

June 4, 2016

Scrip Code: 505075

To
Dept. of Corporate Services,
Bombay Stock Exchange Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai – 400 001

Dear Sir,

Sub: Press Release


Subsequent to the release of the Standalone and Consolidated Financial results for the year ended 31st March, 2016 on 30.5.2016, the Company hereby submits the Press Release analyzing the performance and future outlook, for the dissemination to the investor community at large by way of a Performance Note.

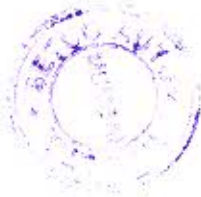
We request you to take note of the above on your records and oblige.

Thanking you,

Yours faithfully,

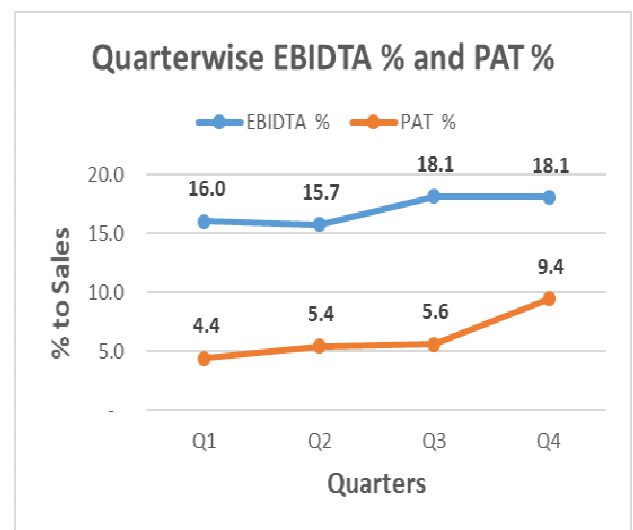
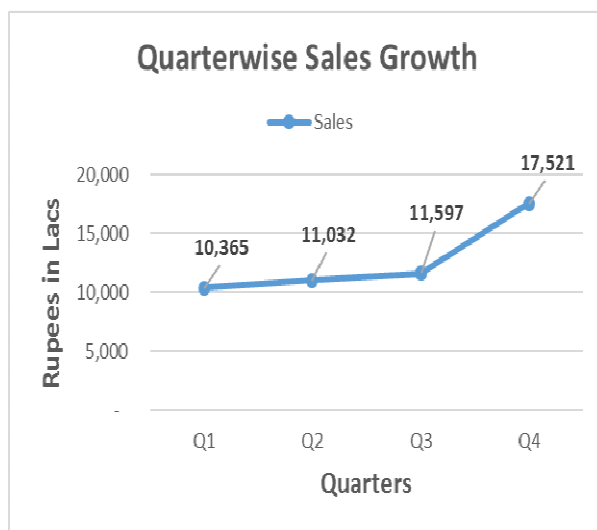
For Setco Automotive Limited


