SETCO AUTOMOTIVE LTD
LIPE CLUTCH
CERTIFIED TS 16949/ISO 14001 EMS OHSAS 18001
CIN No. : L35999GJ1982PLC005203

September 9, 2019

To,

BSE Limited,	National Stock Exchange of India Ltd,
Dept. of Corporate Services,	**Listing Department**
Phiroze Jeejeebhoy Towers,	Exchange Plaza, Bandra Kurla Complex,
Dalal Street,	Bandra (East), Mumbai – 400051
Mumbai - 400 001	**Scrip Symbol: SETCO**
Company Code: 505075	

Dear Sir,

Sub: Transcript of Conference Call

We hereby enclose the transcript of the Conference Call hosted by the Company on Monday, August 19, 2019 at 4:00 p.m.

The aforesaid information is also being uploaded on the website of the Company www.setcoauto.com

This is for your information and record.

Thanking you,

Yours faithfully,
For Setco Automotive Limited

Chandra Kant Sharma
Company Secretary

SETCO AUTOMOTIVE LTD.

Encl: As above

CORPORATE OFFICE : 2/A, GROUND FLR., FILM CENTER BLDG., 68, TARDEO RD., TARDEO, MUMBAI - 400 034. INDIA. PHONE : +91 22 407 55555 Fax : +91 22 2352 0754
REGISTERED OFFICE : VADODARA GODHRA HIGHWAY, KALOL (PMS) - 389 330, GUJARAT, INDIA. PHONE : +91(0) 2676 - 270600 FAX : +91 (0) 2676 - 235524
WEB : www.setcoauto.com E-MAIL : contact@setcoauto.com

"Setco Automotive Limited
Q1 FY2020 Earnings Conference Call"

August 19, 2019

MANAGEMENT: **MR. UDIT SHETH – VICE CHAIRMAN - SETCO AUTOMOTIVE LIMITED**
MR. J.S. GUJRAL – CHIEF EXECUTIVE OFFICER - SETCO AUTOMOTIVE LIMITED
MR. VINAY SAHANE – CHIEF FINANCIAL OFFICER - SETCO AUTOMOTIVE LIMITED
MR. ASHISH SAMAL- PERFECT RELATIONS

Moderator: Ladies and gentlemen, good day and welcome to the Setco Automotive Limited Q1 FY2020 Quarterly Results Conference Call. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*"" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ashish Samal. Thank you and over to you, Sir!

Ashish Samal: Thank you Lizann. Thank you all, Good afternoon and thank you for joining us on Setco Automotive Q1 FY2020 earnings conference call. Today, we have with us the senior management represented by Mr. Udit Sheth – Vice Chairman; Mr. J.S. Gujral – CEO; Mr. Vinay Sahane – CFO.

Before we begin, I would like to add that some of the statements to be made in today's discussion maybe forward-looking in nature. We will begin the call with the "Opening Remarks from the Management" after which we will have the forum open for "Interactive Q&A Session."

I would now request Mr. Sheth to make his opening remarks.

Udit Sheth: Good afternoon. Thank you for joining the Q1 earnings call. I think it would be fair to say that this has been a quarter of displaying a lot of resilience from our part despite Q1 FY2020 showing a significant amount of degrowth in the OEM segment almost 20% we have been able to show sustainable performance as a premier Tier-1 clutch manufacturer with a strong market position, and we have been able to edge our best by ensuring that our aftermarket and replacement market is able to give us the kind of support that is required to ensure that our earnings are very different from that of the market scenario in the commercial vehicle sector.

We have also take an extremely proactive steps as an organization to look at our cost structures, continue looking at penetrating and expending into newer markets such as the farm tractor, and as a company we are quite confident from our interactions that the worst is out of the way in H1. I think as we go into H2 and the kind of signals that we are getting from our OEMs we believe that there will be a certain amount of recovery from that segment, and as a company one of the good things is that BS VI is just around the corner, but we are geared up as an organization to deliver the newer, better products for BS VI as well as better margins which come along with those products.

We also believe that the scrappage policy, which will be implemented next year, will only add value to the direction that we are going in.

