

Enkei Wheels (India) Ltd

533477

Sector
Consumer Cyclical

Industry
Auto Parts

Company Profile

Enkei Wheels (India) Limited is a part of the Japanese multinational company, Enkei Corporation, located at Shirur village in Pune, Maharashtra. The company is involved in the manufacturing and sales of alloy casting wheels used for the various vehicles like motorcycles, cars and others.

The company was originally merged with Enkei Castalloy Limited. As per the new provisions, with the approval from the Bombay High Court, a new company with the present name was formed in the year 2010. During this time, the company was demerged from the parent company and the automobile wheels business was transferred to it.

The Managing Director of the company is Mr. Masakatsu Uchiyama and Chief Financial Officer (CFO) of Enkei Wheels is Mr. Chaganti Srinivas Kameswar Rao. Mr. Masakatsu Uchiyama has an experience of 27 years in the auto industry with special expertise in machining, production control, quality and management.

Business Overview

Enkei Wheels (India) Limited manufactures and sells alloy casting wheels for different types of automobiles like motorcycles, cars, and other vehicles. The company also specializes in providing wheels for the racing cars like Formula One cars, WRC Rally cars, and other popular races. Enkei wheels are manufactured as per international standards and are considered to be the world's leading wheels.

The company has a long list of clientele of two-wheeler and four-wheeler manufacturers including Honda, Maruti Suzuki, Nissan, Toyota, Hero Honda, Honda Cars, Suzuki, Yamaha and many others.

The company is a part of a large business group, Enkei Corporation, which has a number of other related automobile firms in its domestic (Japanese) market and other countries like the US, Thailand, Malaysia, Indonesia, Philippines, Vietnam and others.

Stock Price

Price in Rs.

Last Close Price	54.40 (12/11/2012)	52 Wk High/Low	62.95/39.15
Market Cap (Cr.)	62.70 (31/10/2012)	Avg. Volume	1167.63 (1 Mo)

(Rescaled to 100 for ease of comparison)



Financials

Values in Rs. Crores

	2008	2009	2010	2011	2012
Revenue	-	-	166.70	238.92	279.21
Gross Margin %	-	-	19.06	18.62	42.23
Operating Income	-	-	-2.46	5.99	-0.60
Operating Margin %	-	-	-1.47	2.51	-0.21
Net Income	-	-	-9.40	0.27	-5.33
Diluted EPS	-	-	-8.55	0.08	-2.80
Book Value Per Share	-	-	-	-	7.09
Operating Cash Flow	-	-	-	33.65	42.82
Capital Expenditure	-	-	-	-40.90	-27.85
Free Cash Flow	-	-	-	-7.24	14.97

Profitability

Values in Rs. Crores

	2008	2009	2010	2011	2012
Return on Assets %	-	-	-0.04	-	-0.02
Return on Equity %	-	-	-0.40	0.01	-0.35
Asset Turnover	-	-	0.79	1.00	0.96
Net Margin %	-	-	-0.06	-	-0.02
Financial Leverage%	-	-	9.02	12.02	39.95

Financial Health

Values in Rs. Crores

	2008	2009	2010	2011	2012
Long Term Debt	-	-	87.45	110.21	67.75
Total Equity	-	-	23.51	22.25	7.79
Debt/Equity	-	-	3.72	4.95	8.69
Working Capital	-	-	-32.92	-37.95	25.70

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Values in Rs. Crores

	2008	2009	2010	2011	2012
Total Revenue	-	-	166.70	238.92	279.21
Cost of Revenue	-	-	134.93	194.42	161.30
Gross Profit	-	-	31.77	44.50	117.91
Operating Expense	-	-	34.22	38.50	118.51
Operating Income	-	-	-2.46	5.99	-0.60
Pre-tax Income	-	-	-9.21	0.27	-5.24
Tax Provision	-	-	0.19	-	0.09
Minority Interests	-	-	-	-	-
Net Income	-	-	-9.40	0.27	-5.33

