

Setco to jack up exports, OEM sales to double turnover by 2019

Story by: Ramya Srinivasan



Mumbai-based Setco Automotive, the largest manufacturer of premium quality Lipe brand clutches for medium and heavy commercial

vehicles and farm equipment sector, is anticipating to double its turnover by the end of FY 2018-19. The company that recorded a turnover of Rs 570 crore in 2016-2017 is planning to lift its revenue by enhancing exports and supplying catering more to the OEM customers.



Udit Seth, Joint Managing Director, Setco Automotive Limited

"We expect 10 to 15% growth in this year's turnover and some marginal improvement in EBITDA margin. In the next 3 years, we expect our turnover to be Rs 1000 crore. The major contributors will be increased exports, tractor business and the growth in M&HCV. Our expectation of the future is to meet capacity requirements of the OEMs and upgradation of plant and machinery. We have to make sure that our supply chain can meet our requirements to enhance production.

So supply chain management will be a key focus for us." Udit Seth, Joint Managing Director, Setco Automotive Limited, told Auto Components India.

By the end of the next financial year, Setco plans to grab 25-30% market share. The downtrend in the market affected the first half of the year but the company feels that the market is picking up well. "We have the line share of business with all the OEMs. When we get schedules from OEMs, we directly correlate the schedules for OE business and after-sales is planned based on the last 2 years as the clutches come for replacement in every 2 years," he added.

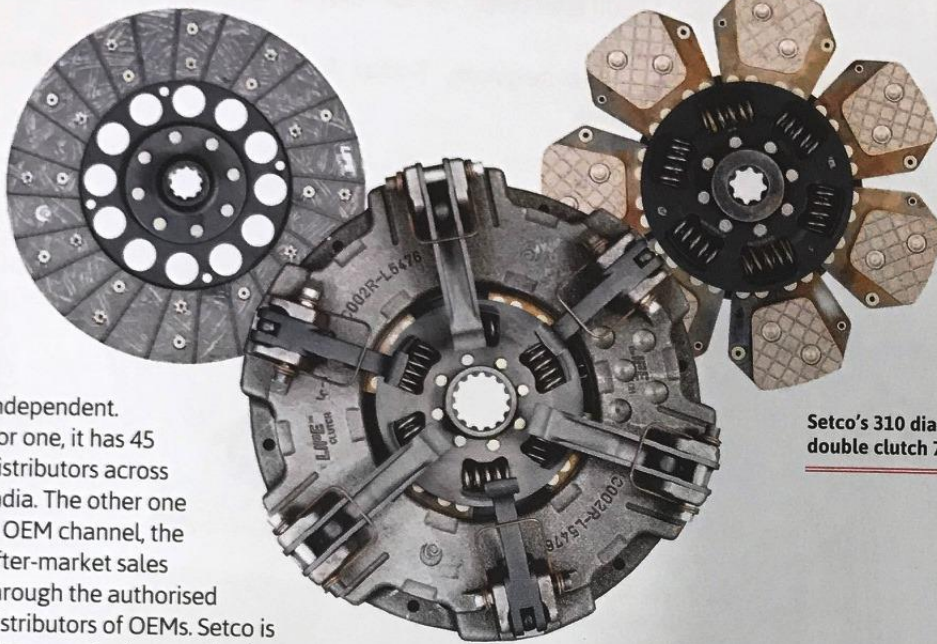
For Setco, export is a big thrust. Currently, the company markets and sells its products in more than 65 countries. It has 2 subsidiaries, each one in the US and the UK. Setco also has a marketing set-up in Austria and the Middle East and sales people in Africa. The main idea of the company is to export its clutches from India or from the subsidiaries to those markets. It is very important to have a sales strategy as the maintenance and replacement of clutches need people on the ground.

The clutch maker meets this requirement with perfect diligence and planning. Exports contribute to 5% of its turnover. Over the next 3 years, Setco expects that the export business would contribute 20% to its increased turnover. At present around 30-40% of the company's turnover comes from OEM and the remaining is from the 2 segregated after-markets which are

do invest in tools, component development and after-sales service. These are the 3 areas where we are investing up to Rs 5 crore to Rs 15 crore. In addition, Rs 4 crore to Rs 5 crore for tooling and Rs 20 crore for the capital cost," he said.

