

ANNUAL  
REPORT

26

2008-2009

environment  
friendly

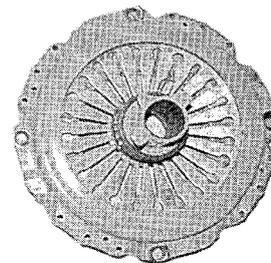
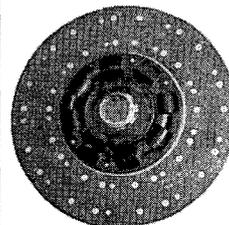


social  
responsibility

2008-09

# Content

Company Information	02
Chairman's Statement	04
Performance at a Glance	08
Directors Report	10
Management Discussion & Analysis	16
Corporate Governance Report	21
Standalone Accounts	32
Auditors Report	33
Balance Sheet	38
Profit & Loss Account	39
Schedules	40
Cash Flow	58
Consolidated Accounts	59
Auditors Report on Consolidated Accounts	60
Consolidated Balance Sheet	62
Consolidated Profit & Loss Account	63
Consolidated Schedules	64
Statement Under Section 212	74
Consolidated Cash Flow	75





# Company Information

<b>Registered Office</b>	Vadodara- Godhra Highway Kalol – 389 330 District Panchmahals, Gujarat, India
<b>Corporate Office</b>	2/A, Ground Floor, Film Center, 68 Tardeo Road Mumbai – 400 034, Maharashtra, India
<b>Factories</b>	Kalol, Panchmahals, Gujarat, India Sitarganj, Udhamasinghnagar, Uttarakhand, India
<b>Subsidiaries</b>	Paris, Tennessee, USA (SANAI) Rossendale, Lancashire, UK (SAUL)
<b>Auditors</b>	Manesh Mehta & Associates Chartered Accountants Vadodara, Gujarat, India
<b>Bankers</b>	Bank of Baroda HDFC Bank Ltd
<b>Solicitors &amp; Notaries</b>	Wadia Ghandy & Co Mumbai, India



## Board of Directors



**Harish K Sheth**  
Chairman & Managing Director



**Arun Arora**  
Director



**Satish Deshpande**  
Director



**Pratap Merchant**  
Director



**B L Naik**  
Director



**Harshal J Shah**  
Director



**Udit H Sheth**  
Executive Director



**Shvetal Vakil**  
Executive Director



# Chairman's Statement

Dear Shareholder,

The economic downturn has in no small measure been reflected in the automotive industry. The past year under review has been a roller coaster ride for the auto components sector. But looking ahead, the prospects seem bright especially with the combination of an expanding domestic market and favourable government policies. India as a manufacturing hub is proving to be a major attraction for various international auto companies. An abundance of talent and resources has made India the preferred destination for sourcing components by most of the leading automobile conglomerates. Overall, there is a lot to look forward to in the coming months.

**At the core of SETCO are its people. As we continue to expand our horizons and venture into new territories, these are the minds, the hands and the hearts behind each success.**

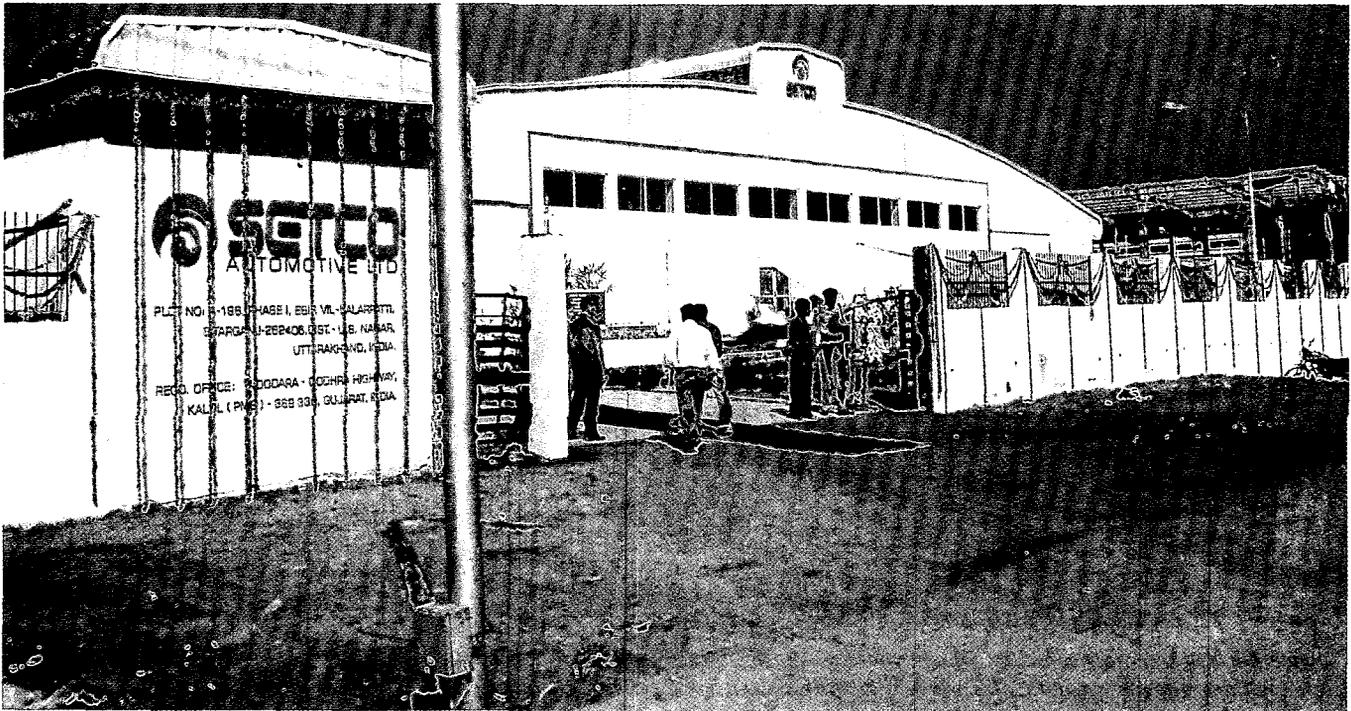
## OPERATIONS

While the first six months of the financial year started off well, the second half has especially been reflective of a punctured industry although there are signs that the wheel will once again start to turn in the coming months. Setco has managed to post relatively strong figures inspite of the downturn in the Indian and global economy. Your company's focus on diversification, strategic sales and cost cutting measures have all helped to sooth the ripples of the fall in global and domestic markets.

The proposed investment in the sector has undeniably been impacted, but the prospects are not as dull as one may assume. The demand for commercial vehicles has shown some growth albeit a slight sluggishness. We have belief that the aftermarket will drive strong growth. Furthermore, our right costs and quality coupled with more structured NPD (New Product Development) and GPD (Gross Product Development) cycles will also drive strong international business growth in different regions. Our subsidiaries are poised to cater to these regions.

In a time when tales of mass retrenchment have become commonplace, Setco is very pleased to have had absolutely no layoffs in the year. Like other companies, ours too has taken its share of beating but not at the cost of the people that have helped the company to progress thus far and even make it stronger despite being faced by a weakening economy. In fact, we are further augmenting our team.

We have brought on board global quality management best practices to deal with our human resources. During this period, we have chosen to build the talent we already have through cross pollination and multi-skill development training. In this manner, we have strengthened our pool of resources instead of opting to reduce it.



Our foreign subsidiaries have managed to buck the trend and put up a good performance over the past year despite the global environment playing spoilsport. Meanwhile, the new year has come with new resolutions and new strategies for growth and development and we are looking forward to a major revival in our growth charts.

This year, we are focusing our energies on costs, HR and better quality. With better 'speed to market' strategies and a joint effort between our marketing and R&D teams we hope to ride the economic slowdown with confidence.



*Setco decided to create a facility which would be the size of three Anganwadis brought together in one location. This would ensure the organisation and scales whereby all the children irrespective of their background will eat, learn and play together.*



*Setco is pulling out all stops to making sure that its work premises are green and nature friendly. As a part of these efforts, tree planting sessions have been scheduled with the employees.*



## CORPORATE SOCIAL RESPONSIBILITY

We have always tried to maintain a balance between our commercial aspirations and our social motives. This year we funded the development of a Nandghar (Anganwadis) for small under privileged children and pregnant women in Kalol (Gujarat), the focus of which is to ensure basic education & health for this vulnerable section of the society. Taking cognizance of the prevailing environment in this town, the concept behind this was the creation of a facility which is equivalent to three Anganwadis but brought together in one location to ensure that all the children irrespective of their religious or economic background will eat, learn, and play together. This has been done to help to build not only healthy and educated citizens of our country, but also a spirit of secularism.

Our purpose does not end with the laying of the last brick, but it continues through the sponsorship of the running of the NANDGHAR. A healthy child will have a healthy future and health thinking.

Similarly, Corporate Social Responsibility for us has not ended with the recession, but has taken on a new lease of life, as we attempt to bring out the best not just within our company but outside it.

## ENVIRONMENT

We all can do our bit to preserve the environment. Setco is pulling out all stops to making sure that its work premises are green and nature friendly. As a part of these efforts, tree planting sessions have been scheduled with the employees. This activity has been initiated with an objective of creating awareness about the importance of nature and a pollution free environment amongst the employees and the society at large.

## PEOPLE

At the core of Setco are its people. As we continue to expand our horizons and venture into new territories, these are the minds, the hands and the hearts behind each success. Here at Setco, there is no role too small. Everybody makes a big difference.

Place : Mumbai  
Date : 03.08.2009

**Harish Sheth**  
Chairman & Managing Director

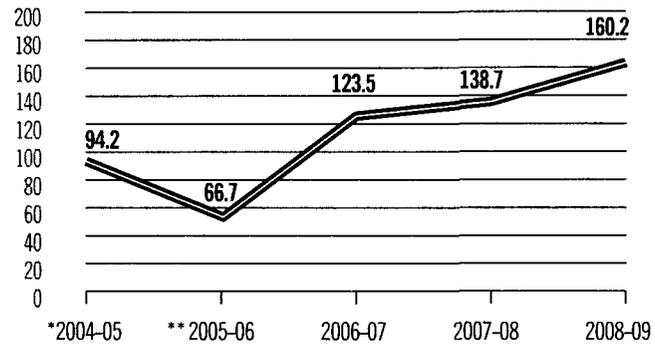


# Performance at a Glance

## Standalone Figures

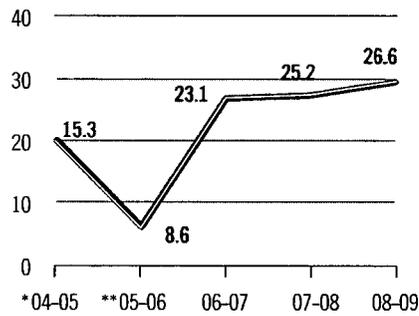
### Net Sales

Figures in Rs. Crore



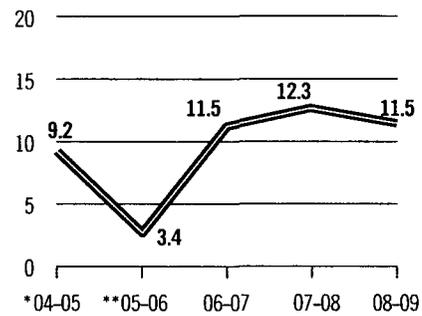
### PBDIT

Figures in Rs. Crore



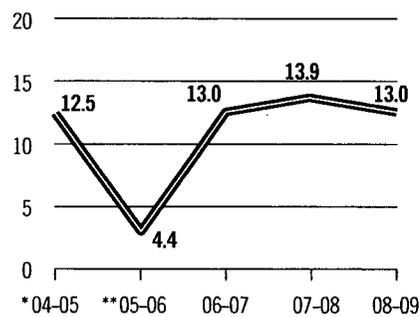
### Profit after Tax

Figures in Rs. Crore



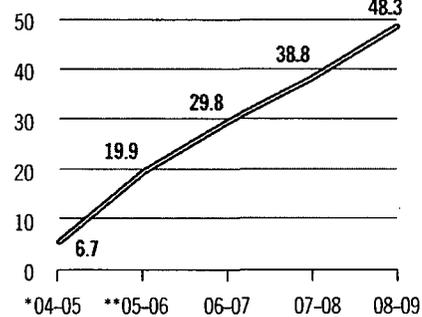
### Earning per Share

Rupee per share



### Net Worth

Figures in Rs. Crore

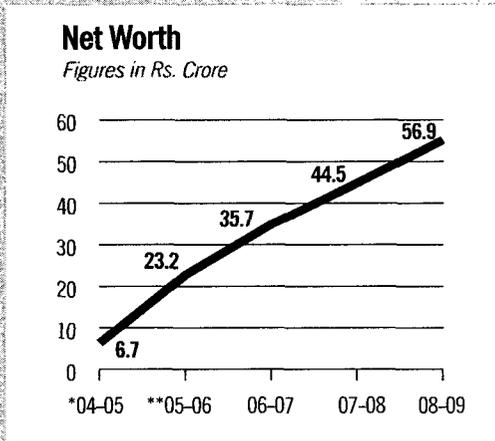
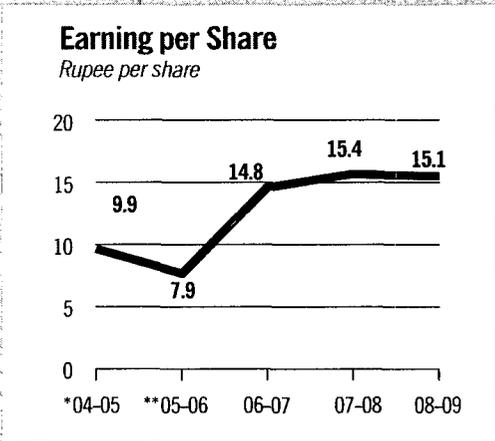
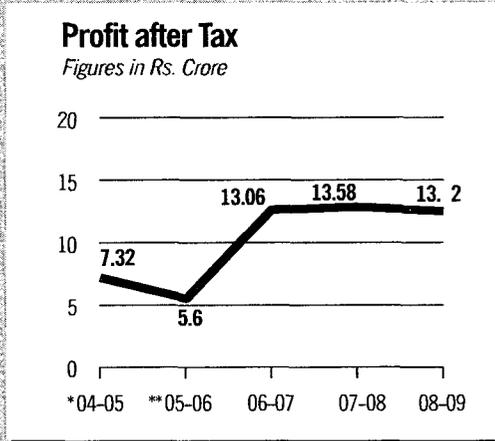
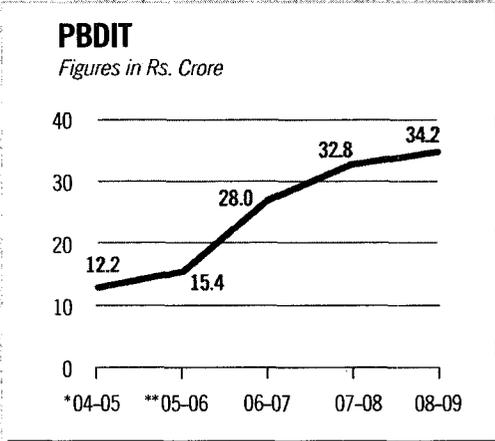
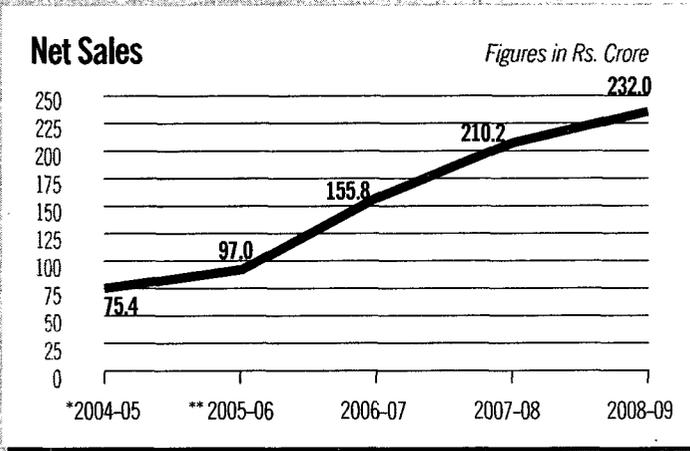


\* 04-05 = 15 Months    \*\* 05-06 = 9 Months



# Performance at a Glance

## Consolidated Figures



\* 04-05 = 15 Months    \*\* 05-06 = 9 Months

Setco Automotive (UK) Ltd Acquired in Dec'05 • Setco Automotive (NA) Inc acquired in Dec'06



## Director's Report

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

Your company started the year with buoyancy and reported an unprecedented growth in the first half of the year. However, with demand softening from October'08 in the OEM sector, the performance in the second half of 2008-09 was somewhat below expectations. But, despite these recessionary conditions, your company has registered a 15.53% growth in net sales in the current year.

### Financial Results

Your directors are happy to report your Company's consolidated and stand alone financial results for the year 2008-09 in a summary form as under. It may be noted that as a consequence of the global downturn in economy, Indian economy suffered severe setback in 2008-09. Amongst many other sectors, the automotive industry and in particular the commercial vehicle industry was the worst affected. Your company started the year with buoyancy and reported an unprecedented growth in the first half of the year. However, with demand softening from October'08 in the OEM sector, the performance in the second half of 2008 - 09 was somewhat below expectations. But, despite these recessionary conditions, your company has registered a **15.53% growth in net sales in the current year**. This growth was mainly achieved due to the accelerated growth in the aftermarket and export segments.

For the Year Ending	Consolidated		Stand Alone	
	2008 - 09	2007 - 08	2008 - 09	2007 - 08
Rs Cr.				
Net Sales	232.00	210.16	160.22	138.68
Operating Profit (EBIDTA)	32.76	31.66	26.43	24.97
Profit Before Tax (PBT)	16.59	20.54	14.23	18.49
Profit After Tax (PAT)	13.32	13.58	11.48	12.25
EPS	15.10	15.40	13.01	13.89
Net Worth	56.86	44.46	48.31	38.81

### Dividend

Your directors recommend that the dividend be maintained at 25% (Rs.2.50 per equity share of Rs.10/- each) for the year ended 31<sup>st</sup> March 2009. The dividend distribution will result in a cash outflow of Rs.2.58 crore (includes Rs.37 lacs of tax on dividend).

