2013. Subsequently he was designated as the Joint Managing Director of the Company with effect from July 15, 2015 till the end of his tenure on December 31, 2017. The tenure of his appointment is due for renewal w.e.f. January 1, 2018. Your directors have approved his reappointment as the Joint Managing Director for a further period of 3 years from January 1, 2018 on remuneration as detailed herein below based on the recommendation of the Nomination and Remuneration Committee. The reappointment and remuneration as approved by the Board is subject to approval by the members of the Company, as may be

required under the provisions of the Companies Act, 2013 (the Act).

- i. Annual salary upto a maximum of Rs. 102,00,000/- (Rupees One Hundred Two Lakhs only) with effect from January 1, 2018 with such annual increments within the overall limit of 10% of net profits of the Company subject to Schedule V to the Act as may be recommended by the Nomination and Remuneration Committee and approved by the Board.
- ii. Performance incentive reckoned not exceeding 1% of the Net Profits of the Company as may be recommended by the Nomination and Remuneration Committee and approved by the Board.
- iii. Perquisites as detailed here below which shall not be included in the computation of the ceiling of proposed remuneration as per Schedule V and other applicable provisions of the Companies Act, 2013:

- (a) Company's contribution to Provident Fund, as per the rules of the Company.
- (b) Gratuity not exceeding one-half months' salary for each completed year of service as per the policy of the Company.
- (c) Superannuation premium as applicable and to the extent it is not taxable under the provisions of the Income Tax Act, 1961.
- (d) Leave Encashment as per the rules of the Company.

iv. Minimum Remuneration:

In the event of absence or inadequacy of profits in any financial year, Mr. Udit Sheth shall be entitled to receive maximum remuneration in accordance with Schedule V to the Act.

The Explanatory Statement accompanying Notice should be treated as an abstract of the terms of re-appointment. An agreement for the re-appointment, remuneration and other terms will be executed with Mr. Udit Sheth on approval of the resolution put for your approval.

The Board recommends the Resolution at Item No.6 of the Notice for approval of the shareholders as a Special Resolution.

Mr. Udit Sheth is interested in the resolution. Mr. Harish Sheth and Mrs. Urja Shah being relatives of Mr. Udit Sheth are considered to be interested or concerned in the resolution.

None of the other Directors and key managerial personnel of the Company or their respective relatives are concerned or interested in the Resolution mentioned at Item No.6 of the Notice.

Mr. Udit Sheth held 49,17,000 Equity Shares of Rs. 2/- each in the Company as on March 31, 2017.

Item No. 7:

The Members of the Company at its Annual General Meeting held on September 9, 2014 reappointed Mr.

NOTICE

Shvetal Vakil as Executive Director of the Company for a period of 3 years w.e.f. January 1, 2015. The tenure of his appointment is due for renewal w.e.f. January 1, 2018. Your directors have approved his re-appointment as Executive Director for a further period of 3 years from January 1, 2018 on remuneration as detailed herein below based on the recommendation of the Nomination and Remuneration Committee. The re-appointment and remuneration as approved by the Board is subject to approval by the members of the Company, as may be required under the provisions of the Companies Act, 2013 (the Act).

- i. Annual salary upto a maximum of Rs. 111,00,000/- (Rupees One Hundred Eleven Lakhs only) with effect from January 1, 2018 with such additional sum by way of annual increments within the overall limit of 10% of net profits of the Company subject to Schedule V to the Act as may be recommended by the Nomination and Remuneration Committee and approved by the Board.
- ii. Performance incentive reckoned not exceeding 1% of the Net Profits of the Company as may be recommended by the Nomination and Remuneration Committee and approved by the Board.
- iii. Perquisites as detailed here below which shall not be included in the computation of the ceiling of proposed remuneration as per Schedule V and other applicable provisions of the Companies Act, 2013:
 - (a) Company's contribution to Provident Fund, as per the rules of the Company.
 - (b) Gratuity not exceeding one-half months' salary for each completed year of service as per the policy of the Company.
 - (c) Superannuation premium as applicable and to the extent it is not taxable under the provisions of the Income Tax Act, 1961.
 - (d) Leave Encashment as per the rules of the Company.

iv. Minimum Remuneration:

In the event of absence or inadequacy of profits in any financial year, Mr. Shvetal Vakil shall be entitled to receive maximum remuneration in accordance with Schedule V to the Act.

