



SETCO
AUTOMOTIVE

LIPE
CLUTCH

H1FY17 Investor Update
November 14, 2016

H1FY17 Results & Performance Review

HIGHLIGHTS

- ❖ Overall growth subdued – OEM, after registering promising growth in Q1, cooled down in Q2. Positive signs again visible in Q3.
- ❖ Operating EBIDTA **improves by 2%** to 13.1%.
- ❖ Operating Profit before Tax **up by 62.3%** at Rs 52.2 mn
- ❖ Profit impacted by foreign exchange loss of Rs 58 mn compared to previous year and Rs 32 mn reduction in Dividend income, totaling Rs 90 mn.

FINANCIALS - H1FY17 vs. H1FY16

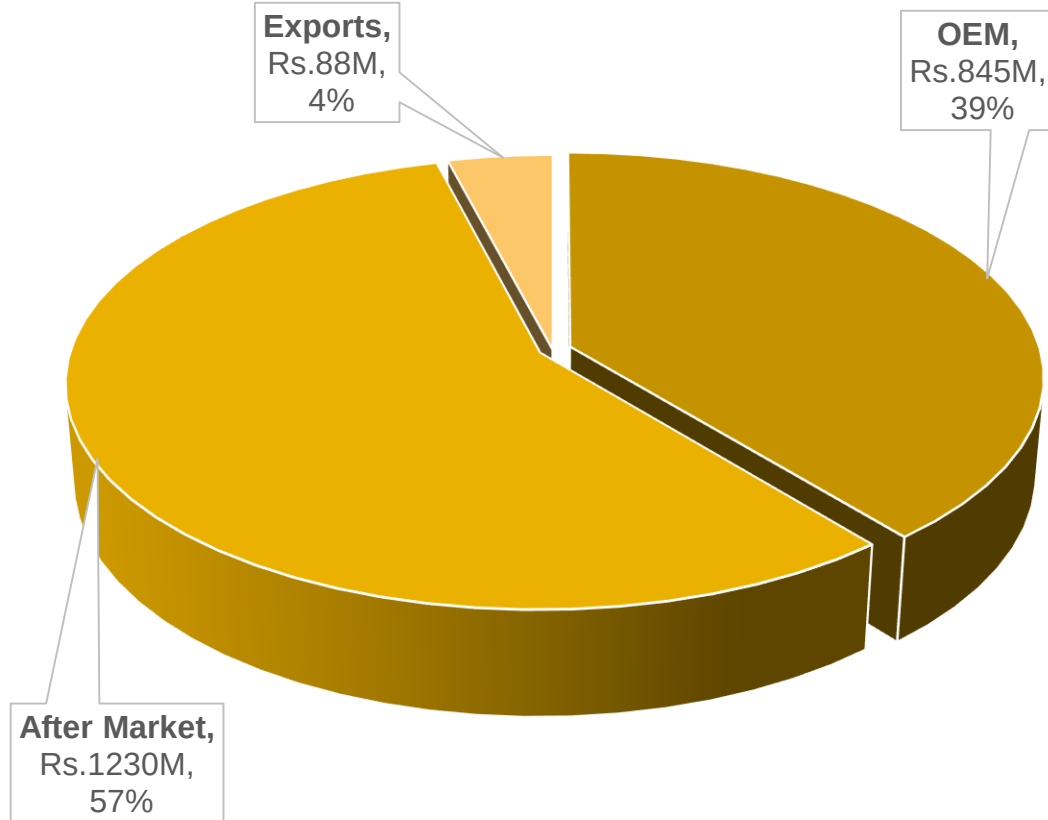
Operating EBIDTA improves by 200 bps Y-O-Y.

(Rs mn)