Balance Sheet

Values in Rs. Crores

	2008	2009	2010	2011	2012
Stock Holders Equity	-	-	23.51	22.25	7.79
Long Term Debt	-	-	87.45	110.21	67.75
Total Non-Current Liabilities	-	-	87.64	110.52	194.86
Payables	-	-	-	-	-
Total Liabilities	-	-	188.47	245.22	303.59
Net PPE	-	-	134.67	161.60	166.35
Goodwill and other Intangible Assets	-	-	-	-	0.18
Total Investments	-	-	-	-	-
Total Non-current Assets	-	-	144.07	170.73	176.96
Trading and Other Receivables	-	-	36.08	52.91	56.28
Inventory	-	-	10.31	14.90	17.56
Cash and Cash Equivalents	-	-	21.52	28.93	60.58
Total Assets	-	-	211.98	267.48	311.38

Cash Flows

Values in Rs. Crores

	2008	2009	2010	2011	2012
Net Income	-	-	-9.40	0.27	-5.33
Depreciation and Amortization	-	-	-	13.72	14.65
Change in Working Capital	-	-	-	12.51	22.95
Operating Cash Flow	-	-	-	33.65	42.82
Capital Expenditure	-	-	-	-40.90	-27.85
Investing Cash Flow	-	-	-	-41.37	-27.50
Net Common Stock Issuance	-	-	-	-	-
Net Issuance Payments of Debt	-	-	-	22.76	25.62
Cash Dividends Paid	-	-	-	-	-
Financing Cash Flow	-	-	-	15.13	16.32
Changes in Cash	-	-	-	7.42	31.64

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Financial Performance

Enkei Wheels (India) Limited was a part of Enkei Castalloy Limited prior to FY 2010. The company's revenues from operations grew by about 16.9% to Rs. 279.2 crores in FY 2012 from Rs. 238.9 crores a year ago. This growth was mainly due to the growth in the automobile sector last year. The company had an operating loss of Rs. 0.60 crores in FY 2012 as compared to an operating income of Rs. 6 crores in FY 2011, while it also reported a net loss of Rs. 5.3 crores in FY 2012 as compared to a net income of Rs. 0.3 crores in the previous year. Increase in operating costs in FY 2012 led to these losses during the year.

Key Risks

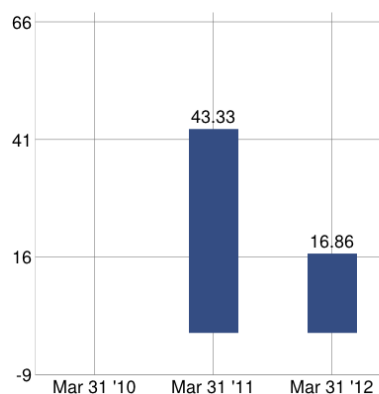
The company's exposure to the highly cyclical and capital-intensive automobile sector can hinder its growth during different business cycles. General economic slowdown, high raw material cost inflation, and high fuel prices are other major concerns for the company. Its presence in only one product segment of the industry poses further risk to its operations. Additionally, increasing competition and high interest rates can negatively impact the company's margins and profitability.

Competitors

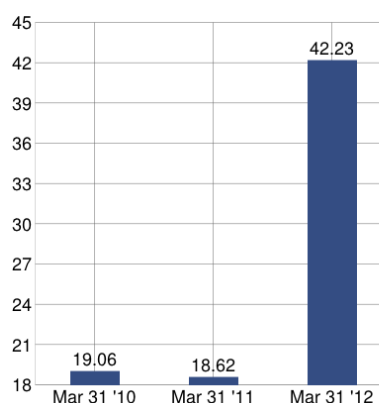
The main competitors of Enkei Wheels (India) Limited are Steel Strips Wheels Limited and Wheels India Limited. Steel Strips Wheel Ltd is involved in the manufacturing and sales of steel wheels since 1991 and has three manufacturing units at Dappar (near Chandigarh) Oragadam (near Chennai) and at Jamshedpur. It manufactures wheels for two-wheelers, three-wheelers, passenger cars, multi utility vehicles, tractors, trucks, and other vehicles. The company has a total manufacturing capacity of 16 million wheels at all three manufacturing facilities. For FY 2012, the company reported revenue from operations of Rs. 957.2 crores.