The Explanatory Statement accompanying Notice should be treated as an abstract of the terms of re-appointment. An agreement for the reappointment, remuneration and other terms will be executed with Mr. Shvetal Vakil on approval of the resolution put for your approval.

The Board recommends the Resolution at Item No.7 of the Notice for approval of the shareholders by a Special Resolution.

None of the Directors and key managerial personnel of the Company or their respective relatives except Mr. Shvetal Vakil are concerned

or interested in the Resolution mentioned at Item No. 7 of the Notice.

Mr. Shvetal Vakil held 2,58,750 Equity Shares of Rs.2/- each in the Company as on March 31, 2017.

Item No. 8:

The Members of the Company at its Annual General Meeting held on September 18, 2015 reappointed Mrs. Urja Shah as Executive Director of the Company for a period of 3 years w.e.f. November 11, 2014. The tenure of his appointment is due for renewal w.e.f. November 11, 2017.

Mrs. Urja Shah has completed Bachelors in Environmental Science and a Masters in Environmental Policy from Duke University, USA. She has a Certificate in International Development Studies from Duke University. She has pursued certificate in Financial Accounting and Marketing from Boston University, USA. She been playing a very significant role in the Company's activities related to Corporate Social Responsibility. Considering the requisite qualification and her contributions, your directors have approved her re-appointment as Executive Director for a further period of 3 years from November 11, 2017 on remuneration as detailed herein below based on the recommendation of the Remuneration Committee. The re-appointment and remuneration as approved by the Board is subject to approval by the members of the Company, as may be required under the provisions of the Companies Act, 2013 (the Act).

- i. Monthly salary of Rs. 3,50,000/- (Rupees Three Lakhs Fifty Thousand only) per month with effect from November 11, 2017 with such additional sum by way of annual increments within the overall limit of 10% of net profits of the Company subject to Schedule V to the Act as may be recommended by the Nomination and Remuneration Committee and approved by the Board.
- ii. Perquisites as detailed here below which shall not be included in the computation of the ceiling of proposed remuneration as per Schedule V and other applicable provisions of the Companies Act, 2013:
 - (a) Company's contribution to Provident Fund, as per the rules of the Company.
 - (b) Gratuity not exceeding one-half months' salary for each completed year of service as per the policy of the Company.
 - (c) Superannuation premium as applicable and to the extent it is not taxable under the provisions of the Income Tax Act, 1961.
 - (d) Leave Encashment as per the rules of the Company.

iv. Minimum Remuneration:

In the event of absence or inadequacy of profits in any financial year closing, Mrs. Urja Shah shall be entitled to receive maximum remuneration in accordance with Schedule V to the Act.

NOTICE

The Explanatory Statement accompanying Notice should be treated as an abstract of the terms of re-appointment. An agreement for the reappointment, remuneration and other terms will be executed with Mrs. Urja Shah on approval of the resolution put for your approval.

The Board recommends the Resolution at Item No.8 of the Notice for approval of the shareholders by a Special Resolution.

Mrs. Urja Shah is interested in the resolution. Mr. Harish Sheth and Mr. Udit Sheth being relatives of Mrs. Urja Shah are considered to be interested or concerned in the resolution.

None of the other Directors and key managerial personnel of the Company or their respective relatives are concerned or interested in the Resolution mentioned at Item No.8 of the Notice.

Mrs. Urja Shah held 725 Equity Shares of Rs. 2/- each in the Company as on March 31, 2017.

Item No. 9:

The Company's business plan envisages organic as well as inorganic growth opportunities and also provides for further expansion of its manufacturing facilities. Company requires adequate capital to meet these growth objectives as well as meet general corporate requirements that arises from time to time. While internal accruals and debt raising would meet part of these requirements, it is thought prudent to have enabling approvals to raise part of the balance funds requirements through the issue of appropriate securities as defined in the Resolution.

