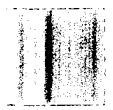
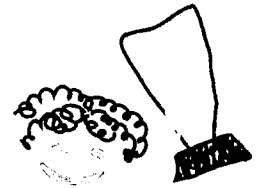
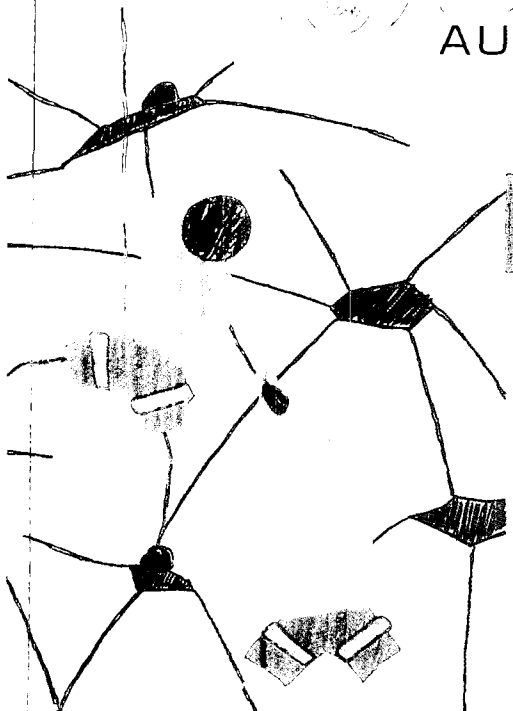
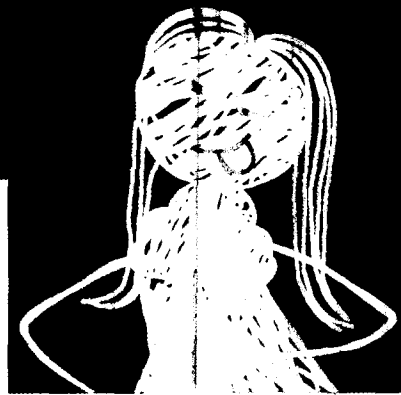


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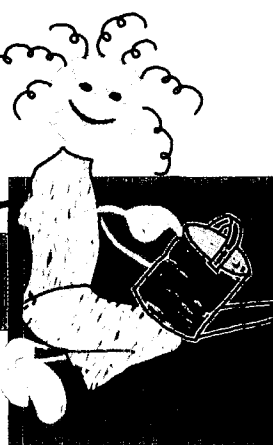
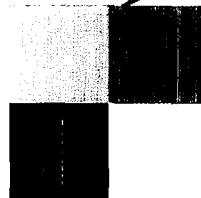


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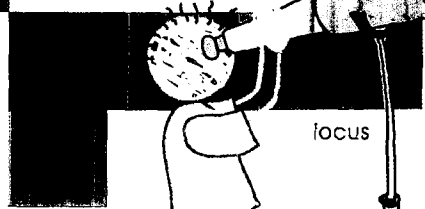


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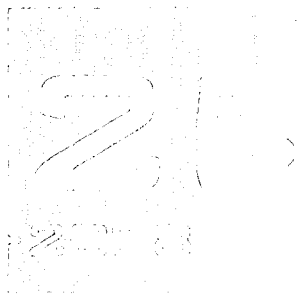
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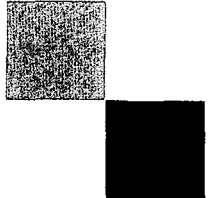
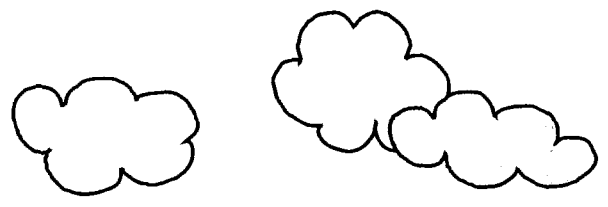
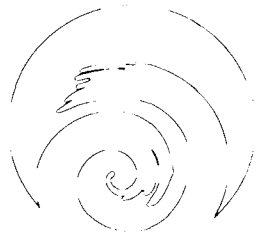


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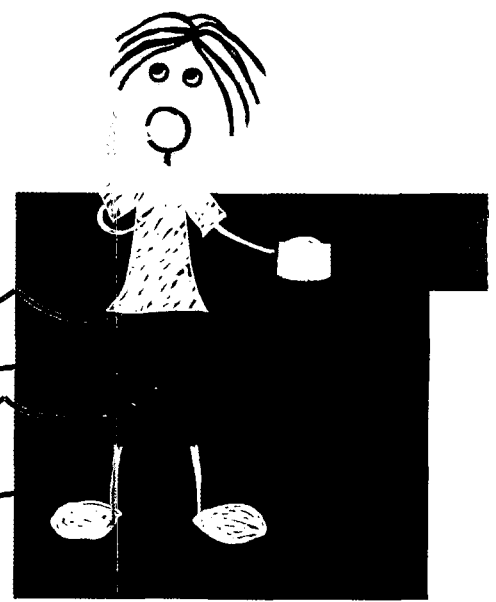
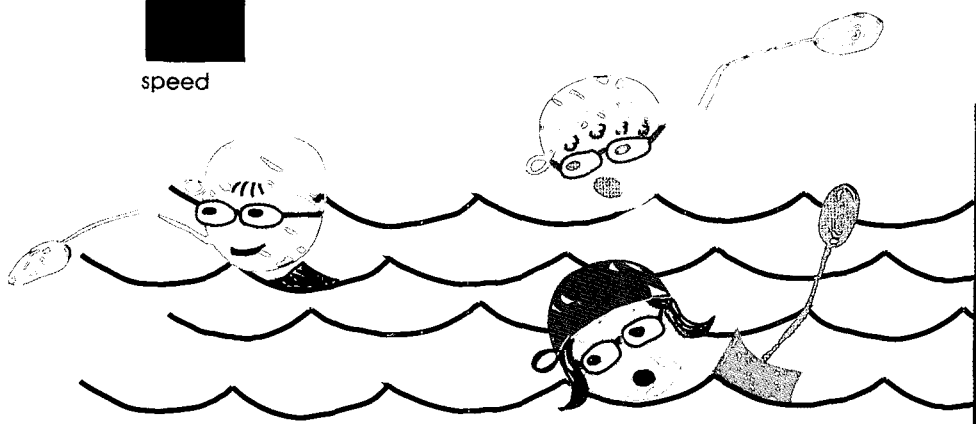
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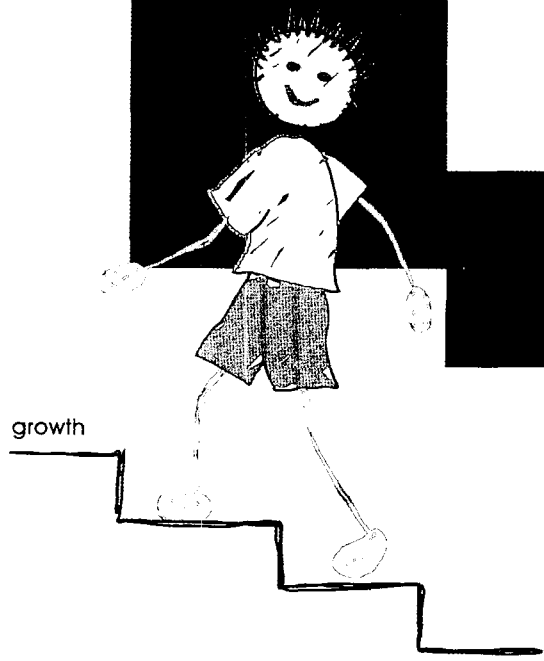




speed



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growth

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NOTICE FOR 25th ANNUAL GENERAL MEETING

NOTICE is hereby given that 25th Annual General Meeting of the members of Setco Automotive Limited will be held on Tuesday, 19th August, 2008 at 3.00 p.m. at the Registered Office of the Company at Vadodara - Godhra Highway, Kalol 389 330, District Panchmahals, Gujarat to transact the following business:

ORDINARY BUSINESS

- 01 To receive, consider and adopt the Company's Audited Balance Sheet as at 31st March 2008 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
02. To declare dividend for the FY 2007.2008.
03. To appoint a Director in place of Shri Pratap Merchant who retires by rotation and being eligible, offers himself for reappointment.
04. To appoint a Director in place of Shri Arun Arora who retires by rotation and being eligible, offers himself for reappointment.
05. To appoint Auditors of the Company to hold office up to conclusion of the next Annual General Meeting and if thought fit, to pass with or without modification, the following resolution as **ORDINARY RESOLUTION**:
"RESOLVED THAT Messrs Manesh Mehta & Associates, Chartered Accountants, Vadodara be and are hereby appointed as Auditors to the Company, to hold office till conclusion of the next Annual General Meeting on such remuneration as may be fixed by the Board of Directors."

SPECIAL BUSINESS

06. To appoint Shri Udit Sheth as Director, who was co-opted as an Additional Director by the Board of Directors at its meeting held on 30.06.2008 and hold office under Section 260 of the Companies Act 1956 till the date of ensuing Annual General Meeting of the Company and is eligible for reappointment and in respect of whom the Company has received a notice in writing from a member under the provision of Section 257 of the Companies Act, 1956 proposing the candidature of Shri Udit Sheth for the office of a Director.
07. To consider and if thought fit, to pass with or without modification, the following as **ORDINARY RESOLUTION**.
"RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309, 310, 311 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof, for the time being in force) Shri Udit Harish Sheth be and is hereby appointed as Executive Director of the Company for a period of -5- (Five) years with effect from 01.07.2008 on the terms and conditions including remuneration as are set in the explanatory statement forming part of this Notice hereby specifically sanctioned with liberty to the Board of Directors to alter and vary the terms and condition of the said appointment so as not to exceed the limits specified in Schedule XIII and other Sections / Provisions of the Companies Act, 1956 as may be applicable, including any statutory modification or re-enactment thereof, for the time being in force or any amendments and / or modifications that may hereafter be made thereto by the Central Government or as may be agreed to between the Board of Directors and Shri Udit Harish Sheth.

RESOLVED FURTHER THAT when in any financial year closing on and after 31st March 2009 the Company has no profits or its profits are inadequate, the Company may pay, to Shri Udit Harish Sheth as minimum remuneration by way of salary, perquisites and other allowances as specified in the explanatory statement forming part of this Notice and in keeping with the Central Government Notifications and limits specified under Schedule XIII and other Sections / provisions of the Companies Act, 1956 as may be applicable from time to time.

RESOLVED FURTHER THAT in the event of any statutory amendment, modification or relaxation by the Central Government to the Schedule XIII and other Sections / provisions of the Companies Act, 1956 as may be applicable, the Board of Directors be and is hereby authorized to vary or increase the remuneration, including salary, commission, perquisites, allowances etc. within such prescribed limit or ceiling.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to take such steps as may be necessary to give effect to this resolution.

08. To consider and if thought fit, to pass with or without modification, the following as **SPECIAL RESOLUTION**.

“RESOLVED THAT, subject to the provisions of the Companies Act, 1956, including any statutory modification(s) or re-enactment thereof for the time being in force and as may be enacted hereinafter, the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 consent is hereby accorded to the Board without giving an exit option to the shareholder of the region where the Stock Exchange is situated and on the terms and conditions as may be stipulated and mutually agreed to in the best interest of the Company, to delist the Company’s Equity Shares from Ahmedabad Stock Exchange, Ahmedabad.

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorised to do all such acts, deeds and things including execution of documents as may be necessary for this purpose”.

For Setco Automotive Limited

Harish Sheth
Chairman & Managing Director.

Place : Mumbai
Date : 30.06.2008

NOTES:

01. Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956, for item no. 6 to 8 is annexed
02. A MEMBER ENTITLED TO ATTEND AND TO VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH A PROXY NEED NOT BE A MEMBER. AN INSTRUMENT APPOINTING PROXY SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
03. Members / Proxies should fill the Attendance Slip for attending the meeting.
04. Corporate members are requested to send a duly certified copy of their Board Resolution authorizing their representatives to attend and vote at the Annual General Meeting.
05. Members who hold shares in electronic form are requested to write their Client ID and DP ID numbers and those who hold shares in physical form are requested to write their Folio Number in the attendance slip for attending the meeting to facilitate identification of membership at the meeting. Members are requested to bring their attendance slip along with their copy of the annual report to the meeting.
06. The Register of Members and Share Transfer Book of the Company will remain closed from Tuesday, 5th August, 2008 to Tuesday, 19th August, 2008 (both days inclusive).
07. The Dividend on Equity Shares as recommended by the Board of Directors, if approved / declared at the Annual General Meeting, will be paid on or after the Annual General Meeting (AGM) i.e. Tuesday, 19th August 2008.
08. Members may please note that, the dividend warrants shall be payable at par at the designated branches of the Bank printed on the reverse of the Dividend Warrant for an initial period of -4- months only. Thereafter, the Dividend Warrant on re-validation shall be payable only at limited centers / branches of the said bank. The members are therefore, advised to encash Dividend Warrants within the initial validity period.
09. Re-appointment / appointment of Directors

It is proposed to reappoint Shri Pratap Merchant and Shri Arun Arora, Directors of the Company retiring by rotation and to appoint Shri Udit Sheth as Executive Director. The details pertaining to these Directors as required pursuant to Clause -49- of the Listing Agreement is furnished in a statement as a part of the Directors Report forming part of this Annual Report.

Annexure to the Notice

EXPLANATORY STATEMENT pursuant to Section 173 (2) of the Companies Act, 1956.

Item No. 6 and 7

The Board of Directors at its meeting held on 30.06.2008 appointed Shri Udit Sheth as an Additional Director of the Company with effect from 30.06.2008. Pursuant to Section 260 of the Companies Act 1956, Shri Udit Sheth holds office of the Director up to the date of this Annual General Meeting. The Company has received a notice under the provision of Section 257 of the Companies Act 1956 from a member proposing the candidature of Shri Udit Sheth for the office of Director. Your Director consider it desirable and in interest of the Company to avail the services of Shri Udit Sheth as Director and accordingly recommend reappointment of Shri Udit Sheth as Director on your Company's Board.

Shri Udit Sheth is also appointed as Executive Director of the Company w.e.f. 01.07.2008. His revised remuneration and service terms and conditions are yet to be approved at this Annual General Meeting. In the meantime (i.e. up to 30th June, 2008), he will continue to be paid remuneration as previously drawn by him as Vice President approved by the members of the Company at the Annual General Meeting of the Company held on 23.09.2006 and the Ministry of Company Affairs, Central Government vide its letter dated 08.02.2007.

The remuneration and service terms and conditions are as under :

1. Period of appointment : -5- years w.e.f 01.07.2008 (01.07.2008 to 30.06.2013)

2. Remuneration:

i) Salary:

Rs 3,50,000 (Rupees three lacs fifty thousand only) p.m. with effect from 01.07.2008 in the scale of such additional sum annually as permitted within the overall limit prescribed under Schedule XIII and other applicable provisions of the Companies Act, 1956 to be approved by the Board.

ii) Perquisites:

Perquisites as stated herein below in Part-“A”, “B” and “C” with in the overall salary level as stated at para 2 (i) herein above, and for the purpose of ceiling, the perquisites stated under Part “B” and “C” to be excluded. For the purpose of ceiling, valuation of perquisites under Part “A” shall be computed as per the rules under the Income Tax Act, 1961.

The overall remuneration in terms of salary and perquisites not to exceed the monetary limit as stated in Pars 2 (i) herein above.

Part – A :

i) Housing:

- a) Free furnished accommodation, the Company paying all rents, taxes and other expenses for the upkeep and maintenance on such accommodation or house rent allowance in lieu thereof.
- b) Expenditure, on electricity, water, gas and furnishings at the residence to be borne by the Company.

ii) Medical Reimbursement:

Expenses incurred for self and family, total cost of which shall not exceed one month's salary per year or exceed 3 months' salary for a block of three years of service. In case of hospitalization of the said Executive Director, he shall be entitled to full reimbursement of hospitalization expenses incurred.

iii) Leave Travel concession:

For self, wife and dependent children to and fro any place in India once in a year in accordance with the rule of the Company, subject to the condition that only actual fares and no hotel expenses will be allowed.

iv) Club fees:

Fees of Club subject to the maximum of -2- clubs (admission and life membership fees not being allowed).

v) Personal Accident Insurance:

Personal Accident Insurance as per the policy of the Company.

Part – B :

i) Provident Fund / Superannuation fund / Annuity:

As per the rules of the Company, contribution towards above funds to the extent these either singly or put together are not taxable under the Income Tax Act, 1961, Rules and Regulations there under.

ii) Gratuity:

Gratuity payable at a rate not exceeding half a month's salary for each completed year of service, in accordance with the approved fund or the Company's rules as may be permitted under the Payments of Gratuity Act in force from time to time.

iii) Encashment of leave at the end of the tenor.

Part – C :

i) Car:

Free use of Company's car with full operating and maintenance charges with driver subject to recovery of Rs. 500/- p.m. for use of the car for non-duty journeys. The travel between the residence and Company's office / factory to be considered as on duty journey.

ii) Telephone:

Free telephone facility at his residence restricted to one telephone connection.

iii) Leave:

Annual Leave on full pay and allowance in accordance with the Company's rules but not exceeding one month's leave for every 11 months of services as per the rules of the Company applicable to other executives of the Company. In addition, he shall be entitled to casual leave, sick leave and other leaves as per the rules of the Company applicable to other executives of the Company.

iv) Reimbursement of all entertainment expenses incurred for the purpose of the business of the Company.

v) Benefits under loan and other schemes in accordance with the practice, rules and regulations in force in the Company from time to time.