Setco has a strategic worldwide vestige with 4 manufacturing facilities, 2 in India, and 1 each in the UK and the US, with its corporate base in Mumbai, India. While Setco's major manufacturing is in Kalol, Gujarat, it has a fast expanding facility in Sitarganj, Uttarakhand. It also manufactures clutches for hydraulic products for the construction equipment industry and precision engineering components like complex and deep drawn pressing forgings and castings that are machined and heat-treated. The company is committed to present reliable and cost effective automotive parts and aggregates with value for money.

"We aim to accomplish this by synergizing our core competencies and through continual improvement in product and process design, building capabilities in systems and human resources and adoption of environmentally sustainable technologies, with constant endeavour to minimise wasteful practices," Seth said. **ACI**



Setco's 310 dia double clutch 7P

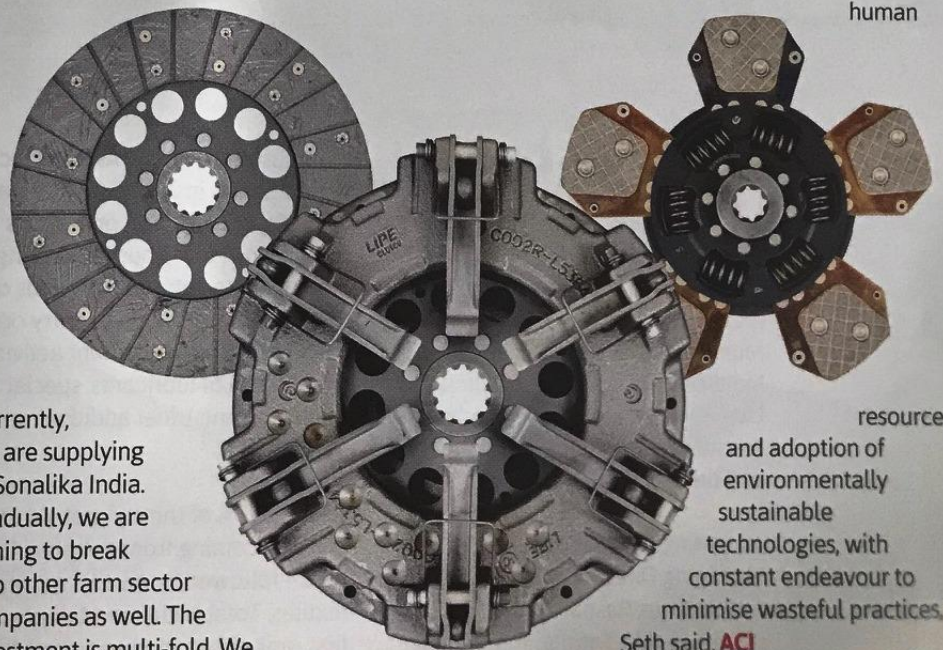
independent. For one, it has 45 distributors across India. The other one is OEM channel, the after-market sales through the authorised distributors of OEMs. Setco is also an exclusive supplier in the latter.

going towards dual clutches with the additional power unit. Farm tractors have ideal duty cycle so there is a good replacement market as well. At the end of the operation cycle, they need to change the clutches for every few thousand hours so, we find that to be a great marketplace.

280 dia clutch set dual 5P

The company has contributed to the OEMs to supply around 30,000 to 40,000 vehicles in October and it expects to elevate up to 70,000 vehicles a month. Last year, Setco had a marginal increase in sales. With the 3 main OEMs, Ashok Leyland, Tata Motors and Eicher, it anticipates 300,000 to 400,000 vehicles in India by this year. It is a Tier I supplier of clutches to all the prominent Indian commercial vehicle manufacturers such as Tata Motors, Bharat Benz, Ashok Leyland, Man India, Mahindra & Mahindra, Volvo Eicher Commercial Vehicles and Asia Motor Works amongst others. It is meeting approximately 85% of M&HCV clutch demand in India as it is one of the top 3 manufacturers in the world (by volume). It has widened its circle by entering into the farm equipment sector. It supplies dual clutches to LCVs and farm tractors as it is preferred more by the OEMs.

Currently, we are supplying to Sonalika India. Gradually, we are aiming to break into other farm sector companies as well. The investment is multi-fold. We



"Farm tractors are progressively