Section 62(1)(c) of the Companies Act, 2013 ("Act") provides that, inter-alia, such further shares may be offered to any persons whether or not such persons are existing holders of equity shares of the Company as on the date of offer by way of a Special Resolution passed to that effect by the Company. Accordingly, consent of the shareholders is being sought, pursuant to the provisions of Section 62(1)(c) and other applicable provisions of the Companies Act, 2013 and in terms of the provisions of the Listing Regulations, 2015 and such other approvals as may be necessary to issue and allot securities as stated in the Special Resolution.

Accordingly, the Company proposes to create/ offer/ issue/allot securities allot securities including equity shares of the Company ("Securities") for an aggregate amount not exceeding Rs.150 crores, in one or more tranches, including, to qualified institutional buyers ("QIBs") under Chapter VIII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended (the "SEBI ICDR Regulations") in consultation with the lead manager(s) etc.

The following would inter alia be broad terms and conditions of the proposed Issue:

- a. **Objects of the Issue** - To augment the long-term resources of the Company

b. Total number of shares or other securities to be issued

The Company proposes to issue/allot securities including equity shares of the Company ("Securities") for an aggregate amount not exceeding Rs.150 crores, in one or more tranches.

If the Warrants/convertible securities are exchanged with the equity shares of the Corporation, it would result in a maximum issue of upto 3,15,00,000 equity shares of Rs. 2/- each of the Company. The maximum dilution that could take place in future, if all the Warrants/convertible securities are exchanged with the equity shares of the Company, would not exceed 20% of the expanded issued and paid up share capital of the Company, taking into consideration the un-exercised stock options as on date.

c. Price or Price Band

The price of the equity shares to be issued on conversion of the Warrants/convertible securities would be decided by the Board and shall not be less than the price that is determined in accordance with the SEBI ICDR Regulations in relation to QIP. Further the SEBI ICDR Regulations permit the granting of discount after seeking shareholder approval. In the present case discount is intended to be given and accordingly shareholder approval is being sought for granting such discounts as per the SEBI ICDR Regulations. The discount may be given as may be permitted under applicable regulations to the floor price as determined in terms of SEBI Regulations, subject to section 53 of Companies Act, 2013.

The Warrants/Convertible Securities would be issued at a value as may be decided by the Board and the amount paid on Warrants is not refundable and would not be adjusted with the conversion price at the time of exercise of option to convert the Warrants.

d. Basis on which the Price has been arrived along with the Report of Registered Valuer

The pricing would be arrived at by the Board depending on market conditions and on the guidance of the lead managers/ merchant bankers to the issue. The pricing would not be less than the price that is determined in accordance with SEBI ICDR Regulations in relation to QIP.

e. Relevant Date

The relevant date for the purpose of pricing of the equity shares to be issued upon exchange with the Warrants/combination of securities, shall be the date of the meeting in which the Board (hereinafter referred to as the 'Board') decides to open the proposed issue of the Warrants or combination of securities, in accordance with the SEBI ICDR Regulations.

NOTICE

The holder of warrant and combination of securities will be entitled to exchange the Warrants or any convertible security with the equity shares of the Corporation at such time and within such period as may be decided by the Board in its sole and absolute discretion and at a price, which will be at a premium to the price to be determined at the time of issue of the Warrants in accordance with the SEBI ICDR Regulations. The equity shares issued and allotted pursuant to the resolution as set out in Item No. 9 shall rank paripassu inter se with the then existing equity shares of the Corporation, in all respects.

The Warrants and combination of securities will be issued simultaneously and listed separately on recognized stock exchanges.

f. Class or classes of persons to whom the allotment is proposed to be made

The allotment would be made only to qualified institutional buyers (QIBs) who are permitted to acquire such warrants/convertible securities under the SEBI ICDR Regulations.

g. Proposed time within which the allotment shall be completed

The Allotment of the equity, warrants and combination of securities, if any, would be completed within a period of 12 months from the date of this Meeting.

h. Name of the proposed allottees and the percentage of the capital post allotment

The allottees would be identified pursuant to the process for the QIP and accordingly at this time it is not possible to indicate who would be the proposed allottees and their capital post allotment.

i. Change in control

No change in control or management of the company is expected as a result of the subject issue.

j. Number of persons to whom preferential allotment has already been made during the year.