1. The remuneration as aforesaid including the benefits and amenities stated herein above except with the exception of the commission payable on net profits shall nevertheless be paid and allowed as the minimum remuneration for any year in case of absence or inadequacy of profits for such a year.
2. The terms and conditions of appointment as set out and remuneration herein may be altered and varied from time to time by the Board of Directors of the Company as it may, at its discretion, deem fit so as not to exceed the limits specified in Schedule XIII and other Sections / provisions of the Companies Act, 1956 as may be applicable, including any statutory modification or re-enactment thereof (for the time being in force) or any amendment made thereto.
3. The agreement incorporating the remuneration and terms and conditions as set out in this explanatory statement to be executed between the Company and Shri Udit Harish Sheth on approval of the agenda by the members of the Company. The Explanatory Statement together with the accompanying Notice should be treated as the terms of the Agreement to be executed
4. In compliance with Section 309 of the Act, the terms and conditions including remuneration specified above are now being placed before the members of this Annual General Meeting for their approval.
5. Memorandum of concern or interest under Section 302 of the Companies Act, 1956 :
 - i. Shri Udit Sheth is interested in the agenda.
 - ii. Shri Harish Sheth, Chairman and Managing Director as father and Shri Harshal J Shah as a relative of Shri Udit Sheth are interested / concerned in the agenda.
 - iii. None of the other directors has any interest / concerned in the agenda.

Item No. 8

Delisting of Shares : from Ahmedabad Stock Exchange (ASE)

Presently the Company's Equity Shares are listed on the Bombay Stock Exchange Limited, Mumbai, (BSE) and Ahmedabad Stock Exchange, Ahmedabad (ASE). Bombay Stock Exchange Limited has nation wide trading terminals. With the wide and extensive networking of these terminals of the BSE, the investors have access to online dealings in the Company's shares across the country. Consequent to such capital market changes, substantial volume of trading in the Company's shares is put through Bombay Stock Exchange Limited and trading volumes at Ahmedabad Stock Exchange is gradually getting reduced to a substantial extent or is almost to nil. SEBI has also specified the shares of the Company for compulsory trading in demat form by all investors. In such overall situation, no particular benefit is available to the shareholders of the Company, by continuing the listing of shares of the Company on the Ahmedabad Stock Exchange. As per the applicable SEBI Guidelines, no exit option is require to be given to the shareholders of the region where the aforesaid Stock Exchange is situated as the Company's shares are listed on the Bombay Stock Exchange Limited.

The Board of Directors at its meeting held on 30th June, 2008 has decided to delist the Company's Equity Shares from the said stock exchange. Pursuant to the SEBI (Delisting of Securities) Guidelines 2003, it is now proposed to seek the Members' approval by way of a Special Resolution for the voluntary delisting of the Company's Equity Shares from the said stock exchange as set out in the Resolution at item no. 8.

The proposed delisting is in the interest of the Company and the Board commends the Resolution for approval by the Members.

None of the Directors of the Company is concerned or interested in the Resolution.

By the Order of the Board of Directors
For Setco Automotive Limited

Harish Sheth
Chairman & Managing Director.

Place : Mumbai
Date : 30.06.2008



Registered Office: Vadodara – Godhra Highway, Kalol – 389 330. Dist. Panchmahals, Gujarat

Attendance Slip

To be handed over at the entrance of the Meeting Hall
Joint shareholders may obtain additional Slip at the venue of the meeting.

DP ID*		Client ID *	
--------	--	-------------	--

* Applicable for Investors holding Shares in Dematerialised Form.

Master Folio No.		No. of Shares	
------------------	--	---------------	--

NAME AND ADDRESS OF THE SHAREHOLDER

I hereby record my presence at the 25th Annual General Meeting of the Company held on Tuesday, 19th August, 2008 at 3.00 p.m. at Vadodara-Godhra Highway, Kalol 389 330, District Panchmahals, Gujarat

Signature of the Shareholder or Proxy :



Registered Office: Vadodara – Godhra Highway, Kalol – 389 330. Dist. Panchmahal, Gujarat

PROXY FORM

DP ID*		Client ID *	
Master Folio No.		No. of Shares	

* Applicable for Investors holding Shares in Dematerialised Form.

I/We, of
being a member/members of Setco Automotive Limited hereby appoint Mr/Mrs/Miss
..... of or
failing him, Mr/Mrs/Miss
Annual General Meeting to be held on Tuesday, 19th August, 2008 at 3.00 p.m. or at any adjournment thereof.

Signed this day of 2008.



Note: (1) The proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting. The Proxy need not be a member of the Company.



Board of Directors	Harish Sheth Udit Sheth Pratap Merchant Satish Deshpande Arun Arora Harshal J. Shah	Chairman & Managing Director Executive Director
Auditors	Manesh Mehta & Associates Chartered Accountants Vadodara	
Bankers	Bank of Baroda HDFC Bank Limited	
Advocates, Solicitors & Notaries	Wadia Ghandy & Co, Mumbai	
Registered Office	Vadodara - Godhra Highway, Kalol - 389 330 District Panchmahals, Gujarat	
Corporate Office	54-A, Tardeo Road Nr. Film Center Mumbai - 400 034, Maharashtra www.setcoclutch.com	
Factory	<ul style="list-style-type: none">• Kalol, Panchmahals, Gujarat• Sitarganj, Udhamasinghnagar, Uttarakhand	

DIRECTORS REPORT

Your directors have pleasure in placing before you this 25th Annual Report of your Company along with the audited accounts for the year ended on 31st March 2008.

01.00 Preamble

With great pleasure your directors would like to inform you that a wholly owned subsidiary company has been formed at Mauritius in the name of WEW Holding Limited in February 2007. This newly formed company is intended to be a holding company which now owns your company's wholly owned English subsidiary company Setco Automotive UK Limited (SAUL). SAUL, as the shareholders may recall owns its wholly owned American subsidiary company - Setco Automotive (North America) Incorporated (SANAI).

In their financial results for the year ended on 31st March 2008, SAUL's own accounts have been consolidated with the accounts of WEW Holding Limited in view of the restructuring of capital of SAUL. The financial result of SAL which is the parent company of all the above mentioned subsidiaries has consolidated the accounts of all subsidiaries.

01.01 Financial Results

Your directors are happy to report that there has been a further improvement in the performance of your Company during the period under review. **The summary of the consolidated financial results are as follows:**

(Rs.Crs)

Particulars	Year ending on	
	31.03.2008	31.03.2007
Gross Sales	241.83	184.70
Net Sales	210.16	155.80
Operating Profit (PBDIT)	31.66	28.03
Profit Before Tax (PBT)	20.54	18.49
Profit After Tax (PAT)	13.58	13.06

01.02 The summary of financial results of the Setco Automotive Limited as a stand alone unit, are as follows:

(Rs Crs)

Particulars	Year ending on	
	31.03.2008	31.03.2007
Gross Sales	170.34	151.13
Net Sales	138.68	123.49
Operating Profit (PBDIT)	24.97	22.86
Profit Before Tax (PBT)	18.49	16.10
Profit After Tax (PAT)	12.25	11.45

02.00 Dividend

Your directors recommend for your approval, dividend of 25 % (Rs 2.5 per share) for the financial year 2007.2008. Last year, your Company had paid total dividend of 25 % (Rs 2.5 per share) including 5 % special dividend for the Silver Jubilee year of your Company.

03.00 Operations and Finance

03.01 Consolidated Financials

During the period under report, turnover of the Company has registered a 31 % year on year growth with gross sales touching Rs.241.83 Crs. The Operating Profit (PBDIT) has increased by 12.95 % and stood at Rs.31.66 Crs. The Profit Before Tax (PBT) scaled up to Rs. 20.54 Crs marking a rise of 11.09 % over previous year. Profit After Tax (PAT) had increased by 4.0 % over last year and stood at Rs.13.58 Crs. All these indicate record achievement for your company.

03.02 Financials of Setco Automotive Limited (As a stand alone Company)

During the period under report Gross Sales increased by 12.71 % over last year at Rs.170.34 Crs. The Net Sales advanced to Rs.138.68 Crs recording a growth of 12.30 % over previous year. The Operating Profit (PBDIT) has recorded a rise of 9.25 % at Rs.24.97 Crs. The Profit Before Tax (PBT) went up by 14.84 % touching Rs.18.49 Crs. The Profit After Tax (PAT) had risen to Rs.12.25 Crs marking a rise of 7.00 %. This is a record performance achieved by your Company.

03.03 Net Worth of Setco Automotive Ltd.

Your Directors are pleased to inform you that the consolidated net worth of the Company have gone up to Rs. 44.46 Crs as on 31.03.2008 as against Rs.35.69 Crs as on 31.03.2007. For Setco Automotive Limited, as a stand alone entity, net worth has gone up to Rs. 38.81 Crs as on 31.03.2008, as against Rs. 29.77 Crs as on 31.03.2007. Improvement in the net worth position reflects healthier state of company's financial position.

04.00

A. Formation of a Joint Venture Company in India.

On 7th January 2008, your Company entered into a joint venture agreement with FTE of Germany, a world renowned manufacturers of clutch actuation systems. The new joint venture company will be named as FTE Setco Automotive Limited. Your Company will have a 51 % equity stake in the joint venture. It is proposed to be set up the new company near company's Kalol plant in Gujarat which is expected to go into production by the end of year 2008.

B. Setting up a new Assembly unit at Sitarganj, Uttarakhand

In order to augment capacity and to serve the growing after market demand in India, a new clutch assembly unit has been set up at Sitarganj, Uttarakhand. This new unit commenced commercial production in April 2008. This new unit will be deriving the benefits of exemption of Excise Duty, Sales Tax (VAT) and full exemption from Income Tax for the first five year of operation and 50 % tax benefit for the next -5- year's operation. The aforesaid assembly unit has been set up with an investment of around Rs.8.0 Crs.

C. Setting up a new Press Shop at Kalol

A new press shop project with imported presses is now under implementation at the Kalol plant premises. The estimated capital expenditure for the project is Rs.32.0 Crs. The new press plant is expected to commence commercial production in July 2008 and will cater to the requirements of our Kalol and Sitarganj unit and will eventually cater to third party market in India and abroad. We expect to derive couple of other significant benefits from this project. They are: a) it will help us to broaden our product range and b) contribute to reduction in cost of production of various products.

05.00 Fixed Deposits

The Company has no public deposits and has not accepted any fresh deposits during the year under report.

06.00 Directors

Reappointment of Directors

- i. Shri Udit Sheth who was co-opted as an Additional Director of the Company by the Board of Directors with effect from 30th June 2008, hold office under Section 260 of the Companies Act 1956, till the date of ensuing Annual General Meeting of the Company and is eligible for reappointment. The Company has received a notice in writing from a member under the provision of section 257 of the Companies Act 1956 proposing the candidature of Shri Udit Sheth for the office of a Director. Your Directors recommend appointing Shri Udit Sheth on the Board of your Company. A resolution in this behalf is placed for your consideration.
- ii. Shri Pratap Merchant, Director of the Company in accordance with Section 256 of the Companies Act 1956, retires by rotation at the 25th Annual General Meeting of the Company and being eligible, has offered himself for reappointment. Your Directors recommend considering reappointment of Shri Pratap Merchant as a Director on the Company's Board of Directors. A resolution in this behalf is placed for your consideration.
- iii. Shri Arun Arora, Director of the Company in accordance with Section 256 of the Companies Act 1956, retires by rotation at the 25th Annual General Meeting of the Company and being eligible, has offered himself for reappointment. Your Directors recommend considering reappointment of Shri Arun Arora as a Director on the Board of Directors of your company. A resolution in this behalf is placed for your consideration.

07.00 Auditors

The present statutory auditors Messrs Manesh Mehta & Associates, Chartered Accountants, Vadodara retire at this Annual General Meeting. It has been proposed to reappoint Messrs Manesh Mehta & Associates, as statutory auditors of the Company. Your Directors recommend their reappointment as Auditors of the Company till the next Annual General Meeting. A resolution to that effect is placed for your consideration

08.00 Comments on Audit Remarks

In compliance of Section 217 (3) of the Companies Act 1956, your Directors have to give their comments on the Auditor's remarks as follows:

The notes on accounts in Schedule 18 and the Director's Responsibility statements is self explanatory as regards comments made by Auditors in their Audit Report. The specific remarks of the Auditor in Para 4 (d) (i) and (ii) of their Report relate to recognition of sales revenue and accounting of employees benefits on accrual basis and impact of deviations of these Accounting Standards. In this connection your Directors have to state that the Company is trying to harmonize its dispatch procedure in a manner that dispatch and acceptance of goods fall within the accounting period. The Company has funded the full liability by taking a Group Gratuity Scheme of LIC. The Company is in the process of working out the details for other matters for full compliance of Revised AS- 15.

09.00 Directors Responsibility Statement

In terms of Section 217 (2AA) of the Companies Act, 1956, the Board of Directors of the Company would like to state that:

- i. In preparation of the annual accounts, the applicable standards have been followed save the following exceptions, which are consistently followed by the Company as stated in the Significant Accounting Policies and Notes to the Accounts, Schedules 17 and 18 :
 - a) Accounting Standard 9, in accounting sales on dispatches of the goods from the works with payment of excise duty and providing for taxes, as against recognizing the revenues from sales only on transfer of significant risk and rewards of the ownership to the buyer.

- b) Accounting Standard 15 (Revised) requires defining and accounting of liabilities in respect of Employees Benefits as per the accrual /actuarial basis. The Company has funded the full liability by taking a Group Gratuity Scheme of LIC. The Company is in the process of working out the details for other matters for full compliance of Revised AS- 15.
- ii. Selected accounting policies were applied consistently and the Directors made judgment and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year.
- iii. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv. Annual accounts have been prepared on a going concern basis.

10.00 Corporate Governance

Your Company is committed to observe the best practices in the area of Corporate Governance. In so far as compliance with the requirement of Clause 49 of the Listing Agreement with the Stock Exchanges is concerned, the Company has complied with the norms and disclosures that are to be made. The Management Discussion and Analysis and Corporate Governance Report along with the Auditors' Certificate for the same are incorporated in this report.

11.00 Particulars of Employees

Information in terms of Section 217 (2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rule, 1975 forming part of the Director's Report for the year ended 31.03.2008 is as per the Annexure to this report.

12.00 Conservation of Energy Technology Absorption, FOREX Earnings

A. Conservation of Energy:

Your Company's business being in an automobile engineering related industry where cost of energy is comparatively very low, overall impact of energy on cost of production is not significant. However, general energy conservation measures deemed necessary are implemented at different processes in the factory and office and the same are reviewed from time to time to save energy, besides developing consciousness amongst the operating personnel. This has bearing on total energy charge to be absorbed. No major investment is considered necessary in this regard.

B. Technology Absorption:

Company is engaged in manufacturing clutches for commercial vehicles under the Foreign Technology Collaboration. Almost all components are indigenized to reduce dependence on imports. However, as per the collaborators specifications and also with a view to have the benefit of superior global quality and global price competitive edge, few critical components not produced in India, continue to be imported.

C. Foreign Exchange Earnings and Out-Go:

The overall foreign exchange earnings and out-go is detailed in Notes 19 and 20 (ii) (c) of Schedule 18 of the Annual Accounts.

13.00 Quality Standard Accreditation

Your Company has already received ISO 9002 Certification as well as ISO / TS 16949 certification from BVQI in line with global requirements of the automotive sector.

Your Company is pursuing its work on receiving certification for Environmental Management System (EMS) as well as Occupational Health and Safety Standards. Necessary actions for achieving the ISO 14001 and OHSAS 18001 Certification have already began.

14.00 Industrial Relations

The industrial relation during the period under review remained generally cordial. Your Directors are very pleased to place on record the fullest co-operation the Company has received from its workmen and staff during the period. The efforts made by them in achieving all round improvement in operations including house keeping are commendable indeed and it is being appreciated.

15.00 Corporate Social Responsibility (CSR)

Company has continued in right earnest its pursuits of Corporate Social Responsibility (CSR). The work is aimed at developing the schools, hospitals and other charitable institutions which are located near the Kalol factory and engaged in doing good social welfare work. Besides we are also trying to create employment opportunities within the periphery of 10 kms of our Kalol factory. Company's efforts are also made towards developing new Ancillary Units in the SSI sector for job outsourcing in the local town.

16.00 Acknowledgement

Company is indeed poised to grow at an accelerated pace now. Your Directors acknowledge with gratitude the contributions made by its retired directors, Government of Gujarat, Bank of Baroda, HDFC Bank Limited and associated financial institutions (namely UTI and Tata Capital). All these institutions had been very supportive to the growth of the Company. But for their unstinted and continuous support and assistance, Company would not have achieved the success it has recorded so far.

Your Directors would like to put on record their gratitude and thanks to the Government of Gujarat and the above mentioned institutions for their positive and continued contribution made for growth and development of the Company.

Last but not the least; your directors would sincerely like to thank all the Company's customers and suppliers for their continued co-operation and support to the Company. We sincerely value their support and look forward to receiving the same.

For and on behalf of Board of Directors

Place : Mumbai
Date : 30.06.2008

Harish Sheth
Chairman & Managing Director.

MANAGEMENT DISCUSSION AND ANALYSIS.

Company's integrated global growth strategy has worked very well and yielded good results. It has indeed helped the company to consistently deliver record consolidated revenue and earnings for the seventh year in a row. The Company's turnover went up from Rs 11.80 Crs in 2000-01 to Rs 241.80 Crs in 2007-08 recording a compounded annual growth rate (CAGR) of 54%. Further, the net loss position of Rs.1.99 Crs in 2000-01 has transgressed to a net profit of Rs 13.58 Crs, which far exceeds the normal expectations.

26 years ago the company started its journey by setting up a clutch manufacturing unit at Kalol, Panchmahal district, a backward area of Gujarat. Today, Setco Automotive Limited (SAL) has transgressed into a transnational company having 2 units in India, one unit in UK and another one in USA, all working in a coordinated and cogent fashion for VIE (visualize, implement and evolve).

Members will appreciate this stupendous growth has been achieved with tremendous effort and determination of all at Setco, especially given the challenge of our business environment which is beset with high degree of economic velocity and business cyclicity.

We entered the year 2007-08 facing a stiff headwind with the hardening of domestic interest regime coupled with significant progress made by the Indian Railways in moving bulk goods. With the sharp increase in interest rates and significant rise in EMI demand for commercial vehicles from the truck operators / fleet owners had declined by 1.07 % in 2007-08. Notwithstanding the above, SAL has achieved all round improvement in performance during the year under review.