Bhautesh Shah
Company Secretary

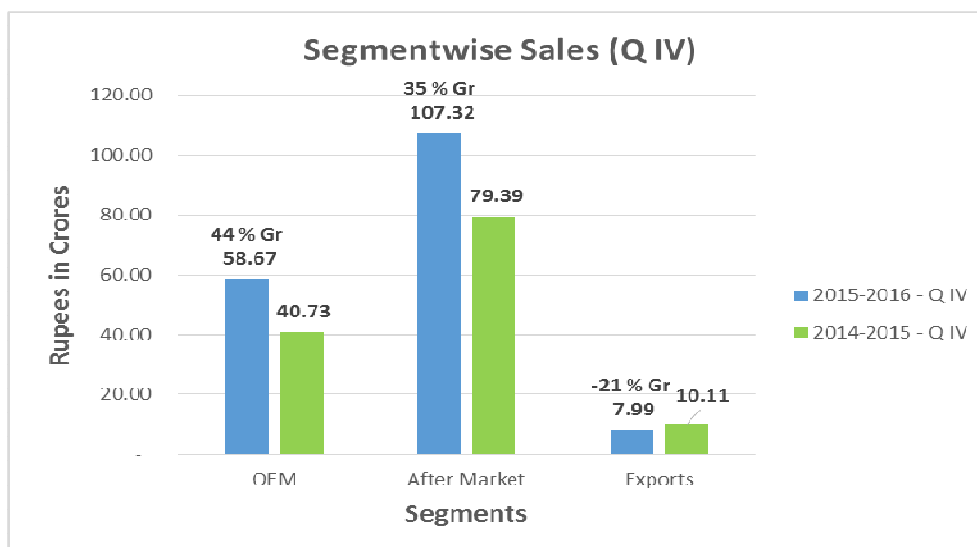


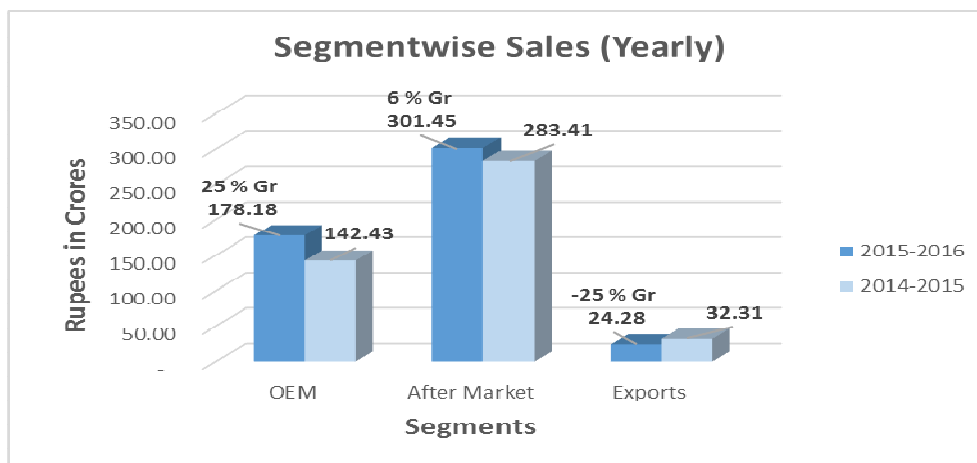
Stellar Performance in Q4 and poised for high growth

Company's results for the Q4 show a kick-start towards high growth in business – setting a clear trend for outlook in the coming years. Though sales during the quarter are 33% of annual sales, net profit for the quarter at Rs 16.39 cr is almost equal to the profits of first three quarters on account of higher share of aftermarket sales, better margins, introduction of new products and a partial revival witnessed in exports.

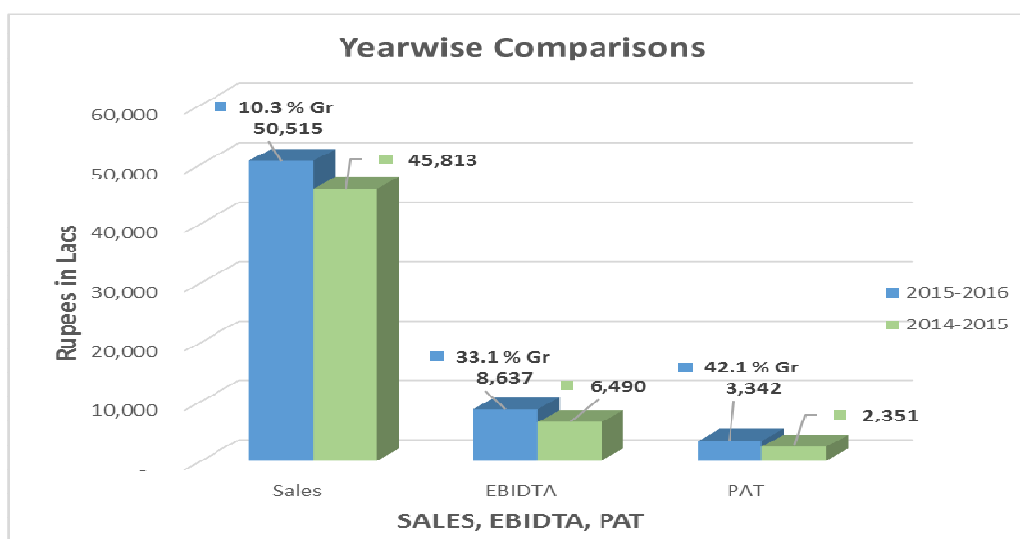


Comparing to corresponding quarter of previous year, sales during Q4 have grown by 34.5%, EBIDTA has grown by 138% and Profit after Tax by 452% over the same period. Segment wise growth in sales in the fourth quarter is as below:





On the back of fourth quarter results, company has reported annual growth in operating income of 10.3%, thus crossing the milestone of Rs 500 cr in the process. This has resulted in growth of 33% in EBIDTA and 42% in Profit after Tax.



The results validate company's undisputed leadership position in its product segment. These are a result of continuous development work and CAPEX which is beginning to yield higher revenues and margins and further consolidate the leadership position. During the later part of the year, business from new products / customers has materialised which has excellent growth prospects – in domestic as well as international business – in FY 17 and beyond.