Company has made no preferential allotment during the year.

k. Pre and post issue shareholding pattern of the company

Category Code	Category of Shareholder	Shareholding Pre-QIP (Face Value Rs. 2)		Shareholding Post-QIP* (Face Value Rs. 2)	
		Total number of shares	% to Capital	Total number of shares	% to Capital
(A) 1	Shareholding of Promoter and Promoter Group				
	Indian				
(a)	Individuals/ Hindu Undivided Family	1,55,22,880	11.62	1,55,22,880	9.40
(b)	Bodies Corporate	6,93,63,845	51.92	6,93,63,845	42.01
	Total Shareholding of Promoter and Promoter Group	8,48,86,725	63.54	8,48,86,725	51.41
(B) (1)	Public shareholding Institutions				
(a)	Mutual Funds/ UTI	-	-	-	-
(b)	Financial Institutions/ Banks	1,97,572	0.15	1,97,572	0.12
(c)	Foreign Portfolio Investors	24,84,771	1.86	24,84,771	1.51
(d)	Financial Institutions/ Banks (QIP)	-	-	3,15,00,000	19.08
	Sub-Total (B)(1)	26,82,343	2.01	3,41,82,343	20.71
(B)(2)	Non-Institutions				
(a)	Bodies Corporate	68,87,043	5.16	68,87,043	4.17
(b)	Foreign Companies	58,28,964	4.36	58,28,964	3.53
(c)	Others	3,33,11,600	24.93	3,33,11,600	20.18
	Sub-Total (B)(2)	4,60,27,607	34.45	4,60,27,607	27.88
(B)	Total Public Shareholding (B) = (B)(1) + (B)(2)	4,87,09,950	36.46	8,02,09,950	48.59
	GRAND TOTAL (A) + (B)	13,35,96,675	100.00	16,50,96,675	100.00

* Note: Post QIP shareholding will depend upon actual price and number of shares / securities issued.

NOTICE

The net worth of the Corporation as on March 31, 2017 was Rs.213crores and thus the funds to be raised through the said issue of equity/Warrants/ combination of securities on a QIP basis is within the limits prescribed under the SEBI ICDR Regulations.

In terms of the provisions of the SEBI ICDR Regulations, the resolution as set out in Item No. 9, to issue equity shares/Warrants/combination of securities on a QIP basis, is valid for a period of 12 months from the date of passing of the said resolution.

Pursuant to Section 62(1)(c) of the Companies Act, 2013, further equity shares may be issued to persons other than the existing Members of the Corporation as specified in Section 62(1)(a) of the Companies Act, 2013, including any amendment, modification, variation or re-enactment thereof, provided the Members of the Corporation approve the issue of such equity shares by means of a special resolution.

In terms of Rule 14(2) of the Companies (Prospectus and Allotment of Securities) Rules, 2014, a company can make a private placement of its securities under the Companies Act, 2013 only after the prior approval of its members by way of a special resolution.

Consent of the Members in general meeting would therefore be necessary pursuant to the provisions of Section 42, 62(1)(c) and 71 of the Companies Act, 2013 and the Listing Regulations, 2015. The resolution as set out in Item No. 6 and the terms stated therein and in the explanatory statement hereinabove shall be subject to the guidelines / regulations issued / to be issued by the Government of India or the Securities and Exchange Board of India or the Reserve Bank of India or the Ministry of Corporate Affairs or any other regulatory/ statutory authorities in that behalf and the Board shall have the absolute authority to modify the terms contained herein or in the said resolution, if required by the aforesaid regulatory/ statutory authorities or in case they do not conform with the SEBI ICDR Regulations including any amendment, modification, variation or re-enactment thereof.

