



GUJARAT SETCO CLUTCH LIMITED

# 22nd Annual Report

2004 - 2005

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|                                |   |
|--------------------------------|---|
| Board of Directors             | D. Rajagopalan, IAS, Chairman<br>Harish Sheth, Managing Director<br>A.K.Rakesh, IAS<br>Dinesh Brahmabhatt, IAS<br>Bhupinder Singh, Special Director (BIFR)<br>N.R.Badrinarayanan, Nominee Director, Bank of Baroda<br>Pratap Merchant<br>K.B.Patel, Whole Time Director |
| Auditors                       | Manesh Mehta & Associates<br>Chartered Accountants<br>Baroda  |
| Bankers                        | Bank of Baroda  |
| Registered Office<br>& Factory | Baroda – Godhra Highway,<br>Kalol – 389 330<br>District Panchmahals, Gujarat  |
| Corporate Office               | 54-A, Tardeo Road<br>Nr. Film Center<br>Mumbai – 400 034.<br><a href="http://www.setcoclutch.com">www.setcoclutch.com</a>   |



From the desk of Chairman  
D Rajagopalan, IAS

Dear Shareholder,

It is my privilege to share with you the Company's progress in our most dynamic auto sector for the year 2004-05. Year 2004-05 has been a path-breaking year for your Company. The year has witnessed a dramatic change in the Company's performance and it has emerged to be out of the purview of the Board for Industrial and Financial Reconstruction (BIFR), one of the few companies to do so.

The audited financials of the Company are with you now. It is my pleasure to highlight some of the salient features of this turnaround coupled with the Company's general contribution to the state and the society at large, which are as follows :

- Net worth has turned positive at Rs 2.01 Crs from a peak prior negative of Rs. 19.01 Crs (1998.1999). The Company awaits its deregistration from BIFR.
- Company has registered sales of Rs 113 Crs for the year ended 2004.2005 (for a period of 15 months), a 8 times increase in the last 4 years.
- You will also observe :
  - Exports has increased by 29.2 %
  - PBDIT is higher by 110 % at Rs 15.29 Crs (for 15 months) from that of Rs 5.82 Crs (for 12 months) in the previous year. PBDIT has improved at 16.24 % to Net Sales from that of 12.5 % in the previous year.
  - All time high PBT (before deferred tax and impact of previous periods) at Rs. 11.28 Crs.
- Direct employment of about 550 people, with 92 % from the local area.
- Facilitated development of about 16 Ancillary Units in the SSI Sector for job outsourcing and about 25 SSI / SME for supplying materials to our Company thus generating additional revenue and additional indirect employment of over 1500 people.

Further, your company has also taken various initiatives for the development of local area in the following ways :

- Helping the local schools for upgrading their facilities.
- Contributing towards the books of the libraries of the schools.
- Meeting education expense including books for the education of children of our employees.
- Conducts various drives on blood donations for the local hospitals.



I take this opportunity to express my gratitude and thanks on the behalf of the Board to the Government of Gujarat, Bank of Baroda, GIIC, GSFC and UTI among others for their continuing unstinted support through the trying times that were faced by your Company. But for their strong support turnaround of the Company could not have been achieved.

Looking ahead your company has set its targets to transform from a national Company to a truly global player in its chosen field. Additionally from this turnaround your Company pledges itself at maximizing stakeholder wealth. The years ahead have all the signs of exciting opportunities coupled with unprecedented growth and I am confident that we will grow from strength to strength. Also the auto industry is poised to witness metamorphic change and we are ideally positioned to achieve the phenomenal growth.

Lastly, I have always maintained that any organization is as good as its people. All those who work for your Company uphold the tradition of excellence and integrity with a passion to excel in all that they undertake.

The future is bright and full of opportunities.

I would like to take this opportunity to express my gratitude to each one of you for your unstinted faith, support and confidence and look forward to further growing Setco from strength to strength.

