

October 23, 2018

To,

BSE Limited, Dept. of Corporate Services, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001 Company Code: 505075	National Stock Exchange of India Ltd, Listing Department Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai – 400051 Scrip Symbol: SETCO
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Dear Sir,

Sub: Q2 FY-19 Results & Performance Review

Kindly find attached the Presentation of the Company on Q2 FY-19 Results and Performance Review for the information of the investor community at large.

The aforesaid information is also being uploaded on the website of the Company www.setcoauto.com

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

Thanking you,

Yours faithfully,

For Setco Automotive Limited



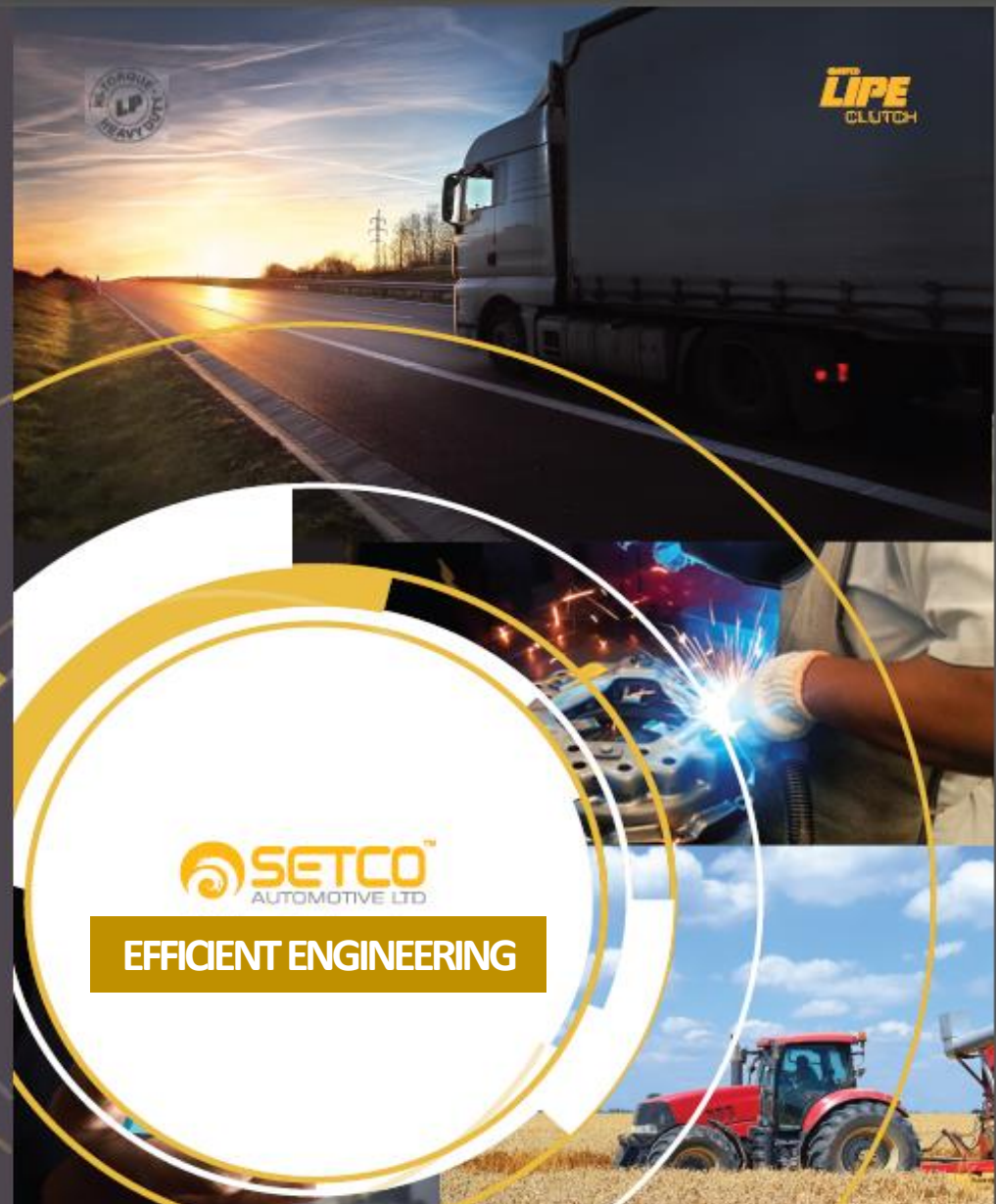
Vinay Shahane
Vice President – Finance



Results Q2 FY19

Setco Automotive Limited

Conference Call
4:00PM October 24, 2018 - Mumbai



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- 1 Financial Results Q2FY19 & H1FY19
- 2 Business Overview
- 3 Outlook