Company's financial and operating highlights for the year are:

- Net Sales had improved by 12.30 % at Rs. 138.68 Crs
- Net Profit had risen by 7.00 % at Rs. 12.25 Crs
- Earning per share improved to Rs. 13.89 vs. Rs.12.98 last year
- Net Worth rose to Rs. 38.81 Crs at 31.03.2008 vs. Rs. 29.77 Crs on 31.03.2007

Our sales had increased despite weak demand in OE segment primarily due to (a) increased business share in Ashok Leyland and (b) increased sales in After Market segment through supplies to the Spare Parts Division of Tata Motors, Ashok Leyland. Higher growth in replacement demand in the after market was propelled by growing usage of our quality products backed by continuous support sales services.

Our improved performance had come along with some key milestone achievement:

1. New Assembly Unit at Sitarganj (Uttarakhand):

This project was completed by March 2008. The commercial operation started on 1st April 2008. This unit was set up with an investment of around Rs.8.0 Crs. The unit will be basically catering to the requirement of the after market i.e. making supplies to the Spare Parts Division of Tata Motors, Ashok Leyland and Eicher Motors at their various locations in India.

2. New Press Shop at Kalol:

The work for this project has progressed quite well during the year. The plant is expected to be in operation from July 2008. With this new press plant our reliance on external supplies of key pressed parts will be greatly reduced. This press plant, besides meeting our captive requirement, will also have sizable capacity to sell press products to third parties in India and do exports. The investment for this project is estimated at around Rs.32.0 Crs.

3. FTE-JV Project:

Company has signed a JV Agreement with FTE, Germany. FTE is a global leader in hydraulic clutch actuation system having a global market share in excess of 50% in this field. They are keen to set up a shop in India through a joint venture and we are keen to become the first Indian company to produce and sell clutch and actuation system together to OEMS in India in various segments like MHCV, LCV, passenger cars etc. FTE will produce actuation system in India in the JV manufacturing unit and Setco will market those products. With that objective a JV company in the name of FTE Setco Automotive Limited is now being formed. A site for the JV project has been identified and the land is being procured. The new unit is likely to go on steam by the end of this current fiscal.

The consolidated financial highlight of the Setco group is as follows:

- Net Sales improved by 34.90 % at Rs. 210.13 Crs
- Net Profit rose by 4.0 % to Rs. 13.58 Crs
- Net Worth increased at Rs.44.46 Crs against Rs.35.69 Crs as on 31.03.2007.

With full fledged operation of Uttarakhand project in 2008.2009, which enjoys all the tax benefits as mentioned earlier coupled with a significant rise in Exports through EOU having no tax incidence, we expect SAL to post a much better results. With further consolidation of growth activities we expect the consolidated results to register significant improvement in the coming year.

International Business

Setco Automotive (UK) Limited (SAUL)

In its second year of operation, under the banner of Setco, our English subsidiary has performed quite well with its net sales touching to Rs 28.40 Crs. This sales was Rs.4.45 Crs lower than last year. Lower sales mainly resulted from demand softening in the global market during the year. The business however could increase its penetration in the European markets and continuing its thrust on new product development required for the heavy duty commercial vehicles. In short, SAUL is the engineering and development hub for the Setco group.

Setco Automotive (North America) Incorporated (SANAI):

During the year 2007-08, North American heavy duty truck market has witnessed a decline by more than 40 % due to changes in the diesel emission standards. Further, the US housing sector was very badly hit by the sub-prime financial crisis resulting in decline in demand from the construction industry sector which affected our sales for the miscellaneous products sold to customers like Caterpillar Corporation, Hitachi etc. Notwithstanding the above, our US subsidiary has done reasonably well by recording net sales of Rs 50.38 Crs. This year, with various new initiatives to reinforce the manufacturing lines at the Paris Plant and implementing ambitious marketing plans, SANAI expects to post good results in the coming years.

Opportunities and Threats

A large number of global automotive companies are now exploring the opportunity of setting up manufacturing facilities in India, either on their own or through some partnership. Your Company had been continuously on the look out for developing business connections with the prospective new players. Discussions are continuing. In the meanwhile, you Company has established a new business relationship with Asia Motor Works (Essar group), who have placed a new order on us recently. Apart from the new business connections, your Company is also ceaselessly making efforts in increasing its penetration in the domestic market. As a consequence, your Company's business share in Ashok Leyland has increased quite significantly during 2007.2008.

Through continuous Research and Development activities, some new products are now being developed by your Company, which are imminently suitable for the heavy duty commercial vehicles. The products have very large sales potential in India and also in developed economies like Europe. Your Company expects sizable business growth in the coming years with these newly developed products.

Your Company has enormous opportunities for developing export business by supplying components, sub-assemblies and clutches to its English and American subsidiaries from its Export Oriented Unit. This offers considerable gains to your company as well as to its overseas subsidiaries. The subsidiaries can become more competitive in their respective market with low cost sourcing from India and your company can benefit considerably by higher business volume as well as profit on which there will be no tax incidence as the supplies will go from the Export Oriented Unit at Kalol. Your Company in fact, foresees a very significant growth in export over the next few years by expanding its business not only to its subsidiaries but also by penetrating into new markets like South Africa, Middle East and other countries of Asia.

It was mentioned in the earlier part of this report that your Company has signed a JV agreement with FTE of Germany in January 2008. With the new JV company's products, your Company would become the first company in India to supply the aggregate i.e. clutch and hydraulic clutch actuation system not only for the medium and heavy commercial vehicles but can also then enter into the other growing segment like LCV, Passenger Cars etc. This will offer a substantial growth opportunity to your Company in future.

Your Company is quite aware of the cyclicity in automotive industry, particularly in the OEM segment. To reduce its dependence on few customers in the OEM segment, your Company management also lays a great deal of stress on exports as mentioned above and for business in the aftermarket segment in India which is growing at a very attractive rate of around 30%. Going forward, your Company's sales may grow by 20 to 25% in the after market segment in the coming years. As mentioned earlier your Company is also ceaselessly trying to develop new customers in India.

Some foreign players in our chosen field are planning to enter the Indian market. They may pose some threat in future. However, your Company with its international quality standard products, competitive pricing and strong service capabilities can effectively counter the threat from competitors and sustain its pre-eminent market position in the years to come.

Risks and concerns

Since early 2008, all in the Indian automobile industry including your Company had been facing problem of sharp increase in steel prices and also uncertainty of its availability. This is also a global problem which had arisen mainly due to rise in cost of critical inputs for the steel manufacturing like petroleum coke, iron ore etc. Government of India has already intervened in the matter and taken several steps to ensure domestic steel prices stability and availability of steel to the domestic industries. It is expected that the situation will be brought under control in the near future. Needless to say, non-availability of steel at reasonable prices can adversely impact the supplies of steel based components which are essential for your Company's manufacturing activities.

Your Company's management is well aware of the volatile forex market. Euro is getting stronger against dollar and rupee is weakening against dollar. Strong euro can impact the imports from Europe while rupee depreciation can affect the export. Management of your Company is actively considering the possibility of taking appropriate measure to hedge its risk against fluctuating currencies.

Internal Control System and Its Adequacy

Management of your Company is quite conscious of the need to strengthen its internal control system as well as its adequacies commensurate with the size of its business. With this in view, management of your Company has recruited an Internal Audit firm during 2007-08. The new Internal Auditors had been studying your Company's existing internal control system. After assessment they are recommending various steps to be taken to revamp the internal control systems. Their recommendations are being implemented in different areas in phases.

Developments in HR & IR

Your Company management recognizes the fact that its people are its key resources for achieving the desired success and hence, has been maintaining very harmonious and cordial industrial relations across the company. In fact, there has been no IR problem in the company during the past 17 years.

Your Company's business has been growing at a very rapid pace over the last few years. To keep pace with the growth, your Company's management had recruited a number of management professionals to man the new key management position in manufacturing, projects, quality control, purchase etc. In addition, have also recruited a number of trainee engineers who had been deployed in various operational areas. Recognizing the need for improving the skills sets of its people, your Company management has been organizing various in house training programmes in the areas of manufacturing, quality control, supervisory skills improvement, SAP etc. and also deputed some of its members for institutional training to acquire specific skills and knowledge required for accomplishing certain tasks.

Setco Family

We firmly believe that our people are our most valuable asset. Our people, in fact drive the growth as well as success of our business. Unreservedly the company acknowledges their valuable contributions and the untiring efforts they have made over the years in achieving the results as reflected earlier. Your Company believes that unleashing the full potential of its people through on the job, institutional training and development programmes is critical for achieving the desired level of success of the organization in the years to come.

Admittedly, the growth expectations as outlined in the earlier paragraphs of this report are based on our expectation of prevalence of normal market condition and no untoward developments in terms of un-usual rise in input costs, duties, taxes and changes in the government policies and business environment or such other factors which may adversely affect the business of the company in the coming years.

Annexure to Director's Report

Information as per Section 217 (2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rule, 1975 and forming part of the Director's Report for the year ended 31.03.2008 :

Sr No.	Particulars		Name of Employee.....	
			Shri Harish K Sheth	Shri Shveta S Vakil
01	Age		-60- Years	-57- Years
02	Designation / Nature of Duty		Chairman & Managing Director	Chief Operating Officer
03	Remuneration	Gross	Rs 85,32,000	Rs 29,10,000
		Net	Rs 59,22,000	Rs 20,29,200
04	Qualification		B. Sc. (Mech)	
			Michigan University, USA	
			MBA (Finance)	
			Columbia University, USA	B Com.
05	Experience		36 Years	36 Years
06	Date of Joining		05.05.1982	01.11.2006
07	Last Employment		Western Engg. Works,	Bunge India P. Ltd.
08	Designation / period		Partner -10- years	Director -8- years.

Details of Directors seeking appointment / reappointment at the Annual General Meeting (Pursuant to Clause 49 of the Listing Agreement) :

01	Shri Udit Sheth	Date of Birth: 10.01.1979
	<p>Shri Udit has a Bachelor of Science degree in Management, specializing in Finance and MIS from Perdue University, West Lafayette, Indiana, USA and has done International Baccalaureate (I. B.) Diploma. He joined the Company in June 2002.</p> <p>He has worked out the overall marketing strategy, particularly the exports of the Company. He has worked out reorganization of the existing organizational set-up introducing a more scientific organization. He developed IT strategy for the Company successfully implementing the new ERP System (My SAP) in India and USA and in process of implementing at SAUL. As a Director of Setco Automotive (UK) Ltd and Setco (NA), he took a lead role in acquisition of the Paris Business unit of Haldex Corporation of USA which the Company successfully acquired in December 2006; Setco (NA) is now being integrated with Setco (UK) and Setco (India). Shri Sheth took a lead role in establishing a very close business tie up with FTE of Germany, a world leader in Hydraulic Clutch Actuation System. As a result, Company signed a JV agreement with FTE Germany January 2008 for putting up a facility to manufacture Clutch Actuation System for MHCV, LCV and Car segment. The new JV company will be the first in India to produce and sell together the aggregate clutch and Hydraulic Clutch Actuation System.</p>	
	Number of shares of SAL held -4,00,280-	
02	Shri. Pratap Merchant	Date of Birth: 02.03.1935
	<p>Shri. Pratap Merchant is a Commerce Graduate and CIIB: I. He retired in March 1995 as the Executive Director of Bank of Baroda. He has over 40 years of Business and Banking experience. He has been on various committees constituted by Bank / RBI / IBA and Bank's Nominee Director on various companies. Prior to joining Banking sector he has worked for the industry for 12 years in the managerial cadre having experience of industrial finance and project appraisals. Shri. Merchant serves as an independent director of the Board of several companies.</p>	
	Number of Shares of SAL held - 4750	
03	Shri Arun Arora	Date of Birth: 08.08.1945
	<p>Shri Arun Arora is a Chemical Engineer, Fellow of Indian Institute of Chemical Engineers and a Harvard alumnus. He has recently retired as the President and Executive Director, Bennet Coleman & Company Limited (The Times of India Group) and the Chief Executive of Economic Times. Shri. Arora is serving as an independent director of the Board of various companies.</p>	
	Number of shares of SAL held - 10,000	

CORPORATE GOVERNANCE REPORT

01.00 Preface

SETCO is committed to observe good Corporate Governance practices. The Company is also committed to adopt best practices in the area of Corporate Governance. This in turn enables Setco to maintain high standards of business ethics. The objectives in following the best practices in Corporate Governance are to act as the trustees for the stakeholders to protect their interest, enhance the shareholders' value, ensure transparency and accountability in performance, to achieve excellence at all the levels. Your Company believes that the Corporate Governance is an ongoing process of continuous improvement and effective delivery of Company's objectives with a view to translate opportunities into reality. It is not merely a compliance of the stipulated regulations and mere checks and balances to the stipulated regulations.

In so far as compliance with the requirements of Clause 49 of the Listing Agreement with the Stock Exchange is concerned, the Company is in compliance with the norms and disclosures that are to be made.

02.00 Board of Directors (Financial Year ending 31.03.2008):

As on 31.03.2008, the Company had -5- members on its Board with -3- Independent non-executive Directors and -1- dependent non-executive Director. Independent / dependent non executive Directors bring with them expertise drawn from various fields like administration, finance, technology with wide range of rich experience in their respective field. This adds values and independent judgment to the Board's deliberations and decisions. The Chairman of the Company is a full time executive dependent Director. The management of the Company is entrusted to the Chairman and Managing Director. The Board of Directors monitors the Company's performance, performance of the management, approves and reviews the strategies, ensures legal and ethical conduct and accurate financial reporting. It holds itself responsible not only to the shareholders but also to all stakeholders for the perpetual health of the Company. The Board of Directors meetings are held at regular intervals.

The Board has constituted Audit Committee, Share Holders / Investors Grievance Committee and Remuneration Committee

03.00 Board / Committee Meetings during FY 2007.2008

The details of the meetings of the Board of Directors and its various Committees during the period under report are as under:

Meetings of :	Meetings . . .	
	Number	Dates of meetings
Board of Directors	-6-	22.05.2007, 25.07.2007, 16.10.2007, 30.10.2007, 07.01.2008 and 25.01.2008
Audit Committees	-5-	22.05.2007, 25.07.2007, 16.10.2007, 30.10.2007, and 25.01.2008
Share Holders / Investors Grievance Committee	-4-	22.05.2007, 25.07.2007, 30.10.2007, and 25.01.2008
Remuneration Committee	-3-	22.05.2007 and 25.07.2007

03.01 Company's Board of Directors during the period under report :

The details of members of the your Company's Board of Directors and their presence for the meeting etc., during the period under report is as under:

Name of Directors	Board Meetings Held during Period under Report		Attendance at last AGM Held on	Member of ...			
				Board of Directors		Committees	
	No. of Meetings during his tenor			Chairman 29.09.2007	Member	Chairman	Member
	Held	Attended					
Shri Pratap Merchant (NE/I)	-6-	-6-	No	-1-	-3-	-2-	-1-
Shri Satish Deshpande (NE/I)	-6-	-6-	No	---	-3-	---	-2-
Shri Arun Arora (NE/I)	-6-	-3-	No	---	-1-	---	---
Shri K B Patel (E / D) *	Nil	NA	No				
Shri Harshal J. Shah (NE/D)	-6-	-3-	No	---	-1-	---	-1-
Shri Harish Sheth (E / D)	-6-	-6-	Yes	-1-	-1-	---	-2-

(1) NE : Non Executive. (2) E : Executive. (3) I : Independent. (4) D : Dependent

+ In accordance with Clause 49 of Listing Agreement, membership / Chairmanship of only Audit Committee, Shareholder' Grievance Committee is considered.

* Shri K B Patel expired on 08.05.2007

>> Shri Harshal J Shah is related to Shri Harish Sheth; save this, none of the Directors are related to any other Directors.

>> There is no pecuniary relationship or transactions of the non-executive Directors vis-à-vis the Company.

03.02 Code of Conduct

The Board has laid down a Code of Conduct for all the Board Members and the Senior Management personnel of the Company and the same is posted on the website of the Company.

03.03 Risk Management

We at Setco, have established an effective risk assessment and risk mitigation policy which are reviewed by the Board periodically. There is a system in place to identify and mitigate various risk faced by the Company from time to time.

04.00 Directors to be appointed as Directors liable to retire by rotation:

The details in respect of Directors to be reappointed on retirement by rotation and also as required under Section 260 of the Companies Act, 1956 is annexed as part of this Annual Report.

05.00 Audit Committee:

The Audit Committee consists of -3- directors; two third of whom i.e. -2- members are Independent Non-Executive Directors. The Chairman and Managing Director of the Company is inducted to the Committee as Special Invitee Member so that the queries on accounts / audit from members are properly / meaningfully attended to. The members of the Committee are having wide experience and expertise in finance / financial management and banking. The role, terms of reference, authority and the powers of the Committee are in line with the requirements of the Company's Act, 1956 and Clause 49 of the Listing Agreement. The essential functions of the Audit Committee include review of the systems and procedures, overseeing the functioning of internal audit, disclosure of financial information, review of Company's financial reporting process, observation of the auditors and recommendation for appointment of the statutory auditors, their fees and review with the management of each of the quarterly / half yearly / annual financial statement before submission to the Board.

There have been -4- meetings of the Committee during the year under report as detailed hereinabove. The Statutory Auditors of the Company were present at the Audit Committee meetings held for finalization of annual accounts.

Sr No	Audit Committee Member	Category of Director	Position	Number of Meetings during his tenor	
				Held	Attended
1	Shri Pratap Merchant	NE / I	Chairman	-5-	-5-
2.	Shri Satish Deshpande	NE / I	Member	-5-	-5-
3.	Shri Harshal J. Shah	NE. D	Member	-5-	-3-
4	Shri Harish Sheth	E / D	Special Invitee	-5-	-5-

06.00 Shares Holders / Investors Grievance Committee:

The Shares Holders / Investors Grievance Committee consists of -3- members; -2- Non-Executive / Independent Directors and the Chairman and Managing Director of the Company as stated below. The terms of reference of the Committee are as per provisions of clause - 49 - of the Listing Agreement. There have been -4- meetings of the Committee during the period under report as detailed hereinabove.

