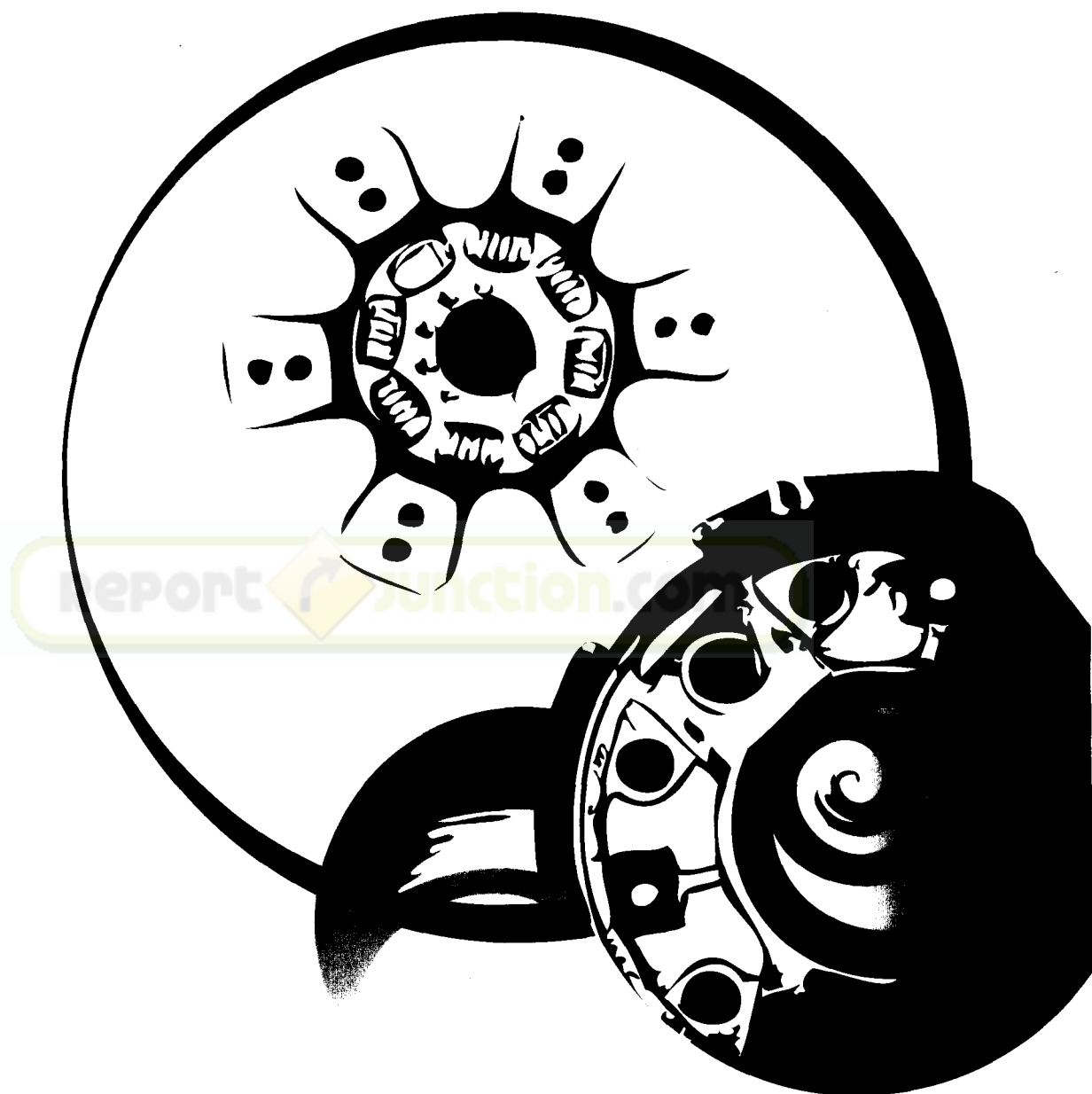


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23rd Annual Report

2005-2006



SETCO
AUTOMOTIVE LTD

FORMERLY GUJARAT SETCO CLUTCH LIMITED

CONTENTS

01.	Company Information	
02.	Performance at a glance	1
03.	Notice for the 23 rd Annual General Meeting	2-13
04.	Director Reports	14-18
05.	Management Discussion and Analysis	19-20
06.	Corporate Governance Report	21-27
07.	Auditors' Report	28-31
08.	Balance Sheet	32
09.	Profit and Loss Account	33
10.	Schedules	34-40
11.	Significant Accounting Policies	41-42
12.	Notes to the Accounts	43-48
13.	Cash Flow	49
14.	Consolidated Accounts	50
15.	Auditors' Report on Consolidated Accounts	51
16.	Consolidated Balance Sheet	52
