

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
--	--

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



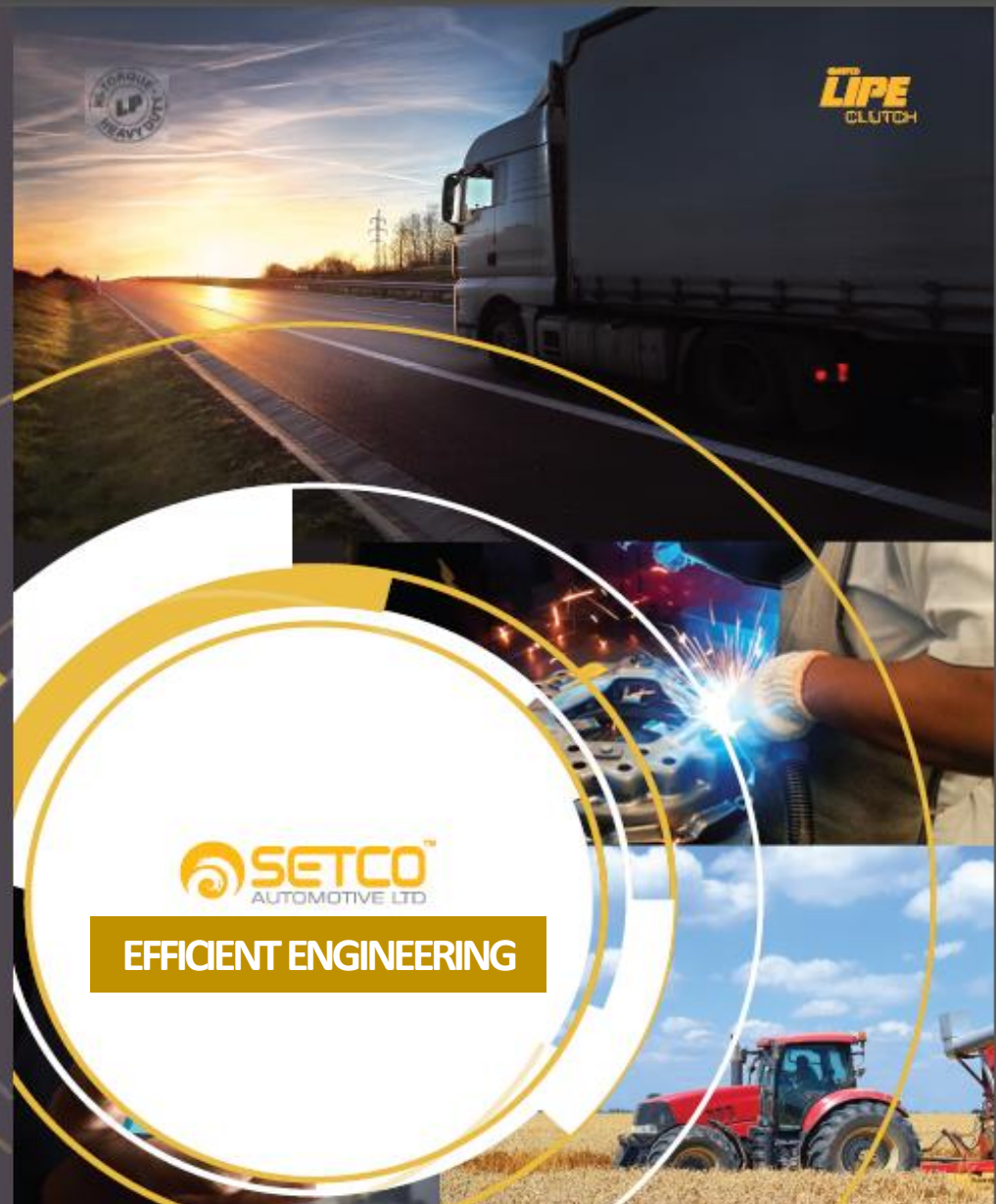
Vinay Shahane
Vice President – Finance



Results Q2 FY19

Setco Automotive Limited

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



Disclaimer

NOT FOR PUBLICATION OR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES

This presentation has been prepared by Setco Automotive Limited (the “**Company**”) solely for information purposes without regard to any specific objectives, financial situations or informational needs of any particular person. By attending the meeting where this presentation is being made or by reading the presentation materials, you agree to be bound by following limitations:

