

Investor's Delight: Enkei Wheels (India) Ltd. (EWIL) – "BUY"

Jan. 12, 2015

Enkei Wheels (India) Limited is a part of the Japanese multinational company, Enkei Corporation (global leader in this segment), located at Shirur village in Pune, Maharashtra. It is a manufacturer of the Aluminum Alloy Wheels to two wheelers as well as four wheelers. Enkei Wheels (India) Limited came into existence by way of Demerger of Alicon Castalloy Ltd (Formerly known as Enkei Castalloy Ltd.). With the help of Japanese Technology the Company's plant is equipped with the advance machinery & system for manufacturing aluminum alloy wheels. 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.

The Company's key customers for four wheelers include Maruti Suzuki Ltd., Kirloskar Toyota Pvt. Ltd., Honda Cars (India) Ltd., Nissan Motors Pvt. Ltd., and Hindustan Motors Ltd. and for two wheelers are Honda Motorcycle And Scooter India Private Limited, Hero Motocorp, and Suzuki Motorcycle.

At CMP, the stock trades at a P/E of 36x H1FY15 annualized EPS. The Company witnessed revenue growth of 11.4 percent in FY14 on yoy basis to touch Rs. 3200 mn in FY14. In Q2FY15, the Company witnessed an outstanding performance. On QoQ basis, topline grew at 19 percent whereas on yoy basis it witnessed a growth of 18 percent to touch Rs. 963.7 mn. PAT grew at an impressive rate of 77 percent on QoQ basis and turned around from a loss to profit making on a yoy basis to touch Rs. Rs. 21.2 mn. We believe that the company is well placed to tap the opportunity presented in the domestic auto ancillary segment. With due consideration to factors like a) revival in auto ancillary business, b) 62 years of rich experience of the Enkei Group in the field of research & development and manufacturing of alloy wheels, c) strong technical support and cultural exchange from Japan and other ASEAN group companies of Enkei, d) key marquee clients, e) positive operating cashflow, f) robust PAT performance in Q2FY15, e) expected earnings CAGR of 30 percent over the period FY14 – FY16, we recommend a "BUY" with a target price of 192 (36x at estimated FY16 EPS).

CMP	Rs. 148
Target Price	Rs. 192
Face Value	Rs. 5
Book Value	Rs. 12
Upside	30%
Sector	Auto Ancillary
BSE Code	533477
Bloomberg Code	EWIL:IN
52 Week High	Rs. 171
52 Week Low	Rs. 36.15
Share Capital	Rs. 63.77 mn
Market Capitalization	Rs. 1,888 mn
Shareholding Pattern (%)	As on Sep. 2014
Promoters	64.72
FII's	-
DII's	-
Others	35.28

Stock Holding Disclosure under SEBI regulations:

- a) **Analyst holding: No**
- b) **Company holding: No**
- c) **Directors holding: No**
- d) **Group/Associates Position: No**
- e) **Relationship with management: No**

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