17.	Consolidated Profit and Loss	53
18.	Consolidated Schedules	54-58
19.	Consolidated Significant Accounting Policies	59-60
20.	Consolidated Notes to the Accounts	60-61
21.	Consolidated Cash Flow	62
22.	Proxy Form	

23rd
Annual
Report



FORMERLY GUJARAT SETCO CLUTCH LIMITED

Board of Directors

Pratap Merchant
Satish Deshpande
Harshal J. Shah
N R Badrinarayanan
K B Patel
Harish Sheth

Bank's Nominee Director
Whole Time Director
Managing Director

Auditors

Manesh Mehta & Associates
Chartered Accountants
Baroda

Bankers

Bank of Baroda

**Registered Office
& Factory**

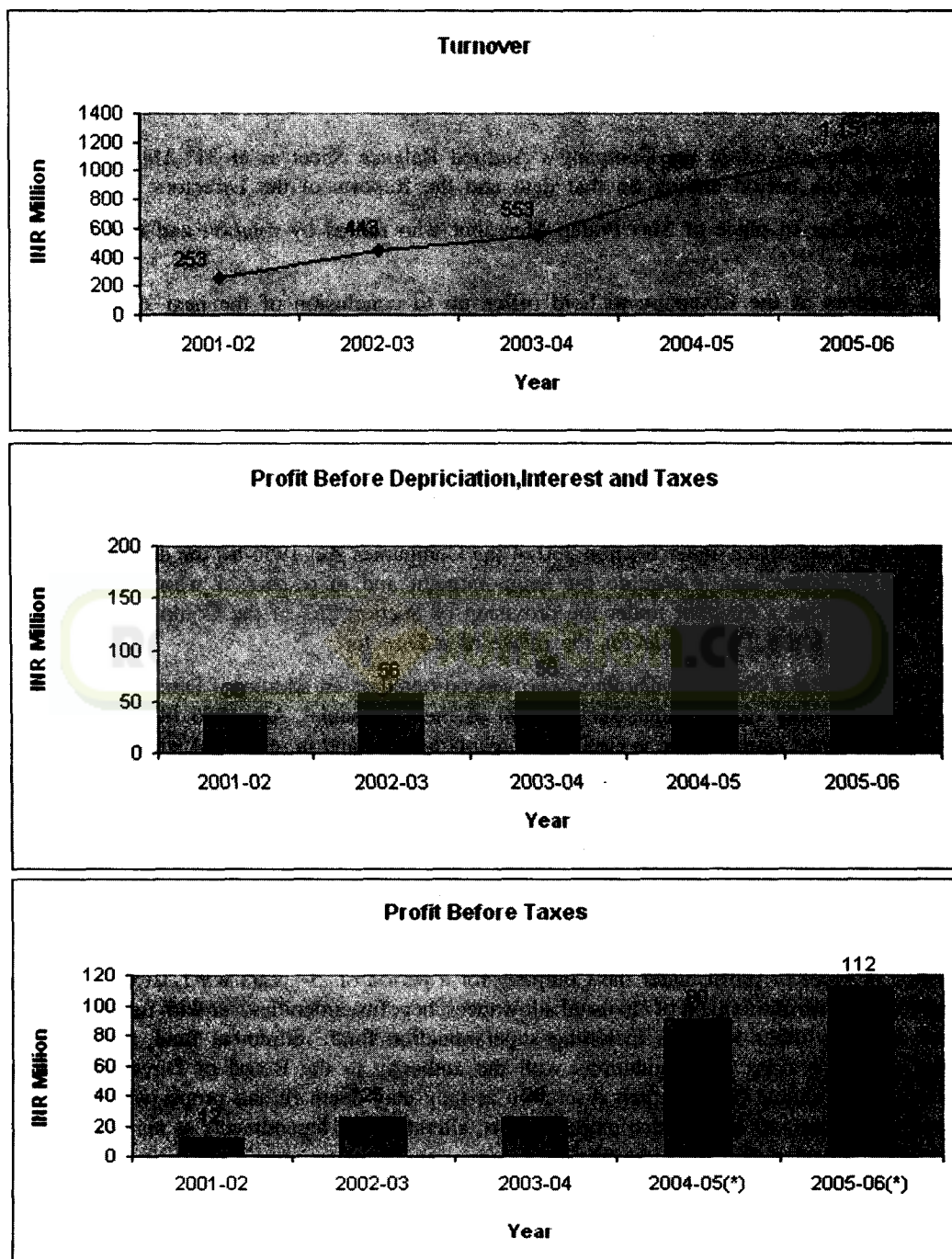
Baroda - Godhra Highway,
Kalol - 389 330
District Panchmahals, Gujarat

