

The management is pleased to announce its Financial Performance for the year ended 31<sup>st</sup> March 2015

**Key Highlights:**

- Sales up by 39%
- Operating EBIDTA up by 63%
- Operating Profit before Tax up by 433%

**Sales:**

Company has reported a significant improvement in performance, registering robust growth in Sales & Profitability. Segment wise sales breakup is as below:

	Rs. Cr		
	<b>FY 14-15</b>	<b>FY 13-14</b>	<b>Growth %</b>
OEM	142.43	98.13	45.1%
OES Aftermarket	200.23	175.13	14.3%
Direct Aftermarket	83.18	27.96	197.5%
Exports	32.31	27.57	17.2%
<b>Total Net Sales</b>	<b>458.14</b>	<b>328.79</b>	<b>39.3%</b>

**OEM** – OEM sales grew by 45% on the back of economic recovery, launch of new products, and diversification into a new segment i.e LCV. The company is a dominant market leader in the MHCV clutch segment in India catering to approx 85% of domestic OEM market demand.

It may be noted that OEM segment which contributed to about 50% of the total revenues for the company in FY 11-12 now constitutes around 31% of the revenues, as a result of company's conscious efforts at expanding customer base and penetration into the replacement market and international business. This development is in line with the company's strategy to diversify into new segments and mitigate the risk of cyclical nature of the OEM segment. It may be noted that while growth has been across markets, the OEM market share has not dropped and the overall market has grown as specified above.

**Direct Aftermarket Segment** - The Company has entered into the Direct Aftermarket Segment in Qtr 3 of FY 13-14 and the last financial year (FY 14-15) was its first full year of operations. This segment has achieved a turnover of Rs. 83 Cr without affecting sales in the OES segment. Setco has managed to set up a pan-India exclusive distributor network for this product line.

Total **Aftermarket** segment consisting of OES and Direct Aftermarket **grew by approx 40%** at Rs. 283 Cr compared to Rs. 203 Cr in the previous year, thus setting up a base for the significant expansion in the aftermarket in the coming years.

**International Business** – After 2 years of flat growth in the international business, the growth momentum has picked up and registered a growth of 17% in the current year. This growth (though below expected plans) marks the start of the robust expansion plans that the company is working on and is now fully geared for execution. Company is in talks with major international customers and it is confident that this would result in exponential growth in international business in the next few years.

With a market presence in 64 countries worldwide and new products coming in for production, this segment will see a dedicated push from the company to realize strong market presence in certain geographies over the next 3 years.

#### **Operating EBIDTA / Profit before Tax**

Riding on the back of a robust revenue growth, **Operating EBIDTA has registered a growth of approx 63%** at Rs. 56 Cr compared to Rs. 34 Cr in the previous year.

Profit before Tax (excluding Other Income and Exceptional Items) has increased by 433% at Rs 19.15 cr compared to Rs 3.59 Cr in the previous year as detailed below:

	<b>FY 14-15</b>	<b>FY 13-14</b>
<b>PBT</b>	<b>28.22</b>	<b>24.33</b>
Less:		
Other Income	9.07	13.07
Exceptional Income	----	7.67
<b>Operating PBT</b>	<b>19.15</b>	<b>3.59</b>

Rs. Cr

#### **Future Outlook**

##### **Market Outlook**

The Indian economy has stabilised and is moving towards a growth trajectory, which was evident by the 21% growth in MHCV production in India. Besides, the company has entered in the direct aftermarket, added new customers in the OEM segment, expanded global footprint by entering into new territories with its existing range of products and new products for MHCV and LCV segments. The company is, thus, poised to implement its strategy to double its turnover in coming years.

## Capacity Build Up & CAPEX

During the year, Company has expanded production capacity at both manufacturing units to expand product base as well as cater to new product developments. With a CAPEX spend of Rs 29 cr. in the year and its continuous expansion plans, company proposes to increase its capacity 30% every year to meet its growth targets, modernisation and new developments.

The company's State of Art Research and Development Centre has been set up with investment of more than Rs. 12 Cr over the last 2 years and company would continue to drive its R&D spend in future as well. Duly recognised by DSIR – Govt of India, the R&D center is focused on developing new products for new segments and markets / customers across both domestic as well as global platforms.

The company's strategy is to ensure availability of critical components at optimum cost levels. With this in mind, Setco has set up in-house manufacturing of Diaphragm Springs at the cost of around Rs. 20 Cr. This plant will be operational from July / August – 15 and will be an **import substitution of a critical raw material component**.

The company's requirement of quality castings will increase substantially. In order to meet the increasing demand and reduce dependence on somewhat erratic supplies from existing vendor base, the company has entered into a Joint Venture Agreement (80% equity) with a leading Spanish Foundry "Lingotes Especiales" (20% equity) to manufacture fully machined, Ferrous Alloys Castings, meeting global quality standards, at their new plant in Kalol, Gujarat. The facility will have capacity of approx 30,000 tons / year and is expected to be operational from the 2<sup>nd</sup> Qtr of the current financial year. Apart from using about 1/3<sup>rd</sup> of the capacity for captive consumption, balance capacity will cater to increasing demand from the International customers with the help of Joint Venture Partner.

## Human Resource

Setco lays great emphasis on strong, high quality management team to meet its ambitious growth plans and maintain its leadership position. In this context, company is continuously strengthening management bandwidth at all levels and more particularly at senior management level. The company is continuously infusing new talent, that is being groomed for leadership positions in the company.

We thank you for your continued interest in Setco. As the company continues on its growth path, we will keep you updated on new initiatives and overall progress. We aim to continue to build our leadership positions through technology, while ensuring costs and quality are always in check.