

# Investor Presentation

FY 11 Results



# Important Notice

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*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.*

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# Company Overview

# Company Introduction

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- A multi-product engineering company which manufactures precision steel tubes, membrane panel strips, auto components, oil well drilling couplings, pup joints and other steel products
- Product portfolio finds applications in diverse sectors such as transportation, boilers & heat exchangers, energy, oil & gas, farm equipment & general engineering
- Products are sold in the domestic market and exported to over 10 countries to a list of marquee customers comprising leading names in industry
- Strong emphasis on R&D initiatives – focus on innovation in manufacturing processes to optimise resource use leading to cost competitiveness – Application for patent registration in progress
- Successfully undertook IPO in May 2011 to offer 18.5 million shares to raise ` 217.41 crore
- Technically strong promoters, professional management team, employee strength in excess of 1,200 with 6 manufacturing facilities across Pune and Silvassa.



## ERW Tubes

- Electric Resistance Welded (ERW) precision steel tubes
- Machined tubular components



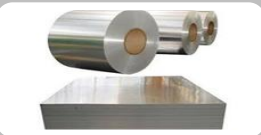
## CEW Tubes

- Cold Drawn Electric Welded (CEW) precision steel tubes
- Machined tubular components



## Auto Components

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



## Power Equipment Components

- Narrow-width Membrane Strips
- Energy Tubes



## Oil Country Tubular Goods (OCTG)

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



## Other Steel Products

- Cold Rolled steel sheets
- Steel wires
- Laminates and Stampings

# Our Strengths

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**Diverse product portfolio for catering to high growth sectors of the economy**



**Strong focus on R&D and product innovation**



**Well positioned to tap the global CEW tube market**



**Eligible for benefits under the Package Scheme of Incentives 2007 granted to the “Mega Projects”**

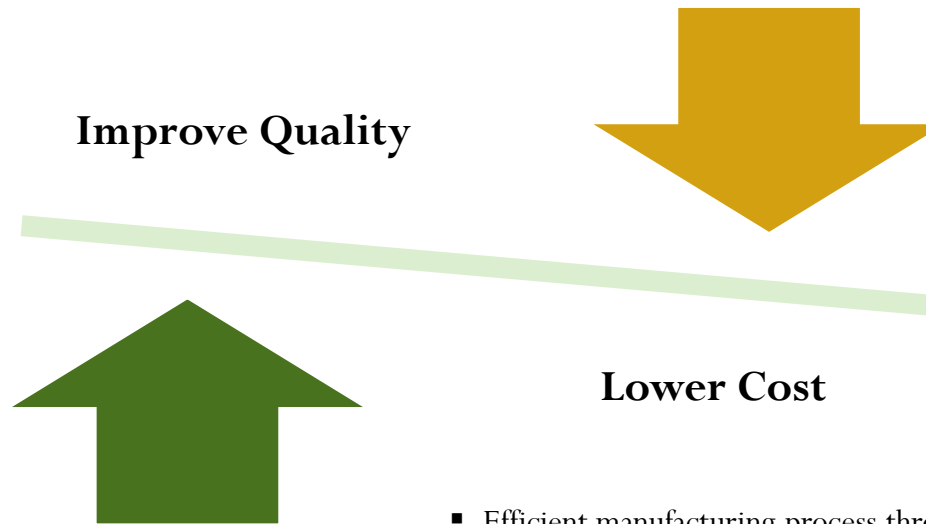


**Long term relationships with multiple customers**



**Experienced technocrat promoters and professional management team**

- Tubes & components with enhanced mechanical properties like surface finish, strength & dimensional accuracy
- A broad portfolio of complex to manufacture products
- Engaging OEMs from product conceptualization stage to achieve desired quality & cost parameters



- Efficient manufacturing process through continuous R&D
- Import substitution and competitive product pricing
- Innovative components for replacing seamless tubes, bars and non ferrous tubes & components with CEW tubes & machined components



# Business Strategy

## COMMERCIALIZATION

- Close collaboration with OEMs to develop new products
- Widen the OEM and Distributor base into new geographies
- Develop high value added products/assemblies through collaboration

## PRODUCT INNOVATION

- Replacing bars/seamless tubes/non-ferrous tubes with our CEW tubes & components
- Import Substitution – Membrane Strips, Hydraulic Cylinders, Bearing Spacers etc.
- Manufacturing bimetallic, rubber to metal and complex profile tubes

## PROCESS R&D

- Cold Pilgering process – reduces Power, Labor & improves Quality
- In-house capability to slit narrow width membrane strips
- Precision machining capability for high quality OCTG products
- Ability to work on high grade steel alloys and non-ferrous metals

## INTEGRATED MANUFACTURING FACILITIES

- One of the leading precision tube manufacturing set up
- Co-located facilities for ERW, CEW, Auto components, machining etc.
- Seamless processes – Induction heat treatment, surface treatment, online NDT etc.