Corporate Office

54-A, Tardeo Road
Nr. Film Center
Mumbai - 400 034.
www.setcoclutch.com

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PERFORMANCE AT A GLANCE



Figures of 2005-06 reflect consolidated figures of Setco Automotive Limited

Figures of 2004-05 and 2005-06 are annualized.

(*)Before Prior period adjustments and Exceptional items.

NOTICE FOR 23rd ANNUAL GENERAL MEETING

NOTICE is hereby given that **23rd Annual General Meeting** of the members of **Setco Automotive Limited** will be held on Saturday, 23rd September 2006 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 31st March 2006 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 Pratap Mercant who retires by rotation and being eligible, offers himself for reappointment.
- 3 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."

SPECIAL BUSINESS

- 4 To appoint Shri Satish Deshpande as a Director who was co-opted as an additional Director by the Board of Directors on 12.12.2005 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 Satish Deshpande for the office of a Director.
- 5 To appoint Shri Harshal J Shah as a Director who was co-opted as an additional Director by the Board of Directors on 23.05.2006 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 Harshal J Shah for the office of a Director.
- 6 To consider and if thought fit, to pass with or without modification, the following as **SPECIAL RESOLUTION**.

"RESOLVED THAT subject to the approval of the Central Government consent of the Company be and is hereby accorded under Section 314 (1B) and all other applicable provisions, if any, of the Companies Act, 1956 to Mr. Udit Sheth who is the son of Mr. Harish Sheth, Managing Director of the Company, holding and continuing to hold the office or place of profit under the Company for a period of -3- years w.e.f. 01.06.2006 at a monthly salary of Rs 1,25,000 p.m. with entitlement of / to usual allowances, benefits, amenities, car with full operating and maintenance charges and a driver, other facilities including superannuation fund, retirement fund, provident fund benefit etc., as per the Company's rules and regulations with the authority to the Board of Directors to consider / sanction annual increment on annual basis at their discretion as they may deem fit and proper with such authority in favour of the Board of Directors to accept such modifications, alterations or amendments as may be directed by the Central Government and accepted by Mr. Udit Sheth.
- 7 To consider and if thought fit, to pass with or without modification, the following as **SPECIAL RESOLUTION**.

"RESOLVED THAT pursuant to provisions of Section 31 of the Companies Act, 1956, the existing Articles of Association of the Company be and are hereby replaced by new set of the Articles of Association of the Company".