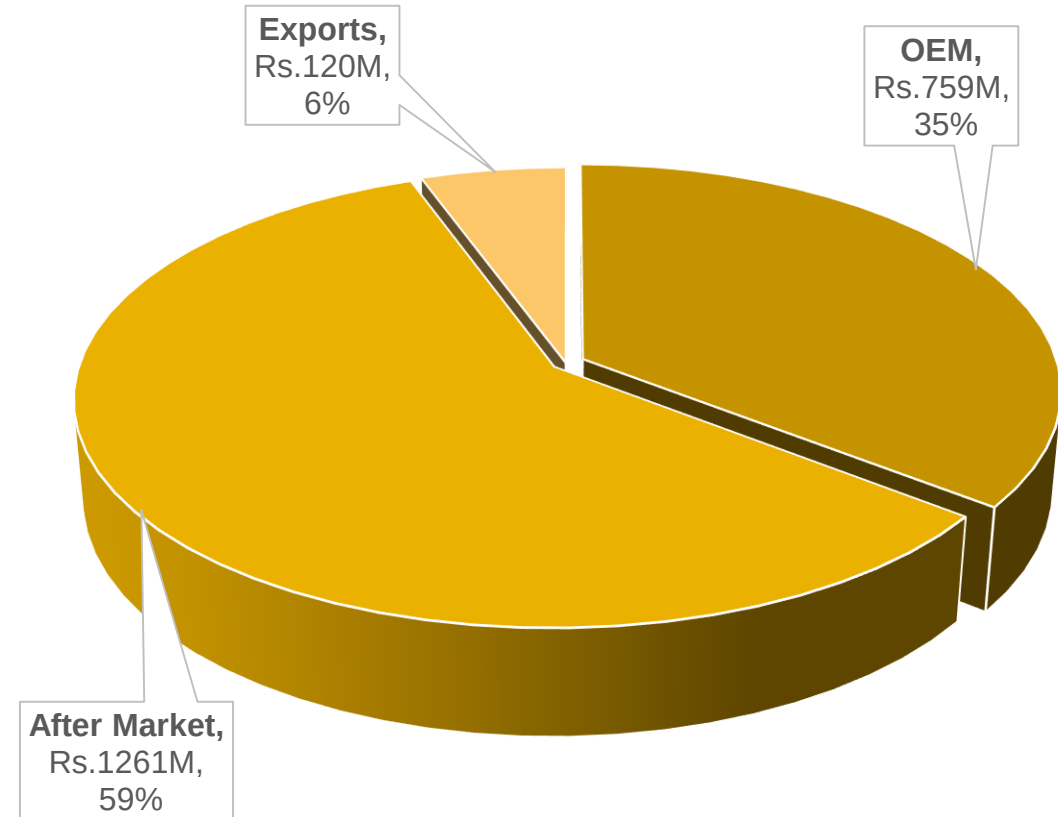
	H1 FY17	H1 FY16	Q2 FY17	Q2 FY16
Sales	2,163	2,140	1,027	1,103
Contribution	615	572	290	304
Contribution (%)	28.4%	26.7%	28.3%	27.5%
EBITDA (excl. O. Income)	281	237	127	120
<i>EBIDTA (%)</i>	<i>13.1%</i>	<i>11.1%</i>	<i>12.4%</i>	<i>10.9%</i>
Interest	148	147	75	72
Depreciation	82	70	41	35
Foreign Exchange Loss	26	-	16	-
Other Income	(36)	(103)	(18)	(54)
Profit Before Tax	61	123	13	66
Taxes	13	18	1	6
PAT	48	105	12	60
<i>PAT%</i>	<i>2.2%</i>	<i>4.9%</i>	<i>1.2%</i>	<i>5.4%</i>
Equity (Rs. in mn)	267.2	267.2	267.2	267.2
EPS (Rs) * diluted	0.36	0.79	0.09	0.45

Segment-wise Sales Composition

H1 FY17



H1 FY16



Lower volume of first replacement cycle in OES, due to slowdown in OEM sales in FY13 & FY14, has impacted After Market

Note : After Market includes OES and Independent After Market

Performance Highlights for H1FY17

Sales Performance:

- ❑ Though industry volumes were almost flat ,OEM sales recorded a growth of 11.3% YoY mainly due to introduction of new clutch ranges – main impact of the same will be visible in H2 and next FY.
- ❑ Overall Aftermarket segment, consisting of OES and IAM, registered a marginal decline of 2.4% YoY. Decline in OEM production during FY13 & FY14 has resulted in lower OES sales since first replacement demand is generated within 2-2.5yrs. Expect to see revival in second half of the year.
- ❑ Continued subdued position of global markets resulted in Exports being lower by 27% YoY

Operating Performance:

- ❑ Though share of OEM sales has increased by 4%, Contribution for the first half is **higher by 1.7% at 28.4%** against 26.7% in the previous year on account of savings in material cost as well as operating efficiencies.
- ❑ **Operating EBIDTA** (excl FE loss) is **up by 2% at 13.1%**. In absolute terms, same has increased by 19.4% though sales have grown by only 1.1%.
- ❑ EBIDTA (even after considering FE loss of Rs 26.3 mn) is higher at 11.8% against 11.1% in previous year.

Performance Analysis & Outlook

Profitability:

- ❑ Other Income is lower by Rs 63 mn on account of absence of Foreign Exchange Gain (PY Rs 31 mn) and no dividend (PY Rs 32 mn).
- ❑ **Profit before tax (PBT) (excluding Other Income / Loss) increased by 62.3% at Rs 52.2 mn against Rs 19.9 mn in previous year.**
- ❑ Profit after Tax (PAT) was lower due to reduction in Other Income during the period. PAT margins for the period were lower at 2.2% compared to 4.9% YoY.

Performance Analysis & Outlook

Outlook

- **More clarity on GST and new emission norms likely to push OEM sales in second half. (As evidenced in October itself)**
- **Supply of new products to Ashok Leyland and LCV clutches will add significant incremental revenue in H2 and next FY.**
- **Unorganised After Market segment which has significant presence, will be hit due to GST and demonetisation. This will push After Market sales in coming year.**
- **Management believes that operating margins will continue to improve and further strengthen with increase in turnover.**
- **Company is on track to introduce clutches for Farm Equipment in the last quarter. Presently these are under field testing. It has good growth potential and full impact shall be visible in FY18.**
- **Products especially developed for US market to be launched in last quarter. Have tied up with major US player.**

Thank You

For additional Information, please contact:

Vinay Shahane

Vice President – Finance

Mail : vshahane@setcoauto.com

Tel : 022-4075 5555

Bhautesh Shah

Company Secretary

Mail : bhautesh.shah@setcoauto.com

Tel : 022-4075 5555