## SOURCING

- Long standing relations with steel suppliers
- Over 1200 skilled & trained manpower
- Technical Collaborations for products/equipments/processes

# Business Strategy

Focus on technology based innovative products and cost efficient processes

- Innovative products that lead to significant cost savings with improved quality and performance
- Significant opportunities to replace seamless tubes, bars, non-ferrous tubes and components with our CEW tubes

Expand customer base and focus on high growth sectors

- Acquire 'new customers' for 'existing products'
- Develop 'new products' for 'existing customers'
- Widen our OEM & distributor base in geographies like North America, Europe, Middle East and Latin America

Expansion of our manufacturing capacity for CEW tubes & other value added products

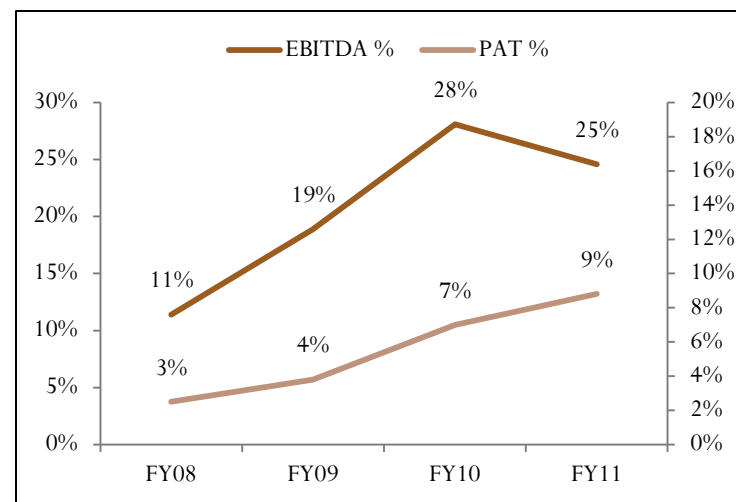
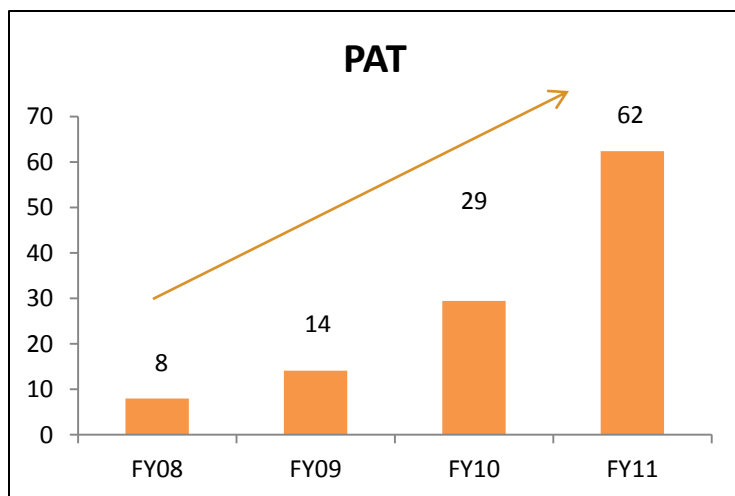
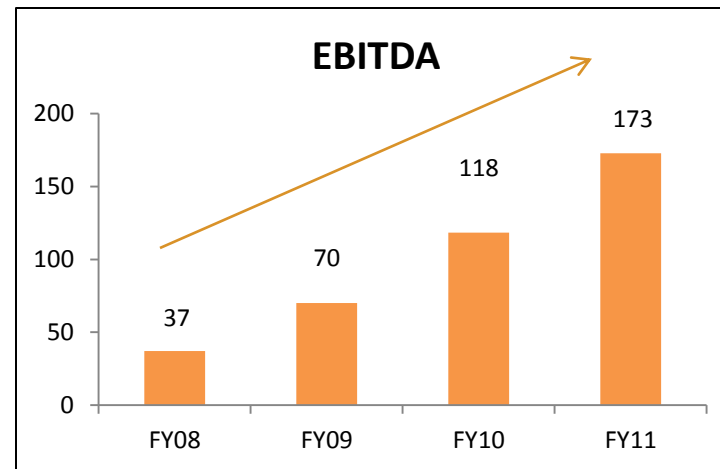
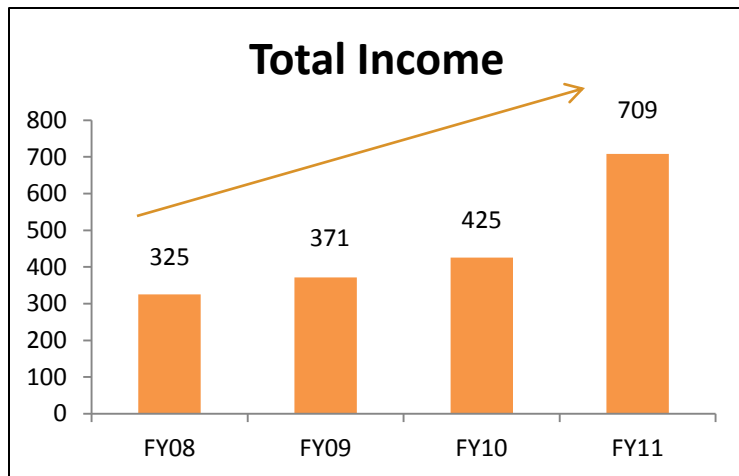
- Expand CEW capacity by 3x
- Reduce ERW tubes concentration in our sales (focus on high value add products)