With this, I will open the call up for a discussion and welcome your questions.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Ankit Merchant from SMC Global Securities. Please go ahead.

Ankit Merchant: Good afternoon. Thanks for taking my question. I just have few questions, one is related to the obviously that the total scenario as far as the M&HCV demand has been concerned, and what we realize is that lot of there is overcapacity when it comes to freight movement and the pricing are not very lucrative. So as such the demand for BS VI would not be such high, and most of the OEMs would be it Ashok Leyland or Tata Motors have gone under severe shutdowns also over the past few months. So how is it going to affect our business, and when do you see the sentiment actually changing for you?

J.S. Gujral: I will take this question, Udit. See we have a business segment, which is called OEM, which is, what is linked to the production and sales of vehicles that is approximately 40%, in the normal year it is around at best 40% of our topline. So the current stress or the current downturn or your question particularly is in this segment of 40%. This is down by around 20% in the first quarter.

We expect that in the second quarter also a similar degrowth will happen and the OEMs in our understanding are taking a proactive measure to align their stocks with the new demand, so practically thus there will be a different scene between the sales percentage and the production percentage also to correct stocks. What impacts was this production not sales. Since we supply our products once the vehicle is produced. So we could have a quarter where, let us say the sales is down 15%, 20% and production is down 35% and therefore the opportunity loss for us would be 35% and not 20% because we sell when the customer produces a vehicle.

So even if we take 20%, 25% degrowth on 40% we are looking at a 8%, 10% overall degrowth from our topline perspective, assuming other segments remain constant, which is not the case.

Now coming to the other question, when do we see this segment picking up? Based on guidance's, which we have from our customers, H2 would definitely be better. There is an element which is not yet factored in, which is a stimulus package, which may come or may not come but we keep that out, H2 will be better than H1 and if the stimulus package is good it could be even further better. So this is as far as OE segment is concerned.

Now as far as BS VI is concerned, we also have to factor in that there will be a whole exercise of replacing the BS IV stocks with BS VI, and since this year the sale is less and the production of BS VI vehicles may not be much as per the guidance from customers. Most of the stock replenishment will happen next year. Even if let us say the retail sales in the first quarter of next year are lower because of BS VI, the production figures, which is what really impacts us would be better because the normal average six weeks, eight weeks of stock, which the channel carries would be getting replaced with BS VI vehicles it would have got depleted in this year and that is why we are seeing this downturn. So I hope that answers your questions.

Ankit Merchant: Sure, pretty much. Just a follow-up related to the OEMs again, how has been the working capital for you, with regards to OEM, are you seeing any deferment of payments or from the OEM or they have been negotiating with you on the margin front?

J.S. Gujral: I think we focus too much on the 40% and therefore the other half of the story is important for us. See around 55% of our business is from aftermarket where we are servicing demand for vehicles which are already running. A large chunk of this which is around 40% is from vehicles, which come to the workshops of our OE customers and we supply the clutch it is basically the first and second replacement of clutch which happens in the first six years of the vehicles running.

Now even in a downturn the fleet owners will sweat their newer vehicles more because the repair, maintenance cost is significantly lower, efficiencies are significantly higher compared to the older vehicles. So if a fleet owner has 100 vehicles, and let us say he is running 80 he will be running the younger fleet of 80, not the older fleet of 80 and the younger fleet of 80 will include vehicles which have been sold in the last four, five years when the industry was on an upturn and they will be coming up for the first and second replacement of clutch because it is a wear and tear item.

So that demand continues to be robust and we have pretty encouraging schedules, we are talking of a minimum 20% and even 30%, 35% growth, if things were to improve slightly on the freight front or on the fleet utilization front, but minimum 20% at today's level.

So this particular segment and then we have our own brand sales, which is around 15% of our topline where again we are catering to the third and fourth replacement, which sits right in the middle, the vehicles which will not work or the older vehicles and we are practically not servicing much of that segment's demand. So we are comfortable as far as our aftermarket and IM growth is concerned that will more than compensate the drop which we envisage in OEMs.