Robust H1 results – On track to achieve targets for FY19

Standalone H1FY18 H1FY19

In INR Cr

Sales	203.31	305.83
EBITDA	15.37	44.44
EBITDA %	7.6	14.5
Operating PBT	(8.10)	18.38
PBT	2.17	27.13
PAT	1.87	16.98

Key Aspects

1 Sales has increased >50% in H1FY19 vs H1FY18

EBITDA

- 2
- In H1FY19 has jumped ~3x as compared to H1FY18
 - H1FY19 performance, despite expiry of Uttarakhand tax exemptions (Impact ~INR 3crs)

Operating PBT

- 3
- For 1st Half 2019 profit at INR 18.38 crs vs loss of INR (8.10) crs
 - H1FY19 at INR 18.38 crs exceeds full year FY18 PBT of INR 17.99 crs

PAT

- 4
- From FY19 normal tax rate of 34% is applicable since Uttarakhand tax benefit period is over in March 2018.

Key Figures Q2FY19 - Standalone

In INR crores	H1FY18	H1FY19	H1FY19 vs. H1FY18	Q2FY18	Q1FY19	Q2FY19	Q2FY19 vs. Q1FY19	Q2FY19 vs. Q2FY18
Sales	203.31	305.83	50.4%	134.65	137.33	168.50	22.7%	25.1%
EBITDA	15.37	44.44	189.1%	18.78	20.67	23.77	15.0%	26.6%
EBITDA %	7.6	14.5	-	13.9	15.1	14.1	-	-
Operating PBT	(8.10)	18.38	326.9%	7.11	7.27	11.11	52.8%	56.3%

1) Q2FY19 vs Q2FY18

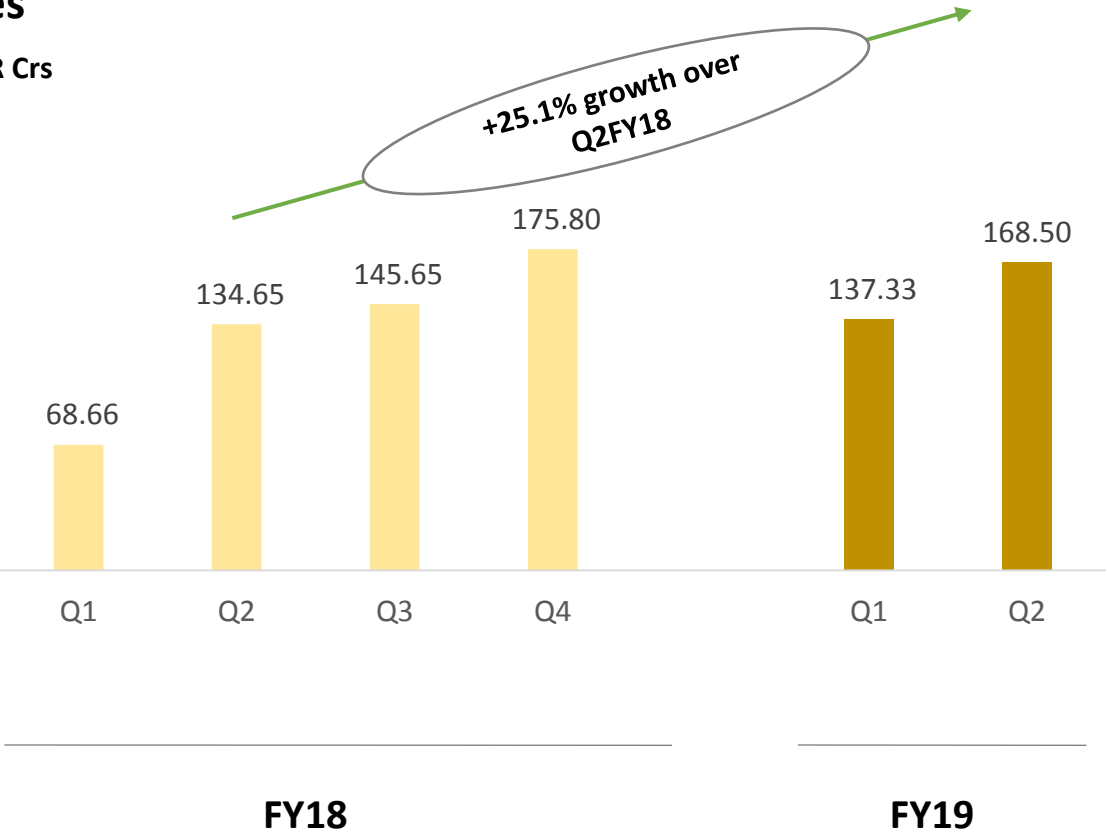
- EBITDA – Q2FY19 is post expiry of Uttarakhand tax benefit (Impact approx 200bps, INR 3 crs)
- Operating PBT up 56.3% YoY and 52.8% QoQ despite expiry of Uttarakhand benefits