### Operations and Finance

Your directors have analyzed the Company's operations and finance in detail in the attached Management Discussion and Analysis.

For the year CRISIL has rated your company "**BB/Stable**" which under the given economic scenario is a very positive sign for your company.



### **Fixed Deposits**

Your company has not accepted any fixed deposits and as such, no amount of principal or interest on fixed deposits was outstanding as of the balance sheet date.

### **Directors**

#### **Appointment of Directors under Section 260**

- i. Mr. Shvetal Vakil who was co-opted as an Additional Director by the Board of Directors with effect from 22<sup>nd</sup> October 2008, holds 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 Mr. Shvetal Vakil for the office of a Director. Your Directors recommend appointing Mr. Shvetal Vakil on the Board of your Company. A resolution in this behalf is placed for your consideration.
- ii. Mr. B L Naik who was co-opted as an Additional Director by the Board of Directors with effect from 24<sup>th</sup> December 2008, holds 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 Mr. B L Naik for the office of a Director. Your Directors recommend appointing Mr. B L Naik on the Board of your Company. A resolution in this behalf is placed for your consideration.

#### **Reappointment of Directors retiring by rotation**

- iii. Mr. Satish Deshpande, Director of the Company in accordance with Section 256 of the Companies Act 1956, retires by rotation at the 26<sup>th</sup> Annual General Meeting of the Company and being eligible, has offered himself for reappointment. Your Directors recommend considering reappointment of Mr. Satish Deshpande as a Director on the Company's Board of Directors. A resolution in this behalf is placed for your consideration.
- vi. Mr. Harshal J Shah, Director of the Company in accordance with Section 256 of the Companies Act 1956, retires by rotation at the 26<sup>th</sup> Annual General Meeting of the Company and being eligible, has offered himself for reappointment. Your Directors recommend considering reappointment of Mr. Harshal J Shah as a Director on the Company's Board of Directors. A resolution in this behalf is placed for your consideration.

### **Auditors**

The present statutory auditors Messrs Manesh Mehta & Associates, Chartered Accountants, Vadodara retire at this Annual General Meeting. It is proposed to reappoint Messrs Manesh Mehta & Associates, as statutory auditors of the Company. Company has received from Messrs Manesh Mehta & Associates their consent under Section 224 (IB) of the Companies Act, 1956 to act as statutory auditors to 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.



### **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 are 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 in respect of compensated absences 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 is in process of complying with the AS 15 (Revised) in respect of accounting compensated absences.

### **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, which provides for recognition of revenue from sales only on transfer of significant risks and rewards of ownership to the buyer, where as Company has been recognizing sales on dispatch of the goods from the works."
  - b) "Accounting Standard-15 (Revised) in respect of "Employee Benefits" provides for accounting of Compensated Absences on accrual basis with actuarial valuation whereas same have been accounted on Cash basis."
- 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 and 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.

### **Corporate Governance**

Your Company is committed to observing 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 Exchange 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.



### **Particulars of Employees**

In accordance with the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, the names and other particulars of employees are to be set out in Directors Report, as an addendum thereto. However as per the provisions of Section 219(1) (b) (iv) of the Companies Act, 1956, the Report and Accounts as set out therein, are being sent to all Members of your Company excluding the aforesaid information about the employees. Any member, who is interested in obtaining such particulars about employees, may write to the Company Secretary at the registered Office of your Company.

### **Conservation of Energy Technology Absorption, FOREX Earnings**

#### **i. Conservation of Energy:**

Your Company is operating in an automobile engineering related industry where cost of energy is comparatively very low. 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.

#### **ii. Technology Absorption:**

Company is engaged in manufacturing clutches for commercial vehicles under the proprietary technology and heritage brand *LIPE*. Almost all components are indigenized to reduce dependence on imports. However, with a view to offer to customers' superior global quality and at competitive price, a few critical components continue to be imported.

#### **iii. Foreign Exchange Earnings and Outflow:**

The overall foreign exchange earnings and outflow is detailed in Notes 21 and 22 (ii) of Schedule 18 of the Annual Accounts.

### **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 in advanced stage of receiving certification for Environmental Management System (EMS) as well as Occupational Health and Safety Standards. Your company has already begun necessary procedures for achieving ISO 14001 and OHSAS 18001 certifications.

### **Employee Relations**

The industrial relation during the period under review remained cordial. Company has received full cooperation from its workmen, staff at all levels during the year. Efforts made by them in achieving all round improvements in operations and management are commendable and your company sincerely appreciates their contribution.

### **Declaration under Section 212 of Companies Act 1956**

The Central Government vide its letter dated 15th May, 2009 has exempted the Company from attaching the Balance Sheet, etc of 4 subsidiary companies. The Company hereby undertakes that the Annual Accounts



of its 4 subsidiary companies and related detail information shall be made available to the holding and subsidiary companies investors seeking such information at any point of time. Further, the annual accounts of subsidiary companies will be available for inspection by any investor at its head office.

Prescribed information relating to the subsidiary companies under section 212 of the Companies Act, 1956 is attached to the accounts.

### **Corporate Social Responsibility (CSR)**

As a responsible corporate citizen, your company is conscious of its responsibility towards society and community at large. Setco believes in voluntarily giving back to the stakeholders and community we work with and in, and improving the quality of life as a whole. Your company, through its CSR initiatives is disseminating its core values of excellence, integrity, tradition and unity. In order to give a focused attention to its social responsibilities a body under the name Setco Foundation has been created. At Setco, CSR is not an individual activity, but is a collective effort towards improving the work place, society and environment particularly at education and health.

As a part of this activity, Setco has during the year constructed 3 Anganwadis and offered to the people of Gujarat. It was an honor that Lokarpan ceremony (Handing Over) of the said project was performed by the Hon Chief Minister of Gujarat Mr. Narendra Modi in January 2009. The beneficiary of this project are the approx 300 children in the age group of 1-5 years and pregnant and lactating women from rural folks in general and underprivileged people in particular. Company has committed to construct 7 such other anganwadis during current financial year. In addition to this, your company encourages the education of children of its staff and local inhabitants by providing for their education costs. A special incentive is provided for the education of girl child. Company is also creating employment opportunities within the periphery of 10 kilometres of our Kalol factory by developing new Ancillary Units in the tiny / SSI sector for job outsourcing in the local town. Recently in conjunction with the Government, your company has adopted an institute in the local area to provide quality education in the technical field and create gainful employment opportunities for the students graduating from there.

### **Acknowledgement**

Your Directors acknowledge with gratitude the contributions made by Bank of Baroda, HDFC Bank Limited and associated financial institutions. All these institutions had been very supportive to the growth of the Company. Their unstinted and continuous support has helped the Company in achieving the success it has recorded.

Your directors also sincerely place on record their sincere thanks to the Company's customers, vendors and other business associates for their continued co-operation and support to the Company. We sincerely value their contribution and look forward to receiving their support in the future.

Last but not the least, your directors place on record their appreciation to all the stakeholders for their continued confidence in the Company's performance.

With their continued support and assistance your Company is poised to grow at an accelerated pace now.

For and on behalf of Board of Directors

Place : Mumbai  
Date : 30th July 2009

Harish Sheth  
Chairman & Managing Director.



## Annexure to Directors Report

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

i.	<b>Mr. Harish K Sheth</b>	Date of Birth: 11.09.1947
	Mr. Harish Sheth, BE (Mechanical) from University of Michigan and an MBA (Finance) from Columbia University, New York, has a vision to craft Setco into the premier clutch manufacturer globally and plans to expand its business horizon substantially through the acquisition of global auto component companies with a wide range of products and a large global customer base. Mr. Sheth has steered Setco since its inception in 1982 and has made the company the largest manufacturer of clutches for Medium and Heavy Commercial Vehicles in India today. He has been instrumental in shaping Setco from a single product/single location organization to a multiple product/multi location one having two manufacturing facilities in India, one in Manchester, UK and one in Paris, Tennessee, USA.	
	Number of Company's Shares held : 2,67,800	
ii.	<b>Mr. Udit H Sheth</b>	Date of Birth: 10.01.1979
	Mr. Udit Sheth has a Bachelor of Science degree in Management specializing in Finance and MIS from Purdue University, Indiana, USA as well as an International Baccalaureate (I.B) Diploma. He joined the company in June 2002. He has been instrumental in developing the marketing as well as IT strategy of the company as well as successfully implementing the new ERP (My SAP) in the Indian and US units. He took a lead role in the acquisition and consolidation of Setco Automotive UK (2005) and Setco Automotive USA (2006). He has also played a major role in various other joint ventures that Setco has established over the past few years.	
	Number of Company's Shares held : 5,26,505	
i	<b>Mr. Satish Deshpande</b>	Date of Birth: 15.07.1960
	Mr. Satish Deshpande is an engineer and MBA from IIM-Ahmedabad as well as ISB, Hyderabad. In a career spanning 20 years, he has worked as a consultant with Tata Economic Consultancy and in manufacturing industry in various capacities, including as CEO of an export oriented engineering company. Since September 2005, he is with New Vernon Advisory Services Private Limited, Mumbai as Vice President as an advisor of Private Equity investment opportunities in India. Mr. Deshpande was a Guest Lecturer at Symbiosis Institute of Management, Pune and Nasik and Green Belt –Six Sigma from General Electric Power Systems, USA.	
	Number of Company's Shares held : NIL	
ii	<b>Mr. Harshal J Shah</b>	Date of Birth: 16.12.1970
	Mr. Harshal Shah is the CEO of Reliance Technology Ventures Ltd. and a member of the leadership team at Reliance Anil Dhirubhai Ambani Group. Previously, he was vice president of Reliance Capital and was a member of the leadership team, which developed the strategy for all of Reliance Capital's business units and its global forays. Prior to joining Reliance, he had more than 14 years of experience in various roles at IBM Global Strategy (USA), Northstar Global Partners (USA), Infostakes, Inc. (USA and India), and Accenture (USA, Singapore, Hong Kong). Mr. Shah also played a key role in the acquisition of Setco Automotive UK (2005). He has an MBA in Finance, Marketing and Strategic Management from The Wharton School of Business. He is also a Truman Gray Scholar from MIT and MIT Sloan School of Management from which he earned two Bachelors' degrees: in Management, and Electrical Engineering & Computer Science, with a Minor in Economics.	
	Number of Company's Shares held : 50,000	
iii	<b>Mr. Shveta Vakil</b>	Date of Birth : 31.03.1951
	Mr. Shveta Vakil has graduated in Commerce & Economics in 1971 from University of Bombay and has undertaken Advance Management Programmed in 1989 from Indian Institute of Management, Ahmedabad. He has wide and varied experience in his long stretched career of -39- years which includes as General Manager Exports, Hindustan Lever Limited and as Director with Bunge India Private Limited heading Domestic Branded Edible Oils & Fats business. He joined the Company as a Chief Operating Officer from 01.11.2006 and is elevated as Executive Director from 22.10.2008.	
	Number of Company's Shares held : 12,500	
iv	<b>Mr. B L Naik</b>	Date of Birth : 19.10.1941
	Mr. B. L. Naik is B.Com, CAIIB, AIBI. He joined Bank of Baroda in June 1963 and retired in October 2001 as General Manager with the Bank. During this long -38- years service he was General Manager for 4 years and 10 years work experience of working in Bank's overseas operations. He was Administrative and Training Manager during Bank's Assignments in Fiji Islands from February 1976 to May 1981 and Territorial Head – Vice President, Banks Operations in Mauritius from November, 1991 to April 1996. He was Director with Gilt Securities Limited, a joint venture of Bank of Baroda, Canara Bank, and Corporation Bank. He was a director in BOB – Housing and BOB – Mutual Fund. He was also alternate Director on Bank's Subsidiaries, Bank of Baroda (Kenya) Limited and Bank of Baroda (Uganda) Limited. He also gave his services as Bank's Nominee Director on Company's Board during July 2000 to April 2001.	
	Number of Company's Shares held : 1,200	



# Management Discussion & Analysis

India was one of the few economies that registered a 7% growth in GDP for the year 2008-09. While there are fragile signs of the economy stabilizing, it is still too early to call it a recovery. Although the automotive industry as a whole has started witnessing a slow improvement, it does not really see it reaching the peak levels of last few years. Your company's performance for the year 2008-09 has to be seen in the context of the above background.

## State of the Economy/Industry

The Year 2008-09 started on a positive note with 1<sup>st</sup> half of the year recording an impressive growth both in top line as well as bottom line. Economic outlook indicated then of yet another good year for the company. However, the global financial crisis that set in the 3<sup>rd</sup> quarter of the year under review took a heavy toll on the economy. Spreading across, it has already pushed most developed economies into a prolonged recession that could possibly extend beyond 2009 – 10 with India being no exception. Global trading was affected in the form of shrinkage in demand and as a result, reduced exports from India. Industrial production registered a significant slowdown due to the global recession. It impacted many industries and in particular the Automotive sector. The Government with the help of Reserve Bank of India took several measures, fiscal and monetary, to boost investments, credit and consumption. Your company being in the automotive sector too was affected to a certain degree. Over the last few years, the Indian auto

industry posted an impressive growth but was adversely impacted by global developments during the financial year under review. The year 2008 – 09 also witnessed high levels of volatility in commodity prices essentially led by petroleum crude. The second quarter of 2008 – 09 witnessed prices of steel, our raw material scaling unprecedented heights which could not be fully passed on to the customers. The impact of this increase severely impacted our margins in the second and third quarter. However the fourth quarter of the year commodity prices receded offering a relief on margin pressure. As a result we have gone from a brutal third quarter to a comparatively better last quarter, where the sector has seen some respite. India was one of the few economies that registered a 7% growth in GDP for the year 2008 – 09. While there are fragile signs of the economy stabilizing, it is still too early to call it a recovery. Although the automotive industry as a whole has started witnessing a slow improvement, it does not really see it reaching the peak levels of last few years. Your company's performance for the year 2008 – 09 has to be seen in the context of the above background.

## Performance of the Company

Given the background of the present global situation OEM business dropped by 30%. However, aggressive pricing and marketing strategies, coupled with focus on costs helped the company post an impressive growth of 60% in aftermarket sales and export growth of 17% compared to the corresponding period previous year. As a result on a standalone basis your company registered a 15.60% growth compared to the previous year under severe adverse conditions.

Your company's financial and operating highlights for the year are:

- Net Sales increased from Rs.138 Cr to Rs. 160 Cr. (growth of 15.60%)
- PBDIT had improved from Rs.24.97 Cr to Rs.26.43 Cr. (growth of 5.83%)
- PBT dropped from Rs.18.49 Cr to Rs.14.23 Cr. (drop by 23%)



- PAT declined from Rs.12.25 Cr to Rs. 11.47 Cr. (drop by 6.36%)
- Net Worth rose to Rs.48.31 Cr from Rs.38.81 Cr.

The drop in PBT in the year 2008–09 can be attributed to the following additional exceptional cost of Rs. 2.65 Crs :

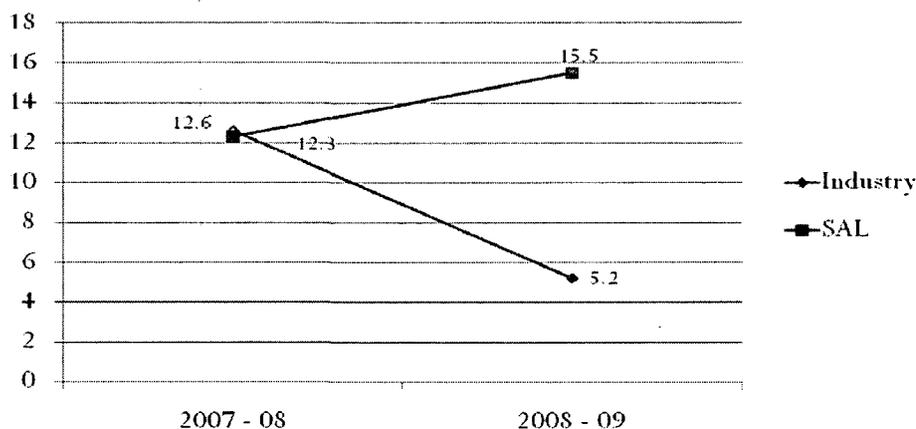
- Adjudication of Liability of Rs.1.43 Cr on account of Excise Duty payment related to prior years. This liability was contested in The Supreme Court of India.
- Loss of Rs. 1.22 Cr incurred on account of a Foreign Exchange Derivative Deal entered into with Banks.

### Your Company's Performance vs. Industry Average

Investment Information and Credit Rating Agency of India (ICRA) in its July 09 edition has analysed the performance of 68 companies operating in the auto-component industry including your company in the year 2008 - 09.

We are pleased to bring to your attention that your company has managed to outperform the industry in the testing times of last year.

**Sales:** ICRA reports suggest that compared to 2007 – 08's growth rate of 12.6%, overall industry growth for the year 2008 – 09 was only 5.2%. Your company on the other hand registered a 15.5% growth in revenue in the year 2008 – 09 compared to the previous year.

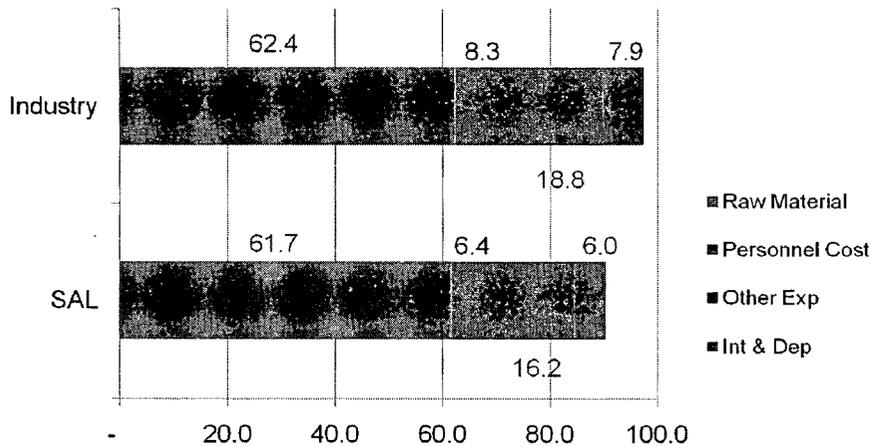


### Operating Costs

Your company has successfully managed costs as may be seen in the following graph. Your company's operating costs were 7% below the industry average at 90.3%. On all key cost parameters your company has outperformed the industry averages. Raw Material Consumption cost was marginally lower by 0.7%, Personnel Costs were lower by 1.9%, Other Expenses were lower by 2.6% and Interest and Depreciation



costs were lower by 1.9%. The graph below gives a detailed cost structure of your company Vs Industry Average for the year 2008 – 09.