Now coming to the margin part, our aftermarket sales to our OEMs as well as our own aftermarket shares are at higher margins. So actually while we loose topline, we will improve margins and you would get some indication of that if you look at our presentation you would see our contribution going up by over 300 basis points because of a richer mix it also gets reflected up to the EBITDA and PBT levels.

In a way from the margin perspective higher aftermarket sales is a blessing for margins, yes, we loose topline opportunity in OEM if that would have happened our topline would have grown further the quantum of profit would have been higher, but purely from the percentage margin point of view we are better off and it partially offsets the loss of margin on a lower turnover, which you will see in the first quarter results, if we go down to the PBT and PAT levels despite a 7% shrinkage in topline our margins are not moving in the same direction.

The last part is on pricing, today with the utilization of the market being so low there are no pressures from OEMs to reprise products we do not expect them to push us because capacity utilization levels with many suppliers are low, not with us, but with many suppliers and it is in the interest of OEMs to keep the suppliers also healthy. So while there has been little bit of a deflation on commodities again linked to demand going down that may for the short-term let us say if I look at FY2020 be adding to our bottomline, but sooner or later we will have to give it back to them, we expect that to happen from earlier form Q4 it is not Q1 of next year. So we do not have a liquidity issue as such and our margins remain protected in fact become better because of a superior mix.

Ankit Merchant: If you could touch on the working capital also?

J.S. Gujral: Yes, see again aftermarket business is primarily on a cash basis, so 55% of the business is not impacted, if the 5% export is not impacted. So the real impact of the downturn is on the extended credit if the customer asks, and we agree because we have standard terms in the pricing so it is a negotiated deal, so far we have had some queries, but we are okay with liquidity and as a long-term supplier sometimes if payments get extended by 15 days 20 days we have to take it in slight because this is a short-term phenomena of the market going down tomorrow when the market comes back, so we do not look at it purely from the immediate perspective. We balance the short-term and long-term and then we also have our own suppliers. A part of it can be shared across the supply chain and a part of it we can do through better cost management and other fronts and so on and so forth. Just to give you an example with this OE downturn we have taken a call on deferring our capex so what was plan there has been pushed back and some liquidity therefore is saved both from margin money funding and interest cost. So we will balance the liquidity position by looking at all avenues including some discretionary spending etc., so on so forth.

Ankit Merchant: Just one last question is the operator allows, it is one related to the scrappage policy there have been talk since last almost now 3.5 to 4 years and there have been lot of discussions, but the government does not seem to be very much some or the other time the talk since falls to material lies and the scrappage policy gets deferred. So what are your views regarding it and what are the points which actually are not making it implement faster than ever before right now?

J.S. Gujral: See it has been a case of one person saying yes and the other party saying no. Originally, the understanding we have is the government was keen to introduce it earlier. SIAM wanted it after BS VI to balance out the demand because they felt that normally in a migration the demand goes down so this can taper the downward trend of demand if it is introducing from April 2020. Then in between since let us say January when a little bit of slowdown started in the OE segment, SIAM has been lobbying for early introduction, but there was this election in Q1 which were approaching so the government did not want to take a decision at that period in time. I think as we discuss now both sides want the policy to happen, the government always wanted it to happen for reasons of pollution, taking out older vehicles, safety on the road, there are lot of positives in the policy and government also always wanted this to happen the industry wanted it to happen from a particular time, I think now is the time when both side seem to be keen. So we do not expect it to get delayed beyond April 2020, but at a personal level if you ask me if it comes in from January I will not be surprised.

Ankit Merchant: But what I hear is the lot of resistance from the fleet operators related to the scrappage policy, so because they formed an ultimate buyer and they have been lobbing also?