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

“RESOLVED THAT pursuant to Section 17 and all other applicable provisions, if any, of the Companies Act, 1956, the Memorandum of Association of the Company be and is hereby altered as under and the consequent clauses of Memorandum be renumbered accordingly,

- i. In Clause No. III (A) -1-, to delete the word ‘in particular’ and add the word ‘including without limitation’ in the third line and to read the existing clause as follows:

To manufacture, assemble, buy, sell, distribute, export, import and deal in clutch assemblies, clutch driven plates and clutch facings of all types for motor vehicles including, without limitation, cars, jeeps, trucks, buses, omnibuses, tractors, scooters, motors cycles, mopeds, power assisted cycles, three wheelers, power tiller and other conveyance of all description whether propelled or moved by means of petro spirit, steam, gas, electrical or other power and for machinery, lawn cutter, chain saw, mini cultivator, snow plow, uni truck, combine, binder, power tiller and outboard motors and to manufacture, buy, sell, distribute, export, import and deal in components, spare parts, accessories used in such clutch driven plates and clutch facings.

- ii. In Clause No. III (A) -2-, to delete the word ‘and in particular’ and add the word ‘including without limitation’ in the third line and to read the existing clause as follows:

To manufacture, assemble, buy, sell, distribute, export, import and deal in carburetors and carburetor repair kits for motor vehicles assisted by means of petrol or gas including, without limitation, for cars, jeeps, trucks, buses, scooters, motors cycles, mopeds, power assisted cycles, autocycles and three wheelers and also stationary engines, portable engines, marine engines, outboard motors, lawn mowers, power generators, set engines, tractors, power tillers and agricultural engines and to manufacture, buy, sell, distribute, export, import and deal in components, spare parts, accessories required in connection therewith and capable of being used in such carburetor.

- iii. In Clause No. III (B) -2-, to add the word ‘in any manner whatsoever’ after the word ‘deal’ in the second line and to read the existing clause as follows:

To improve, manage, develop, grant rights or privileges in respect of or otherwise deal in any manner whatsoever with, all or any part of the property and rights of the company.

- iv. In Clause No. III (B) -4-, be deleted.

- v. In Clause No. III (B) -5-, to add the word ‘in such manner as may, from time to time be thought fit’ after the word ‘company’ in the first line and to read the existing clause as follows:

To invest and deal with the money of the company in such manner as may, from time to time, be thought fit.

- vi. After existing Clause No. III (B) -5-, to add the following new clause as follows:

To invest and/ or lend any of the surplus moneys and funds of the Company from time to time and (subscribe for) take or otherwise acquire and hold in Government Securities or in securities for money issued by or on behalf of any Municipal Body or of any Corporate Body established in India or elsewhere or in any shares or securities of any other company whether or not having objects altogether or in part similar to those of the Company or whether or not carrying on any business capable of being conducted so as to directly or indirectly benefit the company as may from time to time be determined by Directors or on the mortgage of immovable properties whether freehold or leasehold or of any other tenure in India or elsewhere or on the pledge of movable property in India or elsewhere or in fixed deposits or by way of loans or interest in any of the local banks or with any firms, companies or banks (including the agents of the Company) or in such other securities as may from time to time be determined by the Directors and from time to time sell, redeem or vary any or all such investments and to execute all assignments, transfers, receipts and documents that may be necessary in that behalf.

- vii. In clause No. III (B) -6-, to add 'on behalf of third parties' after the word 'indemnities' in the last line and to read the existing clause as follows:

To lend (and advance) money (or give credit) to such persons or companies and on such terms as may seem expedient and in particular to customers and others having dealings with the company and to guarantee the performance of any contract (or obligation and the payment of money of or) by any such persons or companies (and generally to give guarantees and indemnities on behalf of third parties).

