

# Performance Update

Q1 FY13

# Our Manufacturing Facilities



# Safe Harbour Statement

*Some of the statements in this presentation that are not historical facts are forward looking statements. These forward-looking statements include our financial and growth projections as well as statements concerning our plans, strategies, intentions and beliefs concerning our business and the markets in which we operate.*

*These statements are based on information currently available to us, and we assume no obligation to update these statements as circumstances change. There are risks and uncertainties that could cause actual events to differ materially from these forward-looking statements. These risks include, but are not limited to, the level of market demand for our services, the highly-competitive market for the types of services that we offer, market conditions that could cause our customers to reduce their spending for our services, our ability to create, acquire and build new businesses and to grow our existing businesses, our ability to attract and retain qualified personnel, currency fluctuations and market conditions in India and elsewhere around the world, and other risks not specifically mentioned herein but those that are common to industry.*

*Further, this presentation may make references to reports and publications available in the public domain. Innoventive Industries Ltd. makes no representation as to their accuracy or that the company subscribes to those views / findings.*

**BSE:INNOIND, NSE:INNOIND, Reuters: INNV.BO, Bloomberg: IIL IN**

# Discussions and Highlights

## Innoventive Industries Ltd : A solid operating platform



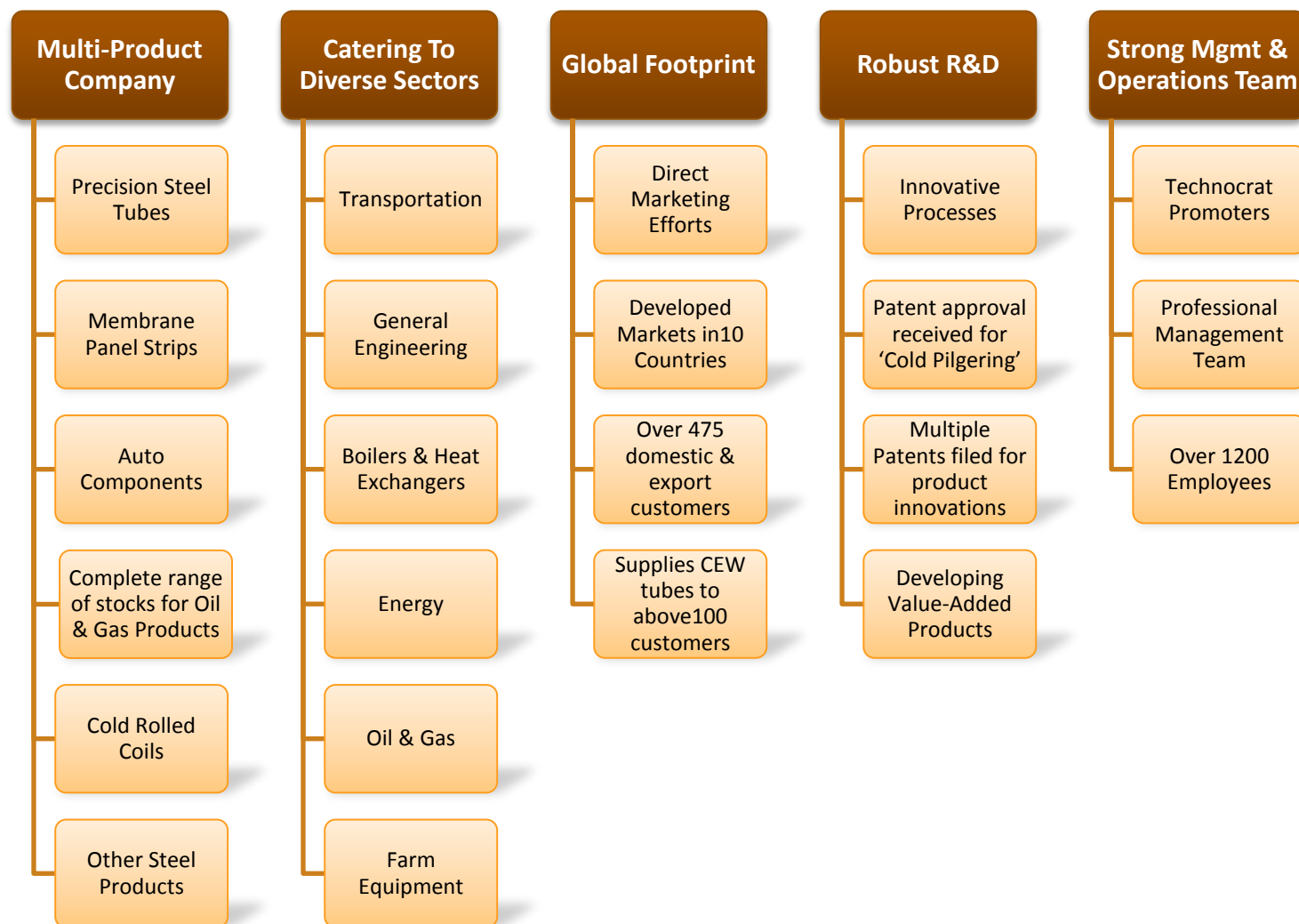
## Financial Performance : Sustained growth





**Innoventive Industries Ltd : A solid operating platform**

# Uniquely Positioned Operations





# Leveraging on Manufacturing Capabilities

## Patented 'Cold Pilgering' technology

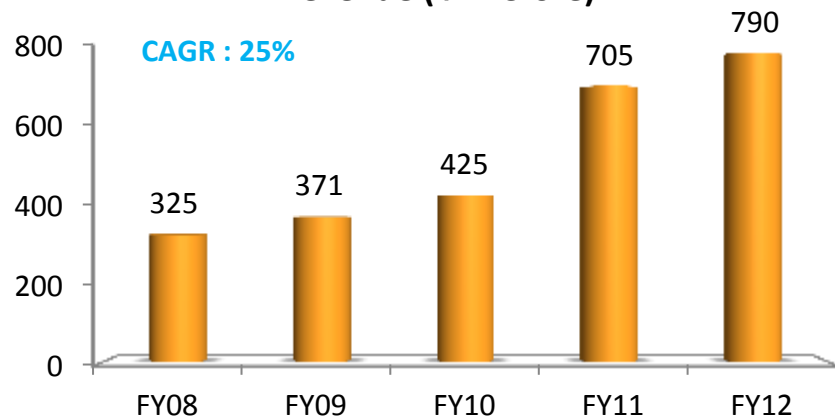
- Patented technology used to manufacture DOM/CEW tubes of various specifications
- Received a patent approval for 20 years w.e.f April 24, 2009
- Cost reduction achieved by this process in energy, labour and material in comparison to the traditional draw bench technique
- Customised designs for tools & dies required by this process – enhanced efficiency
- Products manufactured by this method have unmatched quality, with superior surface finish, higher tensile strength and being competitively priced