Sr No	Audit Committee Member	Category of Director	Position	Number of Meetings during his tenor	
				Held	Attended
1	Shri Pratap Merchant	NE / I	Chairman	-4-	-4-
2.	Shri Satish Deshpande	NE / I	Member	-4-	-4-
3.	Shri Harish Sheth	E / D	Special Invitee	-4-	-4-

07.00 Remuneration Committee:

The Remuneration Committee under the Clause 49 of the Listing Agreement is non-mandatory requirement. However the Company has formed a Remuneration Committee. There have been -2- meetings of the Committee during the year under report as stated in the table below. The Committee meeting is scheduled as and when there is a requirement of considering the remuneration of the managerial staff.

Sr No	Audit Committee Member	Category of Director	Position	Number of Meetings during his tenor	
				Held	Attended
1.	Shri Paratap Merchant ***	NE / I	Chairman	-2-	-2-
2.	Shri Satish Deshpande	NE / I	Member	-2-	-2-
3.	Shri Harshal J. Shah	NE / D	Member	-2-	Nil

The details of the remuneration paid to the Chairman and Managing Director and Whole time Director is as detailed in the Note 13 of Schedule 18 forming part of Audited Accounts for the year ending 31.03.2008 as under:

Sr. No.	Particulars of Remuneration	Harish Sheth Chairman & Managing Director	K.B.Patel Whole Time Director
1.	Salary	81,00,000	61,290
2.	Contribution to Provident & Other fund	4,32,000	-
3.	Perquisites	—	—
	Total	85,32,000	61,290
	* Expired on 08.05.2007		

The sitting fees to the independent / non-executive Directors / members of the Committee for attending the Board of Directors / Committee Meetings is paid in terms of the Companies Act 1956 and other related provisions with details as under. Shri Harshal J Shah being related to the Chairman and Managing Director is not being paid any sitting fees. The Company does not have any Stock Option Scheme.

Sr.	Name	Rupees	Sr.	Name	Rupees
1.	Shri Pradip Merchant	95,000	2.	Shri Arun Arora	30,000
3.	Shri Satish Deshpande	95,000			

8.00 General Body Meeting:

The details of the last three Annual General Meetings held are as under.

Year	Date	Time	Venue
2004-2005	20.10.2005	03.00 pm	Registered Office: Vadodara – Godhra Highway, Kalol – 389 330, (Dist. Panchmahals) Gujarat
2005-2006	23.09.2006	03.00 pm	
2006-2007	20.09.2007	03.00 pm	

No resolution was put through postal ballot last year.

The details of Special Resolutions passed during last three accounting period / years are as under:

Date of AGM	No. of Special Resolution Passed	Nature of Special Resolutions Passed
20.10.2005	-1-	i. Issue of Equity under section 81(1-A) of the Companies Act, 1956
23.09.2006	-3-	i. For appointment of relative of a Director under Section 314 (1B) and other applicable provisions
		ii. To adopt new sets of Articles of Association of the Company under Section 31 and other applicable provisions
		iii. Alteration and amendment to Memorandum of Association under Section 17 and other applicable provisions
20.09.2007	-1-	i. Under section 372A of the Companies Act, 1956 to form a Joint

09.00 Disclosures:

No material, financial and commercial transactions were entered into where Directors have personal interest that may have a potential conflict with the interest of the Company at large. Related party transactions are as per the Note 14 of Schedule 18 forming part of Audited Accounts for the year ending 31.03.2008.

10.00 Means of Communication:

The Company submits information about quarterly / half yearly / yearly working results etc to the Stock Exchanges and publishes the financial results in English and Gujarati newspapers. Working results for the quarter / half year ending were communicated by a separate letter to the members of the Company. Management Discussion and Analysis Report forms part of this Annual Report.

11.00 General Shareholders Information:

i. Annual General Meeting:

Date / Time	19.08.2008 / 3:00 pm
Venue	Company's Registered Office
Financial Calender	Year ending 31.03.2008

ii. Book Closure of Register of Members and Share Transfer Books:

For the Annual General Meeting scheduled on 19th August 2008 for consideration / adopting the Audited Accounts for year ending 31.03.2008, the Register of Members and Share Transfer Books will remain close from Tuesday, 5th August, 2008 to Tuesday, 19th August, 2008 (both days inclusive).

iii. Dividend Payment:

The Directors has proposed payment of dividend at the rate of 25 % subject to approval by the members of the Company at this Annual General Meeting.

iv. The equity shares of the Company are listed on Ahmedabad and Bombay Stock Exchanges. Listing fee for the year 2008.2009 is paid to both the exchanges.

v. Stock Code:

Bombay Stock Exchange	505075	ISIN No.	INE878E01013
Ahmedabad Stock Exchange	22510		

12.00 Financial Calender

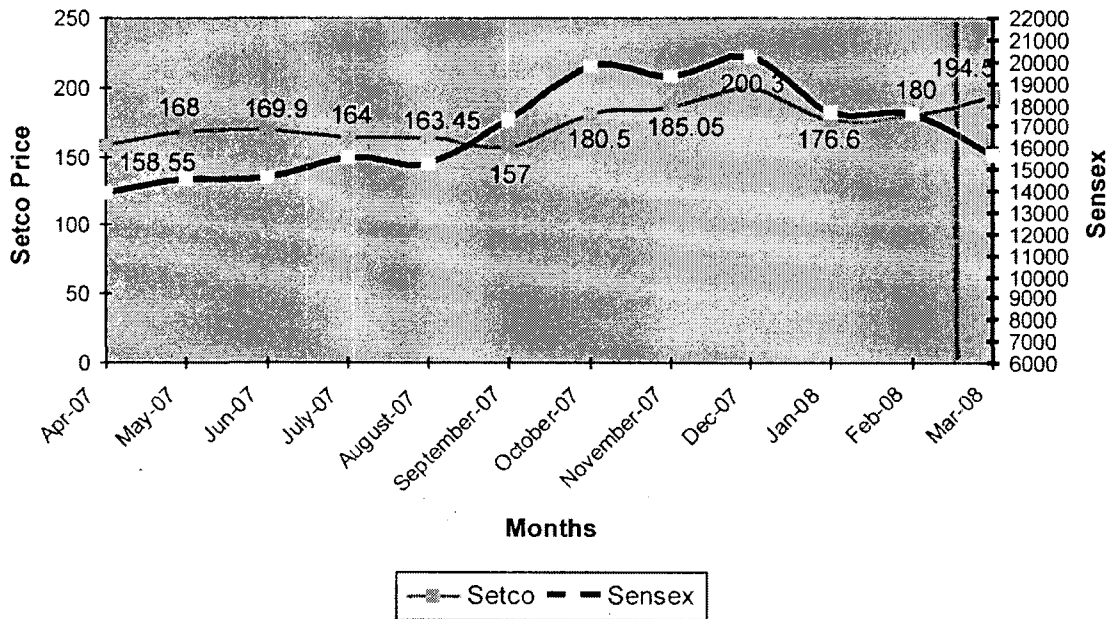
Financial reporting for the quarter ending June 30, 2008	End July 2008
Financial reporting for the half year ending September 30, 2008	End October 2008
Financial reporting for the quarter ending December 31, 2008	End January 2009
Financial reporting for the year ending March 31, 2009	End April 2009
Annual General Meeting for the year ended March 31, 2009	End July 2009

13.00 Stock Price Data

Bombay Stock Exchange				
Period April, 2007 to March, 2008	High	Low	Close	Volume
	Rupees			(Nos)
March-08	200.00	151.00	194.50	126678
February-08	225.00	160.00	180.00	60115
January-08	285.00	166.70	176.60	197831
December-07	210.00	170.15	200.30	53941
November-07	205.00	180.00	185.05	144908
October-07	200.90	151.50	180.50	76994
September-07	166.00	150.00	157.00	19326
August-07	177.25	148.00	163.45	43520
July-07	175.00	154.40	164.00	64983
June-07	175.90	162.05	169.90	21306
May-07	175.00	150.00	158.55	42342
April-07	171.10	150.10	158.55	18948

13.01 Stock Price Data

Sensex vs Setco



14.00 Share Transfer Systems, Registrar and Transfer Agent and Dematerialization of Shares :

14.01 The Company with a view to provide better services to the shareholders has appointed Messrs Intime Spectrum Registry Limited as registrar to the Company for handling the share transfer and other related work. The contact address of the registrar is as under:

Messrs Intime Spectrum Registry Limited, C-13, Pannalal Silk Mills Compound, Bhandup (West), Mumbai 400 078.

The shareholders are requested to send their correspondence for share transfer and any other requirement to the Company's Registrar and Transfer Agent (RTA) (address as above) or to Company's Corporate Office at "Setco Automotive Limited, 54-A, Tardeo Road, Near Film Centre, Mumbai 400 034".

Company's Web site : www.setcoclutch.com

14.02 The details of complaints / references etc received during the period under report from shareholders / investors is : Opening balance (nil), received during the year (224), resolved (215), balance carried over (09).

The registrar to the Company, Messrs Intime Spectrum Registry Limited has reported that all the transfer applications received during the year are attended to.

15.00 Shareholding pattern as on 31st March 2008 :

Sr No.	Category	No. of Shares	% in Total
1.00	PROMOTER'S HOLDING		
i.	Indian Promoters	56,70,290	64.28
ii.	Foreign Promoters	-	-
iii.	Person Acting in Concert (Relative)	95,650	1.08
	Sub Total	57,65,940	65.36
2.00	NON-PROMOTER'S HOLDING		
2.01	Institutional Investors :		
i.	Mutual Funds & UTI	-	-
ii.	Banks, FIs, Insurance Companies, Govt. Institutions / Non- Govt. Institutions	3,050	0.03
iii	Foreign Institutional Investors	12,50,000	14.17
	Sub Total	12,53,050	14.20
2.02	Others		
i.	Private Corporate Bodies	-	-
ii.	Indian Public	16,74,943	18.98
iii	Non Resident Indians / Overseas Corporate Bodies	1,27,947	1.46
	Sub Total	18,02,890	20.44
	Grand Total	88,21,880	100.00

15.01 Distribution of Shares

Share Holding of Shares		Share Holders		Shares Allotted	
No. of Shares		Number	%	Number	%
1	500	5,335	95.39	464,868	5.27
501	1000	90	1.61	72,931	0.83
1001	2000	57	1.02	86,273	0.98
2001	3000	26	0.46	66,147	0.75
3001	4000	14	0.25	48,576	0.55
4001	5000	23	0.41	111,045	1.26
5001	10000	21	0.38	190,980	2.16
10001	999999999	27	0.48	7,781,060	88.20
	Total	5,593	100.00	8,821,880	100.00

15.02 Dematerialization of Shares and Liquidity:

Particulars	Number of Shares	% in Total
Demat	8,407,522	95.30
Physical form	414,358	4.70
Total	8,821,880	100.00

16.00 Details on Public Funds obtained in the last three years: -Nil-**17.00 Outstanding GDR / Warrants and Convertible Bonds**

Company has not issued any GDR / Warrants and Convertible Bonds.

18.00 Other Useful Information For Shareholders

Due dates for Transfer of Unclaimed to investor Education and Protection Fund (IEPF)

Year	Date of Declaration of Dividend	Due date to transfer to IEPF	Status
Interim Dividend 2006.2007	01.11.2006	01.11.2013	N.A.
Final Dividend 2006.2007	20.09.2007	20.09.2014	N.A.

Shareholders who have not yet encashed their interim / final dividend warrants for the year 2006.2007 may approach the Company at its Corporate Office for revalidation / issue of duplicate dividend warrants quoting reference of their Ledger Folio numbers. It may be noted that any amount remaining unclaimed for a period of -7- years from the date of declaration shall be transferred to the Investor Education & Protection Fund under section 205-C of the companies Act

19.00 Plant Location, Registered Office and address for Investors' Correspondence:

The Company's manufacturing plant is located at the Registered Office of the Company. Company's assembly line at Sitargunj, Uttarakhand has become operative w.e.f.01.04.2008.

Certificate Of Compliance With Code Of Conduct

The Company has formally adopted the Code of Conduct for the members of the Board of Directors and Senior Management team of the Company at the Board meeting held on 22.05.2007.

I hereby declare that all the Board Members and The Senior Management personnel of the Company have affirmed compliance with the said Code of Conduct.

For Setco Automotive Limited

Place : Mumbai
Date : 22.05.2008

Harish Sheth
Chairman & Managing Director.

Statutory Auditors' Certificate for Corporate Governance

To
The members of
Setco Automotive Limited

1. We have examined the compliance of conditions of corporate governance by **Setco Automotive Limited** for the year ended on 31st March, 2008 as stipulated in clause 49 of the Listing Agreement of the said company with stock exchanges.
2. The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.
3. In our opinion and to the best of our information and according to the explanations given to us, we certify the company has broadly complied with conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.
4. We state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For MANESH MEHTA & ASSOCIATES
Chartered Accountants

Place : Mumbai
Date : 30.06.2008

(M. P. MEHTA)
Partner (M. No. 36032)

AUDITORS' REPORT

To,
THE SHAREHOLDERS OF
SETCO AUTOMOTIVE LIMITED

1. We have audited the attached Balance Sheet of **Setco Automotive Limited** as at 31st March, 2008 and also the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan & perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books *except as regards accounting of Leave Encashment on cash basis as referred to in paragraph 4d(ii) below.*
 - c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - d) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956; *except as regards:*
 - (i) Accounting Standard-9, which provides for recognition of revenue from sales only on transfer of significant risks and rewards of ownership to the buyer, whereas the Company has been recognizing sales on dispatch of goods from works. As a result, goods in transit valued at Rs. 690.83 lacs have been recognized as sales at a value of Rs. 954.80 lacs. (Refer Accounting Policy 7(i) of Schedule 17 and Note 08 of schedule 18)
 - (ii) *The Company is in the process of working out the impact of Accounting Standard (AS)-15 (Revised) in respect of Employee Benefits. Pending final calculations, the Company has provided in current year Rs. 46,69,985/- towards gratuity liability as worked out by Life Insurance Corporation of India in the previous year as per Old AS-15. Shortfall, if any, towards Employee Benefits including gratuity liability is yet to be determined and due to this, we are unable to comment on full compliance or otherwise of the AS-15 (Revised) and impact thereof on the reserves and profits of the Company. Leave encashment is provided on cash basis. (Refer Accounting Policy 13 of Schedule 17 and Note 09 of schedule 18)*

- e) Central Government has not yet notified the rules relating to the levy & collection of cess from Companies in terms of section 441A of the Companies Act, 1956. We are, therefore, not reporting on this matter as required by section 227 (3) (g) of the Companies Act, 1956.
- f) On the basis of the written representations received from the directors as on 31st March, 2008 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- g) Sundry debit & credit balances are subject to confirmation and consequent adjustments, if any, on reconciliation/ settlement of respective accounts. (Refer note 11 of Schedule 18)

We further report that, without considering our observation at para 4(d) (ii) the effect of which is unascertainable, had our observation at Para 4(d) (i) been considered, debtors would have been lower by Rs. 954.80 lacs and inventory would have been higher by Rs. 690.83 lacs, the net profit (after tax) for the year would have been lower by Rs. 89.05 lacs and accumulated profit would have been lower by Rs. 89.05 lacs.

Subject to the foregoing, in our opinion and to the best of our information and according to the explanations given to us, the said accounts, read with the Significant Accounting Policies and Notes on Accounts, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view:

- i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2008
- ii) In the case of Profit and Loss Account, of the Profit for the year ended on that date, and
- iii) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For MANESH MEHTA & ASSOCIATES
Chartered Accountants

Place : Mumbai
Date : 30.06.2008

(M.PMEHTA)
Partner
(M.No. 36032)

Balance Sheet as at 31st March, 2008

	Schedule	Rupees	As At 31.03.2008 Rupees	As At 31.03.2007 Rupees
Sources of funds :				
Share Capital	1	88,218,800		88,218,800
Reserves and Surplus	2	<u>309,879,791</u>	398,098,591	<u>217,422,452</u>
				305,641,252
Loan Funds				
Secured Loans	3	542,853,500		314,708,431
Unsecured Loans	4	<u>70,600,000</u>	613,453,500	<u>60,235,000</u>
				374,943,431
Deferred Tax Liabilities			9,778,000	2,160,000
Total			<u>1,021,330,091</u>	<u>682,744,683</u>
Application of funds :				
Fixed Assets (Gross Block)	5	407,271,457		253,219,300
Less : Depreciation		<u>113,244,713</u>		<u>92,679,764</u>
		294,026,744		160,539,536
Capital Work in Progress		<u>172,959,827</u>	466,986,571	<u>7,397,862</u>
				167,937,398
Investments	6		118,160,700	153,382,265
Current Assets , Loans and Advances	7	603,852,383		504,210,103
Less:Current Liabilities and Provisions	8	<u>177,649,400</u>		<u>150,716,089</u>
Net Current Assets			426,202,983	353,494,014
Miscellaneous Expenditure	9		9,979,837	7,931,006
Total			<u>1,021,330,091</u>	<u>682,744,683</u>
Significant Accounting Policies	17			
Notes on Accounts	18			