The information in this presentation has been prepared for use in presentations by the Company for information purposes only and does not constitute, or should not be regarded as, or form part of, any offer, invitation, inducement or advertisement to sell or issue, or any solicitation or initiation of any offer to purchase or subscribe for, any securities of the Company in any jurisdiction, including the United States and India; nor shall it, or the fact of its distribution form the basis of, or be relied on, in connection with, any investment decision or any contract or commitment to purchase or subscribe for any securities of the Company in any jurisdiction, including the United States and India. This presentation does not constitute a recommendation by the Company or any other party to sell or buy any securities of the Company. This presentation and its contents are not and should not be construed as a “prospectus” or “offer document” (as defined or referred to, as the case may be, under the Companies Act, 2013, as amended) or an “offer document” under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended. Nothing in this presentation is intended by the Company to be construed as legal, accounting, tax or other advice. This presentation may not be copied, distributed or disseminated, directly or indirectly, in any manner. Furthermore, no person is authorized to give any information or make any representation which is not contained in, or is inconsistent with, this presentation. Any such extraneous or inconsistent information or representation, if given or made, should not be relied upon as having been authorized by or on behalf of the Company.

This presentation has been prepared by the Company based upon information available in the public domain. This presentation has not been approved and will not or may not be reviewed or approved by any statutory or regulatory authority in India or by any Stock Exchange in India. This presentation may include statements which may constitute forward-looking statements.

This presentation contains statements that constitute forward-looking statements. These statements include descriptions regarding the intent, belief or current expectations of the Company or its directors and officers with respect to the results of operations and financial condition of the Company. Forward-looking statements are statements concerning future circumstances and results, and any other statements that are not historical facts, sometimes identified by the words including, without limitation “believes”, “expects”, “predicts”, “intends”, “projects”, “plans”, “estimates”, “aims”, “foresees”, “anticipates”, “targets”, and similar expressions. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ from those specified in such forward-looking statements as a result of various factors and assumptions. The risks and uncertainties relating to these statements include, but are not limited to, (i) fluctuations in earnings, (ii) the Company’s ability to manage growth, (iii) competition, (iv) government policies and regulations, and (v) political, economic, legal and social conditions in India and outside India. The Company does not undertake any obligation to revise or update any forward-looking statement that may be made from time to time by or on behalf of the Company. Given these risks, uncertainties and other factors, viewers of this presentation are cautioned not to place undue reliance on these forward-looking statements.

The information contained in this presentation is only current as of its date and has not been independently verified. None of the Company, its Directors, Promoter or affiliates, nor any of its or their respective employees, advisers or representatives or any other person accepts any responsibility or liability whatsoever, whether arising in tort, contract or otherwise, for any errors, omissions or inaccuracies in such information or opinions or for any loss, cost or damage suffered or incurred howsoever arising, directly or indirectly, from any use of this presentation or its contents or otherwise in connection with this presentation, and makes no representation or warranty, express or implied, for the contents of this presentation including its accuracy, fairness, completeness or verification or for any other statement made or purported to be made by any of them, or on behalf of them, and nothing in this presentation or at this presentation shall be relied upon as a promise or representation in this respect, whether as to the past or the future. Past performance is not a guide for future performance.

Please note that the past performance of the Company is not, and should not be considered as, indicative of future results. Certain data in this presentation was obtained from various external data sources, and the Company has not verified such data with independent sources. Accordingly, the Company makes no representations as to the accuracy or completeness of that data, and such data involves risks and uncertainties and is subject to change based on various factors.

This presentation also contain certain tables and other statistical analyses. Numerous assumptions were used in preparing the statistical information, which may or may not be reflected herein. The Company has not verified such statistical information with independent sources. As such, no assurance can be given as to the statistical information’s accuracy, appropriateness or completeness in any particular context nor as to whether the statistical information and/or the assumptions upon which they are based reflect present market conditions or future market performance. The statistical information should not be construed as either projections or predictions or as legal, tax, financial or accounting advice.

This presentation is not an offer of securities for sale in the United States. Securities may not be offered or sold in the United States absent registration or an exemption from registration under the United States Securities Act of 1933, as amended (the “Securities Act”). Any offering in the United States may be made only by means of the relevant offering document that may be obtained from the Company and that will contain detailed information about the Company and management, as well as financial statements. By receiving this document, you are deemed to have represented and agreed that you and any of your customers that you represent (i) are sophisticated investors to whom it is lawful to communicate and (ii) are located outside of the United States. The Company’s securities have not been and will not be registered under the Securities Act.