## Membrane Panel Strips

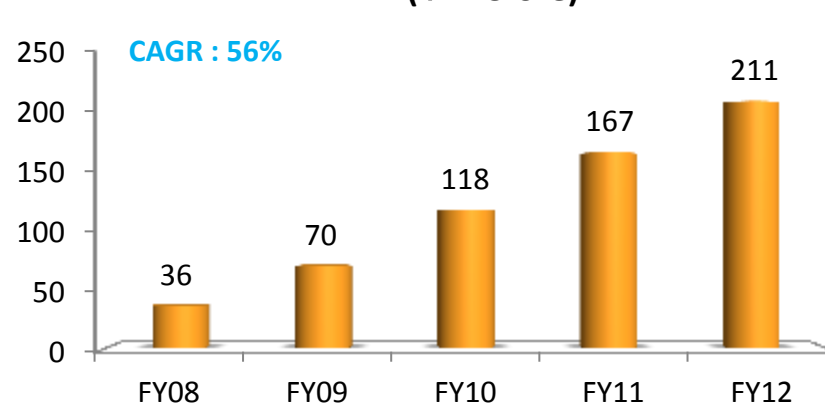
- IIL manufactures membrane panel strips (narrow width ~ 10.3mm) directly from HR coils leading to improved quality at lower cost
- A strong understanding in metallurgy has helped IIL to carry out improvements in traditional processes
- Conventionally these strips are manufactured using steel bars
- Membrane panel strips is an import substitute product finding application in the power sector