Yours Truly,

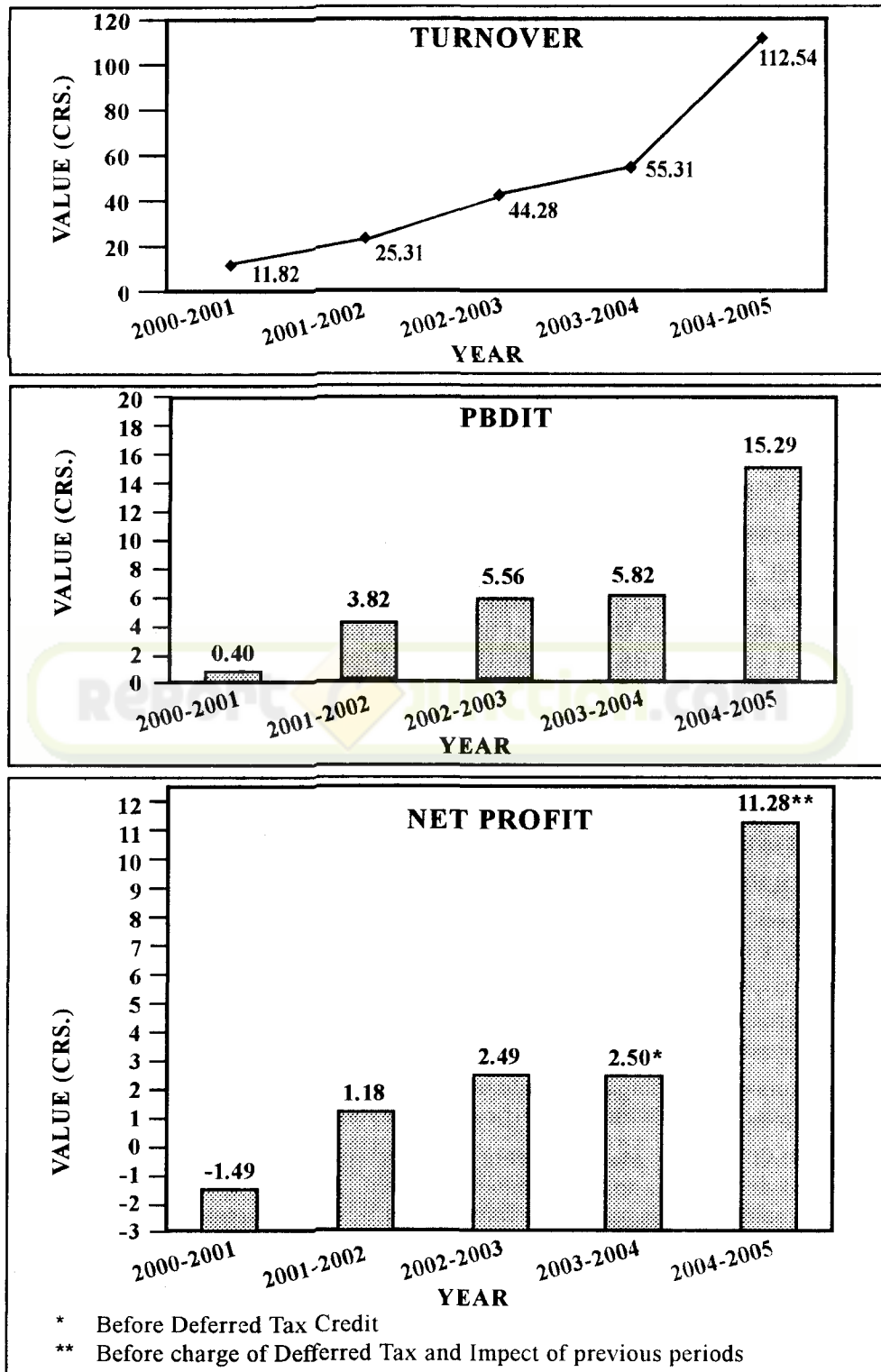
For Gujarat Setco Clutch Limited

D Rajagopalan  
Chairman

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## PERFORMANCE AT A GLANCE



**NOTICE FOR 22<sup>ND</sup> ANNUAL GENERAL MEETING**

**NOTICE** is hereby given that **22<sup>ND</sup> Annual General Meeting** of the members of **Gujarat Setco Clutch Limited** will be held on Thursday, 20<sup>TH</sup> October 2005 at 3.00 pm at the Registered Office of the Company at Baroda - Godhra Highway, Kalol 389 330, District Panchmahals, Gujarat to transact the following business:

**ORDINARY BUSINESS**

1. To receive, consider and adopt the Company's Audited Balance Sheet as at 30<sup>th</sup> June 2005 and the Profit and Loss Account for the period ending on that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Shri A.K.Rakesh, IAS who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Shri Dinesh Bharambhatt, IAS who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Shri N R Badrinarayanan as a Director who was co-opted as an additional Director by the Board of Directors on 24.02.2005 and hold office under Section 260 of the Companies Act 1956 till the date of ensuing Annual General Meeting of the Company and is eligible for reappointment and in respect of whom the Company has received a notice in writing from a member under the provision of Section 257 of the Companies Act, 1956 proposing the candidature of Shri N R Badrinarayanan for the office of a Director.
5. To consider and if thought fit, to pass with or without modification, the following as SPECIAL RESOLUTION.

