



4TH ANNUAL REPORT
2012 - 2013



ENKEI WHEELS (INDIA) LIMITED

An ISO / TS 16949 Company

Be Innovative and Continue to make maximum effort

BOARD OF DIRECTORS:

Mr. Masakatsu Uchiyama	Managing Director
Mr. Junichi Suzuki	Non-Executive Director
Mr. Tetsuro Masui (Up to 5th November 2012)	Non-Executive Director
Dr. Haresh Shah	Independent & Non-Executive Director
Mr. Shailendrajit Rai	Non-Executive Director
Mr. Kazuhiko Shimamura	Alternate Director to Mr. Junichi Suzuki
Mr. Junji Ohtaka (Up to 24th July 2012)	Alternate Director to Mr. Tetsuro Masui
Mr. Dhananjay Jhaveri (Up to 6th November 2012)	Independent & Non-Executive Director
Mr. Sandeep Shah (Up to 5th November 2012)	Independent & Non-Executive Director
Mr. Satyavara Prasad Garimella	Independent & Non-Executive Director

COMPANY SECRETARY:

Mr. Omkar Kaulgud

BANKERS:

Bank of Tokyo Mitsubishi UFJ Ltd	- Mumbai
Mizuho Corporate Bank Ltd	- Mumbai
Axis Bank Ltd	- Pune
Kotak Mahindra Bank Ltd	- Pune
State Bank of India	- Pune

AUDITORS:

M/s Asit Mehta & Associates
Chartered Accountants, Mumbai

COST AUDITORS:

M/s F.X. Nelson Leo & Associates
Cost Auditors, Pune

REGISTERED OFFICE & WORKS:

Gat no. 1425, Village Shikrapur,
Taluka Shirur, Dist. Pune - 412208.
Tel: (02137) 618700 , Fax: (02137) 618720
Email: secretarial@enkei.in

REGISTRAR & SHARE TRANSFER AGENTS:

Universal Capital Securities Pvt. Ltd.
21, Shakil Niwas, Mahakali Caves Road,
Andheri, (East), Mumbai 400093.
Tel: 022-28207203-05/ 28257641
Email: info@unisec.in

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Masakatsu Uchiyama
Managing Director

MD'S MESSAGE

To start with, I would like to express my gratitude to all the stake holders, for extending their continuous support to Enkei Wheels (India) Limited.

At the beginning of the year under review Financial Year 2012-13, share swap was executed which resulted into increase of Enkei Corporation stake by more than 64% in the Company. Hence, it was the first year for Enkei Wheels (India) Limited to become an individual & independent entity both in name and reality.

At the outset in Financial Year 2012-13, the growth for Indian automobile industry was miniscule and it witnessed the growth of 2.1% for passenger car segment and 2.9% for two wheeler segment.

As far as Company is concerned, last financial year, it experienced fewer orders because of Tsunami in Japan, flood in Thailand and strike in factory at customer end. Likewise in Financial Year 2012-13 also occurrence of labor related incidents took place in the factory at customer end which affected the stable order position of the Company adversely.

The environment surrounding us is becoming rigid and difficult because of the effects of external causes of Indian Economy and political instability. Our Indian rupee is becoming weaker compared to foreign currency which is resulting in sudden price rise in the cost of basic raw material of the Company.

However, Company has implemented the Shrink Balance Activity (Damage control to bring the damage to the lowest by implementing the production system in order to match with order quantity) as a measure to overcome such rigid and difficult situation.

Also by exercising the 5S audit activity and monitoring Daily Income Statement (DIS) as per standard of Enkei Group management principle, we are putting maximum efforts to develop all sorts of improvement at the production level and also promoting 3 Basics of manufacturing for improvement of quality parameters which are the fundamentals of Enkei

Group. We are hopeful and also aiming to acquire the new orders and stable production in the coming years.

As a result of this, the Revenue has gone up by 4.8% as compared to Financial Year 2011-12, and we have achieved the Gross Revenue of 3200 million INR (including excise duty). Later at the year end, Promoters (Enkei Corporation) provided great support by relinquishing their rights of receivables from the Company which helped us to close the Financial with profit. Here onwards also we will keep raising the target and aim towards fulfillment of goal.

The biggest strength of Enkei Wheels (India) Limited, is in the 61 years of rich experience of the Enkei Group in the field of research & development and manufacturing of aluminum alloy wheel. The strong technical support & cultural exchange from Japan and other ASEAN group companies of Enkei, makes us No.1 aluminum wheels OEM supplier at present in India. And we commit to retain the same status.