As per our report of even date attached

For Manesh Mehta & Associates
Chartered Accountants
Manesh Mehta
Partner

Place : Mumbai
Date : 30.06.2008

For and on behalf of the Board

Harish Sheth Chairman & Managing Director
Pratap Merchant
Satish Deshpande

Place : Mumbai
Date : 30.06.2008

Profit and Loss Account for the year ended 31st March, 2008

	Schedule	Year ended 31.03.2008 Rupees	Year ended 31.03.2007 Rupees
Income			
Sales (Including Excise & Sales Tax)		1,703,455,145	1,511,253,394
Less : Excise Duty		266,402,088	219,856,985
Sales Tax		50,279,005	56,480,368
		<u>1,386,774,052</u>	<u>1,234,916,041</u>
Other Income	10	9,149,958	235,204
Increase in Stocks	11	15,006,486	10,718,517
		<u>1,410,930,496</u>	<u>1,245,869,762</u>
Expenditure			
Raw Materials and Components Consumed	12	845,318,252	767,191,061
Personnel Expenses	13	82,894,529	58,405,679
Other Expenses	14	229,302,436	185,840,411
Financial Charges	15	43,515,944	50,840,996
R & D Expenses		1,655,153	3,759,122
Depreciation	5	21,271,703	16,763,907
Miscellaneous Expenditure Amortized	16	2,026,903	2,026,903
		<u>1,225,984,920</u>	<u>1,084,828,079</u>
Profit for the year before Tax		184,945,576	161,041,683
Less: Deferred Tax Adjustments		7,618,000	(5,176,000)
Provision for Fringe Benefit Tax		2,560,537	1,410,141
Provision for Corporate Tax		51,633,000	50,300,000
Tax Adjustment for Earlier Year		586,196	-
Profit Available for Appropriations		<u>122,547,843</u>	<u>114,507,542</u>
Appropriations			
Interim Dividend		-	8,821,880
Proposed Dividend (Final)		22,054,700	13,232,820
Corporate Tax on Dividend		3,748,200	3,486,048
Transferred to General Reserve		12,254,784	11,450,754
Balance Profit		84,490,159	77,516,040
Profit Brought Forward from Previous Year		62,792,344	14,723,696
Profit Carried to Balance Sheet		<u>147,282,503</u>	<u>62,792,344</u>
Weighted Average - No. of Equity Shares		8,821,880	8,821,880
Basic and Diluted Earnings per share :		13.89	12.98
Significant Accounting Policies	17		
Notes on Accounts	18		

As per our report of even date attached

For Manesh Mehta & Associates
Chartered Accountants
Manesh Mehta
Partner

Place : Mumbai
Date : 30.06.2008

For and on behalf of the Board

Harish Sheth Chairman & Managing Director
Pratap Merchant
Satish Deshpande

Place : Mumbai
Date : 30.06.2008

Schedules

	Rupees	As at 31.03.2008 Rupees	As at 31.03.2007 Rupees
Schedule 1			
Share Capital			
Authorised :			
2,00,00,000 (1,00,00,000)Equity Shares of Rs. 10 each		<u>200,000,000</u>	<u>100,000,000</u>
Issued, Subscribed & paid -up :			
8821880 (8821880) Equity Shares of Rs.10 each		<u>* 88,218,800</u>	<u>88,218,800</u>
Total		<u>88,218,800</u>	<u>88,218,800</u>
* Of the Equity Shares issued and paid up 2,20,000 shares of Rs. 10/- each have been issued against loans and arrears of interest due to the promoter companies.			
Schedule 2			
Reserves and Surplus			
1) Capital Reserve			
i) On forfeiture of Shares		21,000	21,000
ii) On cash subsidy :			
Central Cash Subsidy		1,500,000	1,500,000
State Cash Subsidy		500,000	500,000
iii) Foreign Exchange Fluctuation Reserve		(629,250)	3,658,354
2) Share Premium :		137,500,000	137,500,000
(On 12,50,000 shares @ Rs.110/- per share)			
3) General Reserve			
Opening Balance	11,450,754		-
Add : Transferred from Profit & Loss A/c.	<u>12,254,784</u>		<u>11,450,754</u>
4) Profit & Loss Account		23,705,538	11,450,754
		<u>147,282,503</u>	<u>62,792,344</u>
Total		<u>309,879,791</u>	<u>217,422,452</u>
Schedule 3			
Secured Loans			
1) Bank of Baroda - Term Loan		229,198,542	68,699,705
2) Bank of Baroda - Cash Credits		223,654,958	246,008,726
3) HDFC Bank Ltd.- Term Loan		90,000,000	-
(Refer No.05 Of Schedule 18 for security and other details)			
Total		<u>542,853,500</u>	<u>314,708,431</u>
Schedule 4			
Unsecured Loans			
Standard Chartered Bank			60,000,000
Tata Capital Ltd.	70,000,000		-
Interest Accrued and Due	<u>600,000</u>		<u>235,000</u>
		<u>70,600,000</u>	<u>60,235,000</u>
(Refer No.05 Of Schedule 18)	Total	<u>70,600,000</u>	<u>60,235,000</u>

Schedule - 5

Fixed Assets

SR	PARTICULARS	COST				DEPRECIATION				NETBLOCK	
		Cost as on 01.04.2007 Rs.	Additions for the year Rs.	Adjustment for the year Rs.	Cost as on 31.03.2008 Rs.	Up to 01.04.2007 Rs.	Additions for the year Rs.	Adjustment for the year Rs.	Up to 31.03.2008 Rs.	As on 31.03.2008 Rs.	As on 31.03.2007 Rs.
1	2	3	4	5	6	7	8	10	11	12	13
A	Tangible Assets										
01	Land	915,194	28,613,069	-	29,528,263	-	-	-	-	29,528,263	915,194
02	Building	23,915,680	32,176,404	-	56,092,084	4,522,650	842,962	-	5,365,612	50,726,472	19,393,030
03	Plant & Machinery	150,625,394	67,724,805	657,681	217,692,518	68,724,433	13,513,319	657,681	81,580,071	136,112,447	81,900,961
04	Furniture & Fixtures	6,167,242	557,597	-	6,724,839	1,277,708	376,156	-	1,653,864	5,070,975	4,889,534
05	Office Equipments	2,926,393	1,355,783	-	4,282,176	525,589	168,941	-	694,530	3,587,646	2,400,804
06	Vehicle	7,072,596	1,254,026	732,802	7,593,820	773,263	620,111	49,073	1,344,301	6,249,519	6,299,333
07	Pollution Equipments	53,000	-	-	53,000	32,644	2,518	-	35,162	17,838	20,356
08	Computers	4,657,990	2,317,198	-	6,975,188	1,533,628	825,106	-	2,358,734	4,616,454	3,124,362
09	Electric Fittings	2,819,793	7,328,076	-	10,147,869	178,764	158,025	-	336,789	9,811,080	2,641,029
	Sub Total (Tangible Assets)	199,153,282	141,326,958	1,390,483	339,089,757	77,568,679	16,507,138	706,754	93,369,063	245,720,694	121,584,603
B	Intangible Assets										
	i) Product Development	47,687,348	-	-	47,687,348	11,163,247	3,568,095	-	14,731,342	32,956,006	36,524,101
	ii) Technical Know how	2,775,310	-	-	2,775,310	2,616,484	158,826	-	2,775,310	-	158,826
	iii) Computer Software	1,475,239	13,787,096	-	15,262,335	239,562	491,746	-	731,308	14,531,027	1,235,677
	iv) Web Site Development	166,402	328,586	-	494,988	110,934	55,468	-	166,402	328,586	55,468
	v) Goodwill	1,961,719	-	-	1,961,719	980,858	490,430	-	1,471,288	490,431	980,861
	Sub Total (Intangible Assets)	54,066,018	14,115,682	-	68,181,700	15,111,085	4,764,565	-	19,875,650	48,306,050	38,954,933
	Grand Total (A + B)	253,219,300	155,442,640	1,390,483	407,271,457	92,679,764	21,271,703	706,754	113,244,713	294,026,744	160,539,536
	Previous Year:	186,045,999	68,590,163	1,416,862	253,219,300	77,178,552	16,763,907	1,262,695	92,679,764	160,539,536	
C	Capital Work in Progress										
	1. Press Tools in Process	4,318,440	2,612,753	4,318,440	2,612,753	-	-	-	-	2,612,753	4,318,440
	2. Press Shop in Progress	3,079,422	167,267,652	-	170,347,074	-	-	-	-	170,347,074	3,079,422
	Total C	7,397,862	169,880,405	4,318,440	172,959,827	-	-	-	-	172,959,827	7,397,862

Note:

- Depreciation on assets, other than Intangible Assets, is computed on Straight Line Method (SLM) in accordance with provisions of Section 205(2)(b) of the Companies Act 1956. Depreciation on Plant & Machineries (including Tools- Finished) include Extra Shift Depreciation. Intangible assets are amortised as per accounting policy adopted by the Company.
- Depreciation on additions during the year on pro-rata basis.
- The Plant & Machineries & depreciation include machineries & depreciation there on of EOU and Sitargunj Plant.

Schedules

	As at 31.03.2008 Rupees	As at 31.03.2007 Rupees
Schedule 6		
Investments (Unquoted)		
i) 10 Equity Shares of Rs. 25/- each of Kalol Urban Co.op. Bank Ltd. (At Cost)	250	250
ii) 8,00,000 Equity Shares of £ 1 each fully paid up of foreign subsidiary	63,976,000	67,616,000
iii) Nil (6,40,000) 5.½% Redeemable Preference Shares of £ 1 each fully paid up of foreign subsidiary	-	54,092,800
iv) 1,08,200 Equity Shares of MUR 100 each fully paid up of wholly owned foreign subsidiary	16,198,700	135
v) 2,52,158 0% Redeemable Preference Shares of MUR 100 each fully paid up of wholly owned foreign subsidiary	37,985,750	-
vi) Share Application Money to Subsidiary pending allotment (Note : All are long term investments)	-	31,673,080
	<u>118,160,700</u>	<u>153,382,265</u>
Schedule 7		
Current Assets , Loans and Advances		
I) Current Assets :		
i) Inventories (As taken, valued and certified by the management and Internal Auditors)		
Raw Materials, Components	120,898,118	64,635,010
Stores and Packing Materials	3,814,564	3,028,769
Work-in-Process	57,028,036	44,586,692
Finished Goods	16,472,990	14,511,352
Scrap	844,599	241,095
	<u>199,058,307</u>	
	199,058,307	127,002,918
ii) Sundry Debtors :		
(Unsecured, considered good unless otherwise.stated)		
Debts (outstanding for a period exceeding six months)	18,019,272	12,143,574
Other Debts	<u>254,011,162</u>	<u>220,699,296</u>
	272,030,434	232,842,870
[Net of Bills discounted through Bank Rs.26,36,763 (Rs.33,09,928)]		
iii) Cash and Bank Balances:		
Cash on hand	1,282,482	666,754
Balance with Scheduled Banks:		
In current Accounts	1,130,232	53,352,881
In Fixed Deposits	<u>3,955,301</u>	<u>3,694,885</u>
	6,368,015	57,714,520

Schedules

	Rupees	As at 31.03.2008 Rupees	As at 31.03.2007 Rupees
2) Loans and Advances: (Unsecured , considered good unless otherwise stated)			
Advances (Recoverable in cash or in kind or for value to be received)	116,304,120		80,782,725
Sundry Deposits	4,447,803		3,693,303
Balance with Central Excise	5,514,991		2,045,054
Deduction of Tax At source	<u>128,713</u>		<u>128,713</u>
		<u>126,395,627</u>	<u>86,649,795</u>
Total		<u>603,852,383</u>	<u>504,210,103</u>

Schedule 8**Current Liabilities and Provisions**

i) Sundry Creditors :			
For Goods		94,818,262	85,992,342
For expenses		25,717,746	18,721,163
ii) Other Liabilities		57,113,392	46,002,584
(Refer Note 10 of Schedule 18)	Total	<u>177,649,400</u>	<u>150,716,089</u>

Schedule 9**Miscellaneous Expenditure**

(To the extent not written off or adjusted)

i) Company Formation Expenses		353,204	529,807
ii) Share Issue Expenses		5,550,899	7,401,199
iii) Fees for Increase in Authorised Capital		850,000	-
iv) Pre Operative Expenses (Pending Allocation)		3,225,734	-
Total		<u>9,979,837</u>	<u>7,931,006</u>

Schedules

	Rupees	Year Ended 31.03.2008 Rupees	Year Ended 31.03.2007 Rupees
Schedule 10			
Other Income			
Profit on Sale of Fixed Assets		350,000	-
Dividend from subsidiary		2,781,504	-
VAT set off on closing stock of 31.03.06		-	301,968
Interest		5,804,032	866,295
Miscellaneous		117,228	20,260
Export Incentive		1,629	659,363
Sundry Balance Written (off) /back		95,565	(2,534,381)
Insurance Claim Received		-	921,699
Total		<u>9,149,958</u>	<u>235,204</u>
Schedule 11			
Increase in Stocks			
Stocks as on 01.04.2007			
Finished Goods	14,511,352		10,630,078
Work-in-Process	44,586,692		37,658,902
Scrap	<u>241,095</u>		<u>331,642</u>
		59,339,139	48,620,622
Stock as on 31.03.2008			
Finished Goods	16,472,990		14,511,352
Work -in-Process	57,028,036		44,586,692
Scrap	<u>844,599</u>		<u>241,095</u>
		74,345,625	59,339,139
Total		<u>15,006,486</u>	<u>10,718,517</u>
Schedule 12			
Raw Material and Components Consumed			
Opening Stock	64,635,010		50,036,024
Add : Purchases during the year (Net of Returns)	<u>904,858,008</u>		<u>793,455,791</u>
		969,493,018	843,491,815
Less : Closing Stock		<u>104,695,375</u>	<u>64,635,010</u>
		864,797,643	778,856,805
Less : Sales of Scrap		<u>19,479,391</u>	<u>11,665,744</u>
		845,318,252	767,191,061
Total		<u>845,318,252</u>	<u>767,191,061</u>
Schedule 13			
Personnel Expenses			
Salaries and Wages		70,458,267	51,171,991
Contribution to Provident Fund and other Funds		5,687,013	4,125,270
Welfare and Other Expenses		<u>6,749,249</u>	<u>3,108,418</u>
Total		<u>82,894,529</u>	<u>58,405,679</u>

Schedules

Year Ended
31.03.2008
Rupees

Year Ended
31.03.2007
Rupees

Schedule 14

Other Expenses

Stores and Tools Consumed	21,595,671	17,241,757
Carriage Inward	12,429,950	12,629,144
Power and Fuel	10,737,414	10,740,876
Jobwork Charges	26,333,252	25,383,116
Repairs and Maintenance to Machinery	1,298,855	1,534,372
Repairs to Building	2,492,852	1,013,780
Others Repairs	3,209,910	1,461,795
Factory Expenses	1,644,663	355,531
Rent	1,602,086	1,018,882
Rates and Taxes	22,730	54,975
Insurance	1,248,344	966,722
Conveyance	3,127,738	2,841,782
Travelling Expenses	14,661,219	13,464,737
Legal and Professional Charges	10,751,666	7,458,560
Statutory Auditors' Remuneration	562,280	448,960
Printing and Stationary	1,794,990	1,637,421
Communication Expenses	3,364,469	2,459,569
Books, Subscription and Membership	155,117	21,173
Directors' Sitting Fees	220,000	240,000
Office Expenses	226,697	144,244
General Expenses	12,771,827	5,025,491
Foreign Exchange Fluctuation	5,526,196	(1,332,749)
Marketing and Sales Promotion	29,820,316	26,082,509
Advertisement Expenses	1,728,044	591,511
Discount, Commission and other Expenses on Sales	26,537,498	19,326,099
Packing and Forwarding Expenses	33,921,118	33,684,043
Excise Duty on Finished Goods Stock	1,517,534	1,346,111
Total	<u>229,302,436</u>	<u>185,840,411</u>

Schedule 15

Financial Charges

Interest on Term Borrowings	5,220,403	7,618,193
Interest on Working Capital Facilities	38,295,541	43,222,803
Total	<u>43,515,944</u>	<u>50,840,996</u>

Schedule 16

Miscellaneous Expenditure Amortized

Company Formation & Issue Expenses	2,026,903	2,026,903
Total	<u>2,026,903</u>	<u>2,026,903</u>

Schedule 17

Significant Accounting Policies

01. General:

The Financial Statements are prepared under historical cost convention on accrual basis and they are in consonance with generally accepted accounting principles in India. Effect of deviations from the accounting standards vis-à-vis the treatment consistently adopted is disclosed in the accounts, wherever relevant.

02. Fixed Assets / Intangible Assets:

- i) Fixed assets are stated at cost of acquisition / construction. The cost of fixed assets includes direct / indirect apportioned expenses incurred for the purpose of acquiring fixed assets, net of cenvat credit on qualifying assets. Press Tools and such type of machinery items developed in-house are capitalized at direct cost plus overheads and standing charges.
- ii) Pre- operative expenses, comprising revenue expenses incurred up to the date of commencement of production are apportioned to fixed assets.
- iii) Expenditure (including technical know-how) incurred on product development yielding future economic benefits is recognized as internally generated Intangible Asset as per Accounting Standard 26 on "Intangible Assets".

03. Depreciation/Amortization:

- i) Depreciation is charged on straight-line method (SLM), at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956. Depreciation on additions during the year to fixed assets is charged on pro-rata basis.
- ii) Intangible Assets are amortized as follows:
 - (a) Product Development: over a period of ten years after commencement of commercial production of relevant item.
 - (b) Technical know-how: over a period of seven years during the collaboration period based on production of relevant items.
 - (c) Computer Software: over a period of three years.
 - (d) Website Development: over a period of three years.
 - (e) Goodwill: over a period of four years.

04. Investments:

- i) Investments are stated at cost.
- ii) Investments in foreign currency is stated at net of exchange fluctuation on the date of Balance Sheet.

05. Inventories:

Inventories are valued in accordance with Accounting Standard (AS)-2 at lower of cost (exclusive of taxes and cenvat credits availed on inputs) and net realizable value on FIFO basis. Finished goods and Work-in-Progress are valued at aggregate cost determined, comprising material cost and manufacturing overheads. Finished Goods include Excise Duty. Scrap is valued at realizable value.

06. Impairment of Assets:

Impairment of assets is recognized when there is an indication of impairment. On such indication, the recoverable amount of asset is estimated and if such estimation is less than its book value, the book value is reduced to its recoverable amount.

07. Revenue Recognition:

- i) Sales and services are accounted for on dispatch of products from the works.
- ii) Insurance Claims are accounted as and when admitted.
- iii) Other income is accounted on accrual basis except when the realization of such income is uncertain.

08. Foreign Currency Transactions:

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currency are restated at year-end exchange rates. Non monetary Items (Investments) denominated in foreign currency are stated using the exchange rate on the date of transaction. Exchange differences arising on settlement of transactions and on restatement of monetary items are recognized as income or expense in the year in which they arise, except in respect of the liabilities for acquisition of fixed assets, where such exchange difference is adjusted in the carrying cost of fixed assets. Exchange differences arising on non monetary items referred to above are accumulated in Foreign Exchange Fluctuation Reserve and is recognized as income or expenses in the year in which such items are disposed off.