2) Q2FY19 EBITDA is subdued due to commodity prices and FX negatively impacting margins; going forward that will be normalized as price hike of raw material will be passed on from Q3

Strong profitable growth in Q2: Sales Growth Q2FY19 ~25%

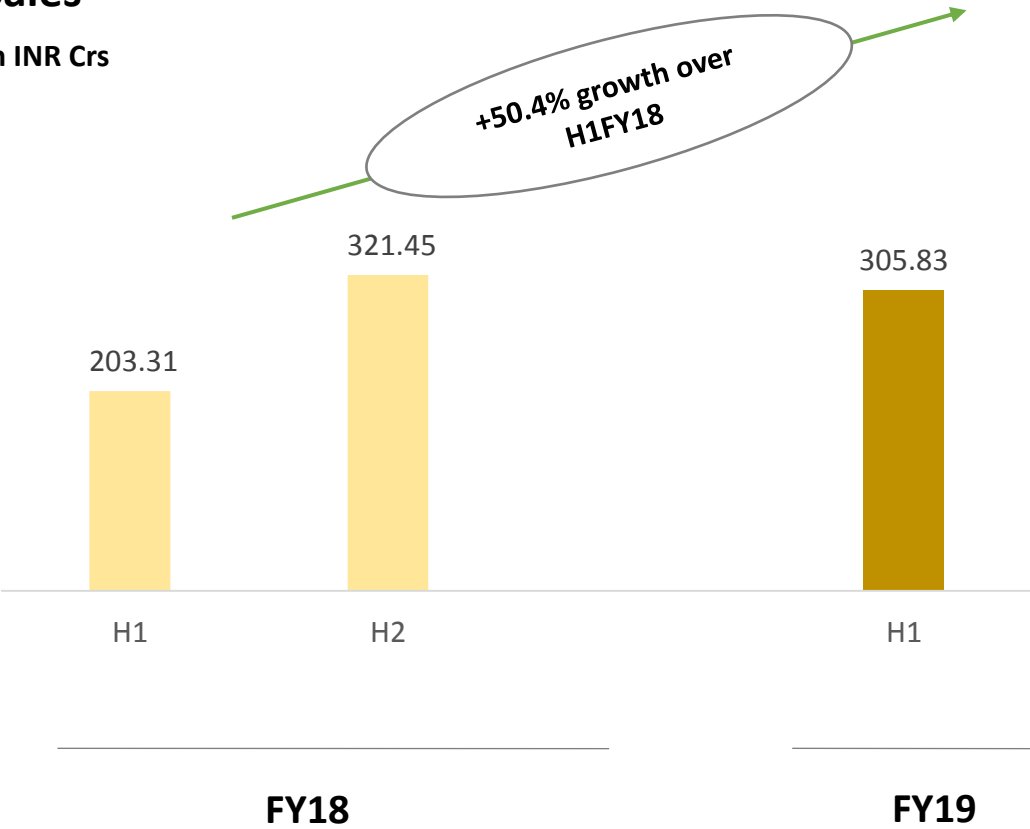
Sales

In INR Crs



Sales

In INR Crs

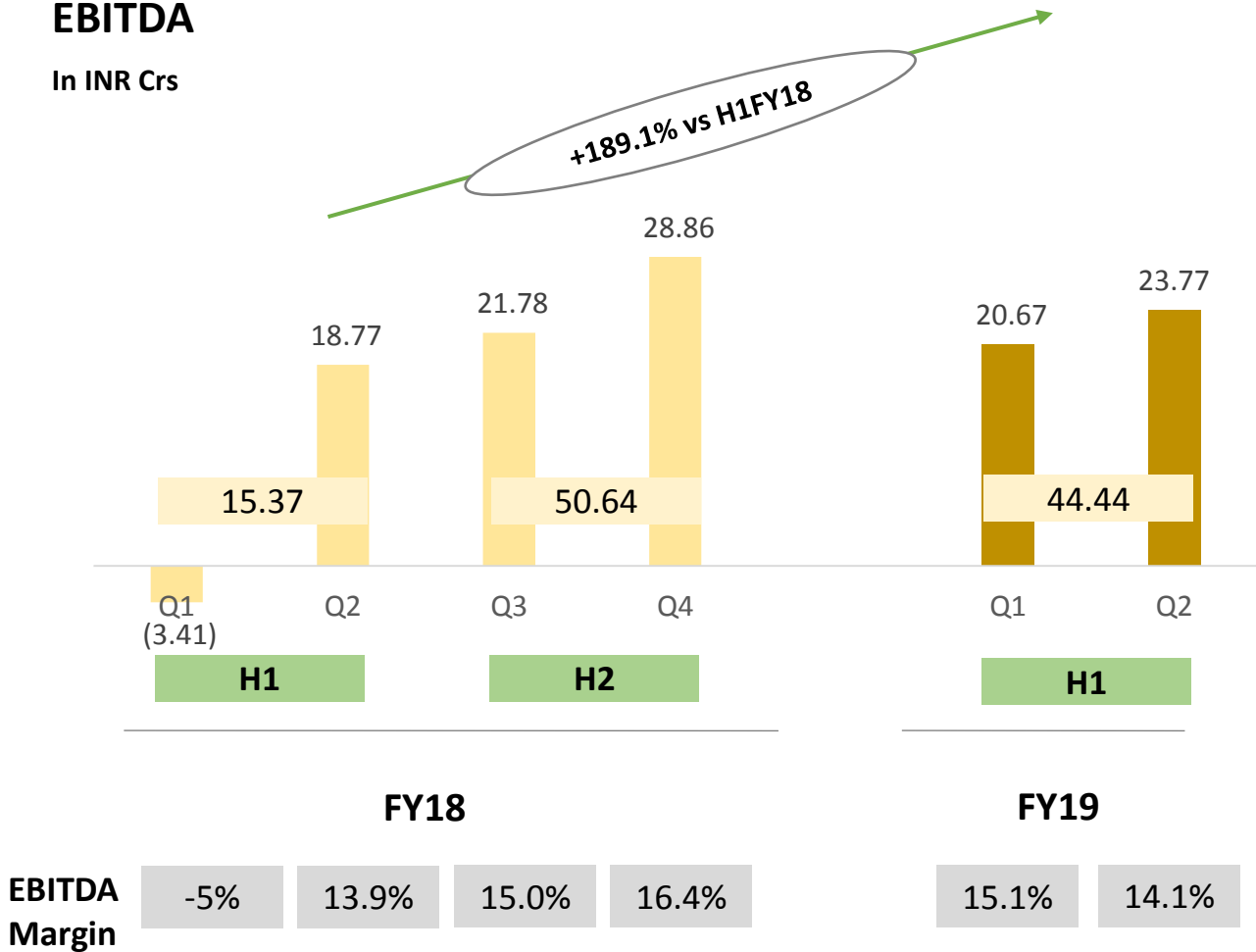


1) H1FY19 revenue is almost at same level as H1FY18

EBITDA margin in Q2FY19 higher than Q2FY18

EBITDA

In INR Crs