The approval of the Members is being sought to enable the Board to decide on the issue of the equity shares/ Warrants/combination of securities on public offering, QIP basis to the extent and in the manner as set out in the resolution, with the authority to the Board to decide on the timing of the issue, the tranches in which the equity/ Warrants/ combination of securities are to be issued, the price at which the Warrants/combination of securities will be exchanged with equity shares of the Company and the manner in which the issue will be made, as it may deem appropriate in its sole and absolute discretion.

Save and except for the shares of the Company held by them, none of the Directors or Key Managerial Personnel of the Corporation or their relatives, are in any way, concerned or interested, financially or otherwise, in the said resolution.

Registered Office:
Baroda-Godhra Highway,
Kalol, District Panchmahals,
Pin Code – 389 330,
Gujarat, India.

**By Order of the
Board of Directors**

**Viany Shahane
Vice President – Finance**

Date: August 21, 2017

NOTICE

Annexure forming part of the Explanatory Statement as required to be given pursuant to Part II of Schedule V to the Companies Act, 2013

The information required in terms of Schedule V of the Companies Act, 2013 is as under:

I General Information					
1.	Nature of Industry	Clutch manufacturing company			
2.	Date or expected date of commencement of commercial production	Date of commencement of commercial production was January 1984. Date of Incorporation of the Company was May 5, 1982			
3.	Financial performance based on given indicators	Particulars	31.03.2017	31.03.2016	31.03.2015
		Total Income	510.82 Cr.	505.15 Cr.	458.13 Cr.
		Profit Before Tax	252.74 Cr.	40.89 Cr.	28.22 Cr.
		Profit After Tax	19.20 Cr.	33.42 Cr.	23.51 Cr.
4.	Export performance and net foreign exchange collaborations	Particulars	31.03.2017	31.03.2016	31.03.2015
		FOB value of Exports	18.60 Cr.	23.84 Cr.	32.13 Cr.
		Income in Foreign Exchange	26.21 Cr.	30.28 Cr.	37.43 Cr.
5.	Foreign investments or collaborators, if any	Total Foreign investment in the Company as on March 31, 2017 is Rs. 49.30 Million representing 9.39 % of its paid up Equity Capital.			
II Information about the Appointee					
(1)	Background details	<p>Mr. Harish Sheth: Mr. Harish Sheth is the founder of Setco Automotive Ltd. He has steered Setco since its inception in 1982 and has made the company the largest manufacturer of clutches for Medium and Heavy Commercial Vehicles in India today. He has been instrumental in shaping Setco from a single product/single location organization to a multiple product/multi location one having two manufacturing facilities in India, one in Manchester, UK and one in Paris, Tennessee, USA.</p> <p>Mr. Udit Sheth: Mr. Udit Sheth joined the Company in June 2002. 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 UK and USA acquisitions.</p> <p>Mr. Shvetal Vakil: Mr. Shvetal Vakil is Executive Director of the Company. Mr. Shvetal Vakil, with Business Management from Mumbai University and Advanced Management Programme at IIM, Ahmedabad, carries over 40 years of rich experience ranging from greenfield projects to setting up JV's evolving growth oriented strategies including M&A. Mr. Vakil acted as General Manager, Hindustan Lever setting up business of exports of Agri Products & also acted as Director & Vice President in Bunge India Pvt. Ltd. , an American Transnational & Global Leader in Veg Oils and Oilseeds.</p> <p>Mrs. Urja Shah has completed Bachelors in Environmental Science and a Masters in Environmental Policy from Duke University, USA. She also has a Certificate in International Development Studies from Duke University. She has pursued certificate courses in Financial Accounting and Marketing from Boston University, USA. Mrs. Urja Shah has been playing a very significant role in the Company's activities related to Corporate Social Responsibility.</p>			
(2)	Past Remuneration	Mr. Harish Sheth			
		Sr. No.	Financial Year	Remuneration	
		1	2016-17	Rs. 120.00 Lakhs	
		2	2015-16	Rs. 195.12 Lakhs	
		3	2014-15	Rs. 156.51 Lakhs	