**RESOLVED THAT** pursuant to Section 81(1-A) and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of BIFR, SEBI and such other approvals, permissions and sanctions as may be necessary, the Board of Directors of the Company be and is hereby authorized to issue Equity Shares for an amount not exceeding Rs. 1.80 Crs (Rs. One Crore and Eighty Lacs) only by issue of -18,00,000- Equity Shares of Rs. 10 (Rupee Ten only ) each for cash at par to Setco Auto Private Limited (SAPL); considering Rs 3.00 per share as partly-paid as part of purchase consideration for the Company taking over the manufacturing activity and specified assets and liability of SAPL as of 31.12.2004 and balance Rs 7.00 per share to be paid by SAPL against the calls as may be made by the Company.

**FURTHER RESOLVED THAT** the Managing Director and / or Whole Time Director of the Company be and is hereby authorized to make one or more calls stipulating the time limit for balance amount of Rs 7.00 per share

**FURTHER RESOLVED that :**

- i. Equity Shares that may be issued as above to rank pari pasu to the present / existing equity shares of the Company in all respects.
  - ii. No commission / discount on the proposed equity is payable.
  - iii. Equity shares that may be issued to SAPL as above be listed with Stock Exchange, Mumbai and Ahmedabad where the Company's existing equity is listed.
6. To appoint Auditors of the Company to hold office up to conclusion of the next Annual General Meeting and if thought fit, to pass with or without modification, the following resolution as ORDINARY RESOLUTION:  
**"RESOLVED THAT** Messrs. Manesh Mehta & Associates Vadodara, Chartered Accountants, be and are hereby appointed as Auditors to the Company, to hold office till conclusion of the next Annual General Meeting on such remuneration as may be fixed by the Board of Directors."

By the Order of the Board of Directors  
For Gujarat Setco Clutch Limited

Harish Sheth  
Managing Director.

Place : Kalol (Panhmahals)  
Date : 25.08.2005

**NOTES:**

- 1 The explanatory statement pursuant to Section 173 (2) of the companies Act 1956, in respect of item Nos. 4 and 5 is annexed hereto.
- 2 A MEMBER ENTITLED TO ATTEND AND TO VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH A PROXY NEED NOT BE A MEMBER. AN INSTRUMENT APPOINTING PROXY SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
- 3 The Register of Members and Share Transfer Book of the Company will remain close from Thursday 6<sup>th</sup> October 2005 to Thursday 20<sup>th</sup> October 2005 (both days inclusive).

**Annexure to the Notice**

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

**Item 4**

Shri N R Badrinarayanan was co-opted as an additional Director of the Company with effect from 24.02.2005 vice Shri M L Rathi. Pursuant to Section 260 of the Companies Act 1956, Shri Shri N R Badrinarayanan holds office of the Director up to the date of ensuing Annual General Meeting. The Company has received a notice from a member proposing the candidature of Shri N R Badrinarayanan for the office of Director under the provision of Section 257 of the Companies Act 1956. Your Director consider it desirable and in interest of the Company to avail the services of Shri N R Badrinarayanan as Director and accordingly recommend reappointment of Shri N R Badrinarayanan as Director on your Company's Board as per item No. 4 of the Notice.

The agenda is submitted for your consideration to reappoint Shri N R Badrinarayanan as Director of the Company. Your Directors recommend.

None of the other Directors has any interest in the agenda.

**Item 5**

The Company is taking over the manufacturing activity and specified assets and liability of Setco Auto Private Limited (SAPL) as of 31.12.2004 at the value as per the audited balance sheet of SAPL as of 31.12.2004. The Company has obtained the requisite approval of the Board of Industrial and Financial Restructure (BIFR) for the transaction. As a part of the purchase consideration, the Company is required to issue -18- lacs equity shares of Rs 10 each treating as partly paid at Rs 3.00 per shares; balance Rs 7.00 per share to be paid by SAPL on Company making one or more calls within specified period stipulated in such calls that may be made by the Company. Equity Shares to be issued as aforesaid to rank pari-pasu in all respects with present / existing equity shares of the Company. No commission / discount on the proposed equity is payable.

The agenda is submitted for your consideration to authorize the Company to issue equity shares to SAPL as proposed. Your Directors recommend the agenda.

Shri Harish Sheth Managing Director being a Director of Setco Auto Private Limited is interested in the agenda. None of the other Directors has any interest in the agenda.