MARKET OUTLOOK

Company has established itself as a strong player in all business segments. It commands a leadership position in OEM segment with expanding customer / product line. It has established itself as a dominant player in Aftermarket segment also with deeper penetration. Expanding international business opportunities will further consolidate company's position.

Overall wide customer acceptance and reach and strengths in multiple business segments would ensure growth in sales as well as profitability.

OEM :

OEM demand / sales continued the growth in the previous years and is likely to consolidate further in the next year. Being a market leader in the domestic MHCV clutch segment, catering to around 90% of domestic OEM demand, it has protected its market share over the years, by capturing new customers and by introduction of new products meeting new Euro / Bharat norms for continuously upgraded emission standards. Considering that production of MHCV has not yet reached the peak level achieved in FY 11-12 and proposed implementation of new emission norms, Company believes that OEM segment will continue to register a double digit growth in coming years. Industry sources indicate a growth in the range of 15-18% in production of medium and heavy commercial vehicles during FY 16-17 and shall be driven by improving viability of fleet operators, replacement led demand and pre-buying ahead of BS-IV emission norms along with impact of ongoing reforms in the infrastructure, industrial and mining sectors. **Anticipated legislative measures regarding scrapping of old vehicles and overloading would further push OEM production volumes.** This coupled with new tie-ups / introduction of new products already in place should result in company registering a significantly higher growth than industry average.

After Market :

Total Aftermarket segment consisting of OES and Direct Aftermarket grew by 6% at Rs. 301 Cr compared to Rs. 283 Cr in the previous year. Total Aftermarket segment includes Independent Aftermarket which has established itself as a profitable and strong segment, touching a turnover of Rs 100 cr in its second year of operations. In fact, presence in both the segments has a complementing effect on both businesses and Setco is able to capture the various ownership cycles. Further strengthening pan-India distribution network, Setco is poised for penetration in the secondary market. Growth in MHCV production during last two years will further boost the aftermarket demand from FY 16-17 onwards.

Exports :

Muted global market situation, particularly in US, resulted in lower exports during the year registering a decline of 25%. Company is strengthening its international market focus by new markets, new products and a larger sales team by having a set up in the Middle East to cater to the Middle East and African markets. These efforts towards expansion of customer / market base are expected to yield results from second half of FY 16-17.

New Business Opportunities:

Company is in the process of developing clutches for farm equipment (Tractor) segment which has vast potential in OEM as well as Aftermarket segments and will have significant impact on company's growth, going into future.

Capacity Build Up & CAPEX

Company's strategy of continuously upgrading of technology and expansion of capacity has ensured sustained high growth and consolidated its market leadership position.

Backward Integration:

- a. **Lava Cast Pvt. Ltd.**, company's joint venture with a leading Spanish foundry "Lingotes Especiales SA", has commenced commercial production from April 2016. Set up at a total project cost of around Rs 180 cr., it will substantially reduce company's dependence on other vendors and will be a reliable source of quality castings. This strong base would help the company in achieving its growth targets. Company's product range / quality will be further strengthened with the help of supplies from Lava Cast. With a full capacity of 30000 MT p.a., over a period of time, it will also cater to demand from other domestic as well as international customers.
- b. Company's in-house facility for manufacture of Diaphragm Springs with investment of around Rs. 20 Cr. has become operational and will result in **import substitution of a critical component and thus will contribute to sustained cost benefits.**

Human Resources

As has been the practice in recent past as well as current year, company has continued to strengthen management at all levels, especially in the areas of development, aftermarket and exports.

Corporate Social Responsibility

Company's CSR activities, jointly with government's Integrated Child Development Scheme, are focussed to ensure that every child and woman has full access to proper healthcare, nutrition, education and an opportunity for growth. Prime beneficiaries of the programme are Pregnant and Nursing mothers, Adolescent girls and Children in the age of 0-6 years old. It covers over 1800 children and has significantly brought down the levels of malnutrition in the area to below 10% as compared to national average of around 45%. CSR activities also focus on sports as a tool to bring about personal and community development.

Conclusion

Management believes Q4 performance has provided a very solid base and is poised for a very strong performance in FY 16-17 outpacing industry growth with better margins and profits. Predictions of good monsoon, upswing in domestic construction and infrastructure projects and increase in overall economic activity due to a positive agro focused budget would lead to significant upswing in performance. This coupled with new product business volumes for the entire year would see a significant growth in second half of the year which otherwise also contributes around 55-60% of annual revenues. Upswing in revenues coupled with aggressive cost control initiatives and reduction in working capital, etc. is expected to result in a significant increase in operating profits.

For additional information, please contact:

Vinay Shahane

Vice President – Finance

Tel: 022-4075 5555

Email : yshahane@setcoauto.com