- 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

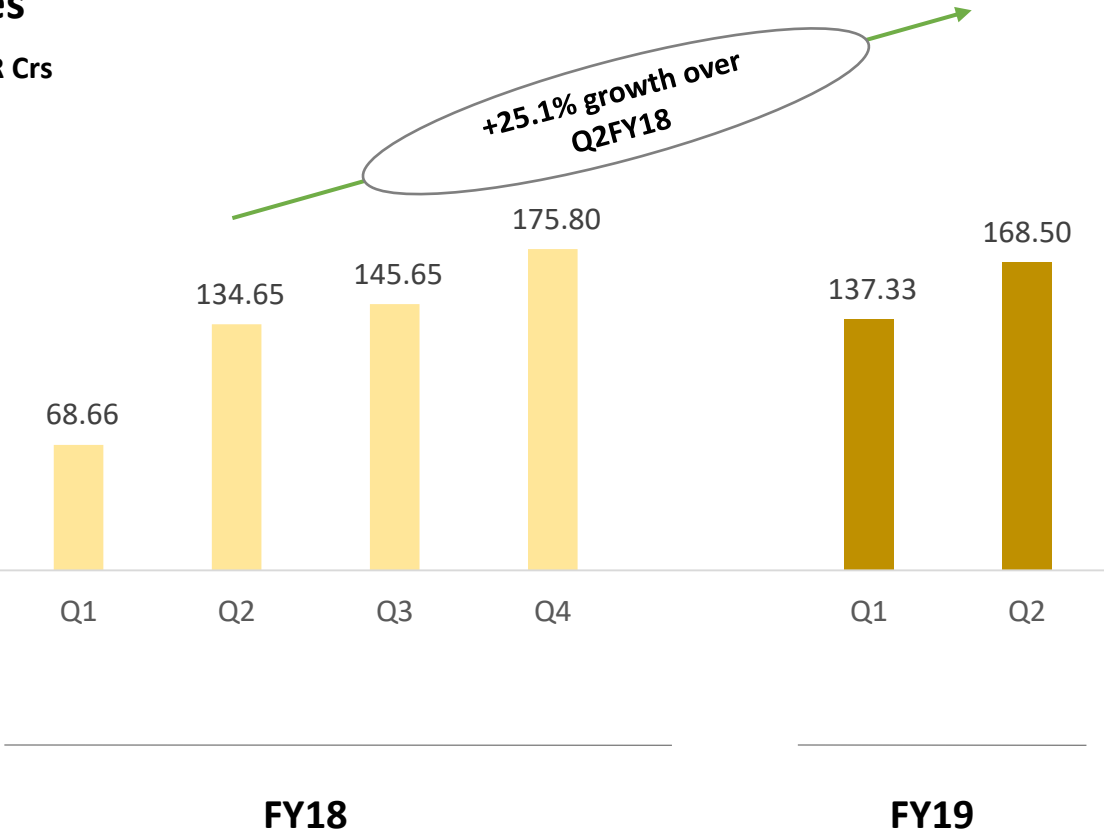
- EBITDA – Q2FY19 is post expiry of Uttarakhand tax benefit (Impact approx 200bps, INR 3 crs)
- Operating PBT up 56.3% YoY and 52.8% QoQ despite expiry of Uttarakhand benefits