NOTICE

		Mr. Udit Sheth		
		Sr. No.	Financial Year	Remuneration
		1	2016-17	Rs. 85.00 Lakhs
		2	2015-16	Rs. 100.00 Lakhs
		3	2014-15	Rs. 52.75 Lakhs
		Mr. Shvetal Vakil		
		Sr. No.	Financial Year	Remuneration
		1	2016-17	Rs. 100.00 Lakhs
		2	2015-16	Rs. 124.00 Lakhs
		3	2014-15	Rs. 94.42 Lakhs
		Mrs. Urja Shah		
		Sr. No.	Financial Year	Remuneration
		1	2016-17	Rs. 30 Lakhs
		2	2015-16	Rs. 30 Lakhs
		3	2014-15	Rs. 24 Lakhs
(3)	Recognition or awards	Mr. Harish Sheth has been Awarded for "The Machinist Super Entrepreneur 2016" under the Editorial Choice Awards. This award was to honour one of India's finest Entrepreneurs and technocrats.		
(4)	Job profile and suitability of the appointees	<p>Mr. Harish Sheth has been the Managing Director of the Company since its inception in 1982. He was last reappointed as the Chairman and Managing Director of the Company w.e.f. January 1, 2010. He is entrusted with the substantial powers of management of the affairs of the Company. He has steered Setco since its inception in 1982 and has made the company the largest manufacturer of clutches for Medium and Heavy Commercial Vehicles in India today. He has been instrumental in shaping Setco from a single product/single location organization to a multiple product/multi location one having two manufacturing facilities in India, one in Manchester, UK and one in Paris, Tennessee, USA.</p> <p>Mr. Udit Sheth joined the Company in June 2002. 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 UK and USA acquisitions.</p> <p>Mr. Shvetal Vakil was elevated as the Executive Director of the Company on October 22, 2008. He is a senior member of leadership team and is responsible for Business Strategy and new product development. In addition, he is also responsible for HR function.</p> <p>Mrs. Urja Shah has been playing a very significant role in the Company's activities related to Corporate Social Responsibility.</p>		
(5)	Remuneration proposed	The terms of remuneration to Mr. Harish Sheth, Mr. Udit Sheth, Mr. Shvetal Vakil and Mrs. Urja Shah are detailed in Explanatory Statement hereinabove under Item Nos.5, 6, 7 and 8, respectively.		
(6)	Comparative remuneration profile with respect to industry, size of the company, profile of the position and person	The remuneration proposed is reasonable when compared to the exigencies of the global stature & complexity of business of the Company and commensurate with the similar industry (manufacturing), operating in India and the profile of the position.		
(7)	Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any	<p>Mr. Harish Seth and Mr. Udit Sheth are related as father and son. Mrs. Urja Shah is daughter of Mr. Harish Sheth and sister of Mr. Udit Sheth.</p> <p>Mr. Shvetal Vakil is not related to any other managerial personnel.</p>		

NOTICE

III. Other Information:	
(1) Reasons of loss or inadequate profits	The Company manufactures clutches for medium and heavy commercial vehicles. The Company also has a strong export turnover, however, in view of demonetization, uncertainty about implementation of GST and implementation of BS IV emission norms, the production of Commercial Vehicles was impacted adversely. This overall economic and auto industry sentiments affected the Company's operations also. Company has strategic business plans in place to take it on growth trajectory. With implementation of GST and conversion of BS IV already over, economy and commercial vehicle business is expected to see a robust growth. However, any disturbance in economic scenario may result in profits not being as per the planned projections.
(2) Steps taken or proposed to taken for improvement	During the year the Company has leveraged its world class capability for new product development to prepare a base for strong growth in the all business segments. The Company has a world class R & D Centre at their Kalol plant. This centre works with a single motive "Delivery of World Class Products".
(3) Expected increase in productivity and profits in measurable terms	The Company's tight control on costs and higher asset productivity will help in reducing overall costs and increase profits.
IV. Disclosures	
1.	Remuneration package of the managerial person: Fully described in the respective explanatory statement as stated above
2.	Disclosures in the Board of Directors' report under the heading "Corporate Governance" attached to the Annual Report of the Company