Maintenance of performance and competitiveness of existing business

- Maintain modern manufacturing facilities and achieve growth by capitalizing on our efficient and strong execution & implementation skills
- Evolve globally as a value creator for our customers by specializing in Total Engineering Solutions and Supply Chain Management

# Financial Overview

# Consolidated Financials Last 4 years – INR Crore



# Key Highlights

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- Established track record with sustained growth in Revenues and PAT
- Robust margin profile with EBITDA margins in the range of 25%
- Improved Balance Sheet position post IPO with debt:equity improving to 0.9x
- Strong pipeline of new products to be introduced into market
- Eligibility for benefits of Industrial Promotion Subsidy from Govt. of Maharashtra through award of "Mega Projects" status for facility at Pimple Jagtap – results in improvement in ROE / IRR
  - Already received two refunds with recent refund of ` 16.38 crore being received in May 2011
- De-risked business model with multiple products, applications and customers across different markets and currencies.

# Financial Highlights – FY11(Consolidated)

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## **FY2011 vs FY2010**

- Net sales at ` 703.58 crore compared to ` 421.48 crore, a growth of 67%
- EBITDA of ` 172.89 crore compared to ` 118.37 crore, a growth of 46%
- PAT stood at ` 62.42 crore vs ` 29.46 crore, a growth of 110%
- EPS for FY11 stood at ` 17.20 per share vs ` 9.13 per share for FY10
- The Board has recommended a final dividend of ` 2/- per share of ` 10/- each for the year ended March 31, 2011

# Financial Table – FY11(Consolidated)



Year ended 31st March	FY11		FY10		YOY growth
	` crore	% of turnover	` crore	% of turnover	%
Net Sales	703.58		421.48		67%
Other Income	4.94	1%	3.18	1%	55%
Total Income	708.52		424.66		67%
Material consumption	420.20	60%	223.70	53%	88%
Employee Cost	26.17	4%	21.49	5%	22%
Other Expenditure	89.26	13%	61.10	14%	46%
EBITDA	172.89	24%	118.37	28%	46%
Depreciation	22.05	3%	15.59	4%	41%
EBIT	150.84	21%	102.78	24%	47%
Interest	71.16	10%	54.45	13%	31%
EBT	79.69	11%	48.33	11%	65%
Prior Period Items	-	-	0.29	-	-
Tax	11.33	2%	17.51	4%	-35%
PAT (Before Min Interest)	68.36	10%	30.53	7%	124%
Min Interest	5.94	1%	1.07	0%	453%
PAT	62.42	8.8%	29.46	6.9%	112%

# Segment Revenue (Consolidated)



in Crore	FY2011	FY2010	Growth %
Motor Vehicle parts	174.80	108.18	62%
Tubes & Products	351.31	227.52	54%
Cold Rolled Coils	45.76	35.29	30%
Oil Country Tubular Goods(OCTG)	79.91	38.81	106%
Others	51.80	11.68	343%
<b>Total</b>	<b>703.58</b>	<b>421.48</b>	<b>67%</b>



# Balance Sheet – FY 2011(Consolidated)



Sources Of Funds ` in Crores	FY2011	FY 2010
Shareholders Funds	189.03	76.34
Debt	355.10	326.52
Deferred Tax Liability	34.60	28.28
Minority Interest	15.07	9.13
<b>TOTAL</b>	<b>593.79</b>	<b>440.27</b>
Application of Funds		
Fixed Assets (Incl WIP)	403.40	342.83
Investments	0.12	0.07
Goodwill on Consolidation	8.12	8.13
<b>Current Assets, Loans and Adv</b>		
Inventories	219.45	147.77
Sundry Debtors	27.25	1.31
Cash & Bank balances	48.26	17.94
Loans & Advances	124.52	86.17
<b>Less: Current Liabilities &amp; Provisions</b>		
Liabilities	204.13	155.50
Provisions	33.20	8.46
<b>TOTAL</b>	<b>593.79</b>	<b>440.27</b>