J.S. Gujral: Yes, so see the reluctance to do it in February, March etc., when the industry was keen was primarily because there were impending elections, but I think now that is done and dusted for next five years. There is a whole literature available on how scrappage policies have boosted demand, preserved industry, preserved jobs, better for the environment etc., etc. available in Europe. I think the benefits far outweigh the negatives and yes there will always be lobbies and counter lobbies, but the government will take a decision what is in the larger interest of the country as a whole and that does point to healthy this scrappage policies. If you go to Japan for example there is a recertification policy in place of vehicles to be roadworthy and that recertification policy is so strong it is so strong that people sell vehicles after five years but that helps the industry to keep coming up with new models because there is a replacement of vehicle at a much faster pace it also helps the Japanese government, export vehicles at a worldwide level and that was done 30 years ago. So I think the benefits far, far outweigh this thing and the transporters also are therefore part of the benefit because the newer vehicles are more fuel efficient, can carry higher load, have lesser ignorance, have higher warranties built in, so while there is an initial cost which is what is driving their immediate reaction I think once this scrappage policy comes and you take out a 15 year old truck and replace it with the new truck maybe at a higher price initially, but then suddenly the operating economics will work in your favor. So we are quite confident that this is in the overall interest of everyone. Yes, there is an initial reluctance because you have to buy a new vehicle by the transporters.

Ankit Merchant: Thank you so much. I will come back in the queue.

Moderator: Thank you. The next question is from the line of Amit Gupta an Individual Investor. Please go ahead.

Amit Gupta: Thanks for taking my call. Sir my question is the industry in the first quarter OEM industry has degrown by approximately 20% what are the OEM when does are guiding you for the full year, that is the first question and I will come back for the second and third?

J.S. Gujral: I think I addressed that in the previous question, but I will repeat we expect the second quarter to be similar maybe slightly higher than the first quarter depending upon how September goes because September if you recollect this is a full depreciation month for sales for customers, so some of them who want to buy vehicle let us say in the next six months we will probably pickup in September. Currently there are good schemes and discounts also running. So we expect quarter two to be similar to quarter one as far as degrowth is concerned in 20%, 25% kind of degrowth. Guidance we have for H2 from our customers and we do not second guess them is that they are looking at a much better performance without a stimulus package. If a stimulus package comes it will only further add to what the projections are and when we look at quarter one and quarter two this year and quarter three and quarter four, we should keep in mind that last year quarter one, quarter two was almost 50% of the total production, which has never happened in the history of M&HCV industry. So quarter one and quarter two were exceptionally good quarters and therefore we are comparing with a high base whatever drop 20%, 25% we are talking while quarter three and quarter four last year were at similar levels to quarter one and quarter two. So normally they are anyway better, so we expect volumes to pickup from H2 by anyway between 15% and 30% based on what our customers are telling us.

Amit Gupta: Assuming 10% to 15% flat year-on-year degrowth for OEM and this quarter you have only degrown by 7%. So can I expect full year to be higher than the last year and assuming this?

J.S. Gujral: I think we originally had a plan where you are firing growth on all the segments, OE we have discussed. So that we are expecting will degrow by around 15% at the most on a full year basis now coming to the other segment which is primarily aftermarket for us and exports both have shown very good traction in the first quarter which traditionally is the lowest quarter, we have grown double digit in aftermarket and aftermarket as we all know there are annual schemes, annual incentives etc., at play, so quarter four always is exceptionally good and any excess offtake of quarter four is adjusted in the quarter one of the subsequent year by the trade. Despite that adjustment we have grown at double digit and exports of course on a low base have grown 100%. So these two drivers we feel will carry momentum in the remaining three quarters and aftermarket will definitely improve from 11% growth which we have reported in the first quarter to 20% and above in the remaining three quarters. On the whole, we will grow by around 12% to 15% is what our understanding is and like I said earlier there is still a stimulus package which we are not factoring but given the overall situation it will come and it will only ease the situation and drive up demand is not going to reduce the demand. So we are looking at a growth of 12% to 15% minimum in this year, earlier it was higher but then we have adjusted that.

Amit Gupta: Sir as you explained to us that aftermarket margins are higher and assuming that aftermarket will be a bigger pie of the total contribution is it safer to say that you will grow by single digit and then the margins going to be higher this year than the last year?