ATTENDANCE SLIP

CIN: L35999GJ1982PLC005203

Regd. Office: Baroda - Godhra Highway, Kalol (Panchmahals), Pincode - 389 330, Gujarat, India
Phone: 02676-305600, Fax: 02676-235524. Email: investor.relations@setcoauto.com, Website: www.setcoauto.com

34th ANNUAL GENERAL MEETING ON WEDNESDAY, SEPTEMBER 27, 2017

Serial No.: _____

Registered Folio No./ DP ID/Client ID	
Name and address of the Member(s)	
Joint Holder 1 Joint Holder 2	

I/We hereby record my/our presence at the 34th Annual General Meeting of the Company at the Registered Office on Wednesday, September 27, 2017 at 2.00 p.m.

Member's/Proxy's name in Block Letters

Member's/Proxy's Signature

Please hand it over at the Attendance Verification Counter at the ENTRANCE OF THE MEETING HALL.

PLEASE CUT HERE AND BRING THE ABOVE ATTENDANCE SLIP TO THE MEETING HALL.



PROXY FORM

CIN: L35999GJ1982PLC005203

Regd. Office: Baroda - Godhra Highway, Kalol (Panchmahals), Pincode - 389 330, Gujarat, India
Phone: 02676-305600, Fax: 02676-235524. Email: investor.relations@setcoauto.com, Website: www.setcoauto.com

[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

ANNUAL GENERAL MEETING ON WEDNESDAY, SEPTEMBER 27, 2017

Name of the Member(s):	
Registered Address:	
E-mail ID:	Folio No./DP ID/Client ID:

I/We being member(s) of Setco Automotive Limited, holdingshares of the Company, hereby appoint:

- (1) Name Address
Email ID: Signatureor failing him;
- (2) Name Address
Email ID: Signatureor failing him;
- (3) Name Address
Email ID: Signature

Signature

ELECTRONIC VOTING PARTICULARS	
EVSN (Electronic Voting Sequence Number)	*Default PAN / Sequence No.
170828117	

*Only Members who have not updated their PAN with Company / Depository Participant shall use default PAN / sequence number in the Pan field.
Note: Please read the instructions printed under the Note No. 21 to the Notice of Annual General Meeting dated September 27, 2017. The Voting period starts from 9.00 a.m. on Sunday, September 24, 2017 and ends at 5.00 p.m. on Tuesday, September 26, 2017. The voting module shall be disabled by CDSL for voting thereafter.

As my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Wednesday, September 27, 2017 at 2.00 p.m. at the Registered Office of the Company and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolutions:

1. Adoption of standalone and consolidated Audited Financial Statements of the Company for the financial year ended March 31, 2017 together with the Reports of the Board of Directors and the Auditors thereon.
2. Declaration of Dividend for the Financial Year 2016-17.
3. Appointment of a Director in place of Mr. Udit Sheth, who retires by rotation and being eligible, offers himself for re-appointment.
4. Appointment of M/s. V. Parekh & Associates, Chartered Accountants, as Statutory Auditors of the Company.
5. Re-appointment and remuneration of Mr. Harish Sheth as Chairman and Managing Director of the Company for a period of 3 (Three) years w.e.f. from January 1, 2018.
6. Re-appointment and remuneration of Mr. Udit Sheth as Joint Managing Director of the Company for a period of 3 (Three) years w.e.f. from January 1, 2018.
7. Re-appointment and remuneration of Mr. Shvetal Vakil as an Executive Director of the Company for a period of 3 (Three) years w.e.f. from January 1, 2018.
8. Re-appointment and remuneration of Mrs. Urja Shah as an Executive Director of the Company for a period of 3 (Three) years w.e.f. from November 11, 2017.
9. Issue of Further Securities.

Signed this day of, 2017

Signature of the Shareholder

Signature of the Proxy holder(s)

Affix
Revenue
Stamp

Notes:

1. This form of proxy in order to be effective, should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.
2. For the Resolutions, Explanatory Statement and Notes, please refer to the Notice of the Annual General Meeting.