- viii. Existing Clause No. III (B) -7-, be deleted and add the following new clause:

To receive money on deposit or loan and borrow or raise money from time to time for any of the purposes of the company by receiving advance of any sum or sums of money with or without security in such manner as the company shall think fit and in particular by the issue of debenture stock (perpetual or otherwise) and to secure the repayment of any money borrowed raised or owing by mortgage, charge or lien upon all or any of the property or assets of the company, whether moveable or immoveable including, without limitation, lands, buildings, machinery, goods, or other property of the Company (both present and future) including its uncalled capital and also by a similar mortgage, charge or lien to secure and guarantee the performance by the company or any other person or company of any obligation undertaken by the company or any other person or company as the case may be. The company shall not carry on Banking Business.

- ix. In existing clause No. III (B) -13-, to add the word 'other' after the word 'or' in the fourth line and to add 'of any nature whatsoever as the Company may deem fit' after the word 'emoluments' in the fourth line and to read the existing clause as follows:

To establish and maintain or procure the establishment and maintenance of any contributory of non – contributory pension or superannuation funds for benefits of and give or procure the giving of donations, gratuities, pensions, allowances or other emoluments of any nature whatsoever as the company may deem fit to any persons who are or were at any time in the employment or service of the company or of any company which is a subsidiary of the company or is allied to or associated with the company or with any such subsidiary company or of any such other company as aforesaid and the wives, widows, families and dependents of any such persons and also establish and subsidize and subscribe to any institutions, associations, clubs or fund, calculated to be for the benefit or to advance the interests and well – being of the company or of any such other company as aforesaid and make payments to or towards the insurance of any such persons as aforesaid and do any of the matters aforesaid, either alone or in conjunction with any such other company as aforesaid.

- x. After the existing clause No. III (B) -13-, to add the following new clause:

To undertake and execute any trust or discretion, the undertaking whereof may seem desirable and the distribution amongst the beneficiaries, pensioners or other persons entitled thereto, of any income capital annuity or other sums of money or other property whether periodically or otherwise and whether in money or in specie in furtherance of any trust, discretion, or other obligations or permission.

- xi. In the existing clause No. III (B) -14-, to delete the word ' or' after the word 'persons' in the first line and to add the word 'entities' after the word 'persons' in the first line and further to add the word 'or organizations' after the word 'institutions' in the first line and to read the existing clause as follows:

To make donation to such persons, entities, institutions or organizations and in such cases as may be thought directly or indirectly conducive to any of the objects of the company or otherwise expedient.

- xii. In the existing clause No. III (B) -16-, to add the word 'acquire or' before the word 'establish' in the first line and to add the word 'any other' after the word 'liabilities of' in the third line and read the existing clause as follows:

To acquire or establish or promote or concur in establishing or promoting any company or companies for the purpose of acquiring all or any of the property rights and liabilities of any other company which may seem directly or indirectly calculated to benefit the company and to place or guarantee the placing of, underwrite, subscribe, acquire all or any part of the shares, debentures or other securities of any such other company.

- xiii. The existing clause No. III (B) -17-, be deleted and add the following new clause read as follows:

To sell, lease, mortgage, dedicate, present, transfer, gift, donate or otherwise dispose of property, assets (whether moveable or immovable) or undertaking of the Company or any part thereof with or without consideration to any person including any Trust whether public or private, discretionary or specific, either by revocable or irrevocable, transfer or settlement and upon such terms and conditions as the Company may deem fit and in particular for shares (stock), debentures or other securities of any other company, whether or not having, objects altogether or in part similar to those of the Company.

- xiv. After the existing clause No. III (B) -17-, the following -12- new clauses added and read as follows:

To dedicate, present or otherwise dispose of either voluntarily or for the value of any property of the Company deemed to be of national, public or local interest to any national, trust, public body museum, corporation or authority or any trustees for or on behalf of any of the same or on behalf of the public.

To amalgamate, merge, demerge, hive off, enter into partnership or into any arrangement for sharing profits or losses, union of interest, cooperation, joint venture or reciprocal concession or for limiting competition, with any person or company carry on or engaged in or about to carry on or engage or in which can be carried on in conjunction therewith or which is capable of being conducted so as directly or indirectly to benefit the company and to give or accept by way of consideration for any of the acts or things aforesaid or property acquired, any shares, debentures, debenture-stock or securities that may be agreed upon and to hold and retain or sell, mortgage and deal with any shares debentures, debenture-stock or securities, so received.