- Equity Capital does not reflect enhancement of 18.5 million shares following IPO
- Debt Equity Ratio to improve once equity base is revised with IPO proceeds of ` 217.41 crore
- IPO proceeds to be partly used to retire company's debt, working capital to remain in proportion to turnover
- Investment in capacity expansion to increase fixed assets

# Balance Sheet Perspective – As on March 31, 2011 (Consolidated)



<b>Book Value Per Share (₹)</b>	<b>52.10</b>
Net Worth (₹ Crore)	189.02
<b>Debt (₹ Crore)</b>	<b>355.10</b>
Cash & Cash Equivalents (₹ Crore)	48.26
<b>ROCE (%)</b>	<b>25.43%</b>
ROE (%)	33.02%

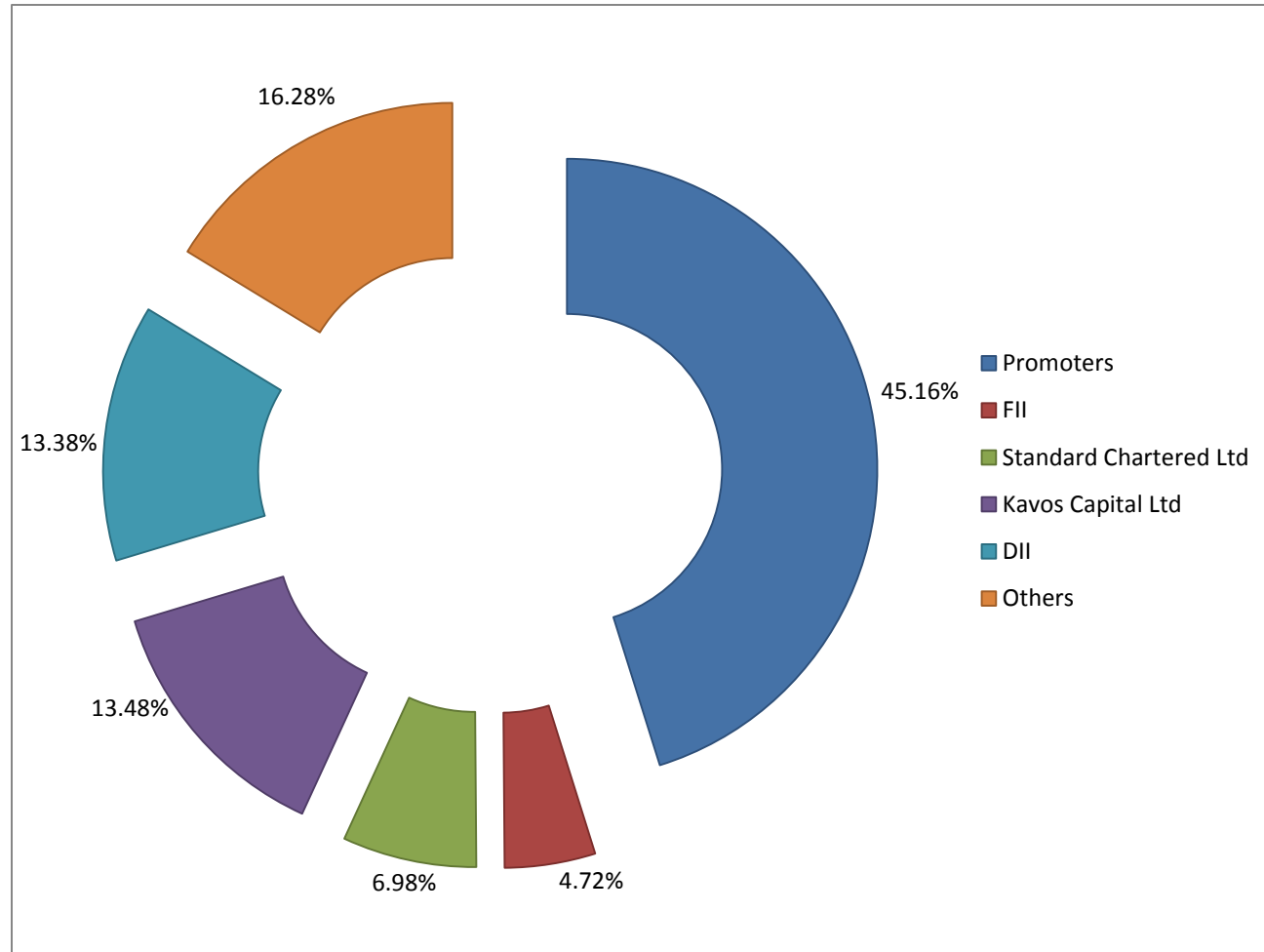
# Key Updates



- The company successfully listed on the stock exchanges during the month of May, 2011 and successfully raised ` 217.41 crore through our