

Enkei Castalloys

 Market Cap (Rs. Cr) **154**

52 Week-H/L(Rs)

222.00 / 117.55
CMP
Rs. 140.00
Target Price
Rs. 165/195

 Bloomberg **EKC@IN**

Reuters

-

 BSE **531147**

 NSE **ENKEI**

Investment Arguments

Company is in to manufacturing of - **Aluminium alloys castings for engine parts like - Cylinder heads, Crank cases plus Alloy Wheels.** The **Enkei Corp of Japan [technology provider]**, which holds **38% stake** in company is a global leader in Aluminium Alloy Wheels. Company supplies engine parts to - **Bajaj Auto, Maruti and Hero Honda**; while Alloy wheels are supplied to **Honda Sael cars for latest models like - Accord and Civic.** The trend of using alloy wheels in 2 & 4 wheelers is catching up in premium models and there is huge latent demand from OEMs. It also exports its products in global market. **The expansion for alloys wheel capacity is over with first phase commissioning in July-Aug '06 and second phase in Nov-dec'06.** Thus the full benefit of this expansion will only be visible in current financial year.

To fund the ongoing expansion plans the company raised Rs 20 crs by **private placement of 2.5 lakh shares each** to two institutional investors - **ICICI Fusion Fund & Minivet, Maritous.** The shares were issued @ **Rs 400 per share [10/- FV]** [There after a split given in Dec 06, so FV of stock reduced to Rs 5 now]. So present price at Rs 140 is post 1:1 split and is at significant discount to adjusted placement price of Rs 200/-.

Both **two and four wheelers** are enjoying good growth rates and demand for company's products will continue to grow in domestic market. Additionally the export market is also quite big and company plans to tap that for **Alloy Wheels.** Company has plants at Gurgaon and Pune; it is also **setting up a new aluminium castings unit in Pantnagar, Uttaranchal.**

Company did well for March'07, with topline growing at 90% and bottomline at over 50%, despite higher depreciation and interest provisions, dampening bottomline growth in short term.

We expect company to do exceedingly well in 07-08 and report handsome profits - closer to 18 crs. This will give an EPS estimate for '08, more then Rs 15. Thus for a quality & fast growing stock, the forward discounting for current year at below 9X is quite attractive. BUY around current price with target of Rs 165 in short term and Rs 195 in medium term.

Financials for the year ended (in Rs. Crores)

Particulars	Mar 05	Mar 06	Mar 07	Mar 08 E
Gross Sales	75.19	143.92	269.15	428.00
PBIDT	16.43	22.35	33.73	54.50
Interest	4.01	5.00	8.55	11.50
Depreciation	3.67	5.71	10.87	12.50
PAT	5.90	7.54	11.82	17.50
EPS (in Rs)	11.80	15.08	10.75	15.91
CEPS (in Rs)	19.14	26.50	20.63	27.27
Book Value (in Rs)	32.86	46.38	31.68	47.39
Face Value (in Rs)	10.00	10.00	5.00	5.00
Dividend (%)	12.50	12.50	15.00	20.00
Dividend Yield (%)	0.89	0.89	0.54	0.71
Net Worth	16.43	23.19	34.85	52.13
Debt	42.03	74.63	80.00	85.00
Equity Capital	5.00	5.00	5.50	5.50
P.E. (x)	11.9	9.3	13.0	8.8
NPM %	7.85	5.24	4.39	4.09
EBIDTA Margin %	21.85	15.53	12.53	12.73
RoCE %	28.1%	22.8%	29.4%	39.7%

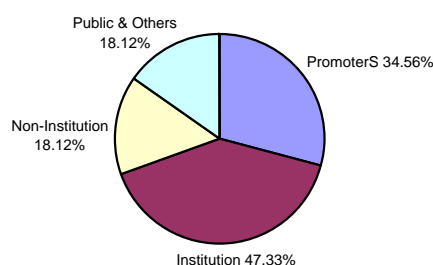
Latest result update (in Rs. Crores)

PARTICULARS	03/2007 (Q-4)	03/2006 (Q-4)	% change
Total Income	75.93	48.15	57.69
PBIDT	8.86	6.63	33.63
Net Profit (PAT)	3.41	0.76	348.68
Equity	5.50	5.50	0.00
EPS	3.10	0.76	307.89

Technical Trend:-



ShareHolding Pattern



The above chart is looking some what distorted due to the Split of 1:1 given in Dec'06.

As the liquidity in counter is low, we suggest short term traders not to play with this stock.

Investors can buy this stock, without any stop loss for medium to long term. The current fundamentals will support the present price of stock and we hope that as stock will start discounting '08 performance, it will go up only.