In order to deal with the new demands in first half of financial year 2013-14, we have almost completed the preparation for production capacity expansion and also prepared to strive with the increased production capacity and technical capability.

Financial Year 2013-14 will be challenging for the Indian Automobile Industry due to ongoing economic slowdown and inflation. However, we will continue to focus on cost control, new product development and will put maximum effort to increase the orders and to the production activities to get maximum growth.

I believe the future holds immense opportunities for us and our global team has the proficiency to drive and convert these opportunities into success, for all of us.

At the end I would like to express my cordial gratitude to all for your support and cooperation and would also like to request the same hereafter as well.

Masakatsu Uchiyama
Managing Director

Date: 29th July 2013

Dear- Member

You are cordially invited to attend the Fourth Annual General Meeting of the members to be held on Tuesday the 10th day of September 2013 at 12.30 p.m. at the registered office of the Company at Gat No. 1425, Village Shikrapur, Taluka Shirur, Pune-412208.

The Notice for the meeting, containing the business to be transacted is enclosed herewith.

Very truly yours

For **Enkei Wheels (India) Limited**

MASAKATSU UCHIYAMA

MANAGING DIRECTOR

Encl: Notice

NOTICE

NOTICE IS HEREBY GIVEN THAT THE FOURTH ANNUAL GENERAL MEETING OF THE MEMBERS OF ENKEI WHEELS (INDIA) LIMITED WILL BE HELD ON TUESDAY THE 10th DAY OF SEPTEMBER 2013 AT 12.30 P.M. AT THE REGISTERED OFFICE OF THE COMPANY AT GAT NO. 1425, VILLAGE SHIKRAPUR, TALUKA SHIRUR, PUNE-412208 TO TRANSACT THE FOLLOWING BUSINESS:

ORDINARY BUSINESS:

Item No 1 - Adoption of accounts:

To receive, consider and adopt the audited Balance Sheet as at 31st March, 2013 and Profit & Loss Account for the year ended on that date, together with Report of Directors and Auditors thereon.

Item No 2 - Re-appointment of Dr. Haresh Shah:

To appoint a director in place of Dr. Haresh Shah, who retires by rotation, and being eligible, seeks re-appointment.

Item No 3 - Re-appointment of Mr. Shailendrajit Rai:

To appoint a Director in place of Mr. Shailendrajit Rai, who retires by rotation, and being eligible, seeks re-appointment.

Item No 4 - Appointment of Auditors:

To appoint auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their re-muneration.

SPECIAL BUSINESS:

Item No 5 - Approve holding office or place of profit by Mr. Kazuhiko Shimamura

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

“RESOLVED THAT pursuant to provisions of section 314 of the Companies Act, 1956 Company do hereby approve holding office or place of profit by Mr. Kazuhiko Shimamura, alternate director; in the capacity of an advisor of the Company at remuneration up to ₹ 1,67,000/- per month as determined by Board of Directors from time to time w. e. f. 1st April 2013.

RESOLVED FURTHER THAT Board of Directors be and is hereby authorised to do all such acts, deeds, matters and things as may be necessary in this regard.”

For & On Behalf of the Board of Directors

Masakatsu Uchiyama
(Managing Director)

Place : Pune

Date : 29th July 2013

NOTES:

- 1) A MEMBER ENTITLED TO ATTEND AND VOTE, IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/ HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY IN NOT LESS THAN 48 HOURS BEFORE THE TIME FIXED FOR 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 herewith and forms part of the Notice.
- 3) The Registrar of Members and Share Transfer Books of the Company will be closed from 2nd September 2013 to 10th September 2013 (both days inclusive).
- 4) As required under clause 49 of the Listing Agreement, profile of the directors being re-appointed is mentioned in Corporate Governance report.
- 5) 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.
- 6) Members/ proxies should bring their attendance slip duly filled in for attending the meeting along with copy of the notice. Corporate shareholders intending to send their authorised representative to attend the meeting are requested to send a certified copy of Board Resolution authorising their representatives to attend and vote on their behalf in the meeting.

IMPORTANT COMMUNICATION TO MEMBERS**Open Demat Account:**

Investors are requested to open Demat Account and Dematerialise your shares, Investors should convert their physical holdings of securities into demat holdings. Holding securities in demat form helps investors to get immediate transfer of securities. No stamp duty is payable on transfer of shares held in demat form and risks associated with physical certificates such as forged transfers, fake certificates and bad deliveries are avoided.

