

ENKEI WHEELS (INDIA) LIMITED

AN IATF 16949:2016, ISO 14001:2015, ISO 45001:2018



Annual Report **2021**

VISUALIZE THE **NEXT GOAL**



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Enkei Wheels (India) Limited at a Glance



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Managing Director's Message



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Forward-looking statements

In this Annual Report, we have disclosed forward-looking information. This report and other statements – written and oral – that we periodically produce/publish, may contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements would be fully realised, although we believe we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. If known or unknown risks or uncertainties materialise, or if underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

At Enkei Wheels, our continual endeavour is to scale our operations and drive sustained growth. The fundamentals of our business have remained intact and robust. It has enabled us to overcome setbacks and look beyond with courage and optimism. With a renewed and far-sighted vision, we are now geared to soar higher and script new echelons of success.

Strategic investments in areas of product development, capability and capacity expansion, technology and innovation, and human resources are further strengthening our core capabilities. Simply put, our business is looking into the future, it is a foresight. Backed by our robust strengths along with undeterred support of all our partners, we are confident of capturing high growth and taking our organisation to even greater heights.

Our motto is -

VISUALIZE THE **NEXT GOAL**





ABOUT

ENKEI WHEELS (INDIA) LIMITED

Enkei Wheels (India) Limited is a part of the Enkei Group, a distinguished Japanese multinational conglomerate with over seven decades of experience in manufacturing aluminium alloy wheels. We manufacture and supply aluminium wheels to the leading two-wheeler and four-wheeler manufacturers in India.

Our inherent strengths enable us to innovate and produce the highest quality products for our customers. Underpinning our operations are our robust manufacturing and design capabilities, vast expertise, quality consciousness, highly skilled team and operational efficiencies. Over the years, we have established ourselves as a leading and trusted alloy wheel brand in the Indian automotive industry.

MANUFACTURING ADVANTAGE

Our state-of-the-art manufacturing unit is located in Pune and has a production capacity of 2W 1,20,000 and 4W 90,000 per month. We constantly leverage modern and sophisticated technologies to enhance our manufacturing capabilities, thereby enabling production of finest quality products as per emerging customer requirements.

MARQUEE CUSTOMERS

FOUR-WHEELER



TWO-WHEELER



KEY BUSINESS DRIVERS



CORPORATE PROGRAMMES



Road Safety Awareness programme



COVID-19 Vaccination Programme



COVID-19 safety precautions



COVID-19 awareness programme

OUR FINANCIAL SCORECARD

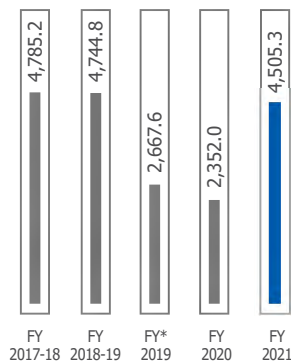
Our constant endeavour is to drive highest value for our stakeholders and maintain strong financials. The Company's cost competitiveness, technology edge, and flexible production model give it a competitive edge and enables us in delivering improved financial performance each year.

5-YEAR FINANCIAL HIGHLIGHTS

*Figures shown in FY 2019 are of 9 (Nine) months period.