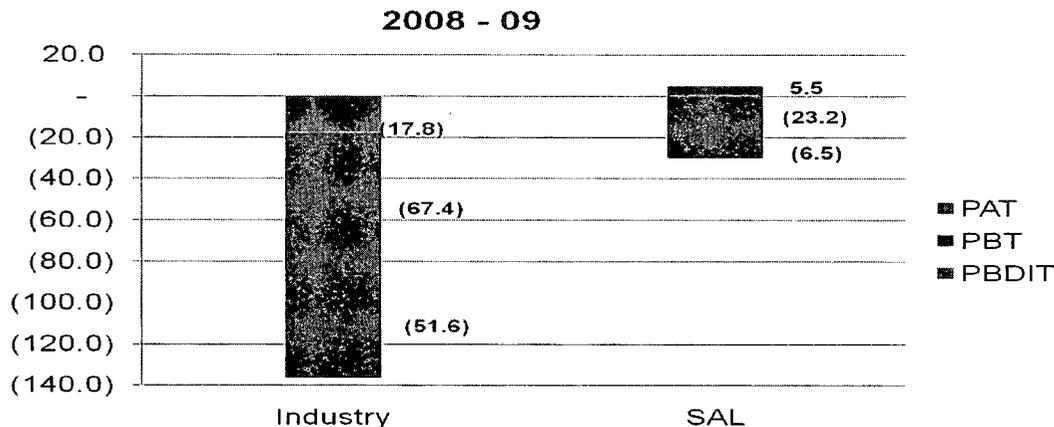


### Profitability Growth

As a result, your company has posted a 5.5% improvement YoY at PBDIT level against the average industry drop of 17.8%.

Compared to the industry average drop of 67.4% at PBT level your company also registered a drop of 23.2% in 2008 – 09 compared to the year 2007 – 08, but it was mainly on account of the onetime costs of Rs.2.65 Cr it had to absorb as explained above.

At PAT level your company recorded a drop of only 6.5% as compared to the industry average of 51.6%



Some of the key milestones achieved during the year that helped our growth were:

i. New Assembly Unit at Sitarganj (Uttarakhand):

Set up with an investment of approx Rs.8.0 crore, this project was completed by March 2008. Commercial operation commenced in April 2008 servicing aftermarket business. This assembly unit contributed significantly to the bottom line duly supported by backward area benefits e.g. Excise Duty, Income Tax and VAT exemption.



ii. New Press Shop at Kalol

You may recall the company had embarked upon with a major investment of Rs.32 crore in setting up the new Press Shop in Kalol. This unit is now complete and commercial production began in April 2009. With this unit the company will benefit in terms of cost savings and will reduce our reliance on external supplies of critical pressed components. This press plant, besides meeting our captive requirements, has also opened an avenue to develop new business line of sheet metal press products to third parties in India as well as overseas.

iii. FTE-JV Project

Last year, your company signed a Joint Venture Agreement with FTE GmbH, Germany to manufacture Hydraulic Clutch Actuation System. Global slowdown has resulted in a slight delay in the setting up of the unit. However, looking at the current economic scenario we expect to complete the formalities in the latter part of this fiscal.

### **Subsidiaries Performance**

#### **Setco Automotive (UK) Ltd. (SAUL)**

American and European markets were the worst hit by the crisis. Under these adverse circumstances, our UK subsidiary posted a 15.2% drop in revenues at Rs. 24.09 Cr. It is encouraging to note that despite a fiercely competitive market environment, proactive initiatives and cost reduction measures helped the company register an impressive 20% growth in PAT at Rs. 1.37 Cr compared to previous year. Being the R&D hub for the Setco group, efforts in new product development helped increase its penetration into the European markets for heavy duty commercial vehicles.

#### **Setco Automotive (North America) Inc. (SANAI)**

Signs of the troubled financial market in America were beginning to show in 2007 – 08 and finally the bubble burst in 2008 – 09. The worst to be hit was the American housing sector and the automotive sector. Notwithstanding the above, our US subsidiary has performed reasonably well by recording a marginal rise of 2% in revenue (Rs.59.13 Cr) in the current year compared to previous year. Timely introduction of cost cutting measures and efficient management of internal processes paid high dividends and the company registered an impressive 78% growth in the bottom line. Considering this being only the second year of the American subsidiary, the company has posted a satisfactory performance. With various new initiatives to reinforce the manufacturing lines at the Paris Plant and implementing effective marketing plans, SANAI expects to post better results going forward.

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

- Net Sales recorded a growth of 10.47% at Rs. 232 Cr.
- Net Profit marginally dropped by 1.95% at Rs. 13.32 Cr. This was mainly on account of the onetime exceptional costs incurred by the Parent Company in India as mentioned above.

Anticipating a revival in economy, supported by initiatives taken by management in terms of investments behind Press Shop, Value Engineering initiatives and New Product Developments will offer significant opportunities open up new markets with cost competitiveness and in turn bring about a positive contribution to growth of both top as well as bottom lines in years ahead.



## **Opportunities, Threats, Risks & Concerns**

### **Opportunities**

- i. Indian vehicle manufacturers are at different stages of launching heavy and medium duty commercial vehicles conforming to new emission laws. In addition global players are also looking at India aggressively. This offers an opportunity to enhance the range of Clutches offered. Some of the products have passed endurance tests and are under validation by customers.
- ii. Clutches so developed would also open up opportunity to enter global markets thus enhancing exports.
- iii. With the commencement of operations of Press shop, new market opportunities can be exploited not only in automotive industry for body panels as well as other components but also open up opportunities to enter engineering and consumer durable industries.
- iv. Once JV with FTE is operational, opportunities will open up and facilitate entry into other segments in automotive industry.
- v. Acceptance as a “Preferred Brand” in fast growing aftermarket opens up yet another growth avenue.
- vi. A potentially huge market for hydraulic pressure converters mainly used for the off highway construction activity has been identified in India. Your company has initiated special focus to offer these Hydraulics products currently being manufactured by its USA subsidiary to the existing market in India. This will also help the company to diversify into a new segment outside the automotive sector.

### **Threats**

- i. The robust Indian market offering a low cost country advantage is attracting international players to set up their hub not only to offer at competitive prices to global markets but eye for a share in growing domestic market as well. They may pose some threat in future, particularly when they come in with a composite offering with Power-train. However, your company with its international quality standard products, competitive pricing, strong service capabilities and a strong customer loyalty is well placed to effectively counter the threat from competitors and sustain its pre-eminent market position in the years to come.
- ii. There is a total dependence on Heavy and Medium Commercial Vehicle segment of automotive industry. Your company is sensitive to this and is evaluating expanding its range of clutches to cater to LCV and Passenger Car segments as well.

### **Risks and Concerns:**

- i. Your company is quite aware of the cyclicity in automotive industry, particularly in the OEM segment. To reduce its dependence on a few customers in the OEM segment, your company management also lays a great deal of stress on development of aftermarket sales as well as exports as mentioned above. Business in the aftermarket and Export segments have performed exceedingly well
- ii. High input costs and rising steel prices are a major cause of concern especially in the bottom line growth. Your company has now tied up directly with Steel manufacturers and done away with intermediaries. In addition we have also tied up with key customers such as Tata Motors to avail of their bulk quantity specially negotiated price.



# Corporate Governance Report

## Preface

Setco is committed to observing good Corporate Governance practices. Company's Corporate Governance philosophy goes beyond the adherence of regulatory and legal requirements.

The Company is voluntarily committed to adopt best practices in the area of Corporate Governance by maintaining high standards of business ethics 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. We principally believe that Corporate Governance is an ongoing process of continuous improvement and effective delivery of the Company's objectives with a view to translate opportunities into achievements.

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.

## Board of Directors

As on 31<sup>st</sup> March 2009, the Company had 8 members on its Board with 4 independent non-executive Directors, 1 dependent non-executive Director and 3 dependent executive Directors. Independent / Dependent non executive directors bring with them rich expertise drawn from their experience in respective fields like administration, finance, technology, business strategies, accounts etc. 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 supported by two Executive Directors. The Board of Directors monitors the performance of the Company and 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 an Audit Committee, a Shareholders / Investors Grievance Committee and a Remuneration Committee.

## Board / Committee Meetings

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
Board of Directors	7	22.05.2008, 30.06.2008, 31.07.2008, 22.10.2008, 24.12.2008, 30.01.2009 and 26.03.2009.
Audit Committees	6	22.05.2008, 30.06.2008, 31.07.2008, 22.10.2008, 30.01.2009 & 26.03.2009.
Shareholders / Investors Grievance Committee	4	22.05.2008, 31.07.2008, 22.10.2008, 30.01.2009.
Remuneration Committee	3	30.06.2008, 31.07.2008, 22.10.2008.



## Board of Directors

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 No. of Meetings during his tenure Held   Attended		Attendance	Member of ...			
			at last AGM	Board of Directors		Committees +	
			Held on 19.08.08	Chairman	Member	Chairman	Member
Mr. Harish.K.Sheth (E/D)	-7-	-7-	Yes	-1-	-1-	—	-2-
Mr. Pratap Merchant (NE/I)	-7-	-7-	Yes	—	-4-	-3-	-5-
Mr. Satish Deshpande (NE/I)	-7-	-7-	No	—	-3-	—	-2-
Mr. Arun Arora (NE/I)	-7-	-6-	No	—	-1-	—	-2-
Mr. B L Naik	-3-*	-3-	NA	—	-1-	—	—
Mr. Harshal.J. Shah (NE/D)	-7-	-2-	No	—	-1-	—	-2-
Mr. Udit.H.Sheth (E / D)	-6-*	-6-	NA	—	-1-	—	—
Mr. Shveta Vakil (E / D)	-4-*	-4-	NA	—	-2-	—	—

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

\* Meetings during their tenure as Director.

- >> Mr. Harshal Shah being related to Mr. Harish Sheth and Mr. Udit Sheth is a dependent (Non Executive) director.
- >> Except Mr. Harshal Shah, 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.
- + In accordance with Clause 49 of Listing Agreement, membership / Chairmanship of only Audit Committee, Shareholder' Grievance Committee is considered.



### 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 Company's website.

### Risk Management

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

### Appointment / reappointment of Directors

Persuant to close 49 of the Listing Agreement, 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 a part of this Annual Report.

### 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 Committee members are properly / meaningfully attended to. The members of the Committee are having wide experience and expertise in finance / financial management, accounting 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 a review of the systems and procedures, overseeing the functioning of internal audit, disclosure of financial information, a review of Company's financial reporting process, an observation of the auditors and recommendation for appointment of the statutory and internal auditors, their fees and review with the management of each of the quarterly / half yearly / annual financial statement before submission to the Board.

There were 6 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	Posotion	Number of Meetings during his tenure	
				Held	Attended
1	Mr. Pratap Merchant	NE / I	Chairman	-6-	-6-
2	Mr. Satish Deshpande	NE / I	Member	-6-	-6-
3	Mr. Harshal.J.Shah	NE. D	Member	-6-	-2-
5	Mr. Harish.K.Sheth	E / D	Special Invitee	-6-	-6-



### Shareholders / Investors Grievance Committee

The Shareholders / Investors Grievance Committee consists of 4 members; 3 Non-Executive / Independent Directors and the Chairman and Managing Director of the Company as stated below. The Board of Directors at its meeting held on 22.05.2008 reconstituted the Committee by appointing Mr. Satish Deshpande as Chairman of the Committee Mr. Pratap Merchant and inducting Mr. Arun Arora and Mr. Harshal Shah as members. 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	Name of Committee Member	Category of Director	Posotion	Number of Meetings during his tenure	
				Held	Attended
1	Shri Pratap Merchant #	NE/I	Chairman	-1- *	-1-
2	Mr. Satish Deshpande #	NE/I	Chairman	-4-	-4-
3	Mr.Harshal.J.Shah	NE/D	Member	-3-	Nil
4	Mr. Arun Arora	NE/I	Member	-4-	-4-
5	Mr. Harish.K.Sheth	E / D	Member	-4-	-4-
* Meetings during their tenure as Chairman / member of the Committee					
# Chairman till / from reconstitution of committee on 22.05.2008.					

### Remuneration Committee

The Remuneration Committee under the Clause 49 of the Listing Agreement is a non-mandatory requirement. However the Company has formed a Remuneration Committee to consider / review the managerial remuneration.

The Board reconstituted the Committee at its meeting on 22.05.2008. Mr. Arun Arora was inducted as a member of the Committee vice Mr. Harshal Shah.

There have been 3 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	Posotion	Number of Meetings during his tenure	
				Held	Attended
1	Mr. Pratap Merchant	NE / I	Chairman	-3-	-3-
2	Mr. Satish Deshpande	NE / I	Member	-3-	-3-
3	Mr. Harshal.J.Shah *	NE / D	Member	-1-	nil
4	Mr. Arun Arora	NE / I	Member	-3-	-2-
* ceased to be member on reconstitution of the Committee on 22.05.2008.					



The details of the remuneration paid to the Chairman and Managing Director and whole time Directors as given in Note 15 of Schedule 18 forming part of Audited Accounts for the year ending 31.03.2009 is as under:

Sr No	Particulars of Remuneration	Harish Sheth		Udit Sheth	Shvetal Vakil	K.B. Patel
		Chairman & Managing Director		Executive Director		Whole time Director
		2008.2009	2007.2008	2008.2009	2008.2009	2007.2008
1	Salary and Commission	7,600,000	8,100,000	31,50,000	21,60,000	61,290
2	Contribution to Provident & Other fund	720,000	432,000	3,78,000	1,80,000	—
	Total	8,320,000	8,532,000	35,28,000	23,40,000	61,290
Total Managerial Remuneration Rs 14,188,000 ( Rs 8,593,290)						

The sitting fee to the independent / non-executive Directors / members of the Committee for attending the Board of Directors / Committee Meetings is paid as per the provisions of the Companies Act 1956. The fees paid during the year under report is as detailed below. Mr. Harshal Shah, director of the company, being related to the Chairman and Managing Director is not being paid any sitting fees. The Company does not have any Stock Option Scheme.

	Name	Rupees		Name	Rupees
1	Mr. Pratap Merchant	120,000	2	Mr. Arun Arora	85,000
3	Mr. Satish Deshpande	135,000	4	Mr. B.L Naik	30,000
5	Mr. Harshal.J.Shah	Nil			

### General Body Meeting

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

Year	Date	Time	Venue
2005-2006	23.09.2006	03.00 pm	Registered Office:
2006-2007	20.09.2007	03.00 pm	Vadodara – Godhra Highway,
2007-2008	19.08.2008	03.00 pm	Kalol – 389 330, (Dist. Panchmahals) Gujarat, India



No resolution was put through postal ballot last year. The details of the 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
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 Venture in India and /or a wholly owned subsidiary.
19.08.2008	-1-	i. For delisting Company's Equity Shares from Ahmedabad Stock Exchange

### Disclosure

No material, financial and commercial transactions were entered into where Directors have any personal interest and that may have a potential conflict with the interest of the Company at large. Related party transactions are as per the Note 16 of Schedule 18 forming part of Audited Accounts for the year ending 31.03.2009.

### Non Mandatory Requirements

Company has set up a Remuneration Committee to review the remuneration payable to the managerial personnel. It has -3- non-executive directors as members and independent director as Chairman. The members remain present at the Committee meetings. Working results for the half year endings are communicated by a separate letter to the members of the Company. Since the Company has full time executive Chairman, there is no need of providing a separate office and / or reimbursing him the expenses incurred by him in performance of his duty as non executive director.

### Means of Communication

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

### General Shareholders Information

i. Annual General Meeting:

Date / Time	24.09.2009 / 3.00 pm
Venue	Company's Registered Office
Financial Calender	Year ending 31.03.2009

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

For the Annual General Meeting scheduled on 24.09.2009 for consideration / adopting the Audited Accounts for year ending 31.03.2009, the Register of Members and Share Transfer



Books will remain close from Thursday, 10.09.2009 to Thursday 24.09.2009 (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 the Bombay Stock Exchange. Listing fee for the year 2009.2010 is paid. Annual custody / Custodial fees for the year 2009.2010 is paid to National Securities Depositories Limited and Central Depository Services (India) Limited.

v. The details of transactions on BSE in the Company's equity during the year under report are given hereinafter under the head "Stock Price Data and Stock Performance".