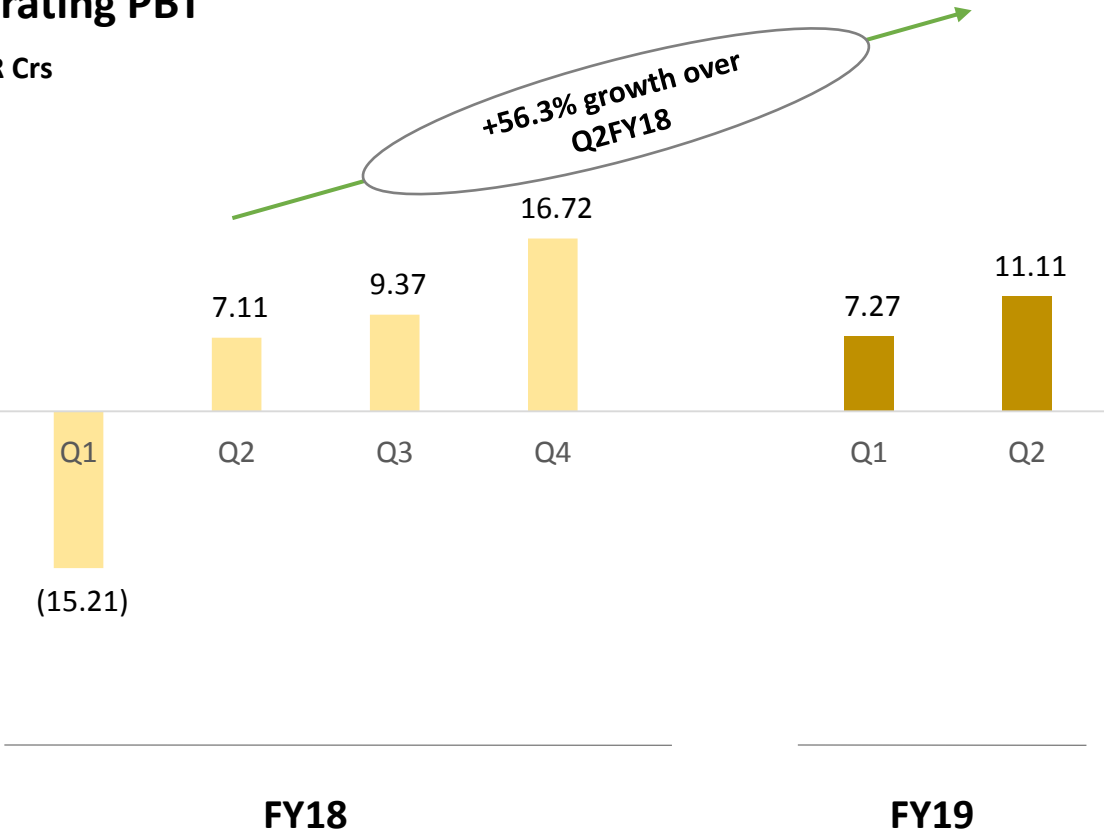
Key aspects

- EBITDA margin of 14.1% in Q2FY19 vs 13.9% in Q2FY18; Despite expiry of Uttarakhand exemption benefit (impact ~200bps, INR 3crs)
- EBITDA margin of 14.1% in Q2FY19 vs 15.1% in Q1FY19 due to Increased RM cost and INR depreciation (costlier imports)
- Increase in RM cost in Q2FY19 would be recovered by appropriate price increase in H2;
- Company expects to maintain sustainable growth and increasing EBITDA margin in line with the guidance