Wheels India Limited is promoted by TVS Group and has technical and financial collaboration with Dunlop Holdings UK. The company manufactures and supplies wheels for passenger cars, utility vehicles, trucks, buses, agricultural tractors, construction equipment and others. The company has manufacturing facilities at Rampur in UP, at Kancheepuram in Tamil Nadu, Chennai and Pune. Almost 15% of company's products are exported to different countries like the US, Europe, South Africa and others. For FY 2012, company reported revenue from operations of Rs. 2,077.5 crores.

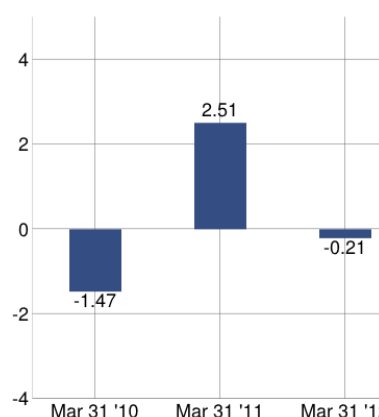
Revenue Growth



Gross Margin



Operating Margin



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Industry Overview

The automobile wheels industry is dependent on the larger automobiles industry. The automobiles industry is one of the largest sources of employment generator in the country and it is expected to generate enormous opportunities in the future as well. India is the largest manufacturer of two-wheelers in the world, and fifth largest manufacturer of commercial vehicles and fourth largest market of the passenger cars in Asia. India is also the fourth largest tractor market, fifth largest commercial vehicle market and also fifth largest trucks and buses market in the world. The industry has a combined turnover of more than US\$35 billion annually and employs more than 1.3 crore people directly or indirectly.

With demand for automobiles growing in the country, the auto wheels industry should continue to grow as well. In a highly competitive market, the quality and pricing of the product play a major role as far as the success in the wheel industry is concerned. With great advances in the automobiles technology, there have been changes in wheel technology as well and the companies in this sector have to keep themselves constantly updated in order to grow their operations.

Quarterly Results

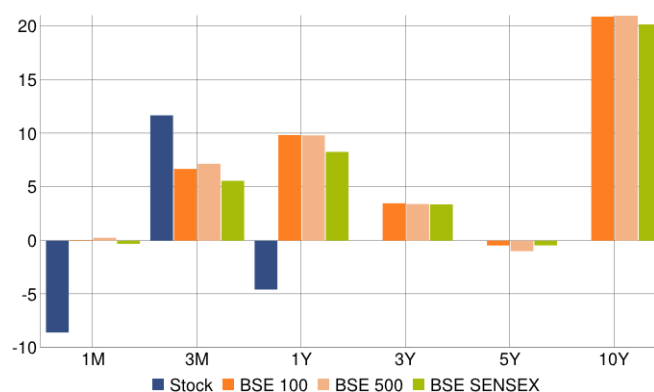
	6-2011	9-2011	12-2011	3-2012	6-2012
Revenue	62.77	67.39	58.94	90.11	75.15
Other Income	0.11	0.03	0.06	0.16	0.24
Total Income	62.89	67.42	59.00	90.27	75.39
Expenditure	-57.24	-61.65	-59.74	-86.53	-71.43
Interest	-2.07	-2.14	-2.36	1.56	-1.48
PBDT	3.58	3.63	-3.10	5.30	2.48
Depreciation	-3.53	-3.65	-3.73	-3.73	-3.94
PBT	0.05	-0.03	-6.83	1.57	-1.46
Tax	-	-	-	-0.09	-
Net Profit	0.05	-0.03	-6.83	1.48	-1.46
Equity	-	5.50	5.50	6.12	6.12
EPS	0.04	-0.02	-6.21	1.33	-1.27
CEPS	-	3.30	-2.82	4.26	2.03
OPM (%)	9.00	8.56	-1.26	4.16	5.27
NPM (%)	0.07	-0.04	-11.59	1.64	-1.94

*Standalone figures

Price/Earnings



Trailing Returns



Return on Invested Capital (ROIC)