Stock Code:			
Bombay Stock Exchange	505075	ISIN No.	INE878E01013

**Financial Calender**

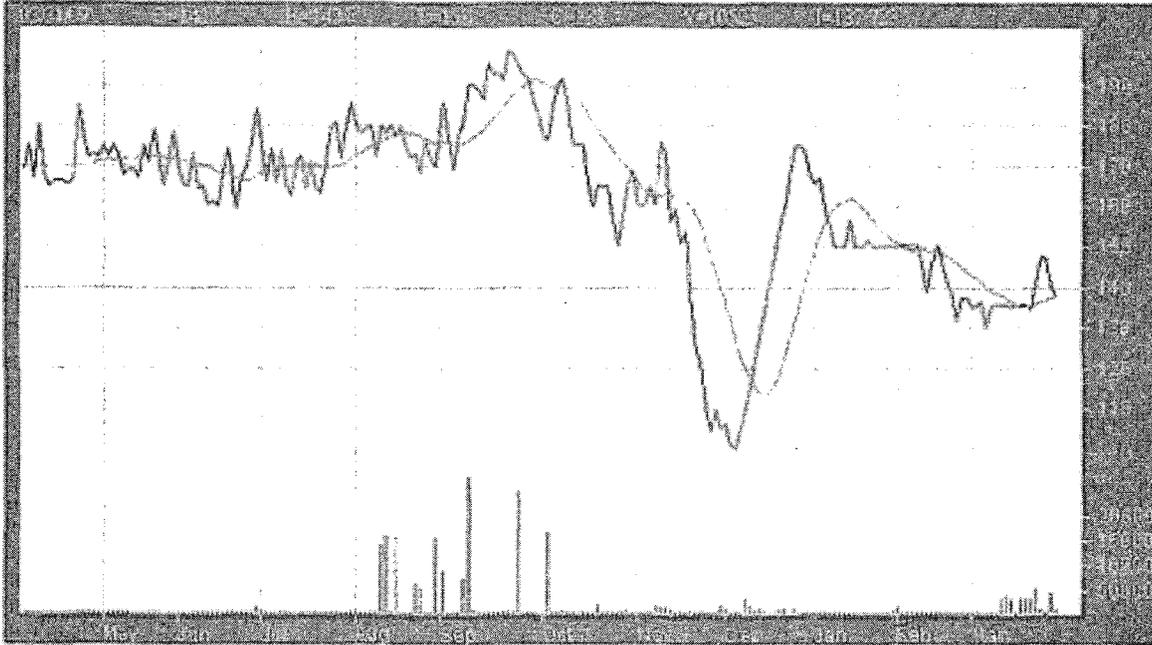
Financial reporting for the quarter ending June 30, 2009	End July 2009
Financial reporting for the half year ending September 30, 2009	End October 2009
Financial reporting for the quarter ending December 31, 2009	End January 2010
Financial reporting for the year ending March 31, 2010	End June 2010
Annual General Meeting for the year ended March 31, 2010	End September 2010

**Stock Price Data** (from April 2008 to March 2009 on BSE (Scrip Code : 505075) :

Month (2008.2009)	Open Price	High Price	Low Price	Close Price	No. of Shares	No. of Trades	Total Turnover (Rs.)	*Spread(Rs.)	
								H - L	C - O
April 08	190.00	190.00	161.25	172.00	7772	93	1,365,153	28.75	-18.00
May 08	175.00	180.00	160.30	178.50	13165	82	2,237,26	19.70	3.50
June 08	175.00	184.30	152.00	184.20	21421	102	3,826,271	32.30	9.20
July 08	176.10	185.50	158.00	185.50	9341	129	1,576,218	27.50	9.40
August 08	180.00	181.90	164.30	170.00	727972	133	129,860,109	17.60	-10.00
September 08	167.00	199.00	167.00	183.00	722504	476	136,789,911	32.00	16.00
October 08	185.00	194.20	150.00	169.00	230678	210	41,595,712	44.20	-16.00
November 08	160.60	190.40	100.00	105.25	95000	161	14,638,064	90.40	-55.35
December 08	106.00	175.00	100.30	167.85	150854	221	19,786,565	74.70	61.85
January 09	165.55	166.90	149.90	150.00	15072	84	2,316,191	17.00	-15.55
February 09	157.50	157.50	131.95	137.55	18481	84	2,853,928	25.55	-19.95
March 09	132.30	148.00	125.00	138.00	323226	240	44,395,562	23.00	5.70



## Stock Performance



### Share Transfer Systems, Registrar and Transfer Agent and Dematerialization of Shares

The Company with a view to provide better services to the shareholders has appointed Messrs Link Intime Private Limited (formerly 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 Link Intime Private Limited, C-13, Pannalal Silk Mills Compound, Bhandup (West), Mumbai 400 078.

The shareholders are requested to send their correspondence for physical 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, 2/A, Ground Floor, Film Centre, Tardeo Road, Mumbai 400 034". Company's Website: [www.setcoauto.com](http://www.setcoauto.com)

The details of complaints / references etc received during the period under report from shareholders / investors is: Opening balance (1), received during the year (168), resolved (168), balance carried over (1).

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



### Shareholding pattern as on 31<sup>st</sup> March 2009

Sr No.	Category	No. of Shares	% in Total
1.00	PROMOTER'S HOLDING		
i.	Indian Promoters	57,13,615	64.77
ii.	Foreign Promoters	NIL	NIL
iii.	Person Acting in Concert (Relative)	NIL	NIL
	Sub Total	57,13,615	64.77
2.00	NON-PROMOTER'S HOLDING		
2.01	Institutional Investors :		
i.	Mutual Funds & UTI	NIL	NIL
ii.	Banks / FIs / Insurance Companies / Govt. & Non Govt. Institutions	3050	0.035
iii.	Foreign Institutional Investors	15,34,450	17.39
	Sub Total	15,37,500	17.43
2.02	Others		
i.	Private Corporate Bodies	1,75,497	1.99
ii.	Indian Public	13,95,268	15.82
	Sub Total	15,70,765	17.81
	Grand Total	88,21,880	100.00

### Shareholding of Independent Directors

Sr No	Independent Director	No. of Shares
01	Mr. Pratap Merchant	Nil
02	Mr. Satish Deshpande	Nil
03	Mr. Arun Arora	14,200
04	Mr. B.L Naik	1,200

### Distribution of Shares

Shareholding of Shares		Shareholders		Shares Allotted	
	No. of Shares	Number	%	Number	%
1	500	5163	95.13	4479050	5.08
501	1000	95	1.75	772390	0.88
1001	2000	65	1.20	975640	1.11
2001	3000	27	0.50	683220	0.77
3001	4000	10	0.18	348350	0.39
4001	5000	18	0.33	862250	0.98
5001	10000	19	0.35	1575350	1.78
10001	999999999	30	0.56	78522550	89.01
	<b>Total</b>		<b>100.00</b>	<b>8821880</b>	<b>100.00</b>



### Dematerialization of Shares and Liquidity

	Number of Shares	% in Total
Demat	8462667	95.928
Physical form	359213	4.072
<b>Total</b>	<b>88,21,880</b>	<b>100.00</b>

Details on Public Funds obtained in the last three years: -Nil-

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

### Other Useful Information for Shareholders

Due dates for Transfer of Unclaimed Dividend to investor Education and Protection Fund (IEPF) are as under:

Year	Date of Declaration of Dividend	Due date to transfer to IEPF	Status
Interim Dividend 2006.2007	01.11.2006	01.11.2013	NA
Final Dividend 2006.2007	20.09.2007	20.09.2014	NA
Final Dividend 2007.2008	19.08.2008	18.08.2015	NA

Shareholders who have not yet encashed their interim / final dividend warrants for the previous years may approach with non-cashed dividend warrants in their hands to the Company, at its Corporate Office for revalidation / issue of duplicate dividend warrants. 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.

### Plant Location, Registered Office and address for Investors' Correspondence

The Company's manufacturing plants are located at the Registered Office of the Company and at Sitarganj, Uttarakhand State, India.

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### Certificate of Compliance with Code of Conduct

The Company has formally adopted the revised Code of Conduct for the members of the Board of Directors and Senior Management team of the Company at the Board meeting held on 26.06.2009.

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.

Mumbai  
Dated: 26.06.2009

For Setco Automotive Limited,  
Harish K. 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 31<sup>st</sup> March, 2009 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 that 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  
(M. P. MEHTA)

Partner

(M. No. 36032)

Place : Vadodara

Date : 30.07.2009



# **STANDALONE ACCOUNTS**

(INDIA)



# Auditors Report

To,  
THE SHAREHOLDERS OF  
SETCO AUTOMOTIVE LIMITED

1. We have audited the attached Balance Sheet of **Setco Automotive Limited** as at 31<sup>st</sup> March, 2009 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 Compensated Absences 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. 852.24 lacs have been recognized as sales at a value of Rs. 1,160.71 lacs. (Refer Accounting Policy 7(i) of Schedule 17 and Note 10 of schedule 18)
    - (ii) *Accounting Standard-15 (Revised) in respect of "Employee Benefits" provides for accounting of Compensated Absences on accrual basis with actuarial valuation whereas same have been accounted on Cash basis. (Refer Accounting Policy 13(4) of Schedule 17 and Note 11(1) of Schedule 18)*



- e) Central Government has yet not 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 31<sup>st</sup> March, 2009 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31<sup>st</sup> March, 2009 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 reconciliation and or confirmation (Refer Note 13 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. 1,160.71 lacs and inventory would have been higher by Rs.852.24 lacs, the net profit (after tax) for the year would have been lower by Rs. 255.57 lacs and accumulated profit would have been lower by Rs. 255.57 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 financial statements, 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 in conformity with the accounting principles generally accepted in India:

- (i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2009
- (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 : 26.06.2009

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



## Annexure to Auditors Report

(Referred to in paragraph 3 of our report of even date)

1. In respect of its fixed assets:
  - a) The Company has maintained proper records showing particulars and situation of fixed assets.
  - b) As per the information and explanations given to us, there is a phased program of physical verification of fixed assets as adopted by the Company, which in our opinion, is reasonable having regard to the size of the company and the nature of the assets. As informed, no material discrepancies were noticed on such verification.
  - c) In our opinion and according to the information & explanations given to us, no substantial part of the fixed assets has been disposed off during the year.
2. In respect of its inventories:
  - a) According to the information and explanations given to us, inventories were physically verified during the year by the management at reasonable intervals.
  - b) According to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to size of the Company and the nature of its business.
  - c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories. No material discrepancies were noticed on physical verification of inventory.
3. According to the information and explanations given to us, the Company has neither granted nor taken any loans to/from Companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the Company and the nature of its business, with regard to purchase of inventory, fixed assets, sale of goods and services. We have not observed any continuing failure to correct major weaknesses in such internal controls.
5. According to the information and explanations given to us, we are of the opinion that particulars of contracts or arrangements that need to be entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, have been so entered. In our opinion and according to the information & explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding the value of Rupees five lacs have been made at prices which are reasonable having regard to the prevailing market prices at the relevant times.
6. The Company has not accepted any deposits from the public under section 58A and 58AA of the Companies Act, 1956 and the rules framed there under.
7. In our opinion, the Company has an adequate internal audit system commensurate with the



size and the nature of its business.

8. According to the information and explanations given to us, the maintenance of cost records has not been prescribed by the Central Government under section 209 (1) (d) of the companies Act, 1956.
9. According to the information and explanations given to us and on the basis of our examination of books of account:
  - a) The Company has been generally regular in depositing undisputed statutory dues including Provident Fund and Employees State Insurance with appropriate authorities though there have been few instances of delay in deposition in respect of Provident Fund, Professional Tax, Excise, Fringe Benefit Tax, etc. However, there have been frequent delays during the year in depositing Tax deducted at Source. According to the information and explanations given to us, there are no undisputed items outstanding for more than six months as of 31<sup>st</sup> March, 2009.
  - b) According to the information and explanations given to us, there were no disputed amounts remaining unpaid in respect of Sales Tax, Excise duty, Service Tax and Custom Duty except amount of Rs. 3,02,265/- in respect of income tax demand for the Assessment Year 2006-07 whose appeal is pending before Commissioner of Income-Tax (Appeals), Baroda.
10. The company does not have accumulated losses as at 31.03.2009. The company has not incurred cash losses during the current year and the immediately preceding financial year.
11. In our opinion and according to the information & explanations given to us, Company has not defaulted in repayment of dues with regard to loans obtained from banks. The company has not taken any other loan from any financial institution nor issued any debentures.
12. The Company has given guarantees for loans taken by its subsidiaries from banks. In our opinion and according to the information and explanations given to us, the terms and conditions of the said guarantees are not prima facie prejudicial to the interest of the company.
13. In our opinion and according to the information and explanations given to us, the term loans availed by the Company during the year were, prima facie, applied for the purposes for which the loans were obtained.
14. According to the information and explanations given to us and based on our examination of the balance sheet on an overall basis, we report that no funds raised on short-term basis have been used for long-term investment.
15. The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956 during the year and accordingly, the question of whether the price at which the shares have been issued is prejudicial to the interest of the company does not arise.
16. The Company has not issued any debentures during the year and accordingly, the question of creating security in respect thereof does not arise.
17. The company has not raised any money from public issue during the year and in the recent



past and accordingly, the question of disclosing the end use of money raised by public issue does not arise.

18. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.
19. In our opinion and as per the information and explanations given to us, the nature of the Company's business/activities during the year is such that clauses (xii), (xiii) and (xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable.

For MANESH MEHTA & ASSOCIATES  
Chartered Accountants

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

Place : Mumbai  
Date : 26.06.2009



## Balance Sheet as at 31st March, 2009

	Schedule	Rupees	As At 31.03.2009 Rupees	As At 31.03.2008 Rupees
<b>I. Sources of funds :</b>				
1. Shareholders' Funds				
a. Share Capital	1	88,218,800		88,218,800
b. Reserves and Surplus	2	399,465,215		310,509,041
			487,684,015	398,727,841
2. Loan Funds				
a. Secured Loans	3	683,883,218		542,853,500
b. Unsecured Loans	4	57,396,244		70,600,000
			741,279,462	613,453,500
3. Deferred Tax Liabilities			22,222,000	9,778,000
	<b>Total</b>		<b>1,251,185,477</b>	<b>1,021,959,341</b>
<b>II. Application of funds :</b>				
1. Fixed Assets				
a. Gross Block	5	521,714,950		407,271,457
b. Less : Depreciation		143,000,285		113,244,713
c. Net Block		378,714,665		294,026,744
d. Capital Work in Progress		276,594,153		172,959,827
			655,308,818	466,986,571
2. Investments	6		118,789,950	118,789,950
3. Current Assets, Loans and Advances	7			
a. Inventories		141,715,173		199,058,307
b. Sundry Debtors		299,245,957		272,030,434
c. Cash and Bank Balances		22,648,530		6,368,015
d. Loans & Advances		172,030,449		126,395,627
			635,640,109	603,852,383
Less: Current Liabilities and Provisions	8			
a. Liabilities		125,489,387		146,486,963
b. Provisions		37,621,213		31,162,437
			163,110,600	177,649,400
Net Current Assets			472,529,509	426,202,983
4. Miscellaneous Expenditure (to the extent not written off or adjusted)	9		4,557,200	9,979,837
	<b>Total</b>		<b>1,251,185,477</b>	<b>1,021,959,341</b>
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 : 26.06.2009

For and on behalf of the Board

Harish Sheth, Chairman & Managing Director

Arun Arora  
Pratap Merchant  
Shvetal Vakil

B. L. Naik  
Satish Deshpande  
Udit H. Sheth

Place : Mumbai  
Date : 26.06.2009



## Profit and Loss Account for the year ended 31st March, 2009

	Schedule	Year ended 31.03.2009 Rupees	Year ended 31.03.2008 Rupees
<b>Income</b>			
Sales ( Including Excise & Sales Tax)		1,728,647,047	1,703,455,145
Less : Excise Duty		95,209,207	266,402,088
Sales Tax		31,252,893	50,279,005
		1,602,184,947	1,386,774,052
Other Income	10	12,166,217	3,528,197
Increase/(Decrease) in Stocks	11	(3,964,409)	15,006,486
		1,610,386,755	1,405,308,735
<b>Expenditure</b>			
Raw Materials and Components Consumed	12	964,366,641	845,318,252
Personnel Expenses	13	102,526,199	82,894,529
Other Expenses	14	274,767,846	223,680,675
R & D Expenses		2,229,256	1,655,153
Miscellaneous Expenditure Amortized	15	2,196,903	2,026,903
		1,346,086,845	1,155,575,512
<b>Profit Before Depreciation, Interest, Exceptional/ Extraordinary Items &amp; Tax</b>			
		264,299,910	249,733,223
Depreciation	5	29,997,267	21,271,703
Financial Charges	16	65,466,019	43,515,944
		95,463,286	64,787,647
<b>Profit Before Exceptional/Extra Ordinary Items &amp; Tax</b>			
		168,836,624	184,945,576
Less : Exceptional/Extra ordinary Items (Refer Note 6 of Schedule 18)		26,539,956	-
<b>Profit for the year before tax</b>			
		142,296,668	184,945,576
Less: Deferred Tax Adjustments		12,444,000	7,618,000
Provision for Fringe Benefit Tax		1,981,000	2,560,537
Provision for Corporate Tax		10,960,360	51,633,000
Tax Adjustment for Earlier Year		2,164,690	586,196
<b>Profit Available for Appropriations</b>			
		114,746,618	122,547,843
<b>Appropriations</b>			
Proposed Dividend		22,054,700	22,054,700
Corporate Tax on Dividend		3,748,200	3,748,200
Transferred to General Reserve		11,474,662	12,254,784
<b>Balance Profit</b>			
		77,469,057	84,490,159
Profit Brought Forward from Previous Year		147,282,503	62,792,344
Profit Carried to Balance Sheet		224,751,560	147,282,503
Basic and Diluted Earnings per share (After Exceptional / Extra ordinary Items)		13.01	13.89
Basic and Diluted Earnings per share (Before Exceptional / Extra ordinary Items)		16.02	13.89
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 : 26.06.2009

For and on behalf of the Board

Harish Sheth, Chairman & Managing Director

Arun Arora  
Pratap Merchant  
Shveta Vakil

B. L. Naik  
Satish Deshpande  
Udit H. Sheth

Place : Mumbai  
Date : 26.06.2009



## Schedules

	As at 31.03.2009 Rupees	As at 31.03.2008 Rupees
<b>SCHEDULE 1</b>		
<b>Share Capital</b>		
Authorized :		
20,000,000 (20,000,000) Equity Shares of Rs. 10 each	200,000,000	200,000,000
Issued, Subscribed & Paid -up :		
8,821,880 (8,821,880) Equity Shares of Rs.10 each	* 88,218,800	88,218,800
<b>Total</b>	<b>88,218,800</b>	<b>88,218,800</b>
* 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.		
<b>SCHEDULE 2</b>		
<b>Reserves and Surplus</b>		
1) Capital Reserve		
i) On forfeiture of Shares	21,000	21,000
ii) On cash subsidy :		
Central Cash Subsidy	-	1,500,000
State Cash Subsidy	-	500,000
2) Share Premium :	137,500,000	137,500,000
(On 12,50,000 shares @ Rs.110/- per share)		
3) General Reserve		
Opening Balance	23,705,538	11,450,754
Add : Gratuity Adjustment *	12,455	-
Transferred from Cash Subsidy A/c.	2,000,000	-
Transferred from Profit & Loss A/c.	11,474,662	12,254,784
* (Refer Note No.11(I) of Schedule 18 for Gratuity Adjustment)	37,192,655	23,705,538
4) Profit & Loss Account	224,751,560	147,282,503
<b>Total</b>	<b>399,465,215</b>	<b>310,509,041</b>
<b>SCHEDULE 3</b>		
<b>Secured Loans</b>		
1) Bank of Baroda - Term Loan	322,869,652	229,198,542
2) Bank of Baroda - Cash Credits	275,732,401	223,654,958
3) HDFC Bank Ltd.- Term Loan	85,281,165	90,000,000
(Refer Note No.07(i) & (ii) Of Schedule 18 for security and other details)		
<b>Total</b>	<b>683,883,218</b>	<b>542,853,500</b>
<b>SCHEDULE 4</b>		
<b>Unsecured Loans</b>		
Tata Capital Ltd.	57,005,011	70,000,000
Interest Accrued and Due	391,233	600,000
(Refer Note No.07(iii) Of Schedule 18 for security and other details)		
<b>Total</b>	<b>57,396,244</b>	<b>70,600,000</b>