Operating PBT H1FY19 -56.3% above prior year

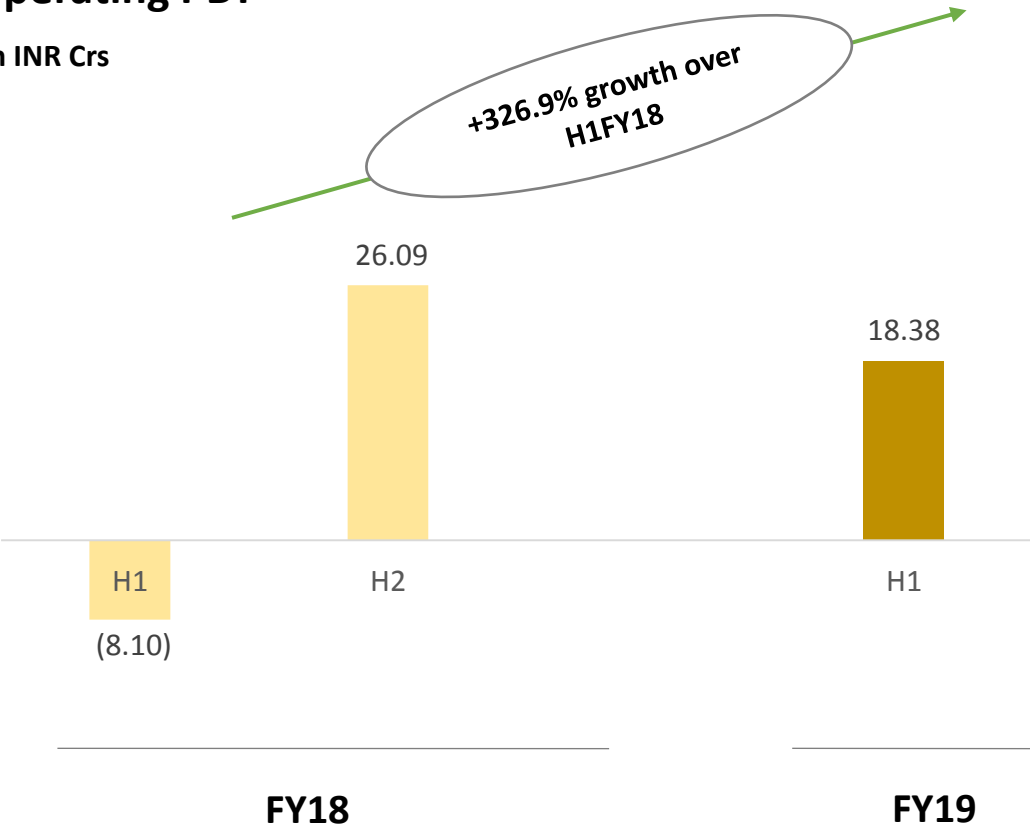
Operating PBT

In INR Crs



Operating PBT

In INR Crs

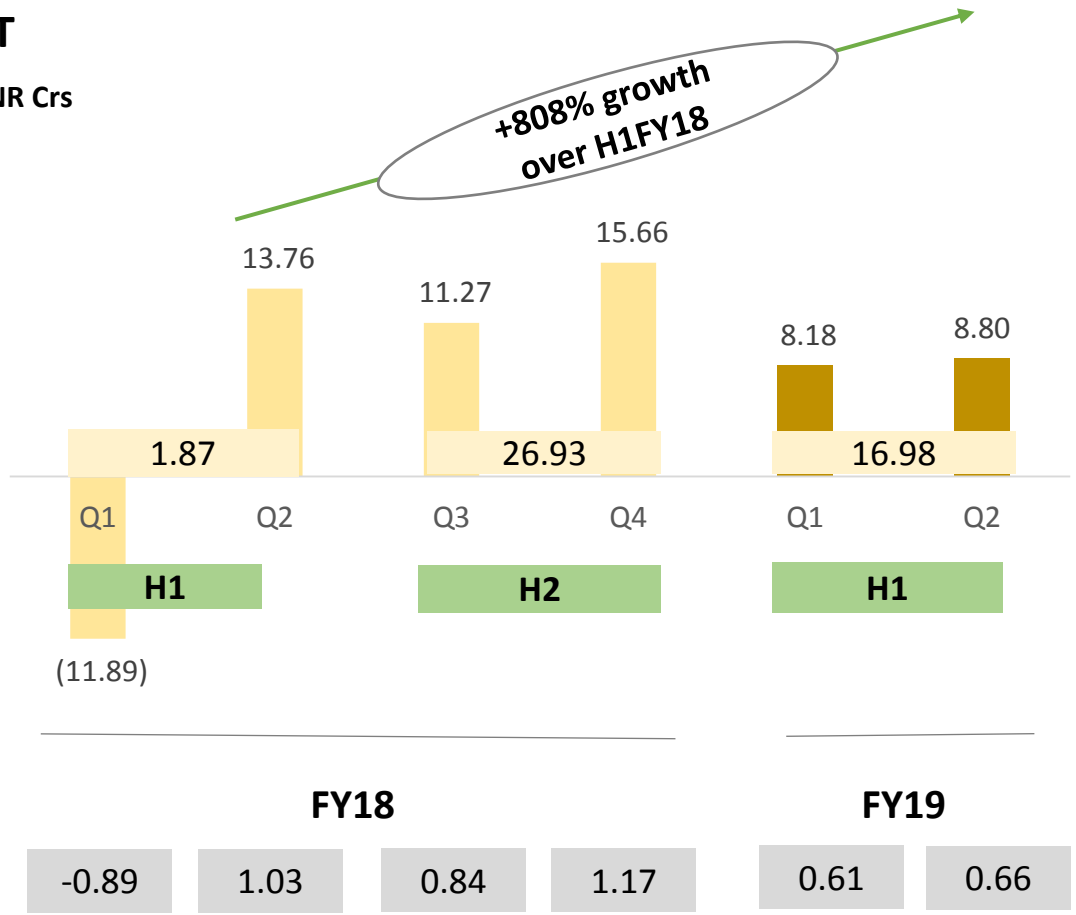


1 Financial Results Q2FY19

Profit After Tax

PAT

In INR Crs



Key aspects

- H1FY19 PAT at INR 16.98 crs against INR 1.87 crs in the corresponding period last year
- Q2FY19 PAT of INR 8.80 crs against INR 13.76 crs of Q2FY18
 - Higher one time, non operating Other Income in Q2FY18 of INR 4.53 crs
 - Q2FY18 actual tax rate 3% due to carry forward Q1FY18 losses
 - Effective tax rate of 34% vs 21% of FY18, due to expiry of tax benefits from Uttarakhand
 - PAT of Q2FY18 without other income of INR 4.53 crs and normal tax of 34% would have been INR 6.32 crs



Management Message



**Harish Sheth,
Chairman & MD**

Strong economic fundamentals continue to drive M&HCV segment growth. This growth trend is seen for the last 5 quarters in a row and the growth cycle is expected to continue for the foreseeable future driven by Government's thrust in rural sector and investment in infrastructure.

