

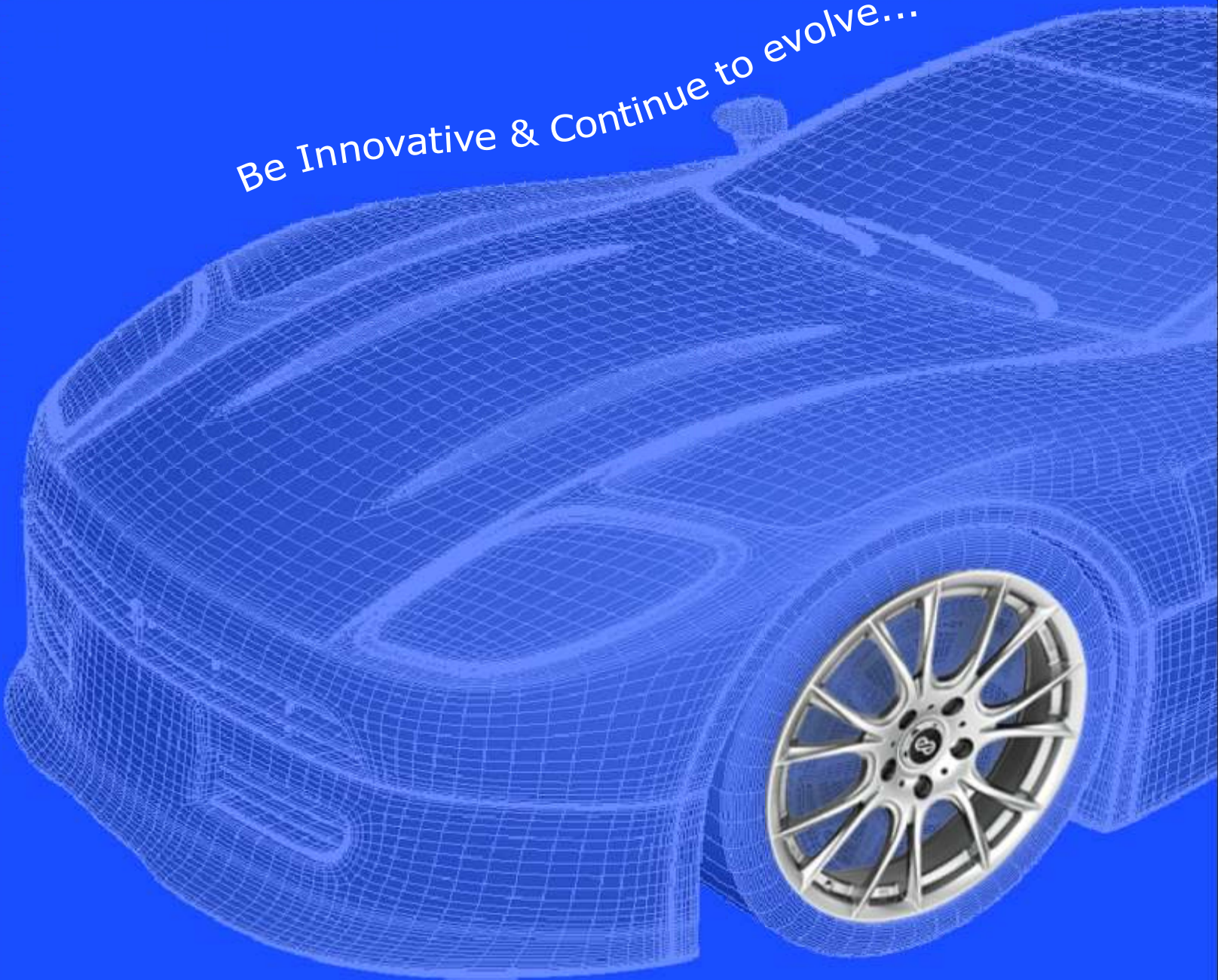


2nd Annual Report
2010-2011

ENKEI WHEELS (INDIA) LTD.

An ISO / TS 16949 Company

Be Innovative & Continue to evolve...