## SCHEDULE - 5

### Fixed Assets

SR	PARTICULARS	COST				DEPRECIATION				NET BLOCK	
		Cost as on 01.04.2008 Rs.	Additions for the year Rs.	Adjustment for the year Rs.	Cost as on 31.03.2009 Rs.	Up to 31.03.2008 Rs.	Additions for the year Rs.	Adjustment for the year Rs.	Up to 31.03.2009 Rs.	As at 31.03.2009 Rs.	As at 31.03.2008 Rs.
1	2	3	4	5	6	7	8	10	11	12	13
<b>A</b>	<b>Tangible Assets</b>										
	01 Land	29,528,263	1,150,575	-	30,678,838	-	-	-	-	30,678,838	29,528,263
	02 Building	56,092,084	5,039,774	-	61,131,858	5,365,612	1,907,849	-	7,273,461	53,858,397	50,726,472
	03 Plant & Machinery	217,692,217	62,096,290	241,696	279,546,811	81,580,071	19,776,235	241,696	101,114,610	178,432,201	136,112,446
	04 Furniture & Fixtures	6,724,839	11,070,178	-	17,795,017	1,653,865	601,393	-	2,255,258	15,539,759	5,070,975
	05 Office Equipments	4,282,176	1,113,955	-	5,396,131	694,530	219,220	-	913,750	4,482,381	3,587,646
	06 Pollution Equipments	53,000	224,500	-	277,500	35,162	6,961	-	42,123	235,377	17,838
	07 Computers	6,975,188	2,294,175	-	9,269,363	2,358,734	1,199,803	-	3,558,537	5,710,826	4,616,454
	08 Electric Fittings	10,147,869	15,026,165	-	25,174,034	336,789	914,966	-	1,251,755	23,922,279	9,811,080
	09 Vehicle	7,593,820	3,010,938	-	10,604,758	1,344,301	832,806	-	2,177,107	8,427,651	6,249,519
	<b>Sub Total (Tangible Assets)</b>	<b>339,089,456</b>	<b>101,026,550</b>	<b>241,696</b>	<b>439,874,310</b>	<b>93,369,064</b>	<b>25,459,233</b>	<b>241,696</b>	<b>118,586,601</b>	<b>321,287,709</b>	<b>245,720,694</b>
<b>B</b>	<b>Intangible Assets</b>										
	1) Goodwill	1,961,719	-	-	1,961,719	1,471,288	490,431	-	1,961,719	-	490,431
	2) Product Development	47,687,348	-	-	47,687,348	14,731,342	3,446,328	-	18,177,670	29,509,678	32,956,006
	3) Technical Know how	2,775,310	-	-	2,775,310	2,775,310	-	-	2,775,310	-	-
	4) Computer Software	15,262,335	13,589,940	-	28,852,275	731,308	491,746	-	1,223,054	27,629,221	14,531,027
	5) Web Site Development	494,988	69,000	-	563,988	166,402	109,529	-	275,931	288,057	328,586
	<b>Sub Total (Intangible Assets)</b>	<b>68,181,700</b>	<b>13,658,940</b>	<b>-</b>	<b>81,840,640</b>	<b>19,875,650</b>	<b>4,538,034</b>	<b>-</b>	<b>24,413,684</b>	<b>57,426,956</b>	<b>48,306,050</b>
	<b>Grand Total (A + B)</b>	<b>407,271,156</b>	<b>114,685,490</b>	<b>241,696</b>	<b>521,714,950</b>	<b>113,244,714</b>	<b>29,997,267</b>	<b>241,696</b>	<b>143,000,285</b>	<b>378,714,665</b>	<b>294,026,744</b>
	<b>Previous Year:</b>	<b>253,219,300</b>	<b>155,442,640</b>	<b>1,390,483</b>	<b>407,271,457</b>	<b>92,679,764</b>	<b>21,271,703</b>	<b>706,754</b>	<b>113,244,713</b>	<b>224,417,672</b>	
<b>C</b>	<b>Capital Work in Progress</b>										
	1. Press Tools in Progress	2,612,753	760,438	2,612,753	760,438	-	-	-	-	760,438	2,612,753
	2. Press Shop in Progress	170,347,074	105,486,641	-	275,833,715	-	-	-	-	275,833,715	170,347,074
	<b>Total C</b>	<b>172,959,827</b>	<b>106,247,079</b>	<b>2,612,753</b>	<b>276,594,153</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>276,594,153</b>	<b>172,959,827</b>

Note:

- (1) 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.
- (2) Depreciation on additions during the year on pro-rata basis.





## Schedules

	Rupees	As at 31.03.2009 Rupees	As at 31.03.2008 Rupees
<b>SCHEDULE 6</b>			
<b>Investments (Unquoted &amp; Long Term)</b>			
i) 10 Equity Shares of Rs. 25/- each fully paid up of Kalol Urban Co. op.		250	250
ii) 8,00,000 Equity Shares of £ 1 each fully paid up of foreign subsidiary (At Cost)		64,840,000	64,840,000
iii) 1,08,200 Equity Shares of MUR 100 each fully paid up of wholly owned foreign subsidiary (At Cost)		15,854,700	15,854,700
iv) 2,52,158 0% Redeemable Preference Shares of MUR 100 each fully paid up of wholly owned foreign subsidiary (At Cost)		38,095,000	38,095,000
<b>Total</b>		<b>118,789,950</b>	<b>118,789,950</b>
<b>SCHEDULE 7</b>			
<b>Current Assets, Loans and Advances</b>			
<b>1) Current Assets :</b>			
i) Inventories ( As taken, valued and certified by the management and Internal Auditors)			
Raw Materials, Components	66,337,675		120,898,118
Stores and Packing Materials	4,996,282		3,814,564
Work-in-Process	54,979,043		57,028,036
Finished Goods	15,353,553		16,472,990
Scrap	48,620		844,599
		<b>141,715,173</b>	<b>199,058,307</b>
ii) Sundry Debtors (Unsecured, considered good unless otherwise stated)			
Debts (outstanding for a period exceeding six months)	38,186,844		18,019,272
Other Debts	261,059,113		254,011,162
		<b>299,245,957</b>	<b>272,030,434</b>
[Net of Bills discounted through Bank Rs.56,63,272 (Rs.26,36,763)]			
iii) Cash and Bank Balances:			
Cash on hand	1,735,572		1,282,482
Balance with Scheduled Banks:			
In current Accounts	15,788,460		1,130,232
In Fixed Deposits	5,124,498		3,955,301
		<b>22,648,530</b>	<b>6,368,015</b>



## Schedules

	Rupees	As at 31.03.2009 Rupees	As at 31.03.2008 Rupees
2) Loans and Advances:			
(Unsecured, considered good unless otherwise stated)			
Advances (Recoverable in cash or in kind or for value to be received)			
a. Subsidiaries	28,688,281		25,544,658
b. Others	124,192,137		90,759,462
Sundry Deposits	9,113,865		4,447,803
Balance with Central Excise	9,897,771		5,514,991
Deduction of Tax At source	138,395		128,713
		172,030,449	126,395,627
<b>Total</b>		<b>635,640,109</b>	<b>603,852,383</b>
<b>SCHEDULE 8</b>			
<b>Current Liabilities and Provisions</b>			
<b>1. Current Liabilities</b>			
a. Sundry Creditors:			
For Goods	86,492,084		94,818,262
For expenses	19,901,305		25,717,746
b. Other Liabilities	19,095,998		25,950,955
		125,489,387	146,486,963
<b>2. Provisions</b>			
For Taxation	11,818,313		5,359,537
For Dividend	22,054,700		22,054,700
For Tax on Dividend	3,748,200		3,748,200
		37,621,213	31,162,437
(Refer Note No.13 of Schedule 18)	<b>Total</b>	<b>163,110,600</b>	<b>177,649,400</b>
<b>SCHEDULE 9</b>			
<b>Miscellaneous Expenditure</b>			
(To the extent not written off or adjusted)			
i) Company Formation Expenses		176,601	353,204
ii) Share Issue Expenses		3,700,599	5,550,899
iii) Fees for Increase in Authorized Share Capital		680,000	850,000
iv) Pre Operative Expenses (Pending Allocation)		-	3,225,734
	<b>Total</b>	<b>4,557,200</b>	<b>9,979,837</b>



## Schedules

	Year Ended 31.03.2009 Rupees	Year Ended 31.03.2008 Rupees
<b>SCHEDULE 10</b>		
<b>Other Income</b>		
Profit on Sale of Fixed Assets	161,200	350,000
Dividend from subsidiary	-	2,781,504
Interest	1,154,278	5,804,032
Miscellaneous	47,860	117,228
Export Incentive	-	1,629
Insurance Claim Received	275,557	-
Foreign Exchange Fluctuation Gain	10,527,322	(5,526,196)
<b>Total</b>	<b>12,166,217</b>	<b>3,528,197</b>
<b>SCHEDULE 11</b>		
<b>Increase in Stocks</b>		
Stocks as on 01.04.2008		
Finished Goods	16,472,990	14,511,352
Work-in-Process	57,028,036	44,586,692
Scrap	844,599	241,095
	<b>74,345,625</b>	<b>59,339,139</b>
Stock as on 31.03.2009		
Finished Goods	15,353,553	16,472,990
Work -in-Process	54,979,043	57,028,036
Scrap	48,620	844,599
	<b>70,381,216</b>	<b>74,345,625</b>
<b>Total</b>	<b>(3,964,409)</b>	<b>15,006,486</b>
<b>SCHEDULE 12</b>		
<b>Raw Material and Components Consumed</b>		
Opening Stock	120,898,118	64,635,010
Add : Purchases during the year ( Net of Returns)	938,248,583	921,060,751
	<b>1,059,146,701</b>	<b>985,695,761</b>
Less : Closing Stock	66,337,675	120,898,118
	<b>992,809,026</b>	<b>864,797,643</b>
Less : Sales of Scrap	28,442,385	19,479,391
<b>Total</b>	<b>964,366,641</b>	<b>845,318,252</b>
<b>SCHEDULE 13</b>		
<b>Personnel Expenses</b>		
Salaries and Wages	87,417,382	70,458,267
Contribution to Provident Fund and other Funds	7,114,046	5,687,013
Welfare and Other Expenses	7,994,771	6,749,249
<b>Total</b>	<b>102,526,199</b>	<b>82,894,529</b>



## Schedules

	Year Ended 31.03.2009 Rupees	Year Ended 31.03.2008 Rupees
<b>SCHEDULE 14</b>		
<b>Other Expenses</b>		
Stores and Tools Consumed	26,520,817	21,595,671
Carriage Inward	20,049,664	12,429,950
Power and Fuel	14,150,726	10,737,414
Job work Charges	22,961,525	26,333,252
Repairs and Maintenance to Machinery	2,337,753	1,298,855
Repairs to Building	942,924	2,492,852
Others Repairs	4,823,321	3,209,910
Factory Expenses	1,501,652	1,644,663
Rent	9,300,105	1,602,086
Rates and Taxes	21,039	22,730
Insurance	1,627,823	1,248,344
Conveyance	5,349,195	3,127,738
Travelling Expenses	19,113,796	14,661,219
Legal and Professional Charges	16,872,546	10,751,666
Statutory Auditors' Remuneration	618,380	562,280
Printing and Stationary	1,180,089	1,794,990
Communication Expenses	3,245,196	3,364,469
Books, Subscription and Membership	59,663	155,117
Directors Sitting Fees	370,000	220,000
Office Expenses	548,500	226,697
General Expenses	10,766,532	12,771,827
Sundry Balance Written off (Net)	2,624,582	(95,565)
Marketing and Sales Promotion	32,113,663	29,820,316
Advertisement Expenses	507,904	1,728,044
Discount, Commission and other Expenses on Sales	42,462,387	26,537,498
Packing and Forwarding Expenses	34,157,408	33,921,118
Excise Duty on Finished Goods Stock	540,656	1,517,534
	<b>Total</b>	<b>274,767,846</b>
<b>SCHEDULE 15</b>		
<b>Miscellaneous Expenditure Amortized</b>		
Company Formation Expenses	176,603	176,603
Share Issue Expenses	1,850,300	1,850,300
Fees for Increase in Authorized Share Capital	170,000	-
	<b>Total</b>	<b>2,196,903</b>
<b>SCHEDULE 16</b>		
<b>Financial Charges</b>		
Interest on Term Borrowings	14,810,856	5,220,403
Interest on Working Capital Facilities	46,119,289	34,718,177
Bank Charges	4,535,874	3,577,364
	<b>Total</b>	<b>65,466,019</b>



## SCHEDULE 17

### Significant Accounting Policies

#### 1. 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 and applicable Accounting Standards notified u/s 211 (3C) of the Companies Act, 1956. Effect of deviations from the accounting standards vis-s-vis the treatment consistently adopted is disclosed in the accounts, wherever relevant and material.

#### 2. 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".

#### 3. 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) Computer Software: over a period of three years from the date it is operationalized.
  - (c) Website Development: over a period of three years.
  - (d) Goodwill: over a period of four years.

#### 4. Investments

Investments are stated at cost.

#### 5. 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.

#### 6. 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.



**7. 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.

**8. 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.

Hitherto non-monetary items in the form of investments in the shares of subsidiary companies were being accounted by giving effect to foreign exchange fluctuation reserve account at the balance sheet date. The said investments have now been shown at the rate of exchange prevailing on the date of transactions. This change has no impact on the profit & loss account of this year as well as earlier years.

**9. 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 amortized 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 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. Employee Benefits**

**i) Short Term Employee Benefits**

Short term employee benefits are recognized as an expense at the undiscounted amounts



in the profit and loss account of year in which the related services are rendered.

**ii) Defined Contribution Plans**

Provident Fund & ESIC are defined contribution schemes established under a State Plan. The contributions to the schemes are charged to the profit and loss account in the year when the contributions become due.

**iii) Defined Benefit Plans**

The company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on post employment at 15 days salary (last drawn salary) for each completed year of services as per the rules of the company. The aforesaid liability is provided for on the basis of an actuarial valuation made using Project Unit Credit Method at the end of the financial year. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

Actuarial gains/losses are recognized in profit and loss account in the year in which they arise.

**iv) Compensated Absences**

Employees are entitled to accumulate leave subject to certain limits for future encashment. The company has consistently maintained the policy of accounting the same on cash basis.

**14. Borrowing Costs**

Borrowing cost that are attributable to the acquisition, construction or production of qualifying assets are capitalized as a part of cost of such assets. All other borrowing costs are recognized as expense in the period in which they are incurred.

**15. 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.

**16. 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 2009.

1. The figures of previous year are reclassified/regrouped /restated for consistent presentation, wherever necessary.
2. Figures in brackets represent previous year's figures.
3. The Company has repaid its entire term liabilities to Financial Institutions. The additional claim, if any, on final reconciliation and confirmation by financial institutions will be considered as and when communicated.
4.
  - i) In the month of April 2008, the company's assembly plant at Sitarganj ( a notified industrial area in the state of Uttaranchal ) commenced commercial production..
  - ii) The company's press shop plant at Kalol was under the process of stabilization of tools, test runs, experimental production to reach technically satisfactory levels and on the basis of appraisal of technical and experts opinion, the production was considered to have commenced from April 2009. Accordingly, all expenses including borrowing cost incurred up to 31<sup>st</sup> March 2009 are shown as "Capital work in progress" under the head "Fixed Assets" in Schedule 5.
5. The company has purchased the land situated at village Alindra, Taluka Kalol. The company has paid Rs 212.24 lacs towards the cost and other incidental expenses for the land. Since the necessary documentation and other legal formalities are under completion, the said amount is shown under the head "Loans and advances"
6. Exceptional/ Extraordinary items charged to profit & loss account for the year include:
  - i) An old excise Duty matter, contested in Gujarat High court / Supreme Court adjudicated during the year of Rs 14,271,256.
  - ii) Loss Rs. 122, 68,700 in respect of Derivative transaction on account of adverse foreign exchange fluctuation.
7.
  - i) Credit facilities from Bank of Baroda are secured by :
    - a) Term Loans are secured by first charge by way of equitable mortgage of immovable properties and hypothecation of movable 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 of immovable properties and hypothecation of movable properties present and future.
  - ii) Term Loan from HDFC Bank Ltd. is secured on pari-pasu basis by extension of charge under item (i) (a) above.
  - iii) Unsecured loan include Rs. 4.00 Cr. which is guaranteed by & pledge of shares of SAL held by Shri Harish Sheth, the Chairman & Managing Director.



8. 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	31.03.2009	31.03.2008
	(Rs. Lacs)	
Difference in WDV of Fixed Assets as per books and as per income tax	653.79	308.13
Unpaid provision for interest and Bonus disallowable under Income Tax Act (Sec.43 B)		(20.53)
Deferred Tax liability	222.22	97.78
Total provision made as per Profit and Loss account	124.44	76.18

Note: The Deferred tax liabilities are computed on the basis of set-off / adjustments and tax liability based on income for the financial year 2008-2009 (Assessment Year 2009-2010) as per Income Tax Act 1961.