# Demonstrated Track Record..

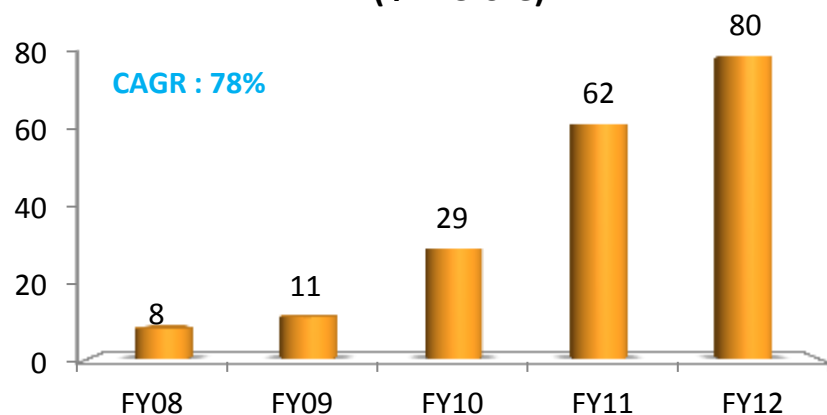
**Revenue (₹ in Crore)**



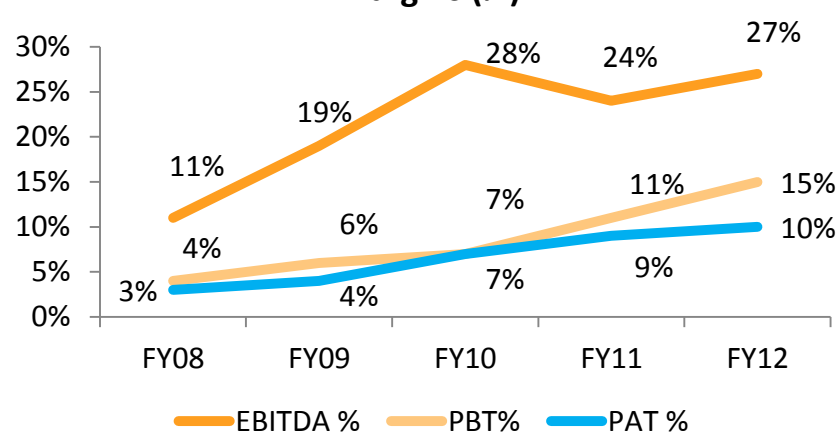
**EBITDA (₹ in Crore)**



**PAT (₹ in Crore)**



**Margins (%)**



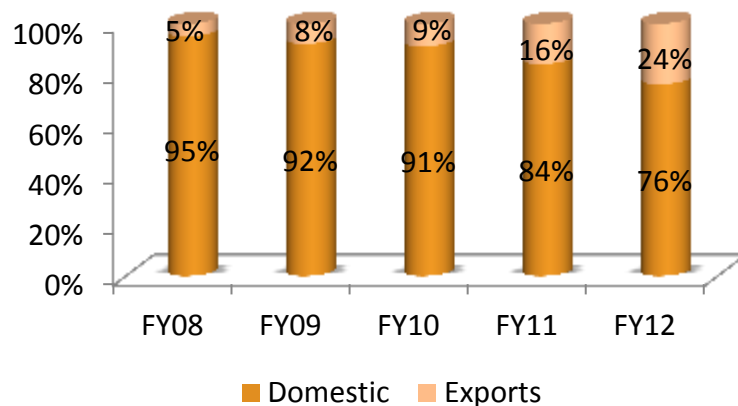
All figures are on a consolidated basis



# Demonstrated Track Record

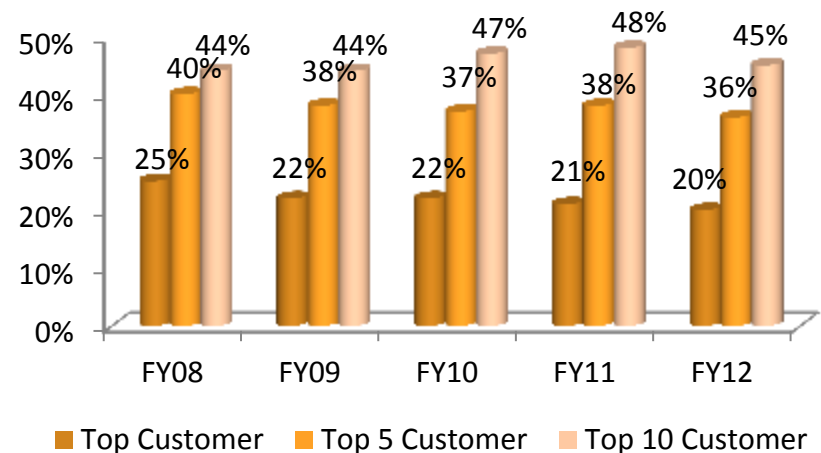
- Export contribution rising in total revenue
- Expanding reach to more markets – now exporting to US, UK, Germany and Middle East
- Volumes & increasing product range leading to revenue growth from overseas markets
- Increasing share of high value products in export revenues
- Improved distribution channels in overseas markets

**Revenue Domestic Vs. Exports (%)**



- Reducing single customer concentration in revenue
- Increasing revenue per customer
- Catering to rising demand from key customers
- Introducing new products to existing customers
- Growth also driven by expanding customer base

**Revenue : Top Customers (%)**



# Our Strategy

## Enhance Product Mix

- Focus on value added products to retain competitive edge
- Increase proportion of high margin products in revenue mix

## Improve Marketing & Distribution

- Enhancement of global reach - have appointed 13 agencies in Europe
- Acquiring front end marketing companies will lead to improved realisations – Salem acquisition completed

## R&D

- Focusing on innovation to develop new products and processes
- Engaging with customers for product development at R&D stage

## Diversification

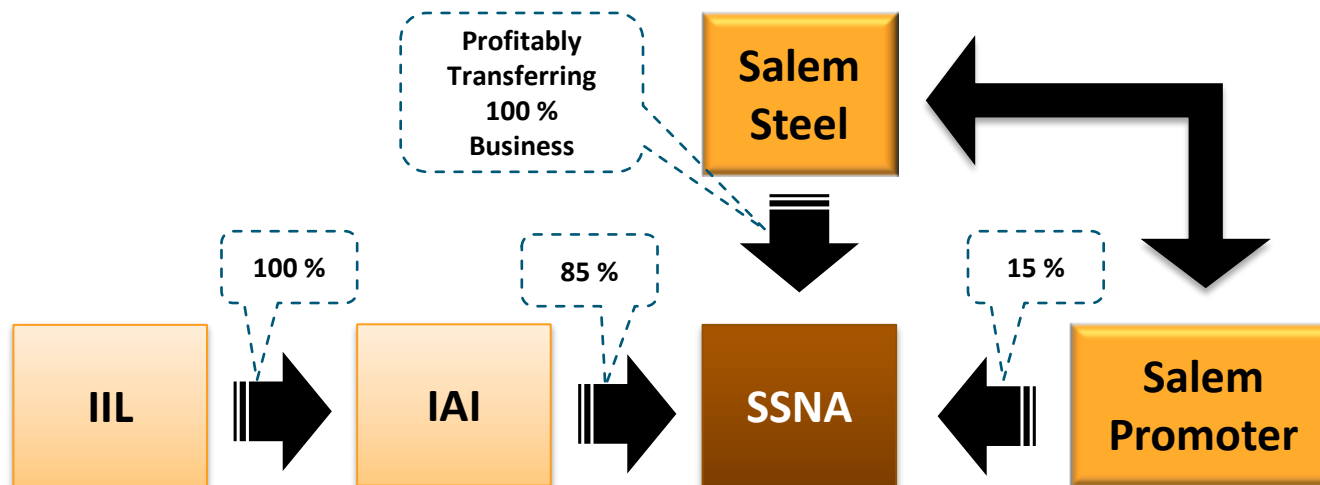
- To optimise division-wise contribution to avoid dependence on any single industry / segment
- Increase share of exports and establish global customer base in multiple countries and currencies

## Partnerships

- Considering JV's with manufacturers who offer synergies to IIL
- Ability to offer knowledge of local markets and distribution network to JV partners - gain access to new technologies and widen product portfolio

# Acquisition of business of Salem Steel, USA

- As part of its growth strategy, Innoventive Industries acquired a 85% stake in the business of US based Salem Steel North America, LLC (“Salem Steel”) for USD 4.675 million
- To facilitate this acquisition
  - ✓ IIL incorporated a 100% subsidiary in the United States - ‘Innoventive Americas, Inc.’ (“IAI”) which in turn set up a subsidiary Salem Steel NA, LLC (“SSNA”). SSNA shall be known as the transferee company
  - ✓ IIL shall own 85% of SSNA and the balance 15% stake will be held by one of the founder promoters of Salem Steel which is the transferor company
  - ✓ The transferor company has transferred all of its assets and liabilities on an ‘as is’ basis to the transferee company as of Dec 31, 2011



# Salem Steel- Driving value

## Forward Integration – closer to end customers

- Salem Steel has been a customer of IIL since 2009
- IIL supplies products to Salem Steel which distributes CEW and seamless tubes in US markets
- This acquisition enables IIL to forward integrate and strengthen relationships with end customers

## Improved presence in developed markets

- Better touch point to end customers – can pursue increased wallet share
- Better positioned to service customers – potential to cross sell other products in portfolio
- Elevating Salem as a master distributor for North America

## Improved margins on product

- IIL will now realise manufacturer margins as well as distributor margin on products
- SSNA to also realise distributor margins on products in distribution portfolio of Salem Steel