BOARD OF DIRECTORS

Mr. Osamu Ohashi	Managing Director
Mr. Junichi Suzuki	
Mr. Tetsuro Mansui	
Mr. Seiji Toda	Alternate Director to Mr. Junichi Suzuki
Mr. Kazunobu Kuroda	Alternate Director to Mr. Tetsuro Mansui
Mr. Shailendrajit Rai	
Mr. Vinay H. Panjabi	
Mr. Harish B. Shah	
Mr. Sandeep Shah	
Mr. Dhananjay C. Jhaveri	

BANKERS :

Bank of Tokyo Mitsubishi - UFJ Ltd.	Mumbai
Export Import Bank of India	Shankarsheth Road, Pune
Axis Bank Ltd.	Shikrapur Branch, Pune
Mizuho Corporate Bank Ltd.	Mumbai
State Bank of India	Koregaon Bhima, Pune

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AUDITORS :

M/s Asit Mehta & Associates

REGISTERED OFFICE & WORKS :
Regd. Office & Works :

Gat No. 1425,
Village Shikrapur, Taluka Shirur,
Dist. Pune - 412 208, Maharashtra
Tel. : (02137) 618700
Fax : (02137) 618720
E-mail : finance@enkei.in

SHARE TRANSFER AGENTS :

Universal Capital Securities Pvt. Ltd.
21, Shakil Niwas,
Mahakali Caves Road,
Andheri, (E) Mumbai.
Tel.: 022-28257641 / 28369704
E-mail : mcplrt@bom7.vsnl.net.in

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**MD'S MESSAGE****Osamu Ohashi**
Managing Director

**“ I would like to thank you all for your
continuous support and faith on our ability.”**

First of all I would like to thank you all for your continuous support and faith on our ability.

Last year was very special for the Indian Automobile industry as well as Enkei Wheels (India) Limited. Though the company was in the stabilization stage after demerger, still we managed to have a 26% growth in sales, keeping pace with the market demand. During the year we achieved so many milestones in our sales and operations. We installed our third MAP line and could get production to the rated capacity only in the second month of its operation. Thus we brought three MAP lines under one roof to instill a better control in our operation. During this year, we also planned future expansion projects for our passenger car wheels. With this future investment we will create a total annual capacity of 3 million wheels within next four years. This was not possible without sincere and untiring effort of the entire team. For this I would like to thank my management, supervisory, operating team and also all stakeholders.

At Enkei Wheels (India) Limited our biggest strength is the technical support from Enkei Group Companies. We got continuous support from Thailand and Japan for our Quality, Productivity and Development activities. This support will continue in future also and we will continuously benchmark our performance against the best in the Group to achieve excellence.

Customer is the key to our success and hence we will continue showing improvement in our Quality, Cost and Delivery to remain and grow in their confidence.

To achieve excellence the biggest challenge will be skill development and retention. For this at Enkei we will untiringly put effort to implement 3E system (Enkei's Evolving Education System).

“Be Innovative and Continue to Evolve” is the company's policy for 2011. I look forward to your continued support in our evolving mission.

**Osamu Ohashi**
Managing Director

OUR MANAGEMENT TEAM



Top Row (L to R) Hiromu Osawa, Yuji Taki, Sameer Jadhav, Dhanajay Khole, Rajendra Gaikwad, Toshihiro Uchiyama, Osamu Narita, Yashio Oba, Akihiko Usami, Kunio Hagita.
Bottom Row (L to R) Anil Dangere, Sandeep Ohol, CSK Rao, R Jagannathan, Kaushik Manna, Osamu Ohashi, Ohtaka Junji, Masayuki Suzuki, Junichi Asano, Keisuke Fujimaki.