9. **Contingent Liabilities**

- i) Estimated amount of contracts remaining to be executed on capital account and not provided for Rs.16,260,508` (Rs. 34,084,478)
  - ii) Guarantees given by the bank on behalf of the Company Rs. 1,773,000 (Rs. 2,623,000)
  - iii) Guarantee given for ultimate subsidiary to ICICI Bank Limited, U.K. Rs. 168,958,000 (183,931,000) (£ 2.3 million)
  - iv) Guarantee given to Bank of Baroda, New York, USA for ultimate subsidiary's credit facilities. Rs. 307,363,650 (184,414,000) (\$5.995 million)
  - v) Bills Receivable discounted with the Bank and not matured Rs.5,663,272 (Rs.2,636,763)
  - vi) Outstanding balance under Letters of Credit opened in favour of supplier Rs. NIL (Rs.3,100,000).
  - 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 claim are accepted.
  - viii) Excise demand of Rs. NIL (Rs. 1,18,92,488) raised against the company contested in the Gujarat High Court.
  - ix) Income Tax demand under dispute of Rs. 7,02,265/- (Rs. NIL)
10. The Sales determined in accordance with the accounting policy followed (Refer note 7, Schedule 17) include Rs. 1160.71 lacs (Rs.954.80 lacs) being sales value of dispatches in transit as on 31st March 2009. The inventory value thereof amounts to Rs.852.24lacs (Rs.690.83 lacs).

11. **Disclosure pursuant to AS-15(Revised) 'Employee Benefits'**

i) **Transitional Obligations**

The company has adopted Accounting Standard (AS) – 15 "Employee Benefits" (Revised 2005) issued by the Institute of Chartered Accountants of India, with effect from 1<sup>st</sup> April 2008, except in respect of accounting for compensated absences. Consequent upon its adoption, in accordance with the transitional provisions contained in the Accounting Standard, the net difference of Rs. 12,455/- between the liability in respect of gratuity existing on the date of adoption and the liability that would have been recognized at the same date under the previous Accounting Standard, has been adjusted against the opening balance of General Reserve.

ii) **Defined Contribution Plans**

An amount of Rs.18, 36,302 (Provident Fund & ESIC) is recognized as an expense and included in schedule 13 under the head "Personnel Expenses".



### iii) Defined Benefit Plans

#### Contribution to Gratuity Fund

#### CHANGES IN BENEFIT OBLIGATION

Opening defined benefits obligation	6,132,034
Interest Cost	490,563
Current Service Cost	817,925
Benefit Paid	(39,361)
Actuarial (Gain)/Loss on obligation	374,627
<b>Closing defined benefit obligation</b>	<b>7,775,788</b>

#### FAIR VALUE OF PLAN ASSETS

Opening fair value of plan assets	656,579
Expected Return on Plan assets	460,038
Contributions made by the employer during the year	5,415,034
Benefit Paid	(39,361)
Actuarial Gain/(Loss) on Plan assets	-
<b>Closing fair value of plan assets</b>	<b>6,492,290</b>

#### AMOUNT RECOGNISED IN THE BALANCE SHEET

Defined Benefit Plant - Gratuity (Funded)	
Present value of funded obligation	(6,492,290)
Present value of non-funded obligation (*)	( 1,283,498)
Total Obligation	(7,775,788)
Fair Value of Plan Assets at the end of the year	6,492,290
<b>Net Liability included under the head other liabilities Schedule "8" - Liabilities &amp; Provisions</b>	<b>(1,283,498)</b>

(\*) Since funded.

#### EXPENSES RECOGNISED IN THE PROFIT & LOSS ACCOUNT

Current Service Cost	817,925
Interest Cost on Benefit obligation	490,563
Expected Return on Plan Assets	(460,038)
Net actuarial (Gain) or Loss recognized during the year	374,627
<b>Amount Included under the head payments to and provisions for employees in Schedule "13" -Personnel Expenses</b>	<b>1,223,077</b>

#### BALANCE SHEET RECONCILIATION

Opening Net Liability	5,487,910
Transition Liability / (Asset)- adjusted in General Reserve at the beginning of the year	(12,455)
Expense as above	1,223,077
Contributions made during the year	(5,415,034)
<b>Amount recognized in Balance Sheet</b>	<b>1,283,498</b>



ii) Transactions with Related Parties

Nature of Transaction	Current Year (Rs.)	Previous Year (Rs.)
<b>A) Transaction with Wholly Owned Subsidiary</b>		
Export	83,517,652	61,158,473
Royalty	27,936,013	25,206,994
Import	—	68,061
Expenditure including Capital items	7,029,090	5,090,231
Interest Income	557,480	5,453,950
Dividend Income	—	2,781,504
Outstanding at Year End		
Investment	118,789,700	118,789,700
Advances	28,688,281	25,544,658
Amount Receivable	70,170,591	39,567,176
Amount Payable	7,239,781	8,219,467
<b>B) Transaction with Associate Concerns</b>		
Purchase & Job work Out sourcing Expense	12,769,561	15,254,469
Marketing Commission	19,311,420	17,013,898
Outstanding at Year End		
Amount Receivable	1,604,381	1,981,340
<b>C) Transaction with Key Management Personnel and their relatives</b>		
Remuneration to Directors / Executive	14,188,000	12,973,019
Leave and License Fees	900,000	900,000
Outstanding at Year End		
Amount payable	1,528,903	329,665

In terms of approval by the Central Government u/s 297 of the Companies Act, 1956 commission is payable to a firm (in which the directors are 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 2007-2008 has been accounted during the year under review. Advance of Rs. 200.99 lacs (Rs.172.86 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 31<sup>st</sup> March, 2009 as per consistent policy followed from year to year.



17. Loans and Advances in the nature of loans given to Subsidiaries and Associates in terms of clause 32 of listing agreement.

Sr.	Name of the Company	As at 31.03.2009 (Rs.)	As at 31.03.2008 (Rs.)	Maximum Balance during the year (Rs.)
1	Setco Automotive UK Limited UK (Subsidiary)	10,895,508	17,876,544	17,876,544
2	Setco Automotive N.A. Inc. (USA) (Subsidiary)	9,725,653	7,557,139	9,725,653
3	WEW Holdings Limited, Mauritius (Subsidiary)	708,120	110,975	708,120
4	Setco Global GMBH, Austria (Subsidiary)	7,359,000	—	7,359,000
5	Western Engineering Works (Associate)	20,098,583	17,285,598	20,098,583

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

19. Segment Information:

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

20. Remuneration to Auditors for other services:

	Current Year (Rs.)	Previous Year (Rs.)
Tax Audit & other services	338,000	134,832

21. Transaction in Foreign Currency.

	Current Year (Rs.)	Previous Year (Rs.)
i) Value of Components Imports on CIF Basis	314,228,479	311,350,920
ii) Expenditure in Foreign Currency		
a. Travelling Expenses	3,413,118	2,155,637
b. Royalty	27,936,013	25,260,994
iii) Earnings in Foreign Currency		
a. Export on FOB Basis	116,267,138	97,516,172

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

- i) Details of Capacity and Production

Class of Goods	Installed Capacity	Production
	(Numbers)	
Clutch Driven Plate	550,000 (450,000)	360,153 (379,864)
Clutch Cover Assembly	300,000 (250,000)	157,941 (180,834)
Other Item	—	1,627,838 (1,679,861)



ii) Consumption

a) Raw Material & Components

Sr. No.	Particulars		Current Year		Previous Year	
			Quantity	Value (Rs.)	Quantity	Value (Rs.)
1	Steel Strips	Kgs.	3,595,307	180,419,726	3,715,804	150,871,401
2	Springs	Nos.	8,023,244	79,190,543	8,710,504	84,408,632
3	Ceramic Buttons	Nos.	4,961,566	324,227,515	4,880,675	290,565,898
4	Castings	Nos.	383,877	172,418,955	437,311	138,232,099
5	Other Component/ Realization			236,552,287		200,719,613
Total				992,809,026		864,797,643
Less : Sales of scrap				28,442,385		19,479,391
				<b>964,366,641</b>		<b>845,318,252</b>

b) Stores & Tools Rs.2,65,20,817 (Rs.21,595,671) all indigenous.

c) The Consumption of Raw Material & Components includes consumption of imported Components Rs. 35,14,48,898 (Rs. 30,84,88,299), which is 36.44% (36.49 %) in total consumption.

(iii) Sales and Stocks of Finished Goods

	Opening Stock		Closing Stock		Sales	
	Qty. (Nos.)	Value (Rs.)	Qty. (Nos.)	Value (Rs.)	Qty. (Nos.)	Value (Rs.)
Clutch Driven Plate	11,894 (9,622)	8,475,597 (6,441,009)	11,823 (11,894)	9,097,165 (8,475,597)	362,266 (377,592)	842,805,692 (805,613,580)
Clutch Cover Assy.	4,551 (4,729)	3,952,196 (3,972,761)	4,245 (4,551)	2,734,699 (3,952,196)	158,409 (181,012)	643,907,216 (698,899,167)
Others	—	4,045,197 (3,512,900)	—	3,521,689 (4,045,197)	—	241,934,139 (198,942,398)
Total	16,445 (14,351)	16,472,990 (13,926,670)	16,068 (16,445)	15,353,553 (16,472,990)	520,675 (558,604)	1,728,647,047 (1,703,455,145)

\* Inclusive of Nos. 192(161) clutch plates and 88 Nos.(149) cover assemblies distributed as free samples.



23. Additional information pursuant to part IV of Schedule VI to the Companies Act, 1956, in terms of of Notification No. GSR 388 (E), dated 15<sup>th</sup> 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	31.03.2009		
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)			
<b>Total Liabilities</b>	<b>1,251,185</b>	<b>Total Assets</b>	<b>1,251,185</b>
Sources of Funds		Application of Funds	
Paid-up Capital	88,219	Net Fixed Assets	655,309
Reserves & Surplus	399,465	Investment	118,790
Secured Loans	683,883	Net Current Asset	472,529
Unsecured Loan	57,396	Misc. expenditure	4,557
Deferred Tax Liabilities	22,222		
IV Performance of Company			
<b>Total Revenue</b>	<b>1,610,387</b>	<b>Total expenditure</b>	<b>1,468,090</b>
Profit Before Tax	142,297	Deferred/Fringe benefit/ corporate Tax	27,550
Profit After Tax	114,747		
		Proposed Dividend (final) Rate	25%
		Earning per share	13.01
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 : 26.06.2009

For and on behalf of the Board  
Harish Sheth, Chairman & Managing Director  
Arun Arora  
Pratap Merchant  
Shvetal Vakil  
B. L. Naik  
Satish Deshpande  
Udit H. Sheth

Place : Mumbai  
Date : 26.06.2009



# Cash Flow

	2008-2009 Rupees	2007-2008 Rupees
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before tax	142,296,668	184,945,576
Adjustment for		
Depreciation	29,997,267	21,271,703
Miscellaneous Expenses Written of	2,196,903	2,026,903
(Profit)\ Loss on Sale of Assets	(161,200)	(350,000)
Interest Expense	65,466,019	43,515,944
Interest Income	(1,154,278)	(5,804,032)
Fringe benefit tax & Corporate tax	(15,106,050)	(54,779,733)
<b>Operating Profit (Loss) before Working Capital Changes</b>	<b>223,535,329</b>	<b>190,826,361</b>
Sundry Debtors	(27,215,523)	(39,187,564)
Inventories	57,343,134	(72,055,389)
Loans and Advances	(45,625,140)	(39,745,832)
Current Creditors	(14,142,619)	15,822,503
Other Liabilities	(396,181)	11,110,808
Gratuity Adjustment	12,455	-
<b>Cash Flow Generated from Operations</b>	<b>193,511,455</b>	<b>66,770,887</b>
Direct Taxes ( Tax deducted at Source)	(9,682)	-
Cash Flow from Asset – Miscellaneous expenses	3,225,734	(4,075,734)
<b>Net Cash Flow from Operating Activities</b>	<b>196,727,507</b>	<b>62,695,153</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed Assets	(204,418,877)	(305,832,169)
Intangible Asset	(13,658,940)	(14,115,682)
Profit/( Loss) on sale of fixed assets	161,200	350,000
Sale Proceeds of Asset	-	333,729
Adjustment in Depreciation Reserve	(241,696)	(706,754)
Interest received	1,154,278	5,804,032
Decrease in Investment	-	34,592,315
<b>Net Cash used Investing Activities</b>	<b>(217,004,035)</b>	<b>(279,574,529)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Foreign exchange fluctuation reserve	-	(3,658,354)
Proceeds from Cash Credit	52,077,443	(22,353,768)
Proceed from term loans	146,887,692	354,614,666
Repayment of Borrowings	(71,139,173)	(93,750,829)
Interest paid	(65,466,019)	(43,515,944)
Dividend & Dividend Distribution Tax	(25,802,900)	(25,802,900)
<b>Net cash flow from Financing Activities</b>	<b>36,557,043</b>	<b>165,532,871</b>
<b>Net increase in Cash and Cash equivalents (A+B+C)</b>	<b>16,280,515</b>	<b>(51,346,505)</b>
Opening Cash and Cash equivalents	6,368,015	57,714,520
Closing Cash and Cash equivalents	22,648,530	6,368,015

- 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 year's figures have been regrouped / restated / clarified whenever necessary.
3. Cash and Cash Equipments includes cash on hand and deposit accounts held with scheduled banks.

Place : Mumbai  
Date : 26.06.2009

Harish Sheth  
Chairman & Managing Director.



**CONSOLIDATED ACCOUNTS**  
(INCLUDING OVERSEAS SUBSIDIARIES)



# 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 31<sup>st</sup> March 2009 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 prepared in all material aspects in accordance with an identified financial reporting framework and 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. 6690 lacs and total revenues of Rs. 8409.44 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”, notified under section 211 (3C) of the Companies act, 1956 and on the basis of the separate audited financial statements of the Company and its subsidiaries included in the consolidated financial statements, *subject to* :
  - (i) Non-elimination of unrealized profits of Rs. 38.22 lacs in respect of transactions with subsidiaries of the company which is part of total unrealized profits of Rs. 255.57 lacs. (Refer Note 3(i) of Schedule 16)
  - (ii) Non-ascertainment of unrealized profits, if any in respect of stocks lying with subsidiaries (Refer Note3(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. 255.57 lacs in respect of unrealized profits on goods in transit (Refer Accounting Policy 7(i) of Schedule 15 and Note 3 (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 31<sup>st</sup> March,2009;
- 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  
(M. P. MEHTA)

Place : Mumbai

Partner

Date : 26.06.2009

(M. No. 36032)



## Consolidated Balance Sheet as at 31st March, 2009

	Schedule	Rupees	As at 31.03.2009 Rupees	As at 31.03.2008 Rupes
<b>I. Sources of Funds</b>				
1. Shareholders' Funds				
a. Share Capital	1	88,218,800		88,218,800
b. Reserves and Surplus	2	484,913,382		366,334,435
			573,132,182	454,553,235
2. Loan Funds				
a. Secured Loans	3	1,067,224,549		836,922,447
b. Unsecured Loans	4	89,668,935		106,267,889
			1,156,893,483	943,190,336
3. Deferred Tax Liabilities			25,151,120	13,094,418
	<b>Total</b>		<b>1,755,176,785</b>	<b>1,410,837,989</b>
<b>II. Application of funds :</b>				
1. Fixed Assets				
a. Gross Block	5	838,531,684		663,601,335
b. Less : Depreciation		180,505,039		135,983,813
c. Net Block		658,026,645		527,617,521
d. Capital Work in Progress		276,594,153		172,959,827
e. Net Fixed Assets			934,620,798	700,577,348
2. Investments	6		250	2,514,074
3. Current Assets , Loans and Advances	7			
a. Inventories		537,241,433		525,755,906
b. Sundry Debtors		347,029,973		346,667,504
c. Cash and Bank Balances		11,799,205		11,477,830
d. Loans & Advances		151,410,405		101,130,812
			1,047,481,015	985,032,052
Less: Current Liabilities and Provisions	8			
a. Liabilities		192,461,243		255,024,736
b. Provisions		39,021,235		32,240,586
			231,482,478	287,265,322
Net Current Assets			815,998,537	697,766,730
4. Miscellaneous Expenditure (to the extent not written off or adjusted)	9		4,557,200	9,979,837
	<b>Total</b>		<b>1,755,176,785</b>	<b>1,410,837,989</b>
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

For and on behalf of the Board

Harish Sheth, Chairman & Managing Director

Arun Arora  
Pratap Merchant  
Shvetal Vakil

B. L. Naik  
Satish Deshpande  
Udit H. Sheth

Place : Mumbai  
Date : 26.06.2009

Place : Mumbai  
Date : 26.06.2009



## Consolidated Profit & Loss Account for the year ended 31st March, 2009

	Schedule	Year ended 31.03.2009 Rupees	Year ended 31.03.2008 Rupees
<b>Income</b>			
Sales ( Including Excise & Sales Tax)		2,446,493,222	2,418,259,834
Less : Excise Duty and Sales Tax		126,462,100	316,681,093
		2,320,031,122	2,101,578,741
Other Income	10	40,856,483	(2,993,921)
Increase/(Decrease) in Stocks		(3,964,409)	15,006,486
<b>Total</b>		<b>2,356,923,196</b>	<b>2,113,591,306</b>
<b>Expenditure</b>			
Raw Materials and Components Consumed		1,276,174,877	1,173,839,515
Personnel Expenses	11	342,708,695	304,802,394
Other Expenses	12	393,560,496	304,717,220
R & D Expenses		2,492,278	1,783,761
Miscellaneous Expenditure Amortized	13	14,401,724	11,744,245
<b>Total</b>		<b>2,029,338,072</b>	<b>1,796,887,135</b>
<b>Profit Before Depreciation, Interest, Exceptional/Extra Ordinary Items &amp; Tax</b>		<b>327,585,125</b>	<b>316,704,171</b>
Depreciation	5	43,782,177	34,968,508
Financial Charges	14	91,351,898	76,351,764
<b>Total</b>		<b>135,134,075</b>	<b>111,320,272</b>
<b>Profit Before Exceptional/Extra Ordinary Items &amp; Tax</b>		<b>192,451,050</b>	<b>205,383,899</b>
Less: Exceptional / Extra ordinary Items (Refer Note 6 of Schedule 16)		26,539,956	-
<b>Profit for the year before tax</b>		<b>165,911,094</b>	<b>205,383,899</b>
Less: Deferred Tax Adjustments		11,439,370	9,513,128
Provision for Fringe Benefit Tax		1,981,000	2,560,537
Provision for Corporate Tax		17,104,253	57,497,670
Tax Adjustment for Earlier Year		2,164,690	-
<b>Profit Available for Appropriations</b>		<b>133,221,780</b>	<b>135,812,564</b>
<b>Appropriations</b>			
Proposed Dividend		22,054,700	22,054,700
Corporate Tax on Dividend		3,748,200	3,748,200
Transferred to General Reserve		11,474,662	12,254,784
<b>Balance Profit</b>		<b>95,944,218</b>	<b>97,754,880</b>
Profit Brought Forward from Previous Year		185,136,841	87,381,961
Profit Carried to Balance Sheet		281,081,059	185,136,841
Basic and Diluted Earning per share (After Exceptional / Extra ordinary Items)		15.10	15.39
Basic and Diluted Earning per share (Before Exceptional / Extra ordinary Items)		18.11	15.39
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 : 26.06.2009