Subject to the provisions of the Companies Act, 1956 including any amendments or re-enactments thereof to amalgamate with any other company whose objects are, or include objects similar to those of the company whether by sale or purchase of fully or partly paid up shares or otherwise of the undertaking subject to the liabilities of this or any such company as aforesaid, with or without winding up or by sale or purchase of fully or partly paid up shares or otherwise of all or controlling interest in the shares or stock of this or any other company as aforesaid or in any other manner.

To negotiate loans, underwriting contracts, mortgages, equity participation, cash credit, overdrafts, and other financial facilities from banks, financial institutions, Government or Semi-Government Bodies and other on behalf of any companies, firm, societies, associations and others.

To collect rents and debts and to find investments, and to issue and pledge shares, stocks debentures, debentures – stock and other securities.

To take or hold mortgages, liens, and charges, to secure the payment of the purchase price, or any unpaid balance of the purchase price of any part of the company's property of whatsoever kind, sold by the company or any money due to the company from the Purchaser and others.

To acquire and undertake the whole or any part of the business, property and liabilities of any person, firm or company carrying on or proposing to carry on any business, which the company is authorized to carry on, or possessed of property suitable for the purpose of the company or which can be carried or in conjunction therewith or which is capable of being conducted so as directly or indirectly to benefit the company.

To exchange sell, convey, assign or let on lease or grant licenses for the whole or any part of the company's immovable properties and to accept as consideration or in lieu thereof either land or Government securities or shares in joint stock companies or partly the one and partly the other.

To undertake or execute any trust, the undertaking of which may seem to the company desirable, gratuitous, or otherwise.

To acquire, hold, construct, hold, manage, and administer any land or building, including any structure under construction, coming in possession and control of the company on account of any default committed by the borrower in repayment of their dues.

To acquire by purchase, exchange or otherwise the right to good-will, trade marks, exploitation rights or patents trade marks, licenses, results of research and development, invention models, formulae, processes, designs or similar information concerning industrial, commercial, technical or scientific knowledge, experience skill and technique and to sell, mortgage, deal in, grant licenses, easements and other rights over and in any other manner deal with or dispose of all or any of the above for fees, commission, remuneration, royalty share in profit, dividend or any other form of income in cash or in kind.

To institute, prosecute, defend, oppose, appear or appeal in any suit, arbitration, arrangement, compromise, composition or other proceedings, to refer to arbitration, abandon or submit to judgments, decision award, to become non-suit in any proceedings, and demands, for the recovery of any debt, claim sum of money, or for exercise of any right, privilege, demand, settlement of any claim whatsoever due or payable or in any wise belonging to the company or others in respect of whom company is an agent.

- xv. After the existing clause No. III (B) -22- the following -10- new clauses added and read as follows:

To undertake, and to carry on and execute all kinds of financial, commercial and other operations of the Company which may be capable of being conveniently carried on in connection with any of the objects of the Company or calculated directly or indirectly, to enhance the value of or facilitate the realization of, or render profitable, any of the Company's property or rights.

To subscribe for, conditionally or unconditionally to underwrite, issue on commission or otherwise take, hold, deal in and convert stocks, shares and securities of all kinds and to enter into partnership or into any arrangement for sharing profits, union of interest, reciprocal concessions co-operations with any person or company and promote and aid in promoting, constitution, forming or organizing any company (partnership of any kind) for the purpose of acquiring and undertaking any property and liabilities of this company or for advancing directly or indirectly the objects thereof, or for any other purpose which the Company may think expedient.

To contract with lease holders borrowers, lenders annuitants and others for the establishment, accumulation, provisions and payment of sinking funds, renewal funds, redemption funds, endowment funds and any other special funds, and that either in consideration of a lump sum or of an annual premium or otherwise and generally on such terms and conditions as may be arranged.