NOTICE

NOTICE is hereby given that the Second Annual General Meeting of the members of Enkei Wheels (India) Limited will be held on Wednesday the 28th day of September 2011 at the Gat No. 1426, Village Shikrapur, Taluka Shirur, District Pune 412208 at 1.00 p.m. to transact the following business :

ORDINARY BUSINESS:

- 1) To receive, consider and adopt the audited Balance Sheet as at 31st March, 2011 and Profit & Loss Account for the year ended on that date, together with Report of Auditors and Directors thereon.
- 2) To appoint a Director in place of Mr. Vinay Punjabi, who retires by rotation, and being eligible offers himself for reappointment.
- 3) To appoint a Director in place of Dr. Haresh Shah, who retires by rotation, and being eligible offers himself for reappointment.
- 4) To appoint a Director in place of Mr. Junichi Suzuki, who retires by rotation, and being eligible offers himself for reappointment.
- 5) To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS:

- 6) To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Special Resolution:-

"RESOLVED THAT subject to the approval by members and pursuant to provisions of Section 314 (1) (a) of the Companies Act, 1956, consent of the Board be and hereby accorded for the payment of remuneration to Mr. Kazunobu Kuroda, Alternate Director in the capacity of an Advisor to the Company, on the terms and conditions as specified below with effect from 28th January 2011: Remuneration of Rs. 70,000/- per month.

RESOLVED FURTHER THAT Board of Directors be and is hereby authorised to alter/ modify/ amend the above terms and conditions as and when required or to discontinue the said payment of salary during the tenure of this resolution."

For & On Behalf of the Board of Directors



Osamu Ohashi
Managing Director

Place: Pune

Date: 29th July 2011

NOTES

- 1) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to vote and attend instead of himself and that a proxy need not be a member. The instrument appointing proxy should be deposited at the registered office of the company not less than 48 hours before the commencement of the meeting. The blank proxy form is enclosed.
- 2) An explanatory statement as required under Section 173(2) of the Companies Act, 1956 is annexed.
- 3) The Registrar of Members and Share Transfer Books of the Company will be closed from 21st September 2011 to 28th September 2011, both days inclusive.

Members desiring any information as regards accounts or operations of the Company are requested to send their queries in writing at least seven days in advance of the date of the meeting so as to enable the management to keep the information ready.

For & On Behalf of the Board of Directors



Osamu Ohashi
Managing Director

Place: Pune

Date: 29th July 2011

ANNEXURE TO THE NOTICE**EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956.****Item No. 6:**

Mr. Kazunobu Kuroda was appointed as a Alternate Director to Mr. Tetsuro Masui on the Board with effect from 28th January 2011. He is working in the capacity of an advisor at a remuneration of Rs. 70,000/- w.e.f. 28th January 2011. It is proposed to ratify remuneration of Rs. 70,000/- per month from 28th January 2011 for the services rendered by him as an advisor after his appointment as alternate director.

The said payment to the director requires the approval of the members pursuant to the provisions of section 314 (1) of the Act.

The Board hereby seeks your consent for such ratification of payment of monthly remuneration with effect from 28th January 2011 till the date he is director on the board pursuant to the provisions of Section 314 of the Act.

The Board of Directors recommends a special resolution for the approval of members.

None of the Directors except the appointee himself is interested in the proposed resolution.

For & On Behalf of the Board of Directors



Osamu Ohashi
Managing Director

Place: Pune

Date: 29th July 2011

DIRECTOR'S REPORT

To,
The Members,
Your Directors are pleased to present their Second Annual Report together with the audited statements of accounts for the year ended 31st March, 2011.

FINANCIAL HIGHLIGHTS

Particulars	(Rs. in Million)	
	For the Year ended March 31, 2011	For the Year ended March 31, 2010
Gross Sales	2,627.17	1,806.06
Net Sales	2,389.24	1,666.99
Profit / (Loss) before Depreciation, Interest & Tax	216.28	127.91
Less: Depreciation	137.25	148.01
Less: Financial Expenses	76.32	72.01
Profit/(Loss) before Tax	2.71	(92.11)
Provisions for Tax	0.01	1.88
Profit/(Loss) after Tax	2.71	(93.99)

MANAGEMENT DISCUSSION AND ANALYSIS REPORT
(A) Review of Operations:

The Company operates into only one business segment viz. manufacturing of aluminum alloy castings wheels mainly used in auto industry. This was our first year in operation after demerger from M/s.Alicon Castalloy Ltd (Formerly known as M/s.Enkei Castalloys Ltd.)