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%

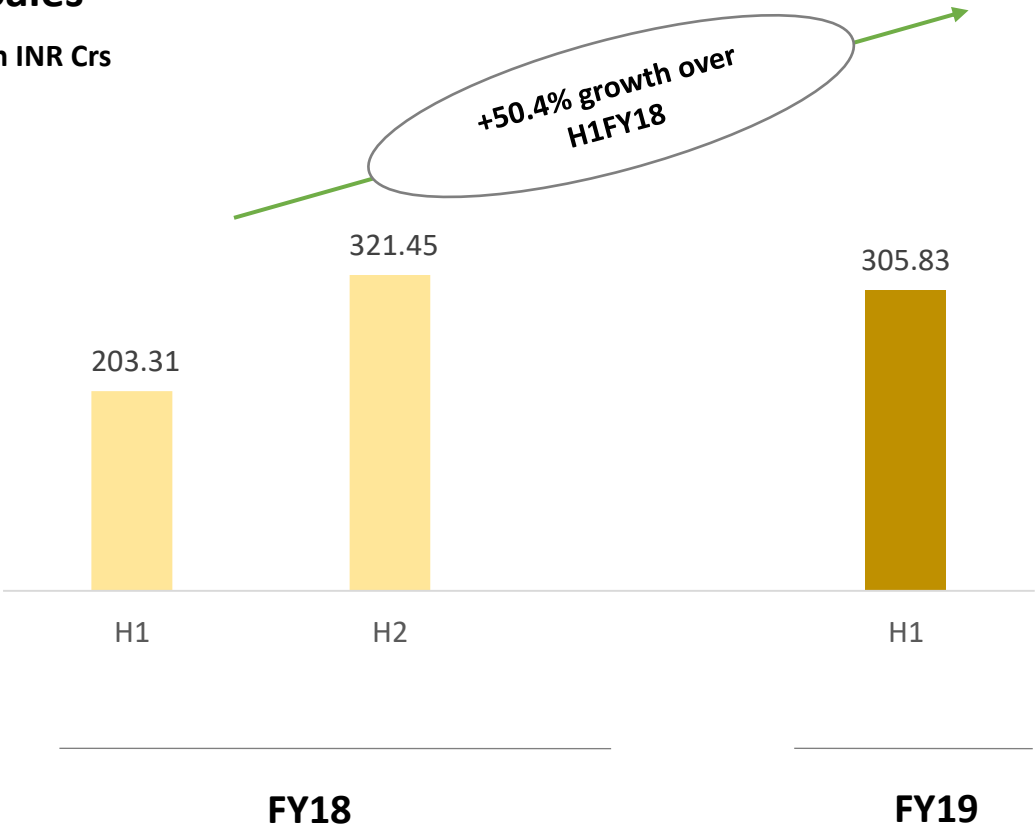
Sales

In INR Crs



Sales

In INR Crs

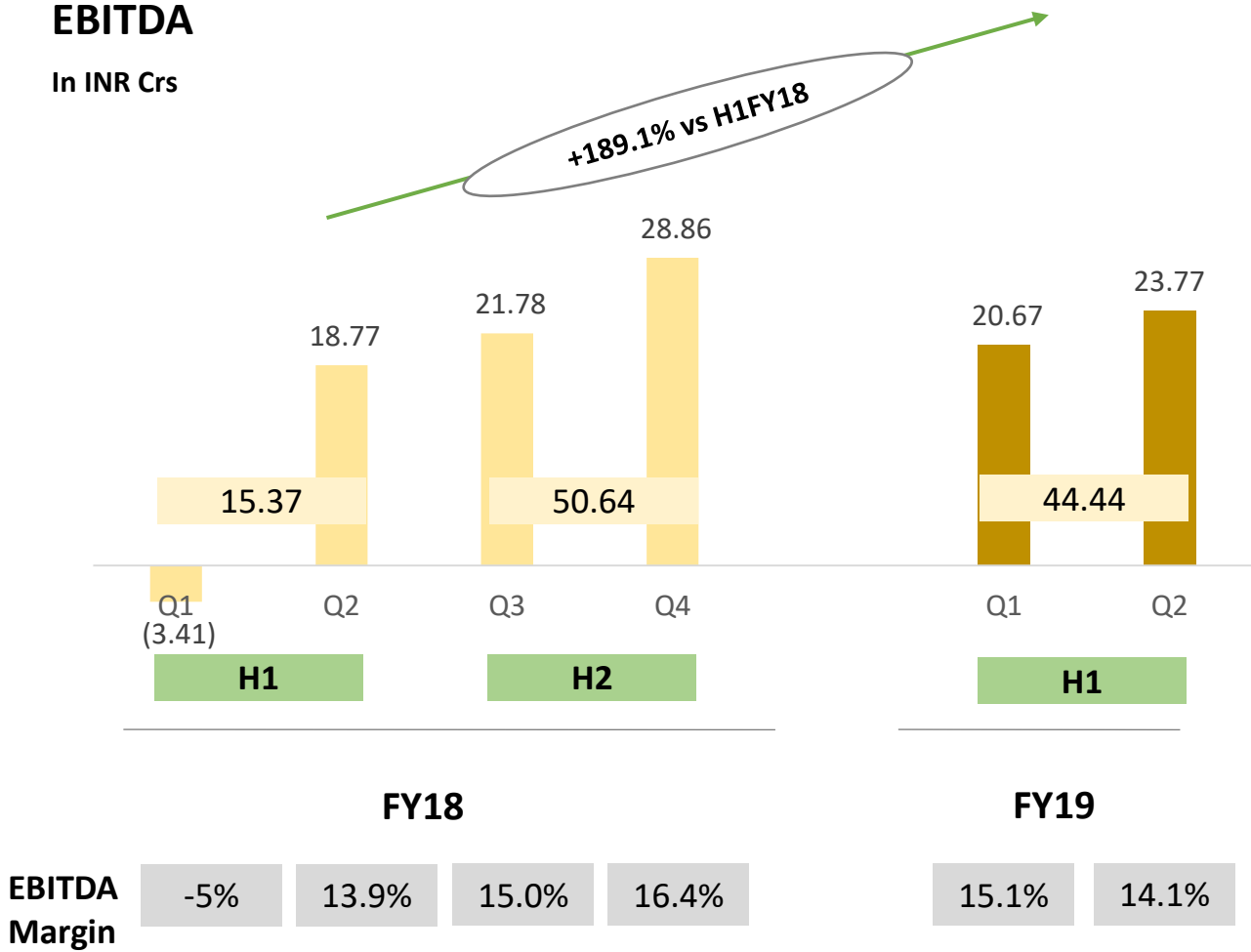


1) H1FY19 revenue is almost at same level as H2FY18