J.S. Gujral: Yes, if the mix is richer which is the case in quarter one, you have seen our contribution level move up by 300 basis points and even at a PBT level 60 basis points and as the turnover increases EBITDA margins will further improve, because fixed cost gets distributed over larger so definitely we will have a margin improvement of 100 basis points at PBT level at least on an annualized basis after Q2, Q3, Q4 higher numbers are added to the Q1 which we have reported.

Amit Gupta: Thank you.

Moderator: Thank you. The next question is from the line of Samir Ahuja from Amtech Solutions. Please go ahead.

Samir Ahuja: Thanks for taking my question. Sir I have a doubt on the EBITDA on the recent results the EBITDA margin has improved to 15% and is it sustainable?

J.S. Gujral: Certainly if you see our last six quarters EBITDA margin it has been in the similar range. So 15% is baseline. What we were discussing previously was the improvement because of rich improvement. The EBITDA margins also improve as our activity level goes up, so once we are back on the growth of 20%, 25% it will translate into EBITDA margin improvements automatically because the entire contribution fixed cost by and large remain same, improves the EBITDA margin. So 15% is not a doubt. I think the question is when are we hitting 18%, 19% which is our ambition and that is what we are working on and we also see a fillip on this with BS VI as our Vice Chairman had explained in the opening remarks the engineering content in BS VI clutches goes up we provide NBF solutions which only the clutch can provide and any other alternatives to get that are far more expensive. So there is also an upsizing of clutches in at least 30% of the vehicles so in general our topline in OE as well as our unit margins will further go up on the OE segment of the sale to start with from April 2020 and when the vehicles become older even we will pick that up in after market.

Samir Ahuja: Okay Sir.

Moderator: Thank you. The next question is from the line of Deepali Bansal an Individual Investor. Please go ahead.

Deepali Bansal: Good afternoon everyone. Sir as we just discussed that the capex plan has been pushed back does that mean that would change our fund requirement and would we be able to repay any of the existing debt?

J.S. Gujral: I think the capex is for generating future capacity from 18 months' perspective. It has got nothing to do is the ability to pay debt which we are servicing regularly and will continue to service regularly. What we have done is looking at the revised scenario and if the whole numbers are getting pushed back by six to nine months, we have deferred some of the capexes in some of them we have found innovative solutions to outsource. So that our fixed cost investment comes down and we have the risk with our suppliers in the downturn and we loose little bit in the upturn where since they have invested they will be entitled to making some more money, so whatever we are deferring of the capex or dropping of the capex is purely to realign the capacity with the demand and we feel that our current capacity should suffice for the next 18 months and therefore what we were planning to get on board in H2 of next year will probably come in, if required in H1 of 2021-2022. I am repeating it has got nothing to do with repayment of debt which is continuing and it has been happening always and anyway if you look at our total debt numbers over last three years we have reduced the long-term debt by around 50 Crores, 55 Crores and it is today at very low levels so servicing it is not a problem.

Deepali Bansal: Also according to recent news Tata Auto Company entered in to a joint venture with South Korean company to manufacture clutches. So is it expected that Tata Motors would stop buying this is from Setco maybe in a few years' time, would you have any update regarding the news?

J.S. Gujral: Yes, I think if we go by just the headline which you have read, this is a fair question. The joint venture is with the Korean company called SECO and SECO is a supplier to Tata Motors in a small way in the commercial vehicle business in Korea. The interesting part is that we had been approved as a second source as being a cost competitive supplier to supply in Korea but the volumes of around 1500 vehicles a year did not justify Tata Motors to take and induct us. So from purely from a cost competitive perspective we do not see SECO causing us any harm in the range which they manufacture which is diaphragm clutches which is only 20% of the total market today and for Tata Motors it is less than 5%.

Udit Sheth: Also just to add to what Mr. Gujral mentioned I think this is specifically to supply into the car segment to cater to some of the Korean companies which are in India such as Kia and Hyundai and not really if you look at the commercial vehicle space at all.