## Attractive financial payback

- Salem Steel is currently profitable at gross and net levels
- Based on current financials the payback period is approximately two years

# Acquisition Strategy

## Overseas Acquisition

- As a part of our acquisition strategy IIL does not plan to invest in manufacturing facilities in developed markets
- IIL will look at acquiring distribution set-ups in developed markets having profitable businesses, as a part of our endeavor to improve our distribution infrastructure in those markets

## Domestic Acquisition

- Being a multi-product engineering company, IIL will acquire manufacturing assets at attractive valuations
- The businesses being acquired should have an innovative and promising product profile with a potential of scalability in few years
- The businesses should complement , add value or add to the IIL's existing diverse product portfolio

# Key Growth Drivers

## Capacity expansion

- Major capacity expansion during last and current year for CEW / DOM tubes and Allied Products – Funds raised in IPO
- Poised to cater to the growing end user demand for its products

## Expanding customer accounts

- Preferred vendor with established clients and present across their product range - to realise greater volumes as they grow
- Several emerging accounts are past the initial approval phase - ramp up in volumes is imminent

## Growth in end user industries

- The domestic engineering and automotive industries are growing at a healthy pace
- Demand from the global oil & gas industry is increasing with drilling reaching newer depths
- Demand from other industries for cost effective solutions is ever increasing

## Relationships

- Strong relations with existing customers - increasing acceptance for its newer products
- Effective market penetration due to strong associations with customers
- Established long term relations with suppliers

## Fiscal incentives

- Pimple-Jagtap facility eligible for IPS claims in form of VAT refunds due to 'Mega Project Status'
- Qualifies for Industrial Promotion Subsidy (IPS) equivalent to 75% of investment in fixed assets

# Diverse Product Profile

## DOM/CEW, ERW Tubes & Products



- Drawn Over Mandrel (DOM) tubes manufactured by our innovative process
- Cold Drawn Electric Welded (CEW) precision steel tubes made out of own ERW tubes
- Machined tubular components

## Auto Components



- Machined components
- Press fabricated parts
- Welded components and assemblies

## Power Equipment Components



- Narrow-width Membrane Strips for sub-critical and super-critical boilers
- Energy Tubes

## Oil & Gas



- Ready-to-assemble machined parts like machined tubings, couplings, casing couplings, pup joints and cross overs etc.
- Open die and Close die forgings

## Others



- Cold Rolled steel sheets
- Laminates and Stampings



# Product Application & Advantage



## DOM/CEW, ERW Tubes & Products

- ✓ Application – Extensive usage in several fields like automobile industry, shock absorbers, fuel line, brake line, steering columns, tie rods, propeller shafts and bobbin tubes- textile industries
- ✓ IIL's advantage – Manufactured by a unique pilgering process which is being patented globally with unmatched quality and competitive pricing against peers in both domestic and export markets



## Auto Components

- ✓ Application – Application in piston rod, push rod, hose fittings and transmission components, machined rear axle spindle, compressor parts, fuel injection, etc
- ✓ IIL's advantage – Ability to design products as per client specification and supply consistent quality products on time



## Power Equipment Components

- ✓ Application – Membrane panel strips and energy tubes find application in boilers and heat exchangers
- ✓ IIL's advantage – Only manufacturer of membrane strips in the country with unmatched quality and pricing



## Oil & Gas

- ✓ Application – Products find application in the high opportunity oil & gas sector
- ✓ IIL's advantage – Superior quality products that meet internationally prescribed quality tests combined with competitive pricing



**Financial Performance : Sustained Growth**

# Chairman's Message



***Commenting on the Company's performance for Q1FY13, Mr. Chandu Chavan, Chairman, Innoventive Industries Ltd., said:***

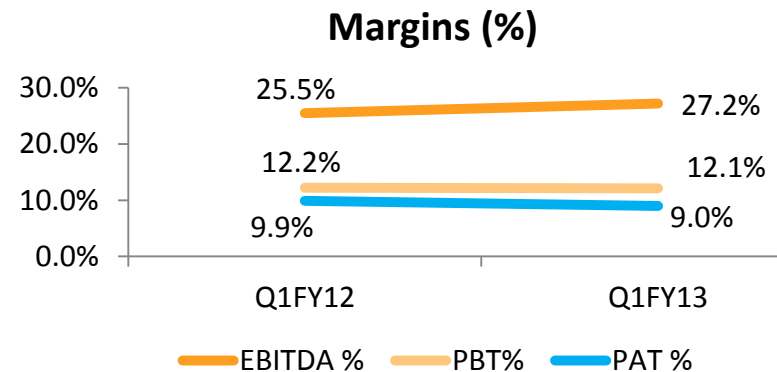
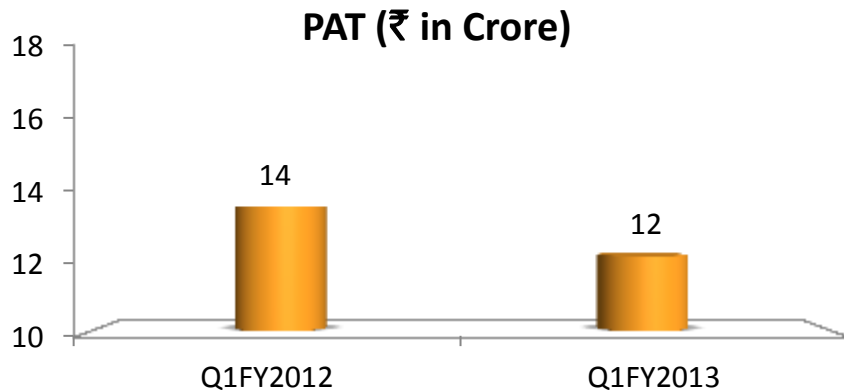
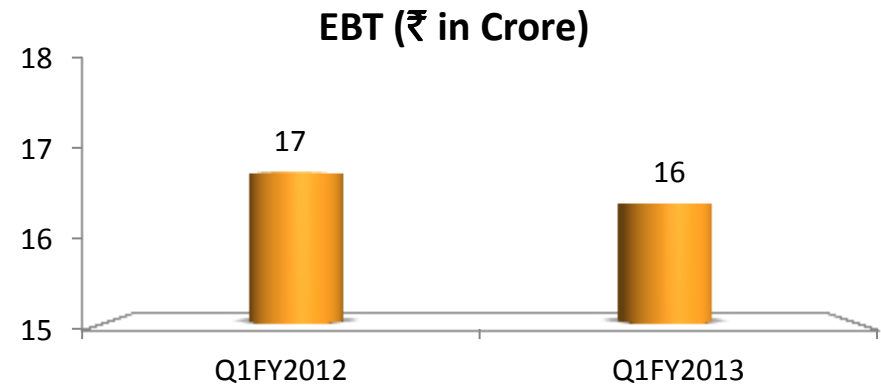
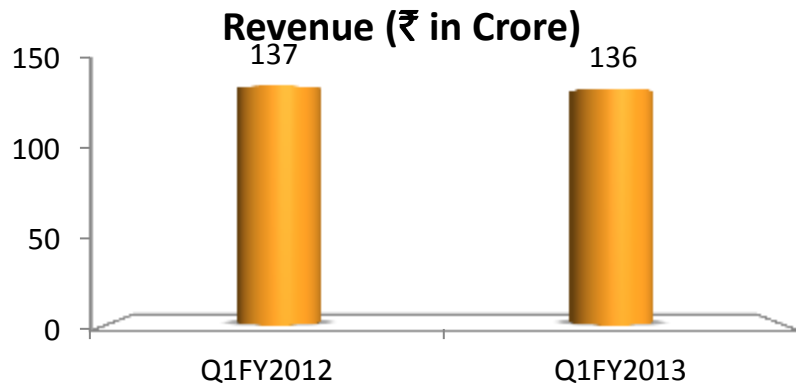
*"Revenues on a consolidated basis revenues were at INR 184.88 crore and PAT at INR 16.84 crore. Better product profile has helped in maintaining EBITDA margin of over 25%.*