09. Cenvat Credit:

Cenvat credit available on the material inputs is adjusted against consumption. Cenvat credit available on capital goods is adjusted against cost of fixed assets. Cenvat credit remaining unutilized, is shown as receivables in Loans and Advances.

10. Miscellaneous Expenditure:

- i) Company Formation expenses are amortized over a period of -6- years.
- ii) Share Issue Expenses are amortized over a period of -5- years.
- iii) Fees for Increase in Authorized Share Capital is amortised over a period of 5 years.

11. R & D Expenses

All expenses with respect to new designs, improvements in designs, manufacturing processes, quality assurance, product life and efficacies and associated administrative expenses of Research and Development Department etc are grouped under the head "R & D Expenses" & charged to Profit and Loss account.

12. Selling/ Marketing expenses:

- i) Warranty is extended on products sold. Warranty expenses are accrued / accounted as and when incurred / claim is accepted.
- ii) Commission, Discount and other expenses payable on sales are recognized on determination of amounts payable in accordance with arrangements / contracts with the parties.

13. Gratuity and Leave Encashment:

- i) Hitherto Gratuity was accounted on cash basis. Gratuity liability is now funded under the Group Gratuity Scheme Policy with Life Insurance Corporation of India which covers the annual incremental liability and the liability in respect of past services of employees as per old AS - 15.
- ii) Leave encashment is accounted as and when paid.

14. Taxes on Income:

Deferred tax is recognised on timing differences; being the difference between taxable incomes and accounting income that originate in one period and are capable of reversing in one or more subsequent periods. Deferred tax assets are recognised only to the extent there is virtual certainty of its realisation.

15. Provisions and Contingent liabilities:

- i) Provisions in respect of present obligations arising out of past events are made in the accounts when reliable estimates can be made of the amount of the obligation.
- ii) Contingent liabilities are disclosed by way of a note to the Financial Statements, after careful evaluation by the management of the facts and legal aspects of the matter involved.

Schedule 18

Notes forming part of Accounts for the year ended 31st March 2008.

01. The figures of previous year are regrouped / restated for consistent presentation, wherever necessary.
02. Figures in brackets represent previous year's figures.
03. The Company has repaid its entire term liabilities to Financial Institutions. The additional claim, if any, on final reconciliation and confirmation by a financial institutions will be considered as and when communicated.
04. The Company's programme for improving production capacities at Kalol plant and setting up an assembly unit at Sitargunj, Uttarakhand state is completed during the year and the production commenced from 1st April 2008. The Company's initiative of setting up "Press Shop" plant at Kalol is in its advance stage of completion and is expected to commence operation in the current financial year 2008-2009. The capex is reflected in this account.
05. i) Credit facilities from Bank Of Baroda are secured by :
 - a) Term Loans are secured by first charge by way of equitable mortgage and hypothecation of movable and immovable properties and the second charge on stocks and book debts present and future.
 - b) Cash Credits from the bank are secured by first charge by way of hypothecation of stocks , stores and components etc. and book debts and the second charge by way of equitable mortgage and hypothecation of movable / immovable properties present and future.
- ii) Term Loan from HDFC Bank Ltd. is to be secured on pari-pasu basis by extension of charge under item (i) (a) above.
- iii) Unsecured loan include Rs. 4.00 Crs. which is guaranteed by & pledge of shares of SAL held by Shri Harish Sheth, the Managing Director.
06. Deferred tax arising on account of timing differences have been recognized as per Accounting Standards (AS) -22. The major components thereof are as under:

Particulars	31.03.2008 (Rs. lacs)	31.03.2007 (Rs. lacs)
Difference in WDV of Fixed Assets as per books and as per income tax	308.13	142.89
Deferred expenses claimed as deductions under income tax act	—	50.07
Unpaid provision for interest and Bonus disallowable under Income Tax Act (Sec. 43 B)	(20.53)	(129.47)
Deferred Tax liability / (assets)	97.78	21.60
Total provision written (back) made as per Profit and Loss account	76.18	(51.76)

Note: The Deferred tax assets / liabilities are computed on the basis of set-off / adjustments and tax liability based on income for the financial year 2007-2008 (Assessment Year 2008-2009) as per Income Tax Act 1961.

07. Disclosure required under Accounting Standard (AS) 29 for "Provisions, Contingent Liabilities and Contingent Assets".
 - i) Estimated amount of contracts remaining to be executed on capital account and not provided for Rs.34,084,478 (Rs. 21,399,554)
 - ii) Guarantees given by the bank on behalf of the Company Rs.2,623,000 (Rs. 1,223,000).
 - iii) Guarantee given for wholly owned subsidiary to ICICI Bank Limited, U.K. Rs.191,928,000 (202,848,000) (£ 2.4 million).

- iv) Guarantee given to Bank of Baroda, New York, USA for ultimate subsidiary's credit facilities. Rs. 184,414,000 (\$4.6 million)
- v) Bills Receivable discounted with the Bank and not matured Rs. 2,636,763 (Rs.3,309,928)
- vi) Outstanding balance under Letters of Credit opened in favour of supplier Rs. 3,100,000 (Rs.11,535,000).
- vii) Warranty is extended on products sold, undertaking to repair or replace the items that fail during the warranty period. The warranty expenses are accrued / accounted as and when incurred / claim are accepted.
- viii) Excise demand of Rs. 11,892,488 raised against the company is contested in the Gujarat High Court.
08. The Sales determined in accordance with the accounting policy followed (Refer note 7, Schedule 17) include Rs. 954.80 lacs (Rs. 312.55 lacs) being sales value of dispatches in transit as on 31st March 2008. The inventory value thereof amounts to Rs.690.83 lacs (Rs.223.47 lacs).
09. The Company has taken Group Gratuity Scheme Policy with Life Insurance Corporation of India in the previous year. The total liability in respect thereof was determined at Rs. 5,327,618/- as per old AS – 15 which included unprovided liability of Rs. 4,669,985/- in respect of past period service. The same has now been provided in the accounts.

The annual current liability Rs. 817,925/- is paid as determined by LIC as per old AS – 15 and charged to profit and loss account.

The Company is in the process of carrying out new working of liability towards Employees Benefits as envisaged under Accounting Standard - 15 (Revised). On determination of the said liabilities, any additional liability, if any, will be paid / provided for and adjusted in following year and charged to Profit and Loss Account / Accumulated Reserves.

10. Company is in the process of identifying enterprises as defined under the Micro, Small and Medium Enterprises Development Act 2006 which have provided goods and services to the company and therefore, disclosure in respect of amounts payable to such creditors are to be complied with.
11. Confirmations of balances of Sundry Debtors, Creditors, Loan and Advances and others have not been obtained. Hence the respective balances are subject to adjustments, if any, on reconciliation / settlement of respective accounts.
12. In the absence of notification specifying the effective date and the applicable rate for cess towards a fund to be established for rehabilitation and revival of Sick Industrial Units in terms of section 441 A of the Companies Act, 1956 as inserted by the Companies (Second Amendment) Act, 2003, no provision is made for the cess in the accounts for the year.
13. a) Remuneration to Directors:

Particulars	Managing Director		Director	
	Current Year	Previous Year	Current Year	Previous Year
i) Salary & Commission	8,100,000	1,800,000	61,290	600,000
ii) Contribution to Provident and other funds.	432,000	216,000	—	—
Total	8,532,000	2,016,000	61,290	600,000

Total managerial remuneration Rs. 8,593,290 (Rs. 2,616,000).

b) Computation of Net Profit under section 349 of the Companies Act 1956.

Particulars	Rs. lacs	Rs. lacs
Net Profit as per Profit & Loss Account		1225.48
Add: 1) Provision for Depreciation as per Profit & Loss Account	212.72	
2) Provision for Corporate Tax	516.33	
3) Remuneration to Directors	85.93	
4) Provision for Deferred Tax	76.18	
5) Provision for Fringe Benefits	25.60	
6) Tax Adjustment for Earlier Years	5.86	922.63
		2148.11
Less : 1) Depreciation under section 350 Of Companies Act 1956	212.72	
2) Profit on sale of Assets as per books	3.50	216.22
Net Profit as per section 349 of the Companies Act 1956		1931.89
Maximum Permissible Managerial Remuneration @ 10% is		193.19
Maximum Permissible Remuneration including commission To Managing Director is 50% of Rs. 193.19		96.90

14 Related Party information

i) Names of related parties and nature of relationship:

Shri Harish Sheth, Managing Director of the Company is interested in Setco Engineering Private Limited (formerly Setco Auto Private Limited), Western Engineering Works as director / partner / whereas one of his relatives is a partner in Gujarat Engineering Company.

Mr. K. B. Patel was a Whole Time Director of the Company.

Mr. Udit Sheth – Vice President – Corporate Affairs is a relative of Managing Director.

ii) Transactions with Related Parties:

Nature of Transaction		Current Year (Rs.)	Previous Year (Rs.)
A) Transaction with Wholly Owned Subsidiary			
Export		61,158,473	67,201,930
Royalty		25,206,994	22,248,107
Import		68,061	607,151
Expenditure including Capital items		5,090,231	-
Interest Income		5,453,950	-
Dividend Income		2,781,504	-
Outstanding at Year End			
Investment		118,160,450	153,382,015
Advances		25,544,658	9,673,942
Amount Receivable		39,567,176	20,795,964
Amount Payable		8,219,467	9,163,110
B) Transaction with Associate Concerns			
Purchase & Job work Out sourcing Expense		15,254,469	14,167,448
Marketing Commission		17,013,898	9,181,805
Outstanding at Year End			
Amount Receivable		1,981,340	—
Amount payable		—	787,073
C) Transaction with Key Management Personnel & their relatives			
Remuneration to Directors / Executive		12,973,019	3,963,800
Leave and License Fees		900,000	—
Outstanding at Year End			
Amount payable		329,665	96,722

In terms of approval by the Central Government u/s 297 of the Companies Act, 1956 commission is payable to a firm (in which a director is interested) on OE and SPD sales achieved @ 1.5%, based on the sales figures reported in the audited accounts. Commission payable in respect of sales during the period 2006-2007 has been accounted during the year under review. Advance of Rs.172.86 (Rs 161.49) lacs due from the firm represents amount paid towards expenses during the year to be adjusted against commission to be determined on approval of accounts for the year ended 31st March, 2008.

15. Loans and Advances in the nature of loans given to Subsidiaries and Associates:

Sr. No.	Name of the Companies	As at 31.03.2008 (Rs.)	As at 31.03.2007 (Rs.)	Maximum Balance during the year (Rs.)
1	Setco Automotive UK Limited UK (Subsidiary)	17,876,544	2,690,973	17,876,544
2	Setco Automotive N.A. Inc. USA (Subsidiary)	7,557,139	6,667,429	7,557,139
3	WEW Holdings Limited, Mauritius (Subsidiary)	110,975	315,540	315,540
4	Western Engineering Works (Associate)	17,285,598	16,149,454	17,285,598

16. The accounts are not signed by the Secretary, as the Company has no secretary as on the date. However, a certificate of compliance of provisions of the Companies Act, 1956 is obtained from a practicing Company Secretary.

17 Segment Information:

The Company is operating only in one business segment viz. Auto Components.

18. Remuneration to Auditors for other services:

Particulars	Current Year (Rs.)	Previous Year (Rs.)
Tax Audit Fees	134,832	78,568
Others	—	558,634

19. Transaction in Foreign Currency.

Particulars	Current Year (Rs.)	Previous Year (Rs.)
i) Value of Components Imports on CIF Basis	311,350,920	228,298,083
ii) Expenditure in Foreign Currency		
a. Travelling Expenses	2,155,637	3,535,760
b. Royalty	25,260,994	22,248,107
iii) Earnings in Foreign Currency	25,206,944	
a. Export on FOB Basis	97,516,172	96,660,522

20. Quantitative Information : (As certified by the Management)

i) Details of Capacity and Production:

Class of Goods	Installed Capacity	Production
	(Numbers)	
Clutch Driven Plate	450,000 (310,000)	379,864 (315,013)
Clutch Cover Assembly	250,000 (170,000)	180,834 (190,147)
Other Item		1,679,861 (1,252,748)

ii) Consumption:

a) Raw Material & Components:

Sr. No.	Particulars	Unit	Current Year		Previous Year	
			Quantity	Value (Rs.)	Quantity	Value (Rs.)
1.	Steel Strips	Kgs.	3,715,804	150,871,401	3,334,935	131,790,125
2.	Springs	Nos.	8,710,504	84,408,632	7,420,653	75,387,172
3.	Ceramic Buttons	Nos.	4,880,675	290,565,898	3,879,129	237,046,324
4.	Castings	Nos.	437,311	138,232,099	469,500	134,892,971
5.	Other Component/Realisation			200,719,613		199,740,213
	Total			864,797,643		778,856,804
	Less : Sales of scrap			19,479,391		11,665,744
				845,318,252		767,191,061

b) Stores & Tools Rs. 21,595,671(Rs. 17,241,757) all indigenous.

c) The Consumption of Raw Material & Components includes consumption of imported Components Rs. 30,84,88,299 (Rs. 25,82,30,043), which is 35.78% in total consumption.

(iii) Sales and Stocks of Finished Goods

	Opening Stock		Closing Stock		Sales	
	Qty.	Value	Qty.	Value	Qty.	Value
	(Nos.)	(Rs.)	(Nos.)	(Rs.)	(Nos.)	(Rs.)
Clutch Driven Plate	9,622	6,441,009	11,894	8,475,597	377,592*	805,613,580
	(8,458)	(4,486,180)	(9,622)	(6,441,009)	(313,849)	(642,879,167)
Clutch Cover Assy.	4,729	3,972,761	4,551	3,952,196	181,012*	698,899,167
	(4,169)	(2,787,454)	(4,729)	(3,972,761)	(189,587)	(700,734,483)
Others	-	3,512,900	-	4,045,197	-	198,942,398
	-	(3,356,444)	-	(3,512,900)	-	(167,639,744)
Total	14,351	13,926,670	16,445	16,472,990	558,604	1,703,455,145
	(12,627)	(10,630,078)	(14,351)	(13,926,670)	(503,436)	(1,511,253,394)

* Inclusive of 161 Nos. (191) clutch plates and 149 Nos. (136) cover assemblies distributed as a free samples.

21. Additional information pursuant to part IV of Schedule VI to the Companies Act, 1956, in terms of Notification No. GSR 388 (E), dated 15th May, 1995, issued by the Ministry of Law, Justice and Company Affairs, Department of Company Affairs.

Balance Sheet Abstract and Company's General Business Profile.

I	Registration Details			
	Registration No.	5203 State Code: 04		
	Balance Sheet Date	31.03.2008		
II	Capital raised during the year. (Amount in Rs. Thousands)			
	Public Issue	Nil		
	Rights Issue	Nil		
	Bonus Issue	Nil		
	Private Placement	Nil		
III	Position of Mobilization and Development of funds. (Amount in Rs. Thousands)			
	Total Liabilities	1,021,330	Total Assets	1,021,330
	Sources of Funds		Application of Funds	
	Paid-up Capital	88,219	Net Fixed Assets	466,986
	Reserves & Surplus	309,880	Investment	118,161
	Secured Loans	542,853	Net Current Asset	426,203
	Unsecured Loan	70,600	Misc. expenditure	9,980
	Deferred Tax Liability	9,778		
IV	Performance of Company			
	Total Revenue *	1,410,930	Total expenditure	1,225,985
	Profit Before Tax	184,945	Deferred/Fringe Benefit/Corporate Tax	62,398
	Profit After Tax	122,548		
			Proposed Dividend (final) Rate	25%
V	Generic Names of Three Principal Products / Services of Company (as per Monetary terms)			
	Item Code (ITC Code) No.	870893 00		
	Product Description	(1) Clutch Driven Plate		
		(2) Clutch Cover Assembly		

As per our report of even date attached
For Manesh Mehta & Associates
Chartered Accountants
Manesh Mehta
Partner

Place : Mumbai
Date : 30.06.2008

For and on behalf of the Board
Harish Sheth Chairman & Managing Director
Pratap Merchant
Satish Deshpande

Place : Mumbai
Date : 30.06.2008

Statement of Cash Flow prepared pursuant to Listing Agreement with Stock Exchange for the Year ended on 31.03.2008

	2007-2008 Rupees	2006-2007 Rupees
A CASHFLOW FROM OPERATING ACTIVITIES		
Net Profit before tax	184,945,576	161,041,683
Adjustment for		
Depreciation	21,271,703	16,763,907
Miscellaneous Expenses Written of	2,026,903	2,026,903
(Profit)\ Loss on Sale of Assets	(350,000)	105,523
Interest Expense	43,515,944	50,840,996
Interest Income	(5,804,032)	(866,295)
Fringe benefit tax & Corporate tax	(54,779,733)	(51,710,141)
Operating Profit (Loss) before Working Capital Changes	190,826,361	178,202,576
Sundry Debtors	(39,187,564)	(59,327,075)
Inventories	(72,055,389)	(25,558,139)
Loans and Advances	(39,745,832)	(55,772,743)
Current Creditors	15,822,503	23,559,365
Other Liabilities	11,110,808	30,448,609
Cash Flow Generated from Operations	66,770,887	91,552,593
Direct Taxes (Tax deducted at Source)	-	(58,562)
Cash Flow from Asset - Misc.exps.	(4,075,734)	
Net Cash Flow from Operating Activities	62,695,153	91,494,031
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed Assets	(305,832,169)	(66,059,060)
Intangible Asset	(14,115,682)	(5,905,677)
Profit\ (Loss) on Sale of Assets	350,000	(105,523)
Sale Proceeds of Asset	333,729	48,645
Adjustment in Depreciation Reserve	(706,754)	(1,262,695)
Interest received	5,804,032	866,295
Decrease in Investment	35,221,565	(40,500,415)
Net Cash used for Investing Activities	(278,945,279)	(112,918,430)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of Share Capital		
Share premium		
Foreign exchange fluctuation reserve	(4,287,604)	7,527,234
Proceeds from Cash Credit	(22,353,768)	64,085,294
Proceed from term loans	354,614,666	60,684,813
Repayment of Borrowings	(93,750,829)	(45,526,184)
Interest paid	(43,515,944)	(50,840,996)
Dividend & Dividend Distribution Tax	(25,802,900)	(25,540,748)
Net cash flow from Financing Activities	164,903,621	10,389,413
Net increase in Cash and Cash equivalents (A+B+C)	(51,346,505)	(11,034,986)
Opening Cash and Cash equivalents	57,714,520	68,749,506
Closing Cash and Cash equivalents	6,368,015	57,714,520

Notes :

1. The above Cash Flow Statement has been prepared under the "Indirect method" as set out in the Accounting Standard - 3 On Cash Flow Statements, issued by the Institute of Chartered Accountants of India.
2. Previous years figures have been regrouped / restated / reclassified whenever necessary.