During the first year Company has recorded an impressive performance. During the year under review, the Company achieved Net Sales of Rs 2,389.24 million as compared to Rs. 1,666.99 million and incurred a Profit of Rs2.71 million during current fiscal year as compared to Loss of Rs. 93.99 million during last fiscal year. The Company has increased its sales by 43% as compared to the last fiscal year and for the first time company made some marginal profit after tax.

DIVIDEND

Due to minimum profit for the year, your directors have not recommend dividend.

CAPITAL

During the year under review company has allotted 11,000,000 Equity Shares of Rs.5/- each to the shareholders of M/s. ALICON CASTALLOY LIMITED (Formerly Known as M/s. ENKEI CASTALLOY LIMITED) whose names appear on the list of members of ALICON CASTALLOY LIMITED as on Record Date that is 22nd April 2010 fixed by ACL pursuant to the scheme of the arrangement between M/s. ALICON CAST ALLOY LIMITED and the Company as approved by the Hon'ble High Court of Judicature at Bombay vide its order dated 26th February 2010.

Further Company has allotted 13,165,200 Compulsorily Convertible Preference Shares of Rs. 10 /- each to M/s. Enkei Corporation pursuant to the above scheme of the arrangement.

LOANS

During the year under review company has raised External Commercial Borrowings from M/s. Enkei Corporations for JPY 300 millions amounting to 164.4 Millions INR and JPY 260 Millions amounting to 139.40 Millions INR at 3 % rate of interest for the expansion activities.

(B) Industry Structure and Development:

The economy boom in both manufacturing and service industry continued in the year under review. The robust growth of Indian economy has further fuelled the automotive industry. This growth is recorded in adverse atmosphere of high fuel price and increased interest rate. The vehicle prices have also gone-up except in case of small segment cars, due to the increase in basic raw material cost. The projected CAGR for 2005-2014 is 17 % (Source ACMA).

The cumulative production data for April-March 2011 shows production growth of 27.45 percent over same period last year. In March 2011 as compared to March 2010, production grew at 20.62 percent. The industry produced 17,916,035 million vehicles of which share of two wheelers, passenger vehicles, three wheelers and commercial vehicles were 75 percent, 17 percent, 4 percent and 4 percent respectively.

Domestic Sales

The growth rate recorded for Domestic Sales for 2010-11 was 26.17 percent amounting to 15,513,156 vehicles. However, the month of March 2011 registered a lower growth rate of 19.42 percent as compared to the cumulative data of 2010-11.

Passenger Vehicles segment grew at 29.16 percent during April-March 2011 over same period last year. Passenger Cars grew by 29.73 percent, Utility Vehicles grew by 18.87 percent and Multi-Purpose Vehicles grew by 42.10 percent in this period. In March 2011 figures for domestic sales of Passenger Cars show a growth of 24.37 percent over the same month last year which is lower than 2010-11 growth. Also, sales of total passenger vehicle in the month of March 2011 at 23.13 percent (as compared to March 2010) were lower than growth rate of 2010-11.

The overall Commercial Vehicles segment registered growth of 26.97 percent during April-March 2011 as compared to the same period last year. While Medium & Heavy Commercial Vehicles (M&HCVs) registered growth of 31.78 percent, Light Commercial Vehicles grew at 22.88 percent. However, the sale in the month of March 2011 over March 2010 was substantially lower with growth of only 15 percent.

Three Wheelers sales recorded a growth rate of 19.44 percent in April-March 2011. While Passenger Carriers grew by 22.03 percent during April-March 2011, Goods Carriers registered growth of 9.45 percent.

Two Wheelers registered a growth of 25.82 percent during April-March 2011. Mopeds, Motorcycles and Scooters grew by 23.53 percent, 22.86 percent and 41.79 percent respectively.

If we compare March 2011 to March 2010, the growth figures for three and two wheelers are also lower at 14.36 percent and 19.14 percent respectively.