J.S. Gujral: Udit thanks for adding that perspective and there is a last perspective which is important we have been a single source for around 15 years with Tata Motors and these relations have stood many test in time, which have happened from time-to-time and we are very pleased to share that for the second year in a row on a globally benchmark basis Setco has won the first price in the Cost Excellence category. When Tata Motors gives this award it looks at all suppliers of clutches globally, all other proprietary suppliers and then decides who is the winner and for a second year in row we have won this award. Recently our Chairman was there in Rome to accept this in their vendor conference. So our quality, design, service support, ability to meet cost targets, deliveries plus the entire package we do with them in the aftermarket, is a sufficiently high entry barrier even if someone were to be interested by like Udit said this primarily is meant to get Korean business for TACO because now they have a joint venture with a Korean company that it overcomes that issue with the Kia or Hyundai. So we are not having any threat on this front.

Deepali Bansal: Sir my next question would be regarding Lava Cast how has Lava Cast performed and what would be the capacity utilizations for both Setco and Lava Cast in mini trading platform?

J.S. Gujral: As far as Setco is concerned we are at last year's capacity utilization which is around 70%, 72%. Our topline is almost flat. As far as Lava Cast is concerned there is a utilization today of around 50% to 55%. The reason being that the OE content of Lava Cast is higher than the aftermarket content of Lava Cast so if aftermarket grows and OE degrow, impact on Lava Cast capacity is, utilization is higher; Having said that we are now actively pursuing the development of outside business although it is a downturn and it is little bit harder to get and it takes little bit more time to convince customers so we have got a fresh round of RFQs from all our existing customers and we are trying to fill up capacity for the remaining part we expect Lava's capacity utilization to go up to 80% from next year and in the next two quarters it will be around 60%, 65%.

Deepali Bansal: Sir another question, it is on the curiosity, do you think at this market price the company becomes an attractive models and acquisition and auctions?

J.S. Gujral: Yes, it is a very attractive. If the promoters have any plan to sell it but I do not think they have, Udit, why do not you?

Udit Sheth: I think this is a very strong business with a very strong future as a business and I think the strategic decision we have taken to grow in the commercial vehicle and farm tractor space is going to pay our dividends as soon as we come out of this bottom out phase because there is no such intent on the side of the promoters except to grow the business and bring back higher returns and continue investing in technology.

Deepali Bansal: Sir as you just mentioned about farm equipment have we started selling farm equipment as the initial validation from some manufacturers was already approved?

J.S. Gujral: Yes, so our validation there was some special tax the validation of which we have completed one at customers end and one at our end and we expect the supplies to start from Q3 beginning of Q3 and with the other three customers we are at various stages of completion of validation these two we have completed and therefore we will start picking up regular volumes from H2 and it will only grow as we add more customers we have plans to add another two customer in H2 so by end of the year we will be with four customers. There is a downturn as we are all over in farm tractors also, so that is factored into this assumption.

Deepali Bansal: One final question regarding the exports. How really units have been sold in the US and the UK and what would be the per unit sale value?

J.S. Gujral: I think the focus area for exports growth for us is US where we have developed a range for US aftermarket and we had introduced it middle of last year that new range is showing extremely good acceptance and we are today selling around 200-odd units per month. There is a plan to ramp this up to around 350 units in H2 and this is all sales in our own brand where we do not have the reach of servicing each and every part of US we have a limited network in US. More importantly we have had very active interest from the big chains in US. We have just got sample PO from Pecar so they wanted to start buying from us. Pecar as you know is the second biggest manufacturer in US and these numbers I am saying when the US market itself is going down by a 40%, 50% and all the current players are deploying their OE capacity in the aftermarket. So in a depressed situation we have been able to double our volumes within six months and the projection is to triple it from H2. If the tie-up happens which takes time, then of course it is a geometric increase because suddenly you have access to 2000 stores and things like that. We are very positive and confident that this was a right decision which we have taken and all the results so far are very encouraging. We have completed two phases so far so there is a third phase of products also which is at various stages of testing so finally when we have the full range and we have a big distribution network available through one of these tie-ups that is when you will see a geometric increase. Our average clutch prices are around $250 so obviously the margins and content etc., is much better compared to what we realized in India. The clutches also are twin disk clutches so the cost is also higher but margins etc., are definitely better.

Deepali Bansal: Thank you Sir.