*We are delighted to mention that we recently received a patent for our 'Cold Pilgering' process for a period of 20 years with effect from April 24, 2009. This path breaking technology has enabled us to manufacture superior quality tubes in an energy and cost effective manner. R&D continues to remain a key focus at IIL to drive process customisation and new product application discoveries.*

*Our integration with Salem continues to progress well and the improving synergies continue to positively impact our operations in the North American markets. Through this acquisition we are confident of enhancing our presence in this market and establishing ourselves as a meaningful player for CEW/DOM tubes in those markets.*

*While the business environment continues to remain challenging, we have strategically diversified our operations across products, markets and customer industries and are well positioned to deliver sustained performance in varied market conditions."*

# Financial Highlights – Q1FY2013 (Standalone)

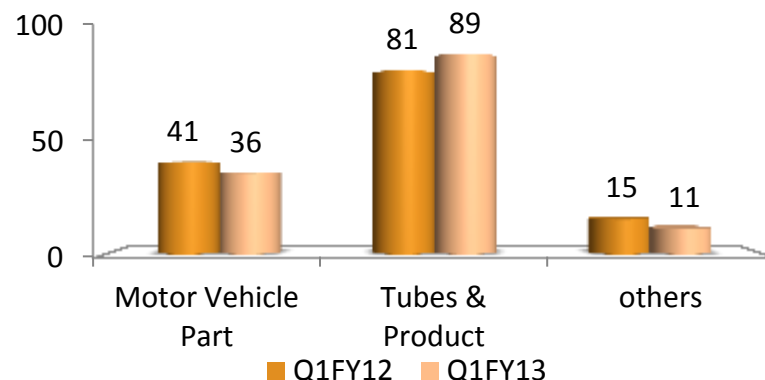


- MV parts division led to flat performance
- Better product mix ensured strong EBITDA margins
- Increasing depreciation owing to capex has led to a minor reduction in EBT and PAT
- EPS for Q1FY13 stood at ₹ 2.04 vs ₹ 2.58 in Q1FY12 not comparable due to issue of shares during IPO (May 2011)

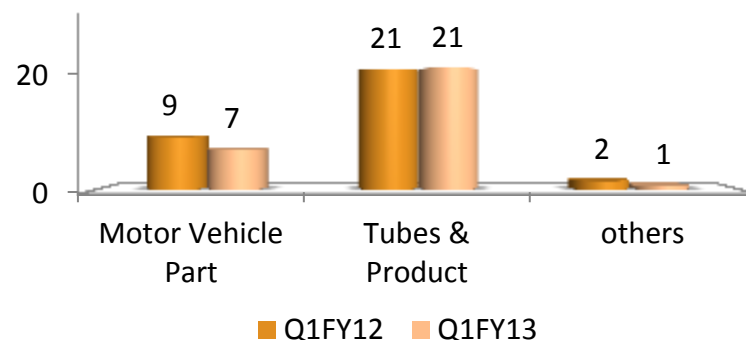
# Financial Table – Q1FY2013 (Standalone)

Quarter ended June 30, 2012	Q1FY2013		Q1FY2012		YoY Growth %
	₹ crore	% of Turnover	₹ crore	% of Turnover	
Net Sales	<b>130.10</b>		136.94		-5%
Other Income	6.63	5%	1.07	1%	520%
Total Income	<b>136.73</b>		<b>138.02</b>		-1%
Material Consumption	76.36	56%	83.56	61%	-9%
Employee Cost	5.88	4%	4.61	3%	28%
Other Expenditure	16.51	12%	14.18	10%	16%
EBITDA	<b>37.98</b>	28%	<b>35.67</b>	26%	<b>6%</b>
Depreciation	8.27	6%	4.98	4%	66%
EBIT	29.72	22%	30.69	22%	-3%
Interest	13.33	10%	13.93	10%	-4%
EBT	16.39	12%	16.76	12%	-2%
Tax	4.24		3.19		
PAT	<b>12.15</b>	9%	<b>13.57</b>	10%	-10%
EPS*	2.04		2.58		

Q1FY2013 – Segmental Revenue (₹ in Crore)