This is our strongest H1 performance in the history of the company. All planned initiatives are on target to build on this strong start and deliver superior top line and bottom-line performance over the next few years. Commodity and FX headwinds will be addressed through Pricing and mix.



**Udit Sheth,
Vice-Chairman**

The Setco Advantage

Market Advantage

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

Manufacturing Advantage

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

Technology Advantage

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

Lava Cast - Integrated Play Advantage

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

Service Advantage

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

People Advantage

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

Growth Strategy

OEM Business

1



Aftermarket

2



International Business
Turnaround

3



Lava Cast

4



Cost Optimization

Enhance productivity and asset
utilization

5

Build culture of innovation
& performance

6

Continuous improvement in
Working Capital and Debt
Management

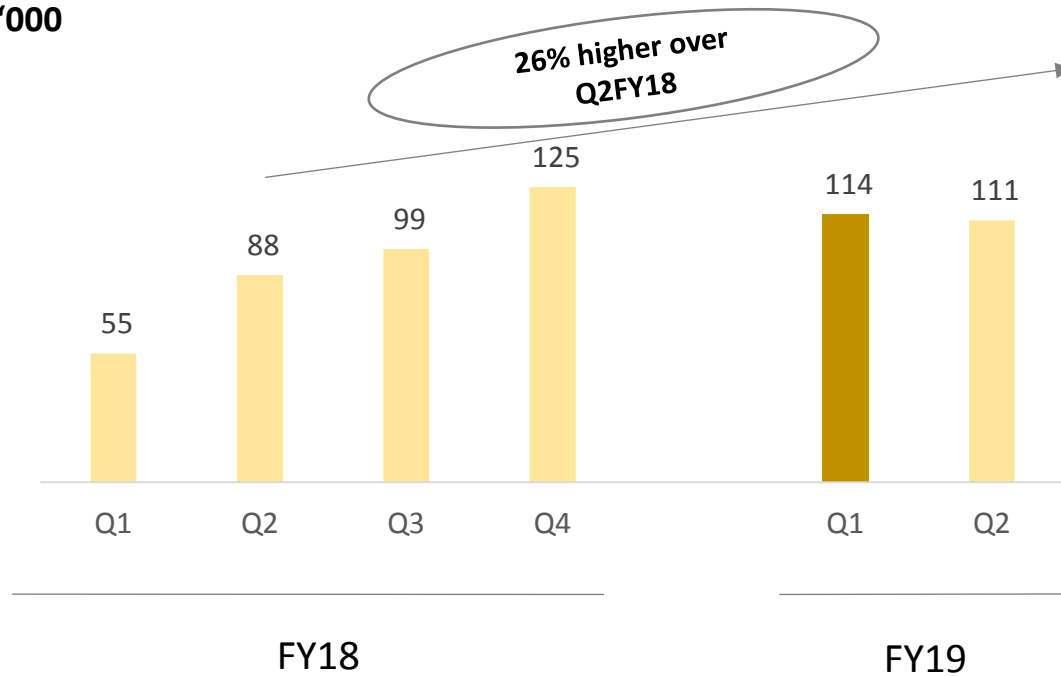
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Win together with all our
stakeholders

8

MHCV Industry Production

In '000



- 1 Company's OEM sales grew by ~65% in H1FY19 compared to MHCV industry production growth of ~57% .
- 2 Development on BSVI migration from April 2020 on track and in line with different customers
- 3 All key drivers to deliver targeted growth are on track and expected to exceed the initial target.
- 4 MHCV production is likely to grow ~15-20% in H2FY19, subject to other macro factors

Aftermarket

- 1 Post GST visible shift to organized sector manifesting more strongly with each passing quarter. After market sales registered 48% growth in Q2FY19
- 2 Strong order pipeline from both OES and Independent aftermarket segments
- 3 Heavy investment in rural sector and infrastructure, resulting in increased fleet utilization and higher demand
- 4 Better realisations and improved mix giving higher margins

International Subsidiaries

- 1 The growth improvement noticed in last 4 quarters is expected to continue in foreseeable future
- 2 Sustainable EBITDA margins
- 3 With the recent introduction of new generation clutches in US Aftermarket, we anticipate robust performance going forward