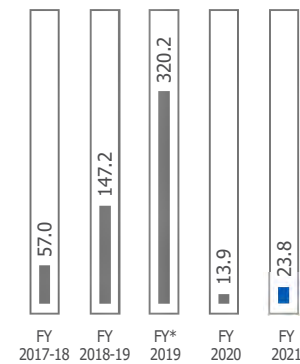
Net Sales

₹ in Million



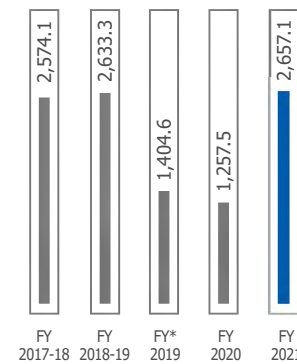
Other Income

₹ in Million



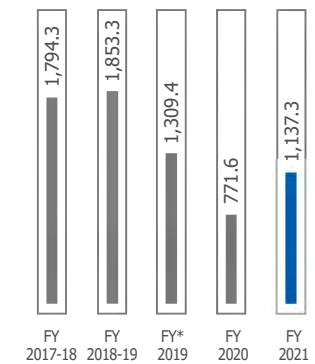
Material Cost

₹ in Million



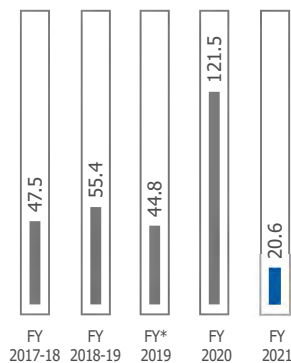
Other Expenses

₹ in Million



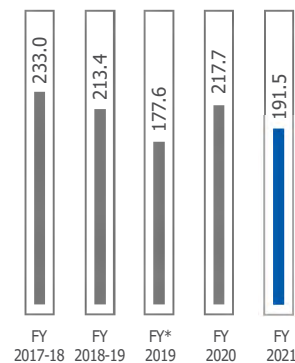
Interest

₹ in Million



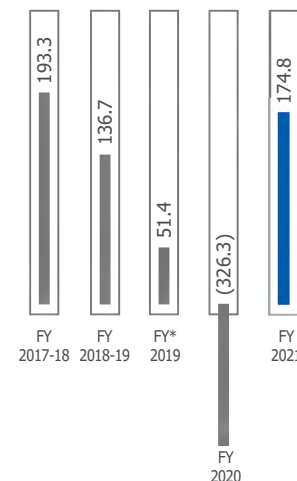
Depreciation

₹ in Million



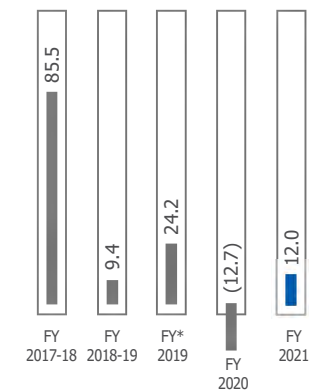
Profit before Tax

₹ in Million



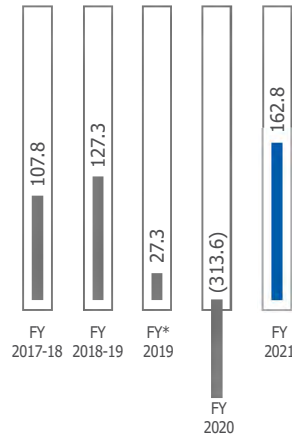
Income Tax Provision

₹ in Million

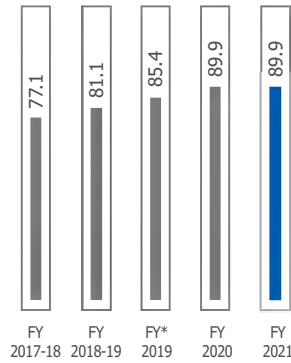


Net Profit after Tax

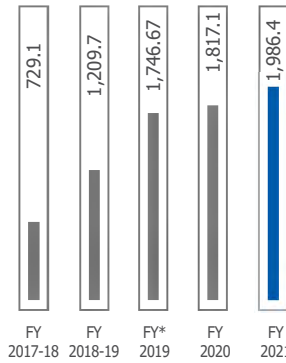
₹ in Million

**Share Capital**

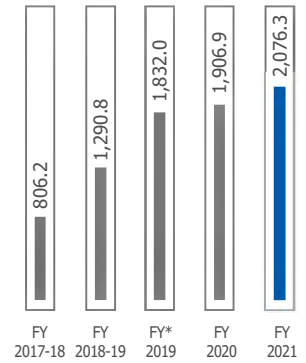
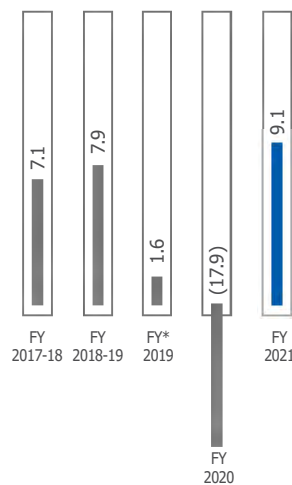
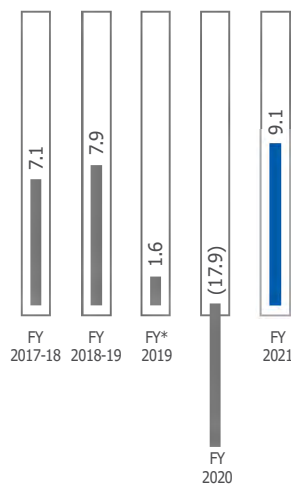
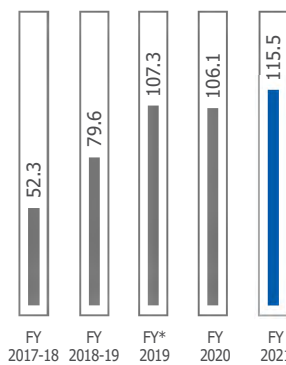
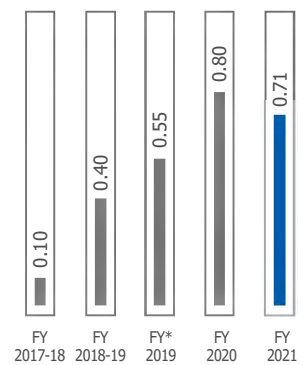
₹ in Million

**Reserves**

₹ in Million

**Net Worth**

₹ in Million

**Basic Earnings per Share (₹) (Face Value of ₹ 5/-) Before extraordinary Income / Expense****Basic Earnings per Share (₹) (Face Value of ₹ 5/-) After extraordinary Income / Expense****Book Value per Share (₹)****Debt Equity Ratio**

MANAGING DIRECTOR'S MESSAGE



During FY 2021, despite the pandemic-related challenges and other uncertainties, sales of automobiles and motorcycles gradually revitalised and our orders began to recover. As a result of the cost reduction activities that we have been undertaking since the past year, we were able to witness a 'V-shaped' recovery from the COVID-19 pandemic. FY 2022 is presumed to be a year of expanding production capacity in line with further increases in orders and of major changes and evolution that will mark a milestone in the history of Enkei India.

TO SHAREHOLDERS,

We hereby share the comprehensive performance results of FY 2021 and the latest trends of ENKEI WHEELS (INDIA) LTD. (hereinafter referred to as EWIL) with our shareholders. We thank you all for your continued patronage.

PRODUCTION AND SALES OF AUTOMOBILES AND MOTORCYCLES IN FY 2021

EWIL produces aluminium wheels for automobiles and motorcycles, and supplies them to the Original Equipment Manufacturers (OEM) only. Therefore, the production and sales trends of automobiles and motorcycles greatly influence the production and sales of our Company. According to the statistics of SIAM (the Society of Indian Automobile Manufacturers), as the overall result in 2021 (January to December), the number of automobile units sold in India recovered significantly to 127% as compared to FY 2020. In 2020, the economy declined remarkably due to the lockdown (April and May) and the first wave of infection explosion (August and September) in India due to COVID-19. Thereafter, with the decrease in the number of people infected with COVID-19, from March 2021, restrictions on movement and activities were gradually

relaxed, the economy recovered, and sales of automobiles also recovered. However, from April to June 2021, the number of people infected with COVID-19 surged again, sales of automobiles plummeted, and our orders plummeted also.