EBITDA margin in Q2FY19 higher than Q2FY18

EBITDA

In INR Crs



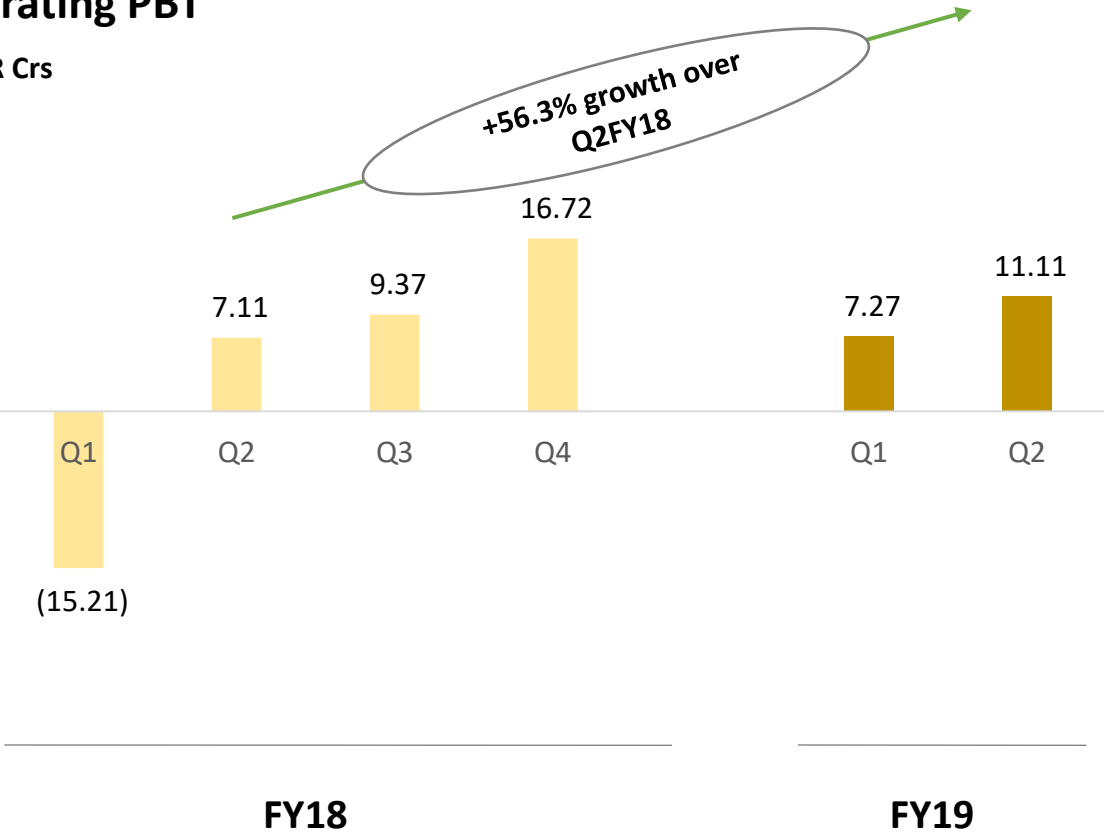
Key aspects

- 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

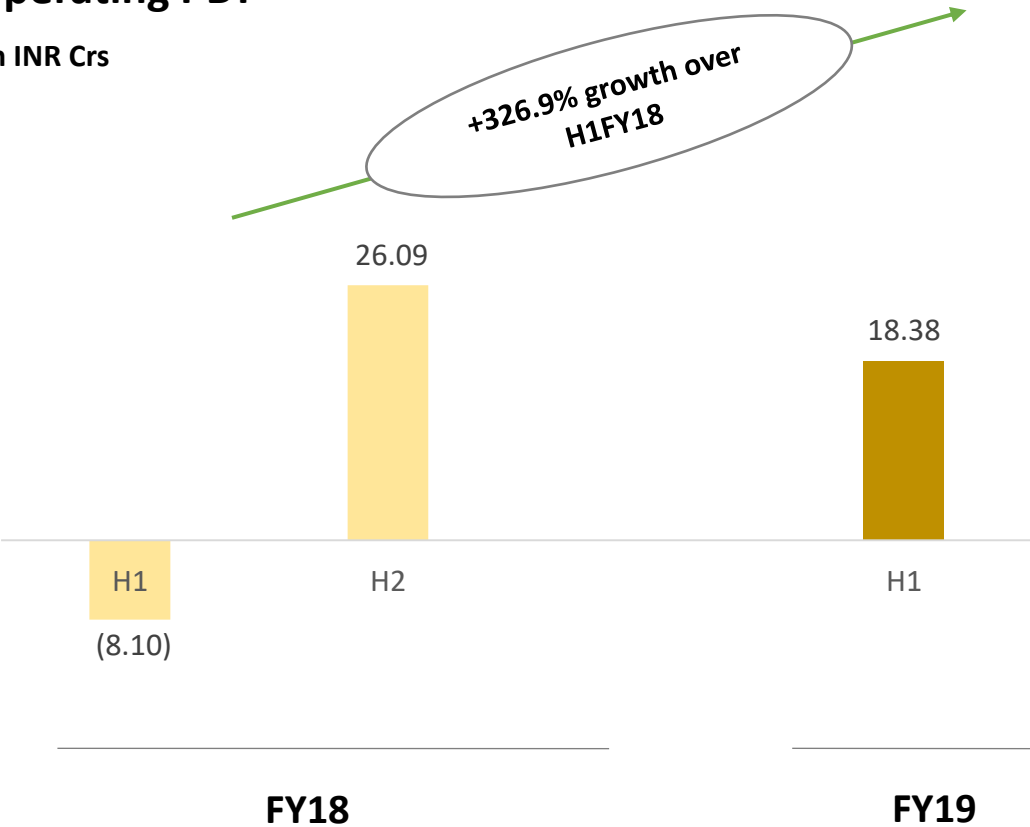
Operating PBT

In INR Crs



Operating PBT