For and on behalf of the Board

Harish Sheth, Chairman & Managing Director

Arun Arora  
Pratap Merchant  
Shvetal Vakil

B. L. Naik  
Satish Deshpande  
Udit H. Sheth

Place : Mumbai  
Date : 26.06.2009



## Schedules

	As at 31.03.2009 Rupees	As at 31.03.2008 Rupees
<b>SCHEDULE 1</b>		
<b>Share Capital</b>		
Authorised:		
20,000,000 Equity shares of Rs.10 each	200,000,000	200,000,000
8,821,880 (8,821,880) Equity Shares of Rs.10 each		
* 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.		
<b>SCHEDULE 2</b>		
<b>Reserves and Surplus</b>		
1) Capital Reserve		
i) On forfeiture of Shares	21,000	21,000
ii) On cash subsidy :		
Central Cash Subsidy	-	1,500,000
State Cash Subsidy	-	500,000
iii) On subsidiary acquisition	19,588,629	22,910,190
2) Share Premium :		
(On 12,50,000 shares @ Rs.110/- per share)	137,500,000	137,500,000
3) General Reserve		
Opening Balance	23,627,532	11,372,748
Add : Gratuity adjustment	12,455	-
Transferred from Cash Subsidy A/c.	2,000,000	-
Transferred from Profit & Loss A/c.	11,474,662	12,254,784
	37,114,649	23,627,532
4) Foreign Currency Translation Reserve	9,608,045	(4,861,128)
5) Profit & Loss Account	281,081,059	185,136,841
<b>Total</b>	<b>484,913,382</b>	<b>366,334,435</b>
<b>SCHEDULE 3</b>		
<b>Secured Loans</b>		
1) Term Loans	516,608,897	429,531,210
2) Cash Credits	549,653,660	405,620,874
3) Car Loan	961,992	1,770,363
(Refer Note No.05(i) & (ii) Of Schedule 16 for security and other details)		
<b>Total</b>	<b>1,067,224,549</b>	<b>836,922,447</b>
<b>SCHEDULE 4</b>		
<b>Unsecured Loans</b>		
Tata Capital Ltd.	57,005,011	70,000,000
Inter-corporate Loan	32,272,691	35,667,889
	89,277,702	105,667,889
Interest Accrued and Due	391,233	600,000
(Refer Note No.05(iii) Of Schedule 16 for security and other details)		
<b>Total</b>	<b>89,668,935</b>	<b>106,267,889</b>

## SCHEDULE - 5

### Fixed Assets

SR.	PARTICULARS	GROSSBLOCK				DEPRECIATION			NETBLOCK		
		As at 31.03.2008 Rs.	Additions during the year (*) Rs.	Adjustment during the year Rs.	As at 31.03.2009 Rs.	Upto 31.03.2008 Rs.	Addition for the year Rs.	Adjustment during the year (*) Rs.	As at 31.03.2009 Rs.	As at 31.03.2009 Rs.	As at 31.3.2008 Rs.
1	2	3	4	5	6	7	8	9	10	11	12
<b>A</b>	<b>Tangible Fixed Assets</b>										
01	Land	53,353,389	1,150,575	(929,783)	55,433,747	-	-	-	-	55,433,747	53,353,389
02	Building	125,665,896	7,914,824	(6,315,281)	139,896,002	9,082,085	4,497,859	(300,509)	13,880,453	126,015,548	116,583,811
03	Plant & Machinery	285,871,715	63,786,182	(1,788,291)	351,446,188	97,169,691	30,292,727	(1,182,199)	128,644,616	222,801,572	188,702,024
04	Furniture & Fixtures	9,946,274	11,070,178	3,221,435	17,795,017	1,653,865	601,393	-	2,255,258	15,539,759	8,292,409
05	Office Equipments	4,337,847	1,288,921	(3,596,692)	9,223,461	2,347,239	740,778	1,000,529	2,087,488	7,135,973	1,990,608
06	Pollution Equipments	53,000	224,500	-	277,500	35,162	6,961	-	42,123	235,377	17,838
07	Computers	9,041,230	4,696,555	(526,234)	14,264,018	4,087,929	1,506,960	87,198	5,507,691	8,756,328	4,953,301
08	Electric Fittings	10,147,869	15,026,165	-	25,174,034	336,789	914,966	-	1,251,755	23,922,279	9,811,080
09	Vehicle	7,593,820	3,010,938	(1,916,710)	12,521,468	1,395,404	1,161,692	135,125	2,421,971	10,099,498	6,198,416
	<b>Sub Total</b>	<b>506,011,040</b>	<b>108,168,838</b>	<b>(11,851,557)</b>	<b>626,031,436</b>	<b>116,108,164</b>	<b>39,723,335</b>	<b>(259,856)</b>	<b>156,091,355</b>	<b>469,940,081</b>	<b>389,902,876</b>
<b>B</b>	<b>Intangible Fixed Assets</b>										
01	Goodwill	52,828,362	-	(14,114,993)	66,943,355	1,471,288	490,431	-	1,961,719	64,981,636	51,357,074
02	Product Development	47,687,348	-	-	47,687,348	14,731,342	3,446,328	-	18,177,670	29,509,678	32,956,006
03	Technical Know how	14,628,310	11,461,320	972,000	25,117,630	2,775,310	-	-	2,775,310	22,342,320	11,853,000
04	Computer Software	15,262,335	13,589,940	-	28,852,275	731,308	491,746	-	1,223,054	27,629,221	14,531,027
05	Web Site Development	494,988	69,000	-	563,988	166,402	109,529	-	275,931	288,057	328,586
06	Startup Costs	26,688,951	10,331,727	(6,314,974)	43,335,652	-	-	-	-	43,335,652	26,688,951
	<b>Sub Total</b>	<b>157,590,294</b>	<b>35,451,987</b>	<b>(19,457,967)</b>	<b>212,500,248</b>	<b>19,875,650</b>	<b>4,538,034</b>	<b>-</b>	<b>24,413,684</b>	<b>188,086,564</b>	<b>137,714,644</b>
	<b>Grand Total (A + B)</b>	<b>663,601,335</b>	<b>143,620,826</b>	<b>(31,309,524)</b>	<b>838,531,684</b>	<b>135,983,814</b>	<b>44,261,369</b>	<b>(259,856)</b>	<b>180,505,039</b>	<b>658,026,645</b>	<b>527,617,520</b>
<b>C</b>	<b>Capital Work in Progress</b>										
01	Press Tools in Process	2,612,753	760,438	2,612,753	760,438	-	-	-	-	760,438	2,612,753
02	Press Shop in Progress	170,347,074	105,486,641	-	275,833,715	-	-	-	-	275,833,715	170,347,074
	<b>Total C</b>	<b>172,959,827</b>	<b>106,247,079</b>	<b>2,612,753</b>	<b>276,594,153</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>276,594,153</b>	<b>172,959,827</b>
	<b>Grand Total (A + B + C)</b>	<b>836,561,162</b>	<b>249,867,905</b>	<b>(28,696,771)</b>	<b>1,115,125,837</b>	<b>135,983,814</b>	<b>44,261,369</b>	<b>(259,856)</b>	<b>180,505,039</b>	<b>934,620,798</b>	<b>700,577,347</b>

Note : Adjustments during the year include impact of foreign exchange fluctuation of Rs. 29,174,015





## Schedules

	As at 31.03.2009 Rupees	As at 31.03.2008 Rupees
<b>SCHEDULE 6</b>		
<b>Investments</b>		
1. 10 Equity Shares of Rs.25/- each fully paid of Kalol Urban Co-op Bank Ltd	250	250
2. Share Application Money	-	2,513,824
<b>Total</b>	<b>250</b>	<b>2,514,074</b>
<b>SCHEDULE 7</b>		
<b>Current Assets, Loans and Advances</b>		
1. Current Assets		
i) Inventories	537,241,433	525,755,906
ii) Sundry Debtors	347,029,973	346,667,504
iii) Cash and bank balances :		
Cash on Hand	2,248,357	
Balance with Schedule banks :		
- In Current Account	4,426,349	
- In Fixed Deposits	5,124,498	
	11,799,205	11,477,830
2. Loans and Advances :		
Advances (Recoverable in cash or in kind or for value to be received)	124,192,137	91,039,305
Sundry Deposits	17,182,102	4,447,803
Balance with Central Excise	9,897,771	5,514,991
Deduction of Tax at source	138,395	128,713
	151,410,405	101,130,812
<b>Total</b>	<b>1,047,481,015</b>	<b>985,032,052</b>
<b>SCHEDULE 8</b>		
<b>Current Liabilities and Provisions</b>		
i) Sundry Creditors		
For Goods	130,268,825	106,926,308
For Expenses	43,096,419	122,147,473
ii) Other Liabilities	19,095,998	25,950,955
iii) Provisions		
For Taxation	13,218,335	6,437,686
For Dividend	22,054,700	22,054,700
For Tax on Dividend	3,748,200	3,748,200
<b>Total</b>	<b>231,482,478</b>	<b>287,265,322</b>
<b>SCHEDULE 9</b>		
<b>Miscellaneous Expenditure</b>		
(To the extent not written off or adjusted)		
i) Company Formation Expenses	176,601	353,204
ii) Share Issue Expenses	3,700,599	5,550,899
iii) Fees for Increase in Authorized Capital	680,000	850,000
iv) Pre Operative Expenses (Pending Allocation)	-	3,225,734
<b>Total</b>	<b>4,557,200</b>	<b>9,979,837</b>



## Schedules

	Year ended 31.03.2009 Rupees	Year ended 31.03.2008 Rupes
<b>SCHEDULE 10</b>		
<b>Other Income</b>		
Profit on Sale of Fixed Assets	(83,027)	350,000
Interest	596,798	493,461
Miscellaneous	11,346,114	3,055,017
Export Incentive	-	1,629
Insurance Claim Received	275,557	-
Foreign Exchange Flucutation	28,721,041	(6,894,028)
<b>Total</b>	<b>40,856,483</b>	<b>(2,993,921)</b>
<b>SCHEDULE 11</b>		
<b>Personnel Expenses</b>		
Salaries and Wages	250,744,269	212,109,709
Contribution to Provident Fund and other Funds	83,969,655	83,627,569
Welfare and Other Expenses	7,994,771	9,065,116
<b>Total</b>	<b>342,708,695</b>	<b>304,802,394</b>
<b>SCHEDULE 12</b>		
<b>Other Expenses</b>		
Stores and Tools Consumed	43,364,284	36,210,807
Carriage Inward	45,321,545	16,838,471
Power and Fuel	32,039,707	23,589,897
Jobwork Charges	22,961,525	26,333,252
Repairs and Maintenance to Machinery	9,804,913	8,017,505
Repairs to Building	1,583,980	2,492,852
Others Repairs	4,943,045	6,803,459
Factory Expenses	7,388,113	7,075,216
Rent	9,300,105	1,602,086
Rates and Taxes	4,712,929	4,244,392
Insurance	7,166,148	7,296,318
Conveyance	11,615,848	9,136,063
Travelling Expenses	32,136,845	21,853,605
Legal and Professional Charges	23,426,632	18,492,384
Statutory Auditors' Remuneration	1,262,634	1,271,875
Printing and Stationary & Computer Expenses	8,154,506	5,437,883
Communication Expenses	7,853,758	6,661,523
Books, Subscription and Membership	59,663	155,117
Directors' Sitting Fees	370,000	220,000
Office Expenses	998,083	226,697
General Expenses	13,157,005	16,681,233
Sundry Balance Written off (Net)	3,491,144	(95,565)
Marketing and Sales Promotion	13,446,047	13,501,169
Advertisement Expenses	3,497,152	3,621,309
Discount, Commisison and other Expenses on Sales	41,352,374	26,537,498
Packing and Forwarding Expenses	43,611,856	38,994,640
Excise Duty on Finished Goods Stock	540,656	1,517,534
<b>Total</b>	<b>393,560,496</b>	<b>304,717,220</b>



## Schedules

	Year ended 31.03.2009 Rupees	Year ended 31.03.2008 Rupees
<b>SCHEDULE 13</b>		
<b>Miscellaneous Expenditure Amortized</b>		
Company Formation Expenses	12,381,424	9,893,945
Share Issue Expenses	1,850,300	1,850,300
Fees for Increase in Authorised Share Capital	170,000	-
<b>Total</b>	<b>14,401,724</b>	<b>11,744,245</b>
<b>SCHEDULE 14</b>		
<b>Financial Charges</b>		
Interest on Term Borrowings	18,173,746	27,469,020
Interest on Working Capital Facilities	63,439,444	38,295,541
Bank Charges	5,022,904	2,859,541
Interest to Others	4,715,804	7,727,662
<b>Total</b>	<b>91,351,898</b>	<b>76,351,764</b>



## **SCHEDULE 15**

### **Significant Accounting Policies**

#### **1. Basis for preparation of consolidated financial statements**

The consolidated financial statements have been prepared on accrual basis in accordance with generally accepted accounting principles and applicable Accounting Standards notified u/s 211 (3C) of the Companies Act, 1956 and comply with the Accounting Standard (AS 21) – Consolidated Financial Statements issued by the Institute of Chartered Accountants of India, subject to Note No.3 (i) and 3(ii) of Schedule 16.

#### **2. 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.

#### **3. Depreciation**

The depreciation on fixed assets is provided on Straight Line methods at the 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 amortized over specified periods depending upon production agreement period, useful commercial lives and likely economic benefits, as the case may be.

#### **4. 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.

#### **5. Inventories**

Inventories are valued at the lower of cost (exclusive of taxes/ duties availed on its input) and net realizable value on FIFO basis. 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.

#### **6. Investments**

Investments are valued at cost.

#### **7. 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 realization of such income is uncertain.

#### **8. 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 and on restatement of monetary items 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 translation of monetary and non-monetary items referred to above being part of non-integral operations are accumulated in foreign currency translation reserve and is recognized as income or expense in the year in which such items are disposed off.

Hitherto non-monetary items in the form of investments in the shares of subsidiary companies were being accounted by giving effect to foreign exchange fluctuation reserve account at the balance sheet date. The said investments have now been shown at the rate of exchange prevailing on the date of transaction. This change has no impact on the profit & loss account of this year as well as earlier years.

**9. Selling / Marketing expenses**

- i) Warranty is extended on products sold. Warranty expenses are accrued / accounted as and when 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.

**10 Employee Benefits**

**i) Short Term Employee Benefits**

Short term employee benefits are recognized as an expense at the undiscounted amounts in the profit and loss account of year in which the related services are rendered.

**ii) Defined Contribution Plans**

Provident Fund & ESIC are defined contribution schemes established under a State Plan. The contributions to the schemes are charged to the profit and loss account in the year when the contributions become due.

**iii) Defined Benefit Plans**

The company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on post employment at 15 days salary (last drawn salary) for each completed year of services as per the rules of the company. The aforesaid liability is provided for on the basis of an actuarial valuation made using Project Unit Credit Method at the end of the financial year. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

Actuarial gains/losses are recognized in profit and loss account in the year in which they arise.

**iv) Compensated Absences**

Employees are entitled to accumulate leave subject to certain limits for future encashment. The company has consistently maintained the policy of accounting the same on cash basis.



**11. 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.

**12. 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.

**13. 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 / step down subsidiaries of the same reporting date.

While consolidating the accounts, to the extent possible line by line additions are carried out for like items of assets, liabilities, income and expenses. All significant intra-group balances and transactions have been eliminated in consolidation.

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 statement.

2. During the year, the Company formed a subsidiary in Austria in the name of Setco Global GmbH as a wholly owned subsidiary of company's subsidiary. WEW Holding Limited, Mauritius. The said subsidiary will act as a Marketing Hub in Europe and North America for products of Setco Group of Companies.

### Details of Subsidiaries

Names of Subsidiaries	Percentage of Voting Power	Financial Year
i. Setco Automotive (UK) Limited – UK (SAUL)	20% by Setco Automotive Ltd. 80% by WEW Holding Limited	April to March
ii. Setco Automotive (N.A.) Incorporation – U.S.A.(SANAI) (Wholly owned Subsidiary of Setco Automotive (UK) Ltd.)	100%	April to March
iii. WEW Holding Limited Mauritius (WEW) (Wholly owned subsidiary at Setco Automotive Ltd. India)	100%	April to March
iv. Setco Global GmbH. Austria.( wholly owned subsidiary of WEW Holding Limited-Mauritius )	100%	April to March

- 3
  - i) The Sales determined in accordance with the policy consistently followed though not in Consonance with Accounting Standard -9 issued by The Institute of Chartered Accountants of India (Refer Accounting Policy 7 of Schedule 15) includes Rs.1160.71 Lacs ( Rs.954.80 Lacs ) being sales value of dispatches in transit including sales of Rs.89.55 lacs (Rs. 123.74 lacs ) to Subsidiary as on 31 st March 2009.The inventory value thereof amounts to Rs.852.24 lacs ( RS. 690.83 Lacs ) and unrealized profits of Rs.255.57 ( Rs.89.05 lacs ) ( including Rs.38.22 lacs ( Rs. 32.52 lacs) in respect of Subsidiary of the Company.)
  - ii) In the absence of information in accounts of subsidiaries about the stocks on hand out of intercompany transactions, the unrealized profit in such stocks, if any, is unascertained.
- 4 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.