After that, the spread of the infection decreased unexpectedly quickly, the negative impact on the economy was less than when the infection spread in the previous year, and our orders recovered early. However, while it was expected that sales of automobiles would recover steadily and become a growth track, a new problem arrived. It was shortage of semiconductors and shortage of logistics containers, which has become a major problem that shakes the supply chain of parts worldwide and even now in 2022, it is still affecting the production of automobiles. In any case, the production and sales of automobiles in 2022 are expected to increase compared to 2021. However, recovery to 2018 levels, the best result in the past, is expected to take some time.

ORDERS / PRODUCTION STATUS IN 2021

The orders for EWIL in FY 2021 fluctuated intensively due to the spread of COVID-19 infection, shortage of semiconductors and shortage of logistic containers. However, the sales volume recovered significantly compared to FY 2020 with 4W 167% and 2W 134%. Furthermore, it was 4W 80% and 2W 63% compared with the record high of FY 2018. Therefore, even though the orders are on an overall recovery trend, it can be seen that they have not recovered completely. On the other hand, in the production system, the average capacity utilisation in FY 2021 is 4W 76.80% and 2W 56.85%, and considering that 4W 90,000 pcs / month and 2W 120,000 pcs / month are the production capacity; there is a lot of production capacity left. Particularly,

we have all Four lines for 4W, but only two MAT lines have a spinning process. Also, since the other two lines are old type lines (MAP), only old models can be manufactured. This had a significant impact on order expansion activities.

PROFITABILITY IN FY 2021

In FY 2021, EWIL continued to work on cost reduction to overcome the shortage of orders for production capacity. Not only EWIL but the entire Enkei Group faced a shortage of orders due to COVID-19, semiconductor shortage, issues related to maritime logistics.

Therefore, the "5SB activity: 5 Shrink Balance activity" initiated by the entire group in FY 2020 would be further strengthened, cost reduction activities would be focussed by keeping the fixed costs at the centre. As a result, as compared to FY 2019, the ratio of total fixed costs to sales was reduced by about 14%, and EWIL was able to secure positive result.

In FY 2021, increase in the price of all raw materials, factory supply materials, packaging materials, paint materials, etc. including rising energy costs due to high crude oil prices, increased prices of aluminium raw materials, and other logistics costs, hindered the profitability. However, we promoted the cost reduction activity more strongly, suppressed the amount of consumption, which enabled us to tide over the tough times.

Certainly, we should appreciate the tremendous cooperation and understanding of our suppliers; we also understand that keeping the price increase to minimum also leads to securing profits. The basis of the business plan of EWIL for FY 2022 is to promote "5SB activity" even more strongly, thoroughly reduce waste, and maintain and enhance profitability.

PROGRESS OF THE PRODUCTION CAPACITY EXPANSION PLAN

From FY 2020 onwards, the slogan of the production capacity expansion project has been changed to "PFF: Preparation for our Future". The new land site was renamed and registered to "Factory 2" and the new production line called "MAC1" was renamed to "MAC5" to avoid confusion with the existing line. The original plan was to complete the project in 2020 to 2021 and commence production.

However, due to the effect of COVID-19 and various other factors, we were unable to secure sufficient orders, so we are now in the middle of preparations to start production in FY 2022.

In FY 2022, the long-awaited production of the new line will be finally commenced. In particular, the MAC5 line is the latest line of the Enkei Group, and EWIL will be the first company to introduce M3 full-line installation in EK group overseas company. This should be a major change and evolution that will remain in the history of EWIL. Parallely, the installation of a new painting line is also in progress and is expected to be operational by the end of FY 2022. We expect that, starting the operation of the new painting line will make major changes by way of expanding the production capacity of 4W painting as well as smoothing the products transfer between internal processes. In addition, the next project planned after the start of MAC5 operation is considering the conversion of the existing MAP3 line to MAT. We have targeted to complete this project by the end of FY 2022. We are also planning to promote further expansion of production capacity.