Exports

During April-March 2011, overall automobile exports registered a growth rate of 29.64 percent. Passenger Vehicles registered marginal growth at 1.64 percent in this period. Commercial Vehicles, Three Wheelers and Two Wheelers segments recorded growth of 69.51 percent, 55.86 percent and 35.04 percent respectively during April-March 2011.

In March 2011 compared to March 2010, overall automobile exports registered a lower growth of 19.64 percent

An ACMA-McKinsey study indicates a growing outsourcing opportunity for the Indian auto-components sector. India is likely to attain 3-4% share of the US \$ 700 billion potential market by 2015, translating into a US \$ 20-25 billion opportunity by 2015, a 30% CAGR over the next 10 years from US\$ 1.4 billion in 2005 (McKinsey estimates).

(C) Opportunities/Outlook for the Company:

India is being turned into a hub for small car manufacturing. All the major car manufacturers have announced capacity expansion and are continuously introducing new models. Many new international giants have already set up their manufacturing facilities in India. Government's focus on developing roads and other infrastructure facilities provide ample growth opportunities. Robust growth of economy backed by strong performance of all key industrial sectors shall result in increased purchasing power of masses.

This will also mitigate the adverse effect price increase. In recent years we have seen increasing number of global players entering Indian market by way of Joint ventures, collaborations or wholly owned subsidiary. Sudden interest of major global players has made Indian auto industry very competitive as India provides twin benefit of ready market and Low cost manufacturing base for them.

Car stock per 1000 population which currently around 8 is expected to increase to three fold by 2020. New passenger car registration is expected to grow at a CAGR of 11.41% during the forecasted period.

Keeping all these factors into consideration, the management of the Company expects a very good volume growth in passenger cars segments in coming years. This will result in increased demand for the Company's Alloy wheels but the cheap imports from China of aluminum wheel are cause of concern for management. Though the quality of our wheel is well accepted by the customers, the cheap import from China is adversely affecting the demand and profit margin.

(D) Threats, Risks and Concern of the Management:

The cyclical nature of the Indian automobile industry might affect demand. Given the fact that Indian economy has set its path on growth coming after the global economic and financial crisis we perceive inflationary scenario in the future. Government policies to contain the same may result into rise in interest rates thus increasing the cost of funds. Restriction in money supply is likely to cause lower off take of automobiles which would affect its domestic sales.

The rise in crude oil prices not in tandem with purchasing power may further result in deferment of purchase decisions by end customers thus reducing the demand for automobiles and finally affect the operations of auto component manufacturing companies.

Also, the increase in raw material cost for wheels aggregates might not be fully compensated by the customers. The Company plans to mitigate this risk through cost reduction initiatives such as value engineering and hedging.

The company imports raw materials and components and on a need basis, imports capital equipments. The company has significant long term borrowings in foreign currency and business transaction in various other countries. This exposes the company to significant foreign exchange fluctuation risk.

Further Tsunami hit Japan on 11th March 2011 in the north-east prefecture.

Post the tsunami-earthquake, which hit Japan, there has been a component shortage. On account of which many makers who import parts from Japan have announced production cuts in their Indian subsidiaries for the first quarter of year 2011-12.

However, the future Indian market (2011 – 2012) seems to be stable with a likely expected growth of 15- 18%. However this is mainly based on the finance conditions in the coming months.

(E) Expansion and Capital Expenditure:

During the year under review company has commissioned Map-3 and re-located the Map-1 line from M/s. ALICON CASTALLOY Ltd. Premises to the Company premises and is commissioned in the month of April'2011. Further Our Company has acquired the Land adjacent to our premises admeasuring approx 9.12 acres for setting up new Paint Shop and Map Lines. To keep the pace with the grow market and increased demand the company has got a massive expansion plan for the coming years

(F) Internal Control System:

The Company has an adequate system of internal controls commensurate with its size and nature of business to ensure adequate protection of Company's resources, efficiency of operations, check on cost structure and compliance with the legal obligations and the Company's policies and procedures.

The Company remains committed to maintaining internal controls designed to safeguard the efficiency of operations and security of our assets. Accounting records are adequate for preparation of financial statements and other financial information. Your