Green Initiative**Register e-mail address:**

To support the 'Green Initiative' in the Corporate Governance taken by the Ministry of Corporate Affairs, to contribute towards greener environment and to receive all documents, notices, including Annual Reports and other communications of the Company, investors should register their e-mail addresses with M/s. Universal Capital Securities Pvt. Ltd., if shares are held in physical mode or with their DP, if the holding is in electronic mode.

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956.**Item No. 5:**

Mr. Kazuhiko Shimamura was appointed as an alternate director to Mr. Junichi Suzuki, Director with effect from 15th February 2012. He is working in the capacity of an advisor at a remuneration of ₹ 1,11,000/- w.e.f. 15th February 2012. It is proposed to increase his remuneration to ₹ 1,67,000/- per month from 1st April 2013 for the services rendered by him as an advisor after his appointment as an alternate director.

The above-mentioned payment of remuneration to the director requires approval of the members pursuant to the provisions of section 314 (1) of the Companies Act, 1956.

The Board hereby seeks your consent for ratification of payment of monthly remuneration with effect from 1st April 2013 till the date he is a director on the board pursuant to the provisions of Section 314 of the of the Companies Act, 1956.

The resolution mentioned in Item no. 5 of the notice is recommended for your approval as a special resolution.

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

For & On Behalf of the Board of Directors

Place : Pune

Date : 29th July 2013

Masakatsu Uchiyama
(Managing Director)

DIRECTORS' REPORT

To,

The Members,

We are delighted to present the report on our business and operations for the year ended 31st March, 2013:

Financial Highlights:

The Company's financial performance during the year 2012-13, as compared to the previous year 2011-12 is summarized below:

Particulars	(₹ In Million)	
	For the Year ended March 31,2013	For the Year ended March 31,2012
Gross Sales	3,215.09	3,060.66
Net Sales	2,869.57	2,792.11
Earnings before exceptional items, extraordinary items, interest, tax, depreciation and amortisation (EBITDA)	183.74	140.54
Less:Depreciation	159.61	146.51
Less: Financial Expenses	63.57	50.06
Add: Other Income	5.71	3.67
Profit / (Loss) before exceptional and extraordinary items and tax	(33.75)	(52.37)
Exceptional and Extraordinary items	90.76	-
Profit/(Loss) before Tax	57.01	(52.37)
Provisions for Taxes	13.51	(5.33)
Profit/(Loss) after Tax	43.50	(53.30)

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

(A) REVIEW OF OPERATIONS:

The Company operates into the business segment of manufacturing of aluminum alloy castings wheels mainly used in auto industry. This year was the year of stability.

Turnover

During the year under review, the Company has recorded Gross Sales of ₹ 3,215.09 millions (net Sales of ₹ 2,869.57 million) in current fiscal year as compared to Gross Sales of ₹ 3,061.66 millions (net sales of ₹ 2,792.11 million) last fiscal year. A meager growth of 2.5% over the last fiscal year, this growth is of manufacturing of wheels instead of trading activity, which has been drastically reduced from ₹ 229 million of the last fiscal year to ₹ 98 million in the current fiscal year.

DIVIDEND

In the view of accumulated losses of the company & to conserve the resources of the company, your Directors have not recommended any dividend for the current fiscal year.

CAPITAL

The Board of Directors in its meeting held on 5th February 2013 approved the conversion of 39,13,950 Compulsorily Convertible Preference Shares of Face value of ₹ 10/- each earlier issued on preferential basis. Accordingly, 5,21,860 equity shares of Face value of ₹ 5/- each at a premium of ₹ 70/- each have been allotted to the promoter company, viz. Enkei Corporation, Japan. The said allotment is in compliance with SEBI Regulation and listing Agreement.

(B) INDUSTRY STRUCTURE AND DEVELOPMENT:

Overall Indian Automobile Industry has shown 2.61% growth in Financial Year 2012-13 compare to previous Financial Year 2011-12. Production and Domestic sales has registered growth of 1.20% and 2.61% respectively. Most of the automotive players have plan for expanding their activities in India including new product launches. Indian automotive industry contributes 5-6% in GDP and more than 15 million manpower directly associate with auto industry.