Moderator: Thank you. The next question is from the line of Harish Shiyad a Retail Investor. Please go ahead.

Harish Shiyad: This is regarding the we have taken the board decision of 150 Crores borrowing for equity raising any color on that what being above this and how we are going to do that?

J.S. Gujral: This is an enabling resolution which we have passed in the past as well so in the future if there is a requirement to raise funds or QIP then we do not have to go time and again to the market for it. So this was that.

Harish Shiyad: That means in this ensuing board meeting you will be getting the approval on that?

J.S. Gujral: Yes, it is right.

Harish Shiyad: Thank you and all the best.

Moderator: Thank you. The next question is from the line of Deepali Bansal an Individual Investor. Please go ahead.

Deepali Bansal: Sir I want to know what kind of hit did we observe on margins?

J.S. Gujral: Sorry madam we did not get your question the voice got cut?

Deepali Bansal: It is okay, I can repeat. Sir what kind of hit did we observe on margins in taxation due to the Uttarakhand facility?

J.S. Gujral: Which facility.

Deepali Bansal: Uttarakhand.

J.S. Gujral: I think the Uttarakhand story was for us still March 31, 2018 and the impact of margins not being there because of the benefits expiring was reflected in our FY2019 results which were better than FY2018, so this year it is a like-to-like comparison the transition happened last year and despite the loss of benefits on an apple to orange basis also our margins improved last year, and in the first quarter currently we have again shown an improvement in margins.

Deepali Bansal: Are we still expecting to hit that 1000 Crores mark maybe a year ahead, in consolidated basis?

J.S. Gujral: Yes, I think our original guidance was FY2020 looking at the current situation in our major market which is India we think we will be still on target to hit it at best by FY2021.

Deepali Bansal: Okay.

Moderator: Thank you. The next question is from the line of Ashish Sood from Vishuddha Capital. Please go ahead.

Ashish Sood: Good afternoon Sir. Thanks for the opportunity. Sir I want to know what is the pledged ratio share now because last quarter it was around 77% and you guided for 40% in this quarter so have we made any improvement on that part or what is the guidance going forward?

J.S. Gujral: Yes, Ashish we discussed this question last time and I am repeating I think it has got misunderstood. Our pledging percentage is at 77% and it went up without any fresh loan being taken, without any additional loan being taken, it was a function of the market price of the share going down therefore the pledging percentage going up. Since the market has remained at the same level the pledging would be by and large in the similar range. As the market price of share moves up the pledging will automatically come down but the important thing is that the quantum of funds raised has not increased that is one. Now second is what measures we are taking to anyway being the pledging down so kind of the separate set of discussions which we are having at the promoter level and as and when there is something to report we will update.

Ashish Sood: Actually my concern is that if the price further falls so if you done lender might also think of selling the shares in the market because that is the only criteria the pledging is going up because of the decline in the price so there may be some?

Udit Sheth: See anything can happen right tomorrow when nuclear war can happen and everything in crash right, but in a business we work on some assumptions and what we are experiencing was not a projection which anyone who had done so I do not think it can go any lower than this. The share price today is lower than the book value. A few minutes back there was a question that it is a good acquisition target. So if an acquisition were to come into play the prices will go up it will not come down so we are not looking at share prices moving down. Our earnings are solid despite a bad market. We compare very well with peer group so I do not see any reason why we should worry on that account and we have had a successful history as a company and for the last 20 years and if tomorrow we were to face that headwind we would I am sure we will find a way to come out of it.

Ashish Sood: Thanks for your answer.

Moderator: Thank you.

Udit Sheth: We can now close the conference call. We thank all the participants for all their questions and we welcome any questions offline. They can anyway communicate with us and we will get back to them. As always it is our pleasure for us to interact with all of you and this is a good opportunity for us to share with you our perspective, our outlook for the markets and how the business is going and we always welcome you to come down to the plant for a visit where we would love to show you our operations. Thank you so much.

Moderator: Thank you. Ladies and gentlemen, on behalf of Setco Automotive Limited that concludes this conference. Thank you for joining us. You may disconnect your lines. Thank you.