STRENGTHENING OF MEDIUM TO LONG-TERM STRATEGIC SALES CAPABILITIES

There was a significant postponement in our capacity expansion projects due to external factors such as COVID-19 in FY 2021. This had a significant impact on the medium to long-term sales strategy. As a result, delays in capacity expansion plans led to deferment of orders execution in the medium-term. Therefore, based on these past reflections, we are changing our policy to a more positive production capacity expansion plan. Along with this, it is important to improve our sales strategy based on detailed marketing of the demand for aluminium wheels for OEMs in India. The demand for aluminium wheels will surely increase in the future with the expansion of the automobile market in India. We will follow this trend by strategically expanding our production capacity and strengthening our sales activities. Thus, our project slogan, "Preparation for our Future," is put into practice.

OUTLOOK AND CHALLENGES FOR FY 2022

At the end of the first half of FY 2021, India was the first country in the world to get over of the unprecedented crisis caused by the COVID-19 pandemic. The restrictions imposed by the government were relaxed, and we are now back to our pre-COVID level of normalcy. However, from a global perspective, we cannot assure that the spread of infection will not occur again in India. In addition to the shortage of semiconductors, which has continued since the last fiscal year, issues related to maritime logistics, fluctuations in the exchange rate of the Indian rupee, geopolitical issues have also cropped up recently. In the future, the impact of these issues on the Indian economy is immeasurable. Even under these circumstances, the automobile production sales are expected to be more than that of year 2021 and less than that of year 2019. Now we have secured the orders that enable us to operate at almost 100% capacity after the start of MAC5 operations. As mentioned above, many uncertainties are obvious, thus we must focus on future trends.

IN CONCLUSION

In FY 2022, the Company's motto for the ENKEI Group is "Visualise the next goal", and towards this, Factory2 MAC5 and the commencement of production at the new painting shop were set as the biggest goals of EWIL. For EWIL, this is a major change and evolution, and will charter the future of our Company. In addition, EWIL raised "Realise increasing productivity and improve the working efficiency" as the action plan for FY 2022 and decided to improve productivity as the main action plan. The aim is to improve the productivity of the manufacturing sections as well as the supporting sections, thereby enhancing the capabilities of the person-in-charge and of the entire department, with the target of achieving the ideal way of working. Finally, we will continue our production activities based on "safety," "health," and "environment". We also aim to create a more healthy, stable, and reliable management system and work environment. Furthermore, our goal is to become a company that survives forever by contributing to the local community through CSR activities. We would like to extend our deepest gratitude to our stakeholders, shareholders, clients, suppliers, employees, unions, workers, and our Group companies for their understanding and cooperation. We look forward to your continued support in the future.

Regards,

KAZUO SUZUKI
Managing Director

CORPORATE INFORMATION

Board of Directors

Mr. Kazuo Suzuki
Managing Director

Mr. Junichi Suzuki
Non-Executive Director

Dr. Haresh Shah
Independent & Non-Executive Director

Mr. Shailendrajit Rai
Non-Executive Director

Mr. Satyavara Prasad Garimella
Independent & Non-Executive Director

Ms. Shilpa Dixit
Independent & Non-Executive Director
(till 31st May, 2021)

Ms. Smita Subhash Patti
Independent & Non-Executive Director
(w.e.f 31st May, 2021)

Chief Financial Officer

Mr. Jitendra Parmar

Company Secretary & Compliance Officer

Mr. Jeevanjyoti Nayak

Bankers

MUFG Bank Ltd
Mumbai

Mizuho Bank Ltd
Mumbai

Sumitomo Mitsui Banking Corporation
Delhi

Axis Bank Ltd
Pune

Kotak Mahindra Bank Ltd
Pune

Statutory Auditors

Kirtane & Pandit LLP
Chartered Accountants, Pune

Internal Auditors

M S Mandke & Associates, Pune

Secretarial Auditors

Shailesh Indapurkar & Associates,
Company Secretaries, Pune

Registered Office & Works

Gat No. 1425, Village Shikrapur,
Taluka Shirur, Dist. Pune - 412 208.
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Email: secretarial@enkei.in
Website: www.enkei.in

Corporate Identification Number

L34300PN2009PLC133702

Registrar & Share Transfer Agents

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