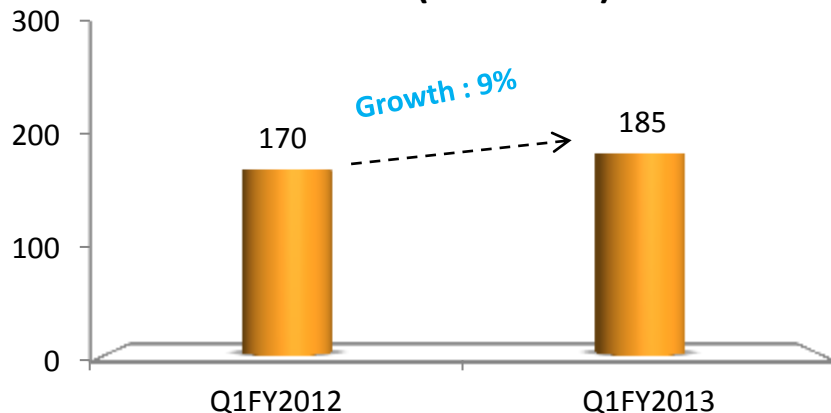
Q1FY2013 – Segmental EBIT (₹ in Crore)



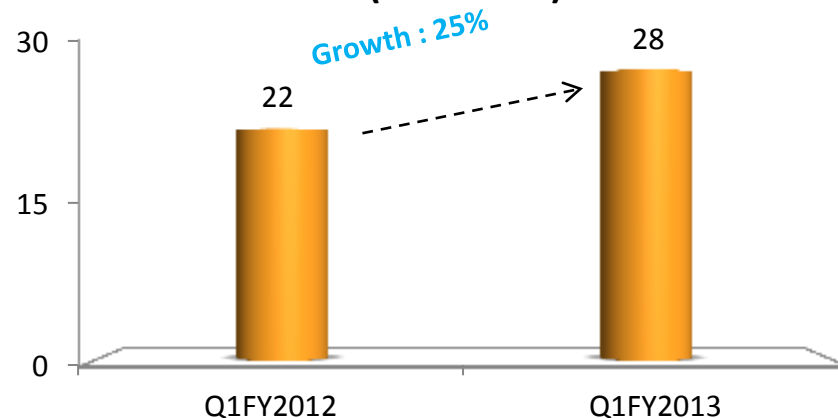
\* Basic/Diluted(not annualised). EPS for the given period is not comparable due to issue of shares in IPO and Pre IPO Placement.

# Financial Highlights – Q1FY2013 (Consolidated)

**Revenue (₹ in Crore)**



**PBT (₹ in Crore)**



**PAT (₹ in Crore)**



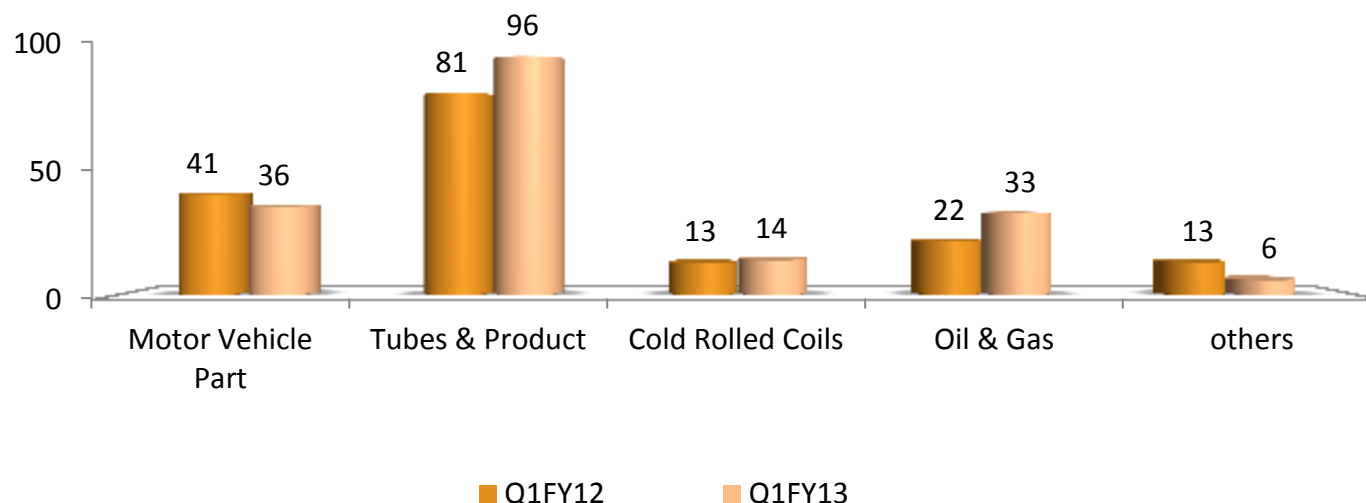
- Net sales largely driven by DOM tube and oil & gas performance
- New customer addition and commercialization of new developed products contributed to overall performance
- PAT growth in-line with revenue performance

# Financial Table – Q1FY2013 (Consolidated)

Quarter ended June 30, 2012	Q1FY13 ₹ crore	Q1FY12 ₹ crore	Growth %
Total Revenue	184.88	169.62	8.9%
Profit before Tax	27.85	22.20	25.4%
Profit after Tax and Minority Interest	16.85	15.22	10.7%
EPS*	2.82	2.90	

\* Basic/Diluted(not annualised). EPS for the given period is not comparable due to issue of shares in IPO.