To establish, provide, maintain and conduct or otherwise subsidies, assist research laboratories and experimental workshops for scientific and technical research and experiments to undertake and to carry on all scientific and technical researches, experiments, tests of all kinds and to promote studies and research, both scientific and technical investigations, and inventions, by providing subsidizing, endowing or assisting laboratories, workshops, libraries, the remuneration of scientific or technical professors or teachers and providing for the award of scholarships, prizes and grants to students or otherwise and generally to encourage, promote and reward studies researches, investigations, experiments, tests and inventions of any kind that may be considered likely to assist any of the business which the Company is authorized to carry on.

To undertake, conduct, institute, encourage, promote, prosecute, develop, assist, finance and carry out any kinds of scientific, industrial, commercial, economic, statistical and social research relating to trade, commerce or industry in India or outside India, whether singly or jointly with any other research association or institution and to erect, establish, promote, develop encourage, support, maintain and finance research laboratories, experimental stations, workshops and to provide any other facilities for such research and to develop, improve, patents,

models, designs, secret formula or processes or similar property, rights, relating to any articles things, etc, which may seem directly or indirectly calculated to benefit the Company.

To insure the whole or any part of the property of the Company either fully or partly, to protect and indemnify any part or portion thereof either on mutual principal or otherwise.

To undertake and execute any contracts for works involving the supply or use of any machinery and to carry out any ancillary or other works comprised in such contracts.

To create any depreciation fund, reserve fund, sinking fund, insurance fund or any other special funds, whether for depreciation or for repairing, improving extending or maintaining any of the property of the Company, or for redemption of debentures or redeemable preference shares or any other purpose whatsoever conducive to the interests of the Company.

To do all and everything necessary, suitable or proper for the accomplishment of any of the purposes of the attainment of any of the objects or the furtherance of any of the powers hereinbefore set forth, either alone or in association with other corporate bodies, firms, individuals, and to do every other acts, thing or things incidental or appurtenant to or arising out of or connected with the business or powers or any part or parts thereof provided the same be not inconsistent with laws of India.

To adopt such means of making known the business and activities of the Company as may seem expedient and in particular by advertising in press) by circulars) by purchase and exhibition of works of art or interest) by publication of books and periodicals, by granting prizes rewards and donations, subject to the provisions of the Companies Act, 1956 including any amendments or re-enactments thereof.

xvi. After the existing clause No. III (C) (1) (e) to add the following -3- new clauses and read the clause as follows:

To buy, sell, lease, alter, repair, maintain, exchange, deal in and finance the sale of furniture, apparatus, appliances, machinery, tools, plant, implements, vehicle, and transportation equipment, wireless and television receivers, electrical and electronic equipment including offices and communication systems, material, goods, and articles of every description to lease or let on hire or sell on the hire purchase system any of the same and to carry out, by contract or otherwise, any work, connected therewith and to the business of hire purchase finance of all durable industrial and commercial goods and of all descriptions and instruments of all descriptions, refrigerators, air-condition, washing machines and other equipment of personal use of otherwise television and commercial residential and industrial buildings.

To carry on the activities of consultants and advisors to individuals bodies, corporate, societies, undertakings, institution, associations, government, local authorities and others relating to the administration, organization production, storage and marketing, sale and management of industry and business and generally to carry on the business of industrial and business consultants.

To provide technical know-how and guidance in negotiating or entering into agreements and contracts or collaborate with foreign companies, firms and individuals for getting or supplying the process, technical assistance know-how in clearing and payment system.

xvii. In the existing clause No. III (C) 10 be deleted and the following new clause read as follows:

To purchase, take on lease or in exchange, hire or otherwise acquire, hold, manage and administer in any manner, any real and personal property and any rights or privileges which the company may think necessary or convenient for the purpose of its business including any land or building of any tenure or description for the purpose of providing residential accommodation and other facilities to the employees of the Company.