Place : Mumbai
Date : 30.06.2008

Harish Sheth
Chairman & Managing Director



**CONSOLIDATED
ACCOUNTS**

AUDITORS' REPORT ON CONSOLIDATED ACCOUNTS

1. We have audited the attached consolidated Balance Sheet of SETCO AUTOMOTIVE LIMITED("the Company") and its subsidiaries (the Company and its Subsidiaries constitute "the Group") as at 31st March 2008 and also the consolidated Profit and Loss Account and consolidated Cash Flow Statement for the year ended on that date annexed thereto.
2. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of the subsidiaries, whose financial statements reflect total assets of Rs. 5,153 lacs and total revenues of Rs. 7,983 lacs. The amounts included in respect of Subsidiaries are based on audited financial statements furnished by the Company.
4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the subsidiaries included in the consolidated financial statements, *subject to* :
 - i) Non-elimination of unrealized profits of Rs. 32.52 lacs in respect of transactions with subsidiaries of the company which is part of total unrealized profits of Rs. 89.05 lacs. (Refer note 4(i) of Schedule 16)
 - ii) Non-ascertainment of unrealized profits, if any in respect of stocks lying with subsidiaries (Refer note 4(ii) of Schedule 16)
5. On the basis of information and explanations given to us and subject to separate audit reports on the individual audited financial statements of Setco Automotive Limited and its subsidiaries, and subject to the reservations expressed by way of qualifications on the audited accounts, more so in respect of impact of Rs. 89.05 lacs in respect of unrealized profits on goods in transit (Refer Accounting Policy 8(i) of Schedule 15 and Note 4(i) of Schedule 16), we are of the opinion that, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a. in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at 31st March,2008;
 - b. in the case of the consolidated Profit and Loss Account, of the consolidated results of the operations of the Group for the year ended on that date.
 - c. in the case of consolidated Cash Flow Statement, of the consolidated cash flows of the Group for the year ended on that date.

For MANESH MEHTA & ASSOCIATES
Chartered Accountants

Place : Mumbai
Date : 30.06.2008

(M.P.MEHTA)
Partner
(M.No. 36032)

Consolidated Balance Sheet as at 31st March, 2008

	Schedule	Rupees	As at 31.03.2008 Rupees	As at 31.03.2007 Ruppes
Sources of Funds				
Share Capital	1	88,218,800		88,218,800
Reserves & Surplus	2	366,334,435		276,657,911
Shareholders' Funds			454,553,235	364,876,711
Loan Funds				
Secured Loans	3	836,922,447		524,902,349
Unsecured Loans	4	106,267,889		92,183,560
			943,190,336	61,7085,909
Deferred Tax Laibilities			13,094,418	4,961,282
Total			<u>1,410,837,989</u>	<u>986,923,902</u>
Application of Funds				
Fixed Assets (Gross Block)	5	663,601,335		493,746,623
Less: Depreciation		135,983,813		103,673,458
		527,617,521		390,073,165
Capital Work-in-progress		172,959,827		7,397,862
			700,577,348	397,471,027
Investments	6		2,514,074	385
Current Assets, Loans & Advances	7	985,032,052		1,004,794,527
Less: Current Liabilities & Provisions	8	287,265,322		423,273,043
Net Current Assets			697,766,730	581,521,484
Miscellaneous Expenditure (To the extent not written-off or adjusted)	9		9,979,837	7,931,006
Total			<u>1,410,837,989</u>	<u>986,923,902</u>
Significant Accounting Policies	15			
Notes on Accounts	16			

As per our report of even date attached
For Manesh Mehta & Associates
Chartered Accountants
Manesh Mehta
Partner

Place : Mumbai
Date : 30.06.2008

For and on behalf of the Board
Harish Sheth Chairman & Managing Director
Pratap Merchant
Satish Deshpande

Place : Mumbai
Date : 30.06.2008

Consolidated Profit & Loss Account for the year ended 31st March, 2008

	Schedule	Year ended 31.03.2008 Rupees	Year ended 31.03.2007 Rupees
Income			
Gross Sales		2,418,259,834	1,846,979,038
Less VAT/ Sales Tax/ Excise Duty		316,681,093	288,930,501
Net Sales		2,101,578,741	1,558,048,537
Other Income	10	3,995,672	3,375,301
Increase in Stocks		15,006,486	10,718,517
		<u>2,120,580,899</u>	<u>1,572,142,355</u>
Expenditure			
Raw Materials & Components Consumed		1,173,839,515	863,616,134
Personnel Expenses	11	304,802,394	188,217,728
Other Expenses	12	311,835,421	234,181,085
Financial Charges	13	76,351,764	69,024,564
Research & Development Expenses		1,655,153	3,759,122
Depreciation		34,968,508	26,422,785
Miscellaneous Expenses Amotized	14	11,744,245	2,026,903
Foreign Exchange Fluctuation		-	(4,945)
		<u>1,915,196,999</u>	<u>1,387,243,376</u>
Profit Before Tax		205,383,900	184,898,980
Deferred Tax		9,513,128	(5,176,000)
Fringe Benefit Tax		2,560,537	1,410,141
Corporate Tax		57,497,670	58,039,698
Profit After Tax		<u>135,812,565</u>	<u>130,625,141</u>
Appropriations			
Interim Dividend		-	8,821,880
Proposed Dividend (Final)		22,054,700	13,232,820
Corporate Tax on Dividend		3,748,200	3,486,048
Transfer to General Reserve		12,254,784	11,450,754
Balance Profit		97,754,880	93,633,639
Profit brought forward from previous year		87,381,961	6,251,678
Profit/(Loss) carried to balance sheet		<u>185,136,841</u>	<u>87,381,961</u>
Weighted Average - Number of Equity Shares		8,821,880	8,821,880
Basic and diluted Earning Per Share		15.39	14.81

As per our report of even date attached

For Manesh Mehta & Associates
Chartered Accountants
Manesh Mehta
Partner

Place : Mumbai
Date : 30.06.2008

For and on behalf of the Board

Harish Sheth Chairman & Managing Director
Pratap Merchant
Satish Deshpande

Place : Mumbai
Date : 30.06.2008

Schedules

	Rupees	As at 31.03.2008 Rupees	As at 31.03.2007 Rupees
Schedule 1			
Share Capital			
Authorised:			
2,00,00,000 Equity shares of Rs.10 each		200,000,000	100,000,000
(1,00,00,000 Equity shares of Rs. 10 each)			
Issued, Subscribed & paid-up:			
8,821,880 Equity Shares of Rs.10/- each fully paid		88,218,800	88,218,800
Total		<u>88,218,800</u>	<u>88,218,800</u>
Schedule 2			
Reserves & Surplus			
i) Capital Reserve	22,910,190		26,185,902
ii) On forfeiture of shares	21,000		21,000
iii) Central Cash Subsidy	1,500,000		1,500,000
iv) State Cash Subsidy	500,000		500,000
		<u>24,931,190</u>	<u>28,206,902</u>
Foreign Exchange Fluctuation Reserve		(4,861,128)	1,583,383
Share Premium (on 12,50,000 shares @ Rs.110/- per share allotted on preferential basis)		137,500,000	137,500,000
General Reserve		23,627,533	21,985,665
Profit & Loss Account		185,136,841	87,381,961
Total		<u>366,334,435</u>	<u>276,657,911</u>
Schedule 3			
Secured Loans			
Car Loan		1,770,364	-
Term Loans		429,531,210	278,893,623
Cash Credits		405,620,874	246,008,726
Total		<u>836,922,447</u>	<u>524,902,349</u>
(See Note No.4 of Schedule 16 for security and other details)			
Schedule 4			
Unsecured Loans			
Tata Capital - Term Loan	70,000,000		-
Intercorporate Loans	35,667,890		31,948,560
Short Term Credits	-		60,000,000
		<u>105,667,890</u>	<u>91,948,560</u>
Interest Accrued & Due		600,000	235,000
Total		<u>106,267,889</u>	<u>92,183,560</u>

Schedule - 5

Fixed Assets

SR.	PARTICULARS	GROSSBLOCK				DEPRECIATION			NETBLOCK		
		As at 31.03.2007 Rs.	Additions during the period (*) Rs.	Adjustment during the period Rs.	As at 31.03.2008 Rs.	Upto 31.03.2007 Rs.	For the period Rs.	Adjustment during the period (*) Rs.	As at 31.03.2008 Rs.	As at 31.03.2008 Rs.	As at 31.3.2007 Rs.
1	2	3	4	5	6	7	8	9	10	11	12
A	Tangible Fixed Assets										
i)	Land	25,293,334	28,613,069	553,014	53,353,389	-	-	-	-	53,353,389	25,293,334
ii)	Building	95,498,998	32,667,797	2,500,899	125,665,896	6,124,528	3,066,985	109,427	9,082,085	116,583,811	89,374,470
iii)	Plant & Machinery	224,331,724	71,167,937	9,627,645	285,872,016	76,489,745	21,855,778	1,175,832	97,169,691	188,702,325	147,841,979
iv)	Furniture & Fixtures	6,167,242	2,468,054	1,310,977	9,946,274	1,277,708	376,156	-	1,653,864	8,292,410	4,889,534
v)	Office Equipment	3,011,879	1,355,783	29,815	4,337,847	537,254	1,821,650	11,665	2,347,239	1,990,608	2,474,625
vi)	Vehicles	11,452,752	1,254,026	5,112,958	7,593,820	1,512,813	1,008,550	1,125,959	1,395,404	6,198,416	9,939,939
vii)	Pollution Equipment	53,000	-	-	53,000	32,644	2,518	-	35,162	17,838	20,356
viii)	Computers	6,530,868	2,631,935	121,874	9,040,929	2,408,917	1,735,970	56,958	4,087,929	4,953,000	4,121,951
ix)	Electric Fittings	2,819,793	7,328,076	-	10,147,869	178,764	158,025	-	336,789	9,811,080	2,641,029
	Sub-total	375,159,591	147,486,677	16,635,228	506,011,040	88,562,373	30,025,631	2,479,841	116,108,163	389,902,877	286,597,218
B	Intangible Fixed Assets										
i)	Product Development	47,687,348	-	-	47,687,348	11,163,247	3,568,095	-	14,731,342	32,956,006	36,524,101
ii)	Technical know-how	2,775,310	11,853,000	-	14,628,310	2,616,484	158,826	-	2,775,310	11,853,000	158,826
iii)	Computer Software	1,475,239	13,787,096	-	15,262,335	239,562	491,746	-	731,308	14,531,027	1,235,677
iv)	Web-site Development	166,402	328,586	-	494,988	110,934	55,468	-	166,402	328,586	55,468
v)	Goodwill	45,031,719	-	7,796,643	52,828,362	980,858	490,430	-	1,471,288	51,357,074	44,050,861
vi)	Start Up Costs	21,451,015	13,296,088	8,058,152	26,688,951	-	-	-	-	26,688,951	21,451,015
	Sub-total	118,587,033	39,264,770	261,509	157,590,294	15,111,085	4,764,565	-	19,875,650	137,714,644	103,475,948
	Grand Total (A+B)	493,746,624	186,751,447	16,896,737	663,601,335	103,673,458	34,790,196	2,479,841	135,983,813	527,617,521	390,073,166
C	Capital Work in Progress										
i)	Press Tools in Progress	4,318,440	2,612,753	4,318,440	2,612,753	-	-	-	-	2,612,753	4,318,440
ii)	Press Shop in Progress	3,079,422	167,267,652	-	170,347,074	-	-	-	-	170,347,074	3,079,422
	Sub Total	7,397,862	169,880,405	4,318,440	172,959,827	-	-	-	-	172,959,827	7,397,862
	Grand Total	501,144,486	356,631,852	21,215,177	836,561,162	103,673,458	34,790,196	2,479,841	135,983,813	700,577,348	397,471,028

Note: Adjustments during the year include impact of foreign exchange fluctuation Rs. 11,382,609

Schedules

	As at 31.03.2008 Rupees	As at 31.03.2007 Rupees
Schedule 6		
Investments		
10 Equity Shares of Rs.25/- each fully paid of Kalol Urban Co-op Bank Ltd	250	250
1 ordinary share of MUR 100 in wholly owned foreign subsidiary	-	135
Share Capital (Advance) in Setco Global GmbH by WEW	2,513,824	-
Total	<u>2,514,074</u>	<u>385</u>
Schedule 7		
Current Assets, Loans & Advances		
A. Current Assets		
i) Inventories	525,755,906	467,735,364
ii) Debtors	346,667,503	328,931,457
iii) Cash & Bank Balances		
a) Cash on hand	1,282,482	876,244
b) Balance with Bank - In current a/c	6,240,047	98,180,041
c) Balance with Bank- in Fixed Deposit	3,955,301	3,694,885
	<u>11,477,830</u>	<u>102,751,170</u>
B. Loans & Advances		
Advances Recoverable in Cash or kind	91,039,305	93,089,580
Sundry Deposits	4,447,803	3,693,303
Balance with Central Excise	5,514,991	2,045,054
T D S	128,713	6,548,599
	<u>101,130,812</u>	<u>105,376,536</u>
Total	<u>985,032,051</u>	<u>1,004,794,527</u>
Schedule 8		
Current Liabilities		
Trade Creditors	106,926,308	90,211,718
Creditors for Expenses	122,147,473	18,721,163
Other Liabilities	58,191,541	314,340,161
Total	<u>287,265,322</u>	<u>423,273,042</u>
Schedule 9		
Miscellaneous Expenditure		
(To the extent not written-off or adjusted)		
Company Formation Expenses	353,204	529,807
Share Issue Expenses	5,550,899	7,401,199
Fees for Increase in Authorised Capital	850,000	-
Pre-Operative Expenses	3,225,734	-
Total	<u>9,979,837</u>	<u>7,931,006</u>

Schedules

	Year ended 31.03.2008 Rupees	Year ended 31.03.2007 Rupes
Schedule 10		
Other Income		
Other Interest	493,461	1,425,640
Miscellaneous Income	3,055,017	20,260
Sundry Balances written back	95,565	46,371
Export Incentive	1,629	659,363
Profit on Sale of Asset	350,000	-
VAT Income	-	301,968
Insurance Claim Received	-	921,699
Total	<u>3,995,672</u>	<u>3,375,301</u>
Schedule 11		
Personnel Expenses		
Salaries & Wages	212,109,709	158,762,337
Social Securities & Pension	83,627,569	3,631,212
Staff Welfare & Other Expenses	9,065,116	25,824,179
Total	<u>304,802,394</u>	<u>188,217,728</u>
Schedule 12		
Other Expenses		
Stores & Tools consumed	36,210,807	21,330,577
Carriage Inward	16,838,471	23,978,454
Power & Fuel	23,589,897	18,034,759
Factory Expenses	7,075,216	(5,864,160)
Jobwork Charges	26,333,252	25,383,116
Repairs & Maintenance- Machinery	8,017,505	5,041,805
Repairs to Building	2,492,852	1,013,780
Repairs & Maintenance- Computers & Others	6,803,459	5,085,596
Rent	1,602,086	1,018,882
Rates & Taxes (General Rates)	4,244,392	1,548,995
Insurance	7,296,318	6,140,095
Conveyance Expenses	9,136,063	6,598,051
Travelling Expenses	21,853,605	18,707,738
Legal & Professional Charges	18,492,384	10,577,181
Audit Fees	1,271,875	448,960
Printing & Stationery	5,437,883	3,798,405
Communication Expenses	6,661,523	4,210,208
Books, Subscription & Membership	155,117	21,173
Directors' Sitting Fees	220,000	240,000
Office Expenses	226,697	144,244
General Expenses	16,681,233	6,886,286
Sundry Balance Written Off	-	2,534,381
Marketing & Sales Promotion Expenses	13,501,169	13,720,097
Advertisement Expenses	3,621,309	3,664,347
Discounts, Commission & Other Expenses on Sales	26,537,498	19,326,099
Packing & Forwarding Expenses	38,994,640	40,720,982
Foreign Exchange Fluctuations	6,894,028	(1,453,042)
Excise Duty on Finished Goods	1,517,534	1,346,111
Research & Development Expenses	128,608	(22,035)
Total	<u>311,835,421</u>	<u>234,181,085</u>

Schedules

	Year ended 31.03.2008 Rupees	Year ended 31.03.2007 Rupees
Schedule 13		
Financial Charges		
Interest on Term & Other Borrowings	27,469,020	14,296,595
Interest on Working Capital	38,295,541	43,222,803
Bank Charges	2,859,541	4,242,302
Interest on Intercorporate Deposits	7,727,662	7,262,864
Total	<u>76,351,764</u>	<u>69,024,564</u>
Schedule 14		
Miscellaneous Expenses Amortized		
Company formation & Issue Expenses	11,744,245	2,026,903
Total	<u>11,744,245</u>	<u>2,026,903</u>

Schedule 15

Significant Accounting Policies :

1. Basis for preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles and comply with the Accounting Standard (AS 21) – Consolidated Financial Statements issued by the Institute of Chartered Accountants of India subject to Note No. 04(i) & 4(ii) of Schedule 16.

2. Method of Accounting

The financial statements have been prepared on accrual basis of accounting.