- 5 i) Credit facilities from Bank of Baroda are secured by:
- Term Loans are secured by first charge by way of equitable mortgage of immovable properties and hypothecation of movable properties and the second charge on stocks and book debts present and future.
  - 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 of immovable properties and hypothecation of movable properties present and future.
- ii) Term Loan from HDFC Bank Ltd. is secured on pari-pasu basis by extension of charge under item (i) (a) above.
- iii) Unsecured loan include Rs. 4.00 Cr. which is guaranteed by & pledge of shares of SAL held by Mr. Harish Sheth, the Chairman and Managing Director.
- 6 Exceptional / Extraordinary items charged to Profit & Loss account for the year include:
- An old Excise Duty matter, contested in Gujarat High court / Supreme Court adjudicated during the year of Rs. 14,271,256.
  - Loss Rs. 122,68,700 in respect of Derivative Transaction on account of adverse foreign exchange fluctuation.
- 7 Contingent Liabilities
- Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 16,260,508 (Rs.34, 084,478)
  - Guarantees given by the bank on behalf of the Company Rs. 1,773,000 (Rs.2, 623,000)
  - Guarantee given for ultimate subsidiary to ICICI Bank Limited, U.K. Rs. 168,958,000 (Rs.183,931,000) (£ 2.3 million).
  - Guarantee given to Bank of Baroda, New York, USA for ultimate subsidiary's credit facilities. Rs. 307,363,650 (Rs. 184,414,000) ( \$ 5.995 million )
  - Bills Receivable discounted with the Bank and not matured Rs. 56, 63,272 (Rs. 2,636,763)
  - Outstanding balance under Letters of Credit opened in favour of supplier Rs. Nil (Rs. 3,100,000)
  - 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 claim are accepted.
  - Excise demand of Rs. Nil (Rs. 11,892,488) raised against the company contested in the Gujarat High Court.
  - Income tax demand under dispute of Rs.7,02,265 (Previous year Rs.Nil).

As per our report of even date attached

For Manesh Mehta & Associates

Chartered Accountants  
Manesh Mehta  
Partner

Place : Mumbai  
Date : 26.06.2008

For and on behalf of the Board

Harish Sheth, Chairman & Managing Director

Arun Arora  
Pratap Merchant  
Shveta Vakil

B. L. Naik  
Satish Deshpande  
Udit H. Sheth

Place : Mumbai  
Date : 26.06.2008



**Statement pursuant to Section 212 of the Companies Act 1956  
relating to subsidiary companies.**

Particulars	Setco Automotive UK Ltd.		Setco automotive N.A. Inc (USA)		WEW Holdings Mauritius		Setco Global GmbH, Austria	
	£000	Rs.Cr.	\$000	Rs.Cr.	£000	Rs. Cr	•000	Rs.Cr
1. Capital	1440	10.45	1500	7.60	677	4.91	25	0.24
2. Reserves	926	6.72	196	0.99	(15)	(0.11)	-	-
3. Total Assets	4803	34.84	10368	52.55	676	4.90	204	1.39
4. Total Liabilities	4803	34.84	10368	52.55	676	4.90	204	1.39
5. Investments	769	5.58	-	-	668	4.85	-	-
6. Turnover	3123	24.09	12807	59.10	-	-	150	1.01
7. Profit before Tax	253	1.96	151	0.70	(10)	(0.08)	2	0.01
8. Profit after Tax	177	1.36	171	0.79	(10)	(0.08)	-	-
9. Proposed Dividend	-	-	-	-				

Note: Exchange Rates (a) (Average Rate) £ @ Rs.77.11, \$ @ Rs.46.12, • @Rs. 67.53

(b) (Closing Rate) £ @ Rs.72.54, \$ @ Rs.50.68, • @ Rs.68.10

For and on behalf of the Board  
Harish K. Sheth  
Chairman & Managing Director



## Consolidated Cash Flow Statement for the year ended 31st March 2009

	31.03.2009 Rupees	31.03.2008 Rupees
<b>A. CASHFLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before tax	165,911,094	205,383,900
Adjustments for:-		
Depreciation (Net of exchange fluctuation difference)	44,261,369	34,790,196
Miscellaneous Expenses written off	14,401,724	11,744,245
Interest Expenses	91,351,898	76,351,764
Interest Income	(596,798)	(493,461)
Corporate and Fringe Benefit Tax	(21,249,943)	(60,058,207)
<b>Operating Profit/ (Loss) before working Capital Changes</b>	<b>294,079,344</b>	<b>267,718,437</b>
Working Capital Changes		
Sundry Debtors	(362,469)	(17,736,047)
Inventories	(11,485,527)	(58,020,542)
Loans & Advances	(50,279,593)	4,245,724
Sundry Creditors & Other Current Liabilities	(55,782,844)	(136,007,720)
Gratuity adjustment	12,455	-
Working Capital Changes	(117,897,978)	(207,518,584)
<b>Cash Flow Generated from Operations</b>	<b>176,181,366</b>	<b>60,199,853</b>
Direct Taxes (Tax deducted at source)		
Miscellaneous Expenses	(8,979,087)	(13,793,076)
Net Cash Flow from Operating activities	<b>167,202,279</b>	<b>46,406,777</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(243,589,932)	(309,729,879)
Sale Proceeds of Fixed Assets	1,099,655	2,195,361
Intangible Assets	(35,451,987)	(39,264,770)
Interest Received	596,798	493,461
Adjustment Depreciation Reserve	(362,555)	(1,743,892)
Increase in Investment	2,513,824	(2,513,689)
Net Cash Used in Investing Activities	<b>(275,194,198)</b>	<b>(350,563,407)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Change in Capital Reserve due to exchange fluctuation	(3,321,561)	(3,275,712)
Proceeds from Cash Credit	144,032,786	159,612,148
Proceeds from Term Loans	212,882,118	354,614,666
Repayment of Borrowings	(139,816,558)	(191,841,716)
Inter Corporate Loan	(3,395,198)	3,719,330
Interest Paid	(91,351,898)	(76,351,764)
Dividend and Dividend Distribution Tax	(25,802,900)	(25,802,900)
Deferred Tax Movement	617,333	(1,379,992)
Net Cash Flow from Financing Activities	<b>93,844,121</b>	<b>219,294,059</b>
<b>D. Impact of Exchange Fluctuation on the cash flow</b>	<b>14,469,173</b>	<b>(6,410,768)</b>
Movement in Cash and Cash equivalents (A+B+C+D)	321,375	(91,273,339)
Opening Cash and Cash equivalents	11,477,830	102,751,169
Closing Cash and Cash equivalents	11,799,205	11,477,830

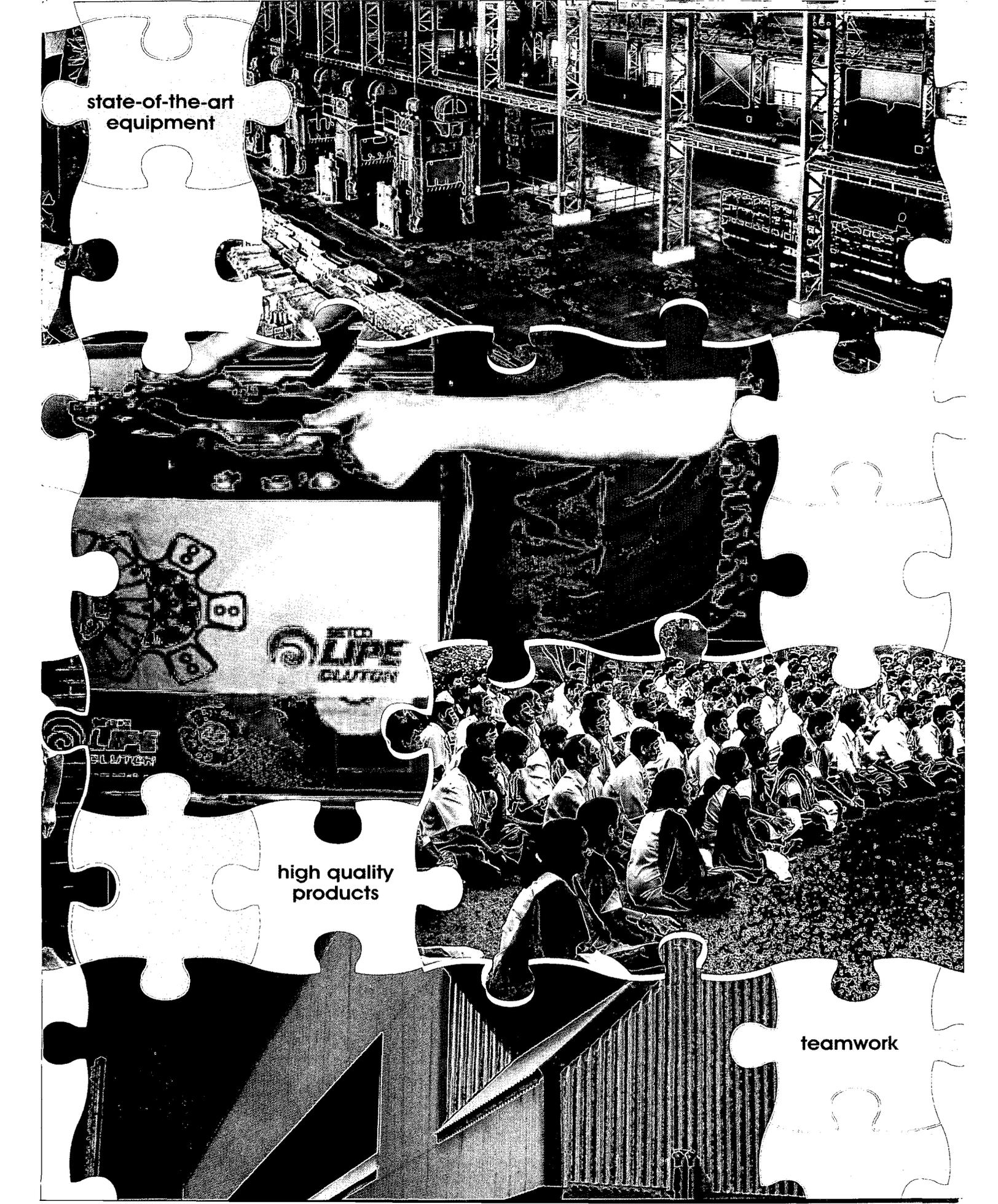
### Note:

- The above Cash flow Statement has been prepared under the "Indirect method" as set out in the Accounting Standard-3 on Cash Flow Statements notified under section 211 (3C) of the Companies Act, 1956.
- Cash and Cash Equivalents include Cash on hand and deposit accounts held with banks.

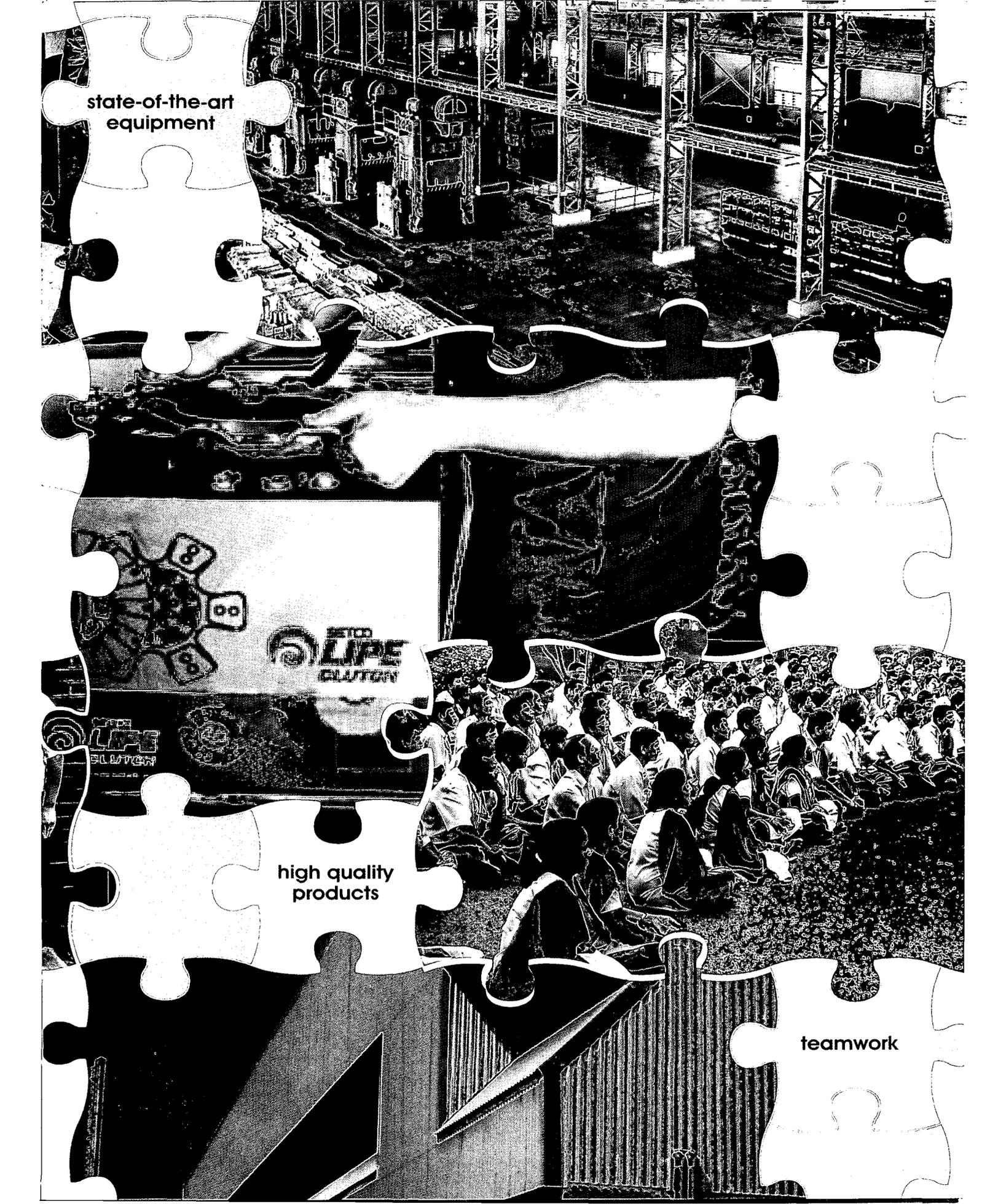
Place : Mumbai  
Date : 26th June 2009

Harish Sheth  
Chairman & Managing Director.

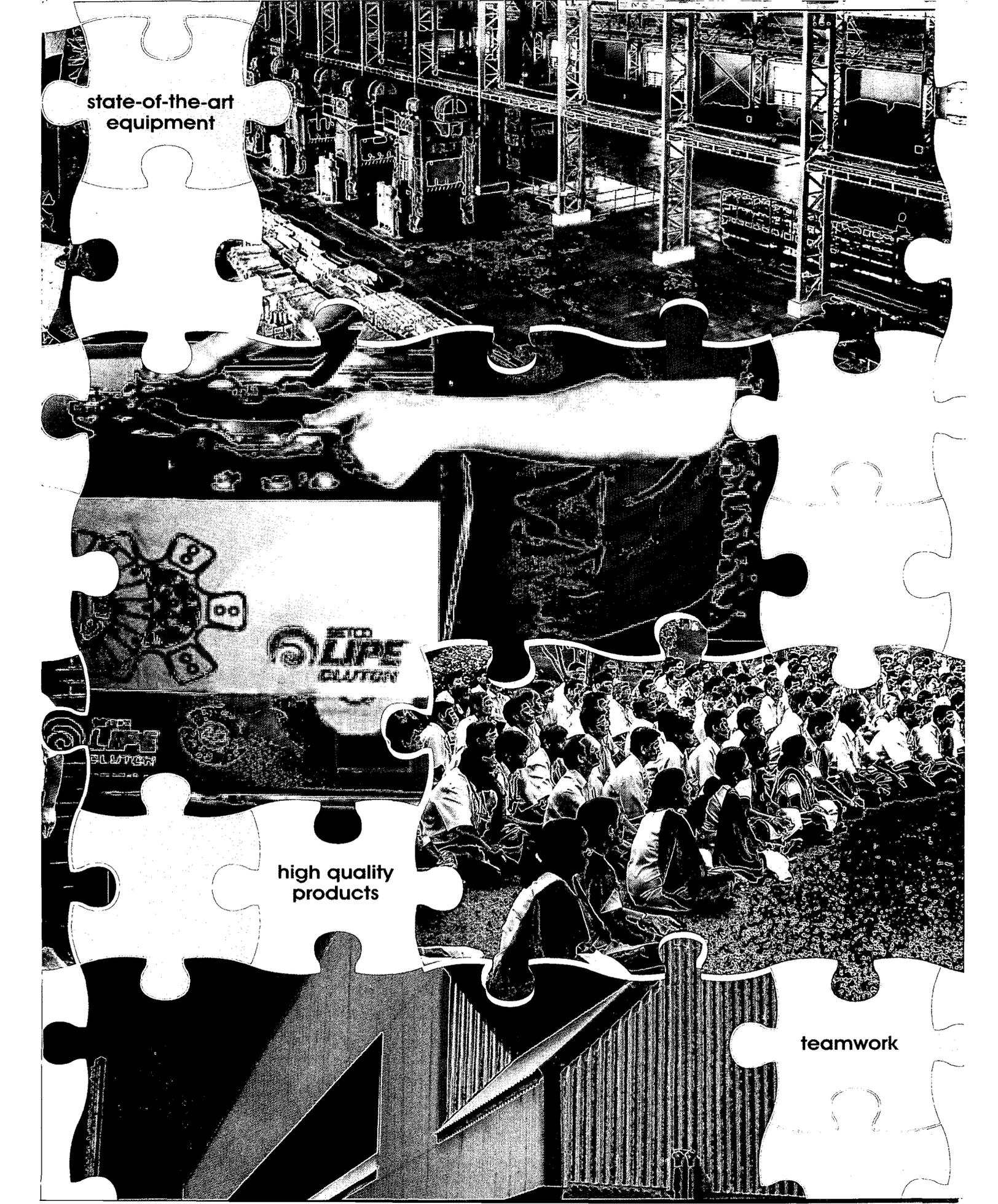




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