Domestic Sales

Car sales are down by more than 6% in Financial Year 2012-13 compare to previous financial year 2011-12. The main reasons were high interest rates, increase in fuel price, high inflation rate, low movement in other sectors etc. Utility vehicle segment is having maximum growth in this segment at 52%. One of our major customers like Maruti Suzuki India Limited has increased market share due its better performance in Utility Vehicle segment compare to Financial Year 2011-12. Utility Vehicle sales expected to be 11-13% growth in this financial year 2013-14. Commercial Vehicle sales expected by 7-9% while light truck sales by 10-12%.

Scooter, moped and motorcycle sales grew by 14.24%, 1.53% and 0.12 % respectively in Financial Year 2012-13 over that of Financial Year 2011-12. The two wheeler segment as a whole experienced a growth of 2.90% during Financial Year 2012-13 over that of Financial Year 2011-12. However, in March 2013 sales of scooters, mopeds and motorcycles declined by 3.18%, 8.32% and 4.54% respectively. Scooter sales achieved remarkable growth due to new model launches and the introduction of fuel efficient technology.

Exports

During the year export has negative growth due to negative global environment and fluctuation.

(C) OPPORTUNITIES/OUTLOOK FOR THE COMPANY:

India is 2nd largest 2 wheeler market in world in terms of volume after China. The two and three wheeler segments have registered growth in sales of 2.90% and 4.87% respectively. While scooter sales dominated the growth of the two wheeler segment by changing market dynamics, passenger carriers contributed to the growth of the three wheeler segment. In this financial year 2013-14 the motorcycle segment should see better growth with introduction of more new models while the premium motorcycle segment is also expected to farewell the new premium biking culture picked up by the youth.

Car Sales in India estimated to expand 3-5% in financial year 2013-14. The cumulative sales of two wheelers in India for the first quarter of financial year 2013-14 stood at 3,490,677 units as against 3,519,555 units in first quarter of financial year 2012-13 registering a 0.82% decline. The overall domestic sales of automobiles in India stood at 4,378,082 units for first quarter of financial year 2013-14 and has recorded a decline of 2.06% as against first quarter of financial year 2012-13 where 4,470,381 units were sold. As per industrial experts, motorcycle growth will be 6-8% in Financial Year 2013-14.

(D) THREATS, RISKS AND CONCERN OF THE MANAGEMENT:

The Indian economy has witnessed the slowdown in the financial year 2012-13. The GDP rate is estimated to 5% for financial year 2012-13 which is lowest in the decade. The interest rates & Inflation is also increasing. If the same trend continues in this financial year 2012-13 it will may affect the Indian automobile industry.

Our Indian rupee is becoming weaker compared to foreign currency which is resulting in sudden price rise in the cost of basic raw material of the Company. This might not be fully compensated by the customers. This exposes the company to significant foreign exchange fluctuation risk. The Company plans to mitigate this risk through cost reduction initiatives such as value engineering and hedging.

(E) EXPANSION AND CAPITAL EXPENDITURE:

During the year under review as a part of the expansion plan, company has completed the construction of another four wheelers MAP Line which will increase the capacity by another 20% in this financial year. The Company has also started the initial steps for construction of its new Paint shop facility to come on newly acquired the Land.

(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 Company has implemented ERP system for a better internal control. The adequacy and effectiveness of internal controls across the various functional levels, as well as compliance with laid down systems and policies are monitored both by Company's internal control systems and also by the Company's internal Auditors on a regular basis. The Report of the internal Auditors is placed before the Audit Committee, and its recommendations are implemented to further improve the efficiency. Your Company's Statutory Auditors have, in their report, confirmed the adequacy of the internal control procedures.

(G) HUMAN RESOURCE DEVELOPMENT:

The Company is giving utmost importance to human resource development. In this direction, the Company is providing intensive training in India and overseas to employees of all levels for improving competence, production, enhancing safety and social values.

To retain the skill with the company a special drive has been given towards increasing the ratio of company and contractual labour's. Achieving the high morale and motivation is the ultimate goal of each training programme. The management also launched the "3E" - Enkei Evolving Education system and thereby ensuring a framed training to all employees

The management expects to continue the customized development program of employees during the current year also. The management of the Company enjoys cordial relations with its employees at all levels. The Board of Directors wish to place on record its highest appreciation of the contribution being made by all the employees.

(H) CAUTIONARY STATEMENT:

Statements in Management Discussion and Analysis Report describing the Company's objectives, projections, estimates and expectation may be "forward looking" within the meaning of applicable laws and regulations. Actual results might differ materially from those expressed or implied.