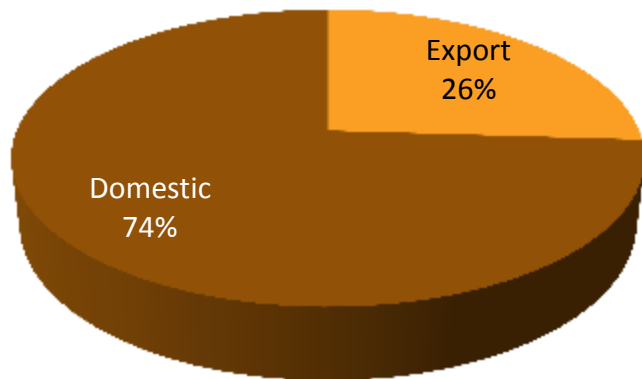
**Q1FY2013 – Segmental Revenue (₹ in Core)**



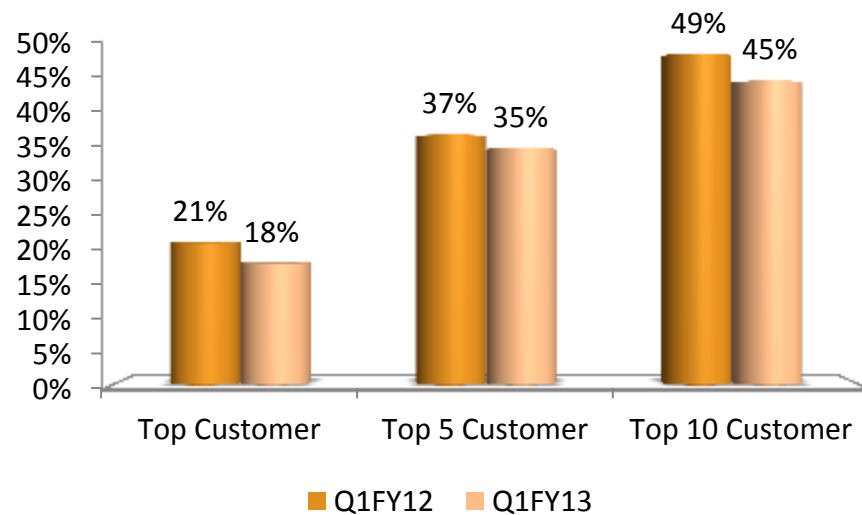
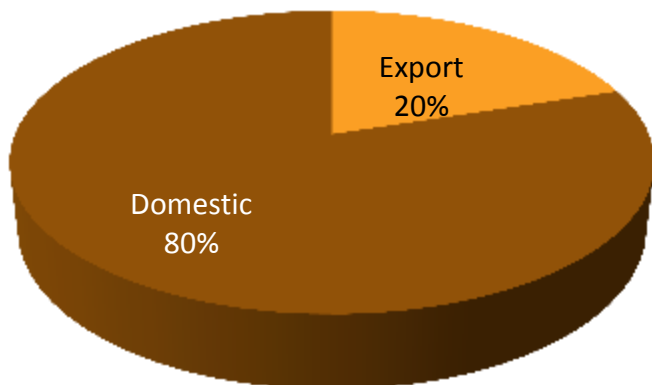


# Revenue Mix – Q1FY2013 (Consolidated)

## Q1FY13

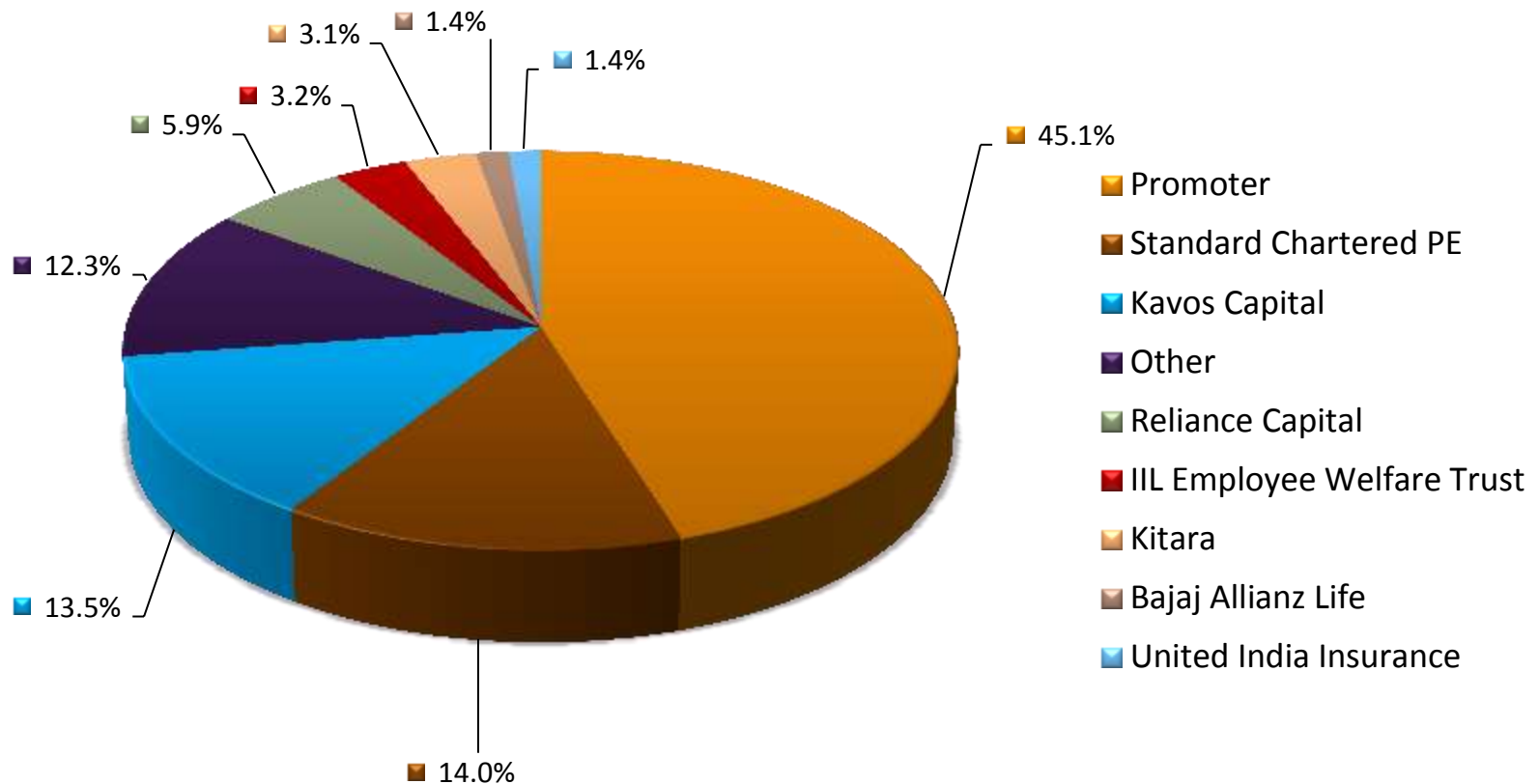


## Q1FY12



- ➔ Exports have contributed significantly leading in increased revenue
- ➔ Increasing number of products being supplied to countries like US, UK, Germany etc
- ➔ Expanding customer base and value added products has led to a rise in export revenues