Subsidiary performance & outlook – Lava Cast Private Limited

- 1 Continuous ramp-up in capacity utilization with ~60% utilization in Q2FY19
- 2 Supply to external customers such as TATA Motors, Ashok Leyland and others has commenced. Also received approval from Daimler for supply of castings.
- 3 Expected to hit capacity utilization of around 85% during Q4FY19



Guidance – On track to achieve FY19 targets

Guidance FY19

Sales Growth

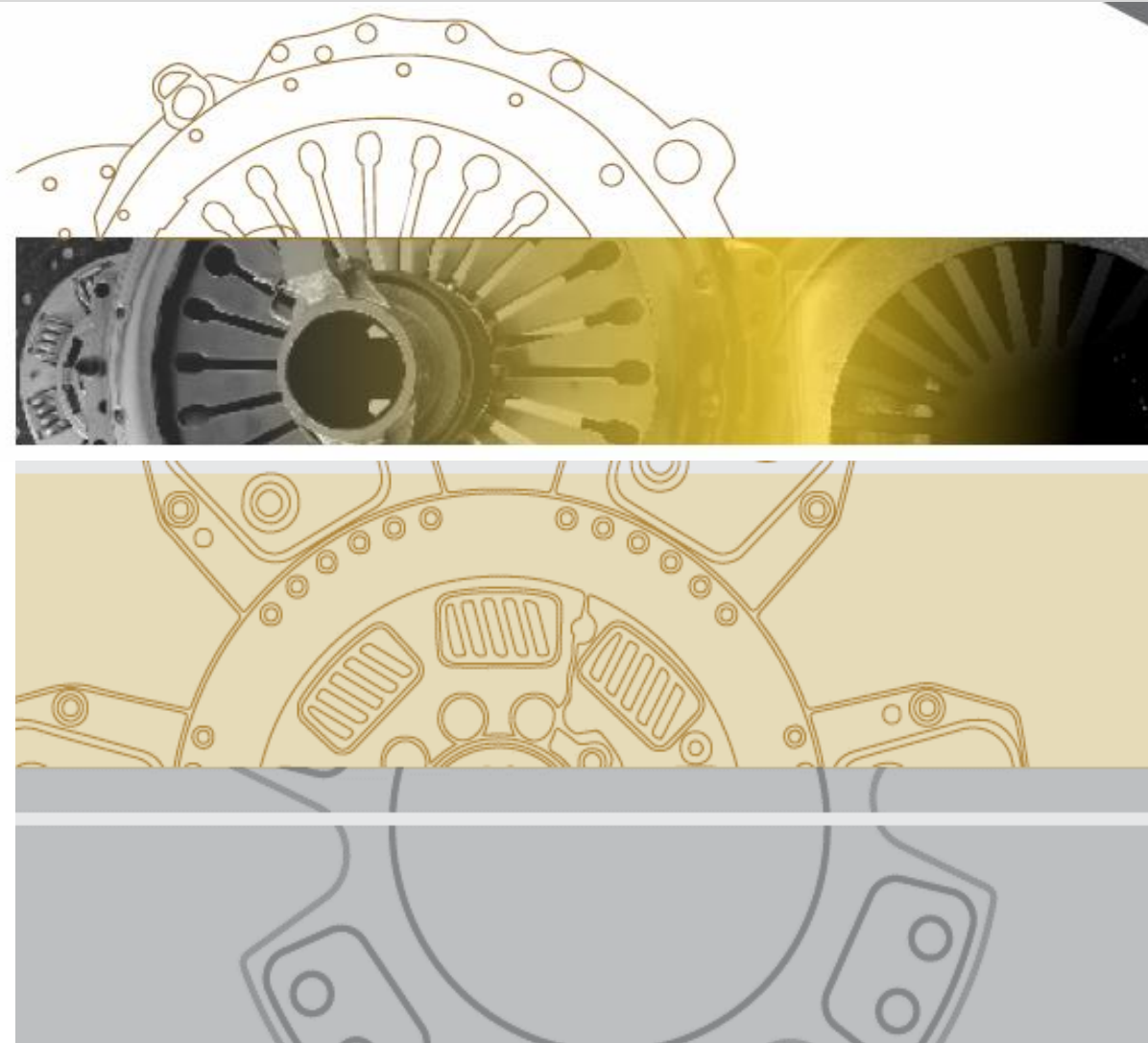
~35% over FY18

EBIDTA Margin

Higher Teens

Outlook

- H2FY19 sales would be higher by 30-35% over H1FY19, resulting in improved margins & higher profitability



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