By the Order of the Board of Directors  
For Gujarat Setco Clutch Limited

Harish Sheth  
Managing Director.

Place : Kalol (Panchmahals)  
Date : 25.08.2005





As required per Listing Agreement, particulars of the Directors proposed to be appointed / re-appointed are as under:

| Name                      | Age | Qualification Experience  |
|---------------------------|-----|---|
| 1. Shri A.K.Rakesh, IAS   | 41  | Shri A.K.Rakesh, IAS is IAS officer of 1989 cadre, of the Government of Gujarat and presently Additional Secretary Finance. He has to his credit of -16- years experience of administrative service holding various positions in the Government. He has been Government Nominee Directors on various companies and members of various Committees on behalf of the Government. |
| 2 Shri Dinesh Brahmbhatt  | 51  | Shri Dinesh Bharambhatt, IAS is senior administrative executive with Government of Gujarat since 1978 and in IAS cadre since 2001. Presently he is Collector and District Magistrate, Godhra. Thus he has to his credit experience of two and half decades of administrative service holding various positions in the Government.   |
| 3 Shri N R Badrinarayanan | 51  | Shri N R Badrinarayanan is B.A. A.C.A. CAIIB and with Bank of Baroda since July 1980. He is presently Deputy General Manager, Central Gujarat Zone, Bank of Baroda, Baroda. Thus he has to his credit -25- experience as practical banker.  |

By the Order of the Board of Directors  
For Gujarat Setco Clutch Limited

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Place : Kalol (Panchmahals)  
Date : 25.08.2005

Harish Sheth  
Managing Director.



## DIRECTORS REPORT

Your directors have pleasure in placing before you this 22<sup>nd</sup> Annual Report of your Company along with audited statement of accounts for the -15- months period ending 30<sup>th</sup> June 2005.

### 01.00 Financial Results

With great pleasure your directors would like to inform you that there has been exceptional improvement in the performance of your Company during the period under review. The summary of the financial results are as follows:

|                          |            | (Rs. Crs)  |
|--------------------------|------------|------------|
|                          | 30.06.2005 | 31.03.2004 |
| Turnover                 | 112.54     | 55.30      |
| Operating Profit (PBDIT) | 15.29      | 5.82       |
| Profit Before Tax (PBT)  | 11.28 **   | 2.50 *     |

\*Declared PBT was Rs. 5.60 Crs inclusive of Deferred Revenue of Rs. 3.10 Crs.

\*\* Before impact of previous periods and deferred taxes.

### 02.00 Dividend

Your directors take pleasure to report that your Company has just launched a new strategic growth plan for the next five years ( 2005-2010 ) for taking the Company to a new height. The strategic imperative now is to maximize augmentation of the Company's internal accruals to finance the various strategic projects. In consideration of the same, your directors do not recommend payment of dividend for the period under review.

### 03.00 Operations & Finance

On an annualized basis the turnover of the Company has registered a 63% growth and touched an all time high of Rs 112.54 Crs in 2004-2005. Similarly, on an annualized basis, the Operating Profit (PBDIT) of the Company has increased by 110 % and stood at Rs.15.29 Crs. Consequently the Profit Before Tax (before impact of previous periods and deferred tax ) has witnessed 4.51 fold increase over the previous year and stood at Rs.11.28 Crs. As a result of the quantum jump in profits, the accumulated losses have been substantially reduced at Rs.3.98 Crs against Rs. 10.79 Crs as on 31.03.2004 and Rs 19.01 Crs as on 31.03.1999.

With the total turnaround in operations, the directors are pleased to inform you that the Company will be out of the BIFR purview with net worth becoming positive at Rs 2.01 Crs as on 30.06.2005. The improvement in Company's net worth position has resulted from ploughing back of the profits since 2001-2002 and induction of fresh equity by the promoters from time to time to the tune of Rs. 3.50 Crs.

Your Company continued its persistent effort in reducing cost in every possible area. Procurement costs had been brought down through effective negotiations with vendors/suppliers of various indigenous and imported raw materials and components. Further, through continuous process improvements such as Kaizen, TPM etc considerable gains have been achieved in terms of improvement in productivity, reduction in wastages, rejection and warranties. As a consequence, during the period under review Operating Margins (PBDIT) to net sales has improved to 16.24 % at Rs. 15.29 Crs against 12.51 % at Rs. 5.82 Crs last year. On the back of improved Operating Margins, your Company could post an all time high profit (PBT) of Rs. 11.28 Crs in 2004-2005 ( before impact of previous periods and deferred tax ).