# Shareholding as on June 30, 2012



# Board of Directors

Mr. Chandu Chavan  
Chairman and Managing Director

Mr. Ravindra Katre  
Whole Time Director

Mr. Sanjay Waghulade  
Whole Time Director

Mr. William Sean Sovak  
Nominee Director  
(Kavos Capital Ltd)

Mr. Rahul Raisurana  
Nominee Director  
(Standard Chartered PE)

Ms. Bhagyam Ramani  
Independent Director

Mr. Sanjay Asher  
Independent Director

Mr. Ramprasad Joshi  
Independent Director

Mr. Pradeep Tupe  
Independent Director

Mr. Yashpaul Gupta  
Independent Director

Dr. Rajendra Jagdale  
Independent Director

Mr. K.V. Ramarathnam  
Whole Time Director

# Profile of New Directors

## **Mr. K.V. Ramarathnam (B.E. Mech)**

Mr. Ramarathnam has served as the Managing Director of Mahindra UGINE Steel Co. Ltd since April 1, 2004 and has over 35 years of experience in the steel and allied industries. He has served as a business head for over five years in the Indonesian unit of the Texmaco Group. Prior to that, he has worked for over 17 years in Kalyani Steels Ltd and Kalyani Seamless Tubes Ltd across diverse functions. He has also been a Director of Marmagao Steel Ltd since September 29, 2007.

## **Ms. Bhagyam Ramani (Post Graduate in Economics (Hons))**

Ms. Ramani is the Ex-Director & GM of General Insurance Corporation of India (GIC-Re). She has worked in GIC-Re in various capacities and has extensive expertise in Treasury & Corporate Credit. She has managed a corpus of ₹ 40,000 crore in GIC-Re. In 2009 she was elevated to the position of Director on the Board of GIC and has represented GIC-Re on the Boards of L&T, NSE India, IDBI Trusteeship Services Ltd, Milestone Capital Advisors Ltd and the Agricultural Insurance Company Ltd. Ms. Ramani has also served on the Investment Committee of IRDA as a Trustee on the PF committee of the Tariff Advisory Board and as a member on the Education Board of the Insurance Institute of India.

These appointments augment the already extensive and diverse Board of Directors of IIL. The Company strives to maintain highest levels of corporate governance and is confident these appointments will help the company progress towards its desired objective's.

# Key Management Personnel

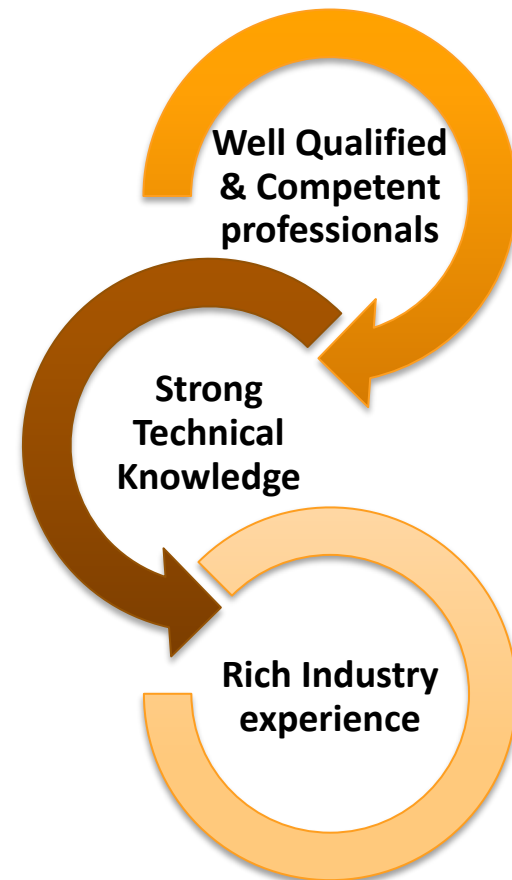
**Mr. Jitendra Palande – Group CEO**

**Mr. Devdatta Ratnakar – CEO Tube Division**

**Mr. Avinash Adige – CEO Auto Division**

**Mr. Sanjay Bhade – COO Tube Division**

**Mr. Kishore Deshpande – GM Finance**



# Business Outlook – FY2013



## **Tubes & Products (T&P)**

- Growing acceptance for our CEW/DOM tubes over seamless tubes which possess unmatched quality and a proven track record
- Better penetration and cost pressures are forcing companies to look for cost competitive options
- Existing products are finding newer applications which will lead to the overall growth in this segment



## **Oil & Gas**

- Favorable demand for hydrocarbons has led to demand
- Increasing vendor certifications is set to further improve performance in this segment
- Oil & Gas products of IIL are finding greater acceptance by global oil well drilling companies
- Supply contracts with global companies are in place



## **Cold Rolled coils (CR) and Others**

- Membrane panel strips and super critical panel strips which are import substitutes are finding increasing usage in the domestic industry from companies like BHEL, Alstom, etc
- IIL matches the quality of global manufacturers in this product
- This business is expected to witness traction in the coming year



## **Motor Vehicle Parts (MVP)**

- Maintained reasonable sales level, based on the 2 wheeler majors performance
- Performance to be inline with the two and three wheeler automobiles
- Some new components witnessed a rise in demand

**Thank You**