3. Fixed Assets

The Fixed Assets are valued at cost including taxes, duties (net of tax credits) and direct/ indirect expenses incurred/ apportioned thereto. Press Tools and such other types of assets which are developed in house are capitalised at *direct cost plus overheads and standing charges*.

4. Depreciation

The depreciation on fixed assets is provided on Straight Line method at rates permissible under applicable local laws or at such rates so as to write off the value of assets over their useful life.

Intangible assets are amortised over specified periods depending upon production, agreement period, useful commercial lives as the case may be.

5. Impairment of Assets

Impairment of assets is recognized when there is an indication of impairment. On such indication the recoverable amount of asset is estimated and if such estimation is less than the book value, the book value is reduced to its recoverable amount.

6. Inventory

Inventories are valued at the lower of cost (exclusive of taxes/ duties availed on its input) and net realizable value. Finished goods and work-in-progress are valued at aggregate cost comprising material cost and apportioned overheads/ duties as applicable. Scrap is valued at realizable value.

7. Investments

Investments are valued at cost / net of foreign exchange fluctuations.

8. Revenue Recognition

i) Sales and services are accounted for on dispatch of products from the works.

ii) Insurance claims are accounted as when admitted.

iii) Other income is accounted on accrual basis except when realisation of such income is uncertain.

9. Foreign Exchange

Transactions in foreign currency are recorded at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are restated at year-end exchange rates. Non-monetary items (investment) denominated in foreign currencies are stated using the exchange rate at the date of transaction. Exchange differences arising on settlement of transactions are recognized as income or expense in the years in which they arise, except in respect of the liabilities for acquisition of fixed assets, where such exchange difference is adjusted in carrying cost of fixed assets. Exchange differences arising on monetary and non-monetary items referred to above being part of non-integral operations are accumulated in Foreign Exchange Fluctuation Reserve and is recognized as income or expense in the year in which such items are disposed off.

10. Miscellaneous Expenditure

- i) Company formation expenses are amortized over a period of 6 years
- ii) Share issue expenses are amortized over a period of 5 years
- iii) Fees for Increase in Authorized Share Capital is amortized over a period of 5 years.

11. Taxes on Income

Deferred tax is recognized on timing differences; being the difference between taxable income and accounting income that originate in one period and are capable of reversing in one or more subsequent periods. Deferred tax assets are recognized only to the extent there is a virtual certainty of its realization.

12. Provisions and Contingent Liabilities

- i) Provisions in respect of present obligations arising out of past events are made in the accounts when reliable estimates can be made of the amount of the obligations.
- ii) Contingent liabilities are disclosed by way of notes to financial statements, after careful evaluation by the management of the facts and the legal aspects of the matter involved.

Schedule 16

Notes forming part of consolidated financial statement

1. The consolidated financial statements are based on the audited accounts of the parent company and the audited accounts of the wholly owned subsidiary /step down subsidiaries.

While consolidating the accounts, to the extent possible line by line additions are carried out for like items of assets and liabilities, and income and expenses. All significant intra-group balances and transactions have been eliminated consolidation subject to Note no. 4(i) and 4(ii) of this Schedule.

The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible in the same manner as the parent company's financial statements.

2. Details of Subsidiaries

	Names of Subsidiaries	Percentage of Voting Power	Financial Year
1.	Setco Automotive (UK) Limited - UK	20% by Setco Automotive Ltd. 80% by WEW Holding Limited	April to March
2.	Setco Automotive (N.A.) Incorporation - U.S.A. (wholly owned Subsidiary of Setco Automotive (UK) Ltd.	100%	April to March
3.	WEW Holding Limited - Mauritius (Wholly owned subsidiary of Setco Automotive Ltd. India)	100%	April to March
4.	Setco Global GmbH Austria (Company incorporated on 1 st May, 2008) Wholly owned subsidiary of WEW Holding Ltd.	100%	April to March

3. Impact of variations in accounting policies followed by respective subsidiaries in compliance of local regulations relating to amortization of some intangible assets, treatment of foreign exchange fluctuations have not been considered in this consolidation being unascertained.

- 4 (i) The Sales determined in accordance with the accounting policy consistently followed though not in consonance with Accounting Standard-9 issued by The Institute of Chartered Accountants of India (Refer Accounting Policy 08 of Schedule 15), includes Rs. 954.80 lacs (Rs. 312.55 lacs) being sales value of dispatches in transit including sales of Rs. 123.74 lacs to Subsidiary as on 31st March, 2008. The inventory value thereof amounts to Rs. 690.83 lacs (Rs. 223.47 Lacs) and unrealized total profits of Rs. 89.05 lacs (including Rs. 32.52 lacs in respect of Subsidiary of the Company).
- (ii) In the absence of information in accounts of subsidiaries about stocks on hand out of intercompany transactions, the unrealized profits on such stocks, if any, is unascertained.
5. i) Credit facilities from Bank Of Baroda are secured by :
- a) Term Loans are secured by first charge by way of equitable mortgage and hypothecation of movable and immovable properties and the second charge on stocks and book debts present and future.
- b) Cash Credits from the bank are secured by first charge by way of hypothecation of stocks , stores and components etc. and book debts and the second charge by way of equitable mortgage and hypothecation of movable / immovable properties present and future.
- ii) Term Loan from HDFC Bank Ltd. is to be secured on pari-pasu basis by extension of charge under item (i) (a) above.
- iii) Unsecured loan include Rs. 4.00 Crs. Which is guaranteed by & pledge of shares of SAL held by Shri Harish Sheth, the Managing Director.
6. Disclosure required under Accounting Standard (AS) 29 for "Provisions, Contingent Liabilities and Contingent Assets".
- i) Estimated amount of contracts remaining to be executed on capital account and not provided for Rs.34,084,478 (Rs. 21,399,554).
- ii) Guarantees given by the bank on behalf of the Company Rs.2,623,000 (Rs. 1,223,000).
- iii) Guarantee given for step down subsidiary to ICICI Bank Limited, U.K. Rs.191,928,000 (202,848,000) (£ 2.4 million).
- iv) Guarantee given to Bank of Baroda, New York, USA for ultimate subsidiary's credit facilities. Rs. 184,414,000 (\$4.6 million).
- v) Bills Receivable discounted with the Bank and not matured Rs. 2,636,763 (Rs.3,309,928).
- vi) Outstanding balance under Letters of Credit opened in favour of supplier Rs. 3,100,000 (Rs.11,535,000).
- vii) Warranty is extended on products sold, undertaking to repair or replace the items that fail during the warranty period. The warranty expenses are accrued / accounted as and when incurred / claim are accepted.
- viii) Excise demand of Rs. 11,892,488 raised against the company is contested in the Gujarat High Court.

As per our report of even date attached
For Manesh Mehta & Associates
Chartered Accountants
Manesh Mehta
Partner

For and on behalf of the Board
Harish Sheth Chairman & Managing Director
Pratap Merchant
Satish Deshpande

Place : Mumbai
Date : 30.06.2008

Place : Mumbai
Date : 30.06.2008

Consolidated Cash Flow Statement for the year ended 31st March 2008

	31.03.2008	31.03.2007
	Rupees	Rupees
A. CASHFLOW FROM OPERATING ACTIVITIES		
Net Profit before tax	205,383,900	184,898,980
Adjustments for:-		
Depreciation (Net of exchange fluctuation difference)	34,790,196	26,237,172
Miscellaneous Expenses witten off	11,744,245	2,026,903
Interest Expenses	76,351,764	69,024,564
Interest Income	(493,461)	(1,425,640)
Corporate Tax and Fringe Benefit	(60,058,207)	(59,449,839)
Operating Profit/ (Loss) before working Capital Changes	267,718,437	221,312,140
Sundry Debtors	(17,736,047)	(105,011,999)
Inventories	(58,020,542)	(301,559,417)
Loans & Advances	4,245,724	(55,085,026)
Sundry Creditors & Other Current Liabilities	(136,007,720)	277,789,582
Working Capital Changes	(207,518,584)	(183,866,860)
Cash Flow Generated from Operations	60,199,853	37,445,280
Direct Taxes (Tax deducted at source)	-	-
Miscellaneous Expenses	(13,793,076)	-
Net Cash Flow from Operating activities	46,406,777	37,445,280
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(309,729,879)	(158,749,634)
Sale Proceeds of Fixed Assets	2,195,361	-
Intangible Assets	(39,264,770)	(70,426,692)
Interest Received	493,461	1,425,640
Adjustment Depreciation Reserve	(1,743,892)	(1,262,695)
Increase in Investment	(2,513,689)	(135)
Profit from Setco UK	-	10,534,911
Net Cash Used in Investing Activities	(350,563,407)	(218,478,605)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of share capital	-	-
Change in Capital Reserve due to exchange fluctuation	(3,275,712)	1,899,191
Proceeds from Cash Credit	159,612,148	44,055,705
Proceeds from Term Loans	354,614,666	174,997,178
Repayment of Borrowings	(191,841,716)	(166,042)
Inter Corporate Deposit	3,719,330	31,948,560
Interest Paid	(76,351,764)	(69,024,564)
Dividend and Dividend DistributionTax	(25,802,900)	(25,540,748)
Deferred Tax Adjustment	(1,379,992)	527,972
Net Cash Flow from Financing Activities	219,294,059	158,697,252
D. Impact of Exchange Fluctuation on the cashflow	(6,410,767)	5,424,607
Movement in Cash and Cash equivalents (A+B+C+D)	(91,273,339)	(16,911,466)
Opening Cash and Cash equivalents	102,751,169	119,662,635
Closing Cash and Cash equivalents	11,477,830	102,751,169

Note :

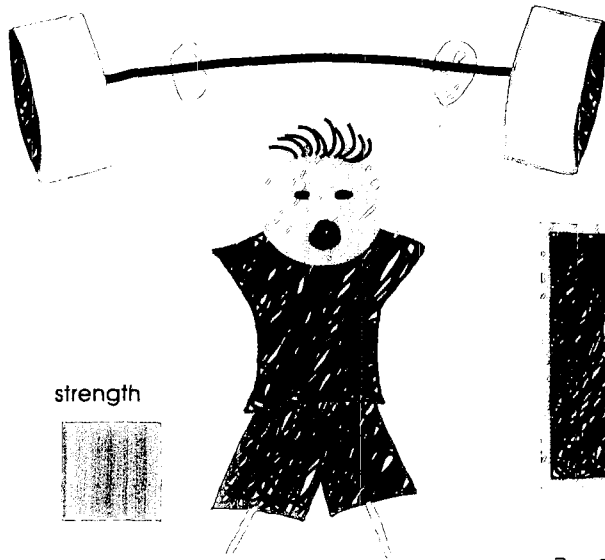
1. The above CAshflow Statement has been prepared under the "Indirect method" as set out in the Accounting Standard-3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India.

Place : Mumbai
Date : 30.06.2008

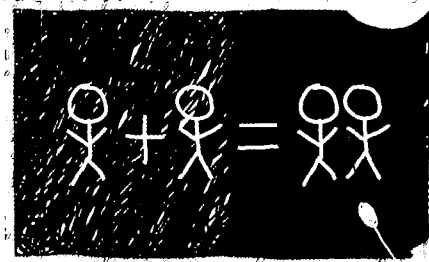
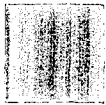
Harish Sheth
Chairman & Managing Director

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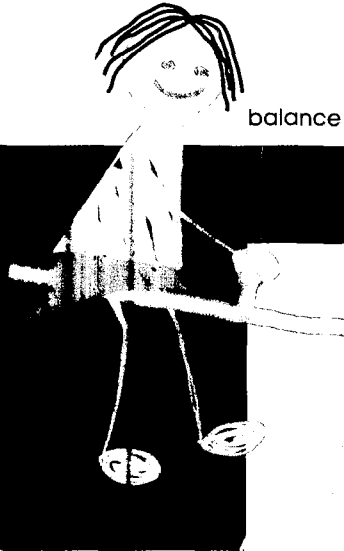
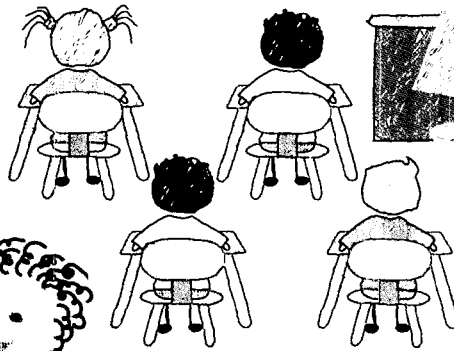
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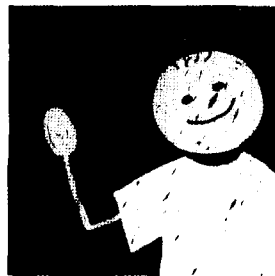
strength



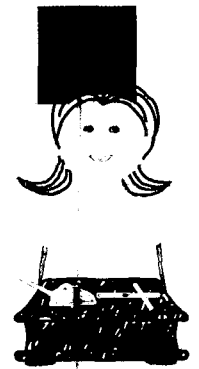
social
responsibility

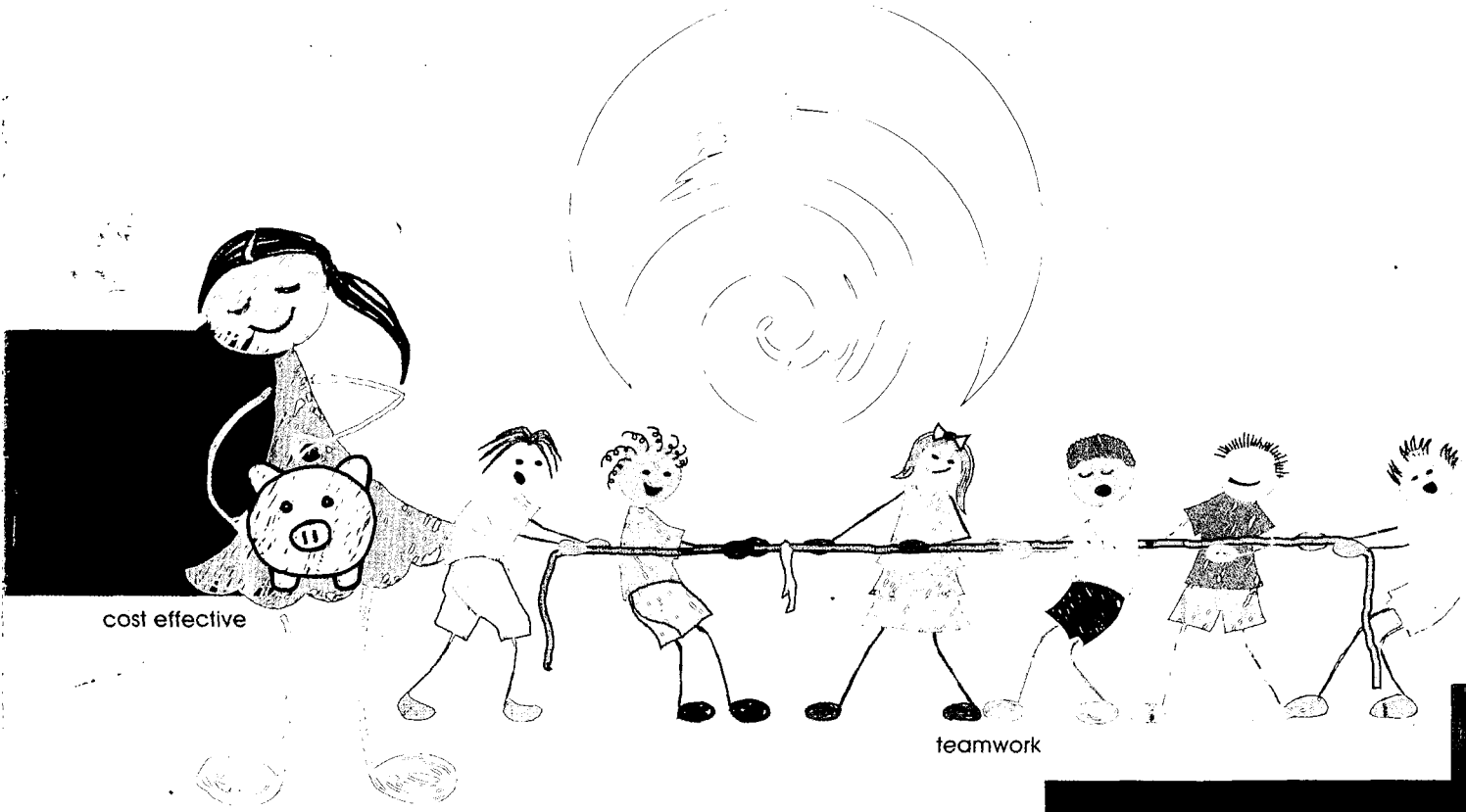


balance



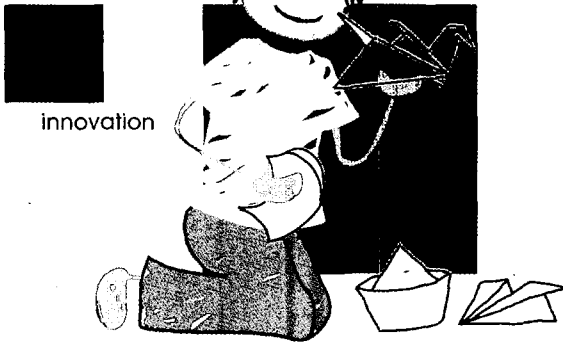
integrity



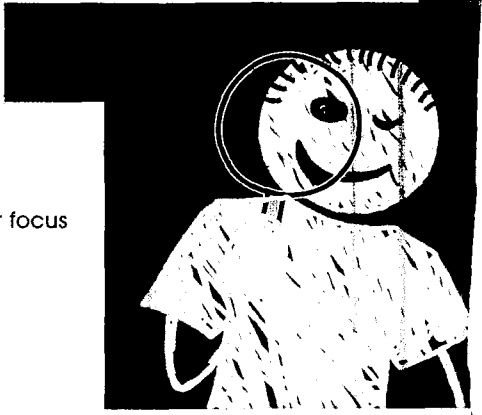


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