In INR Crs

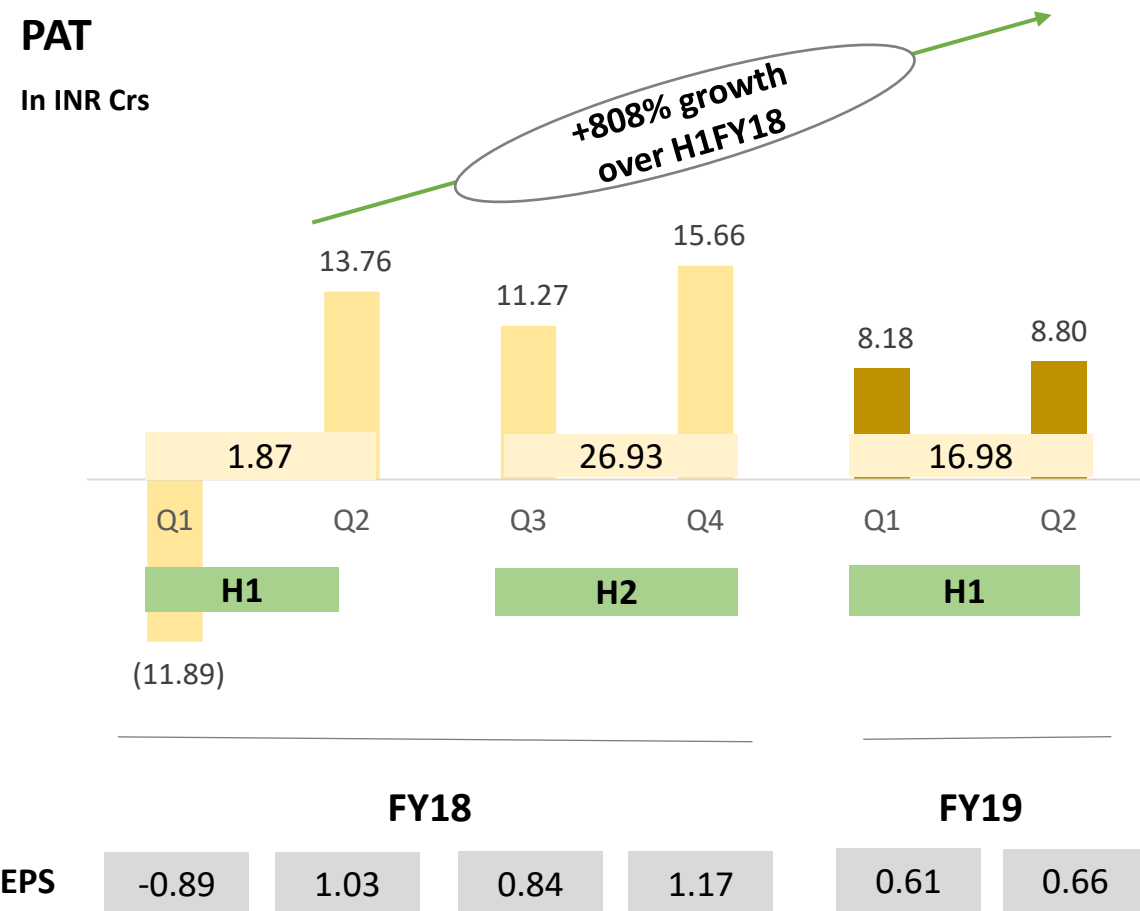


1 Financial Results Q2FY19

Profit After Tax

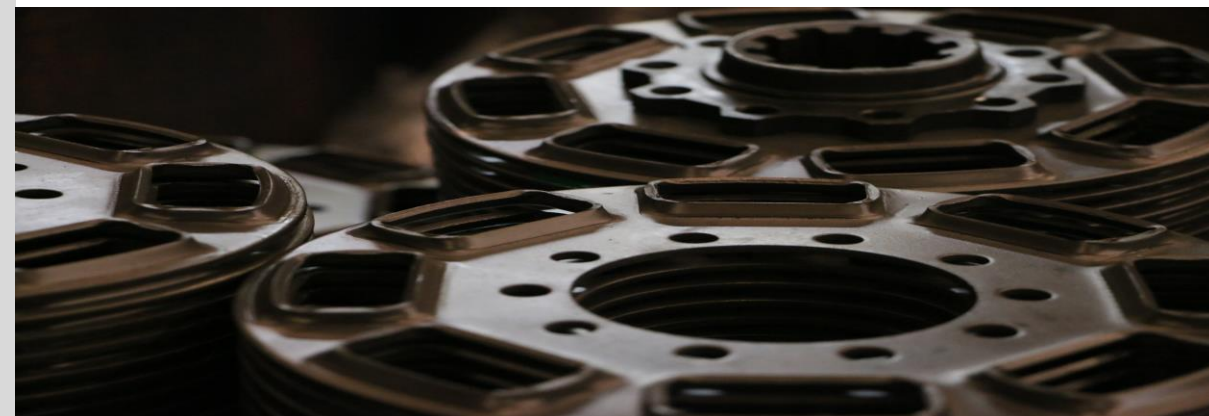
PAT

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

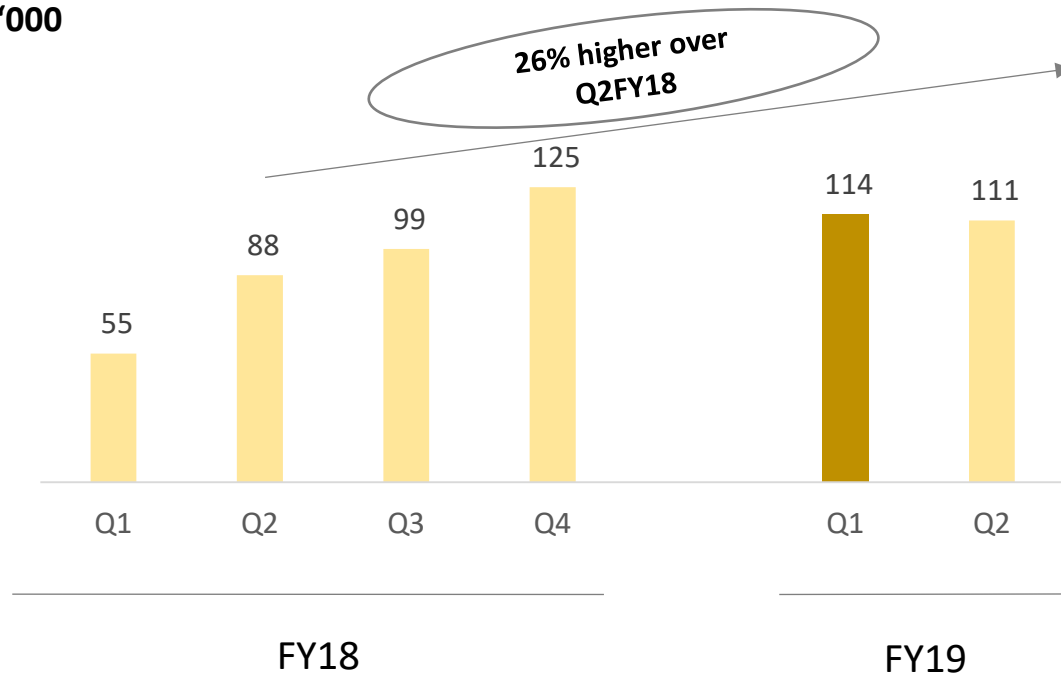
7

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

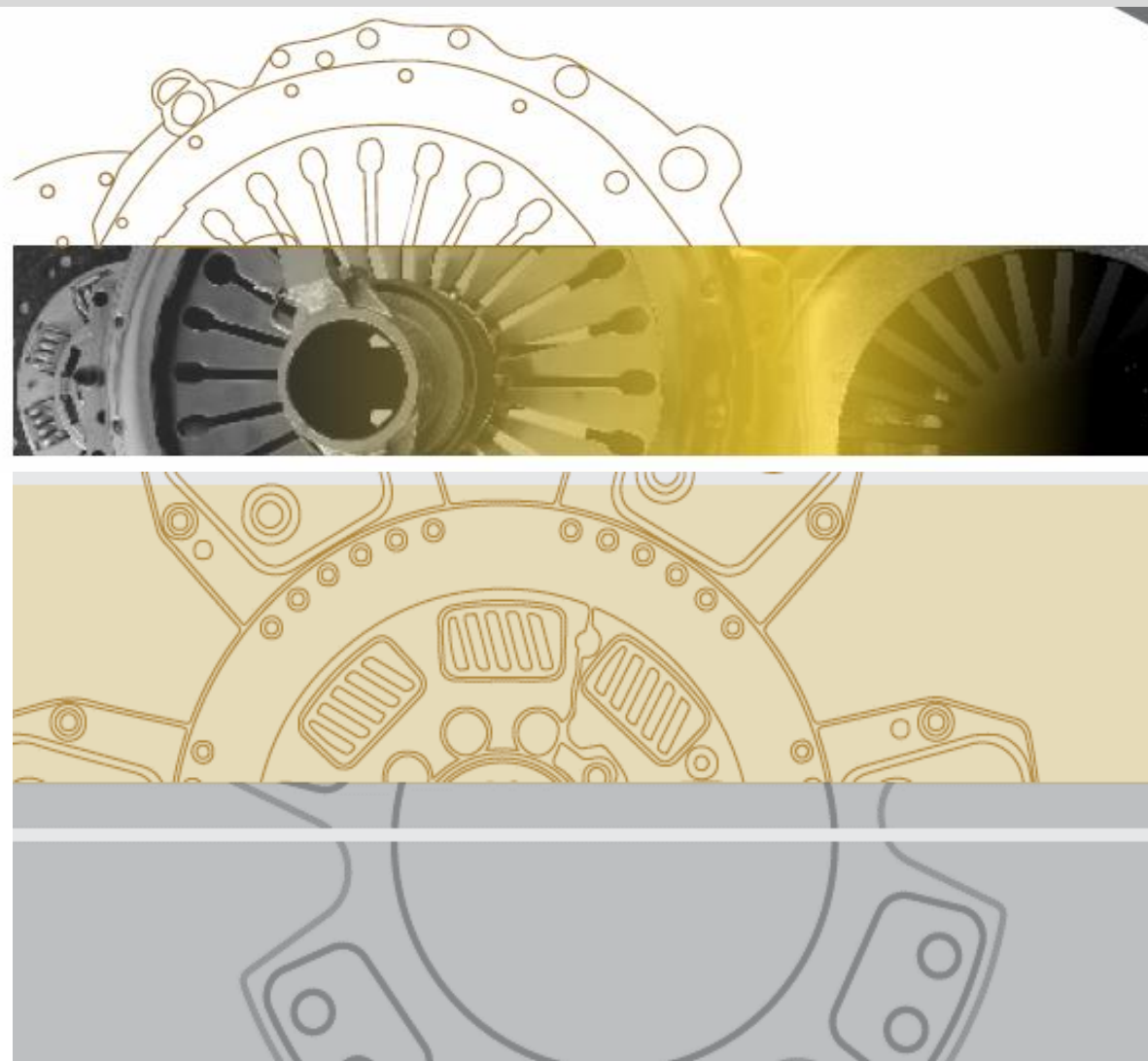
~35% over FY18

EBIDTA Margin

Higher Teens

Outlook

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



We Invite You To Visit Setco



Setco Automotive

Vinay Shahane

Mail : vshahane@setcoauto.com

Tel : 022-4075 5555

Anurag Jain

Mail : anurag.jain@setcoauto.com

Tel : 022-4075 5555

Perfect Relations

Ashish Samal

Mail : ashish.samal@perfectrelations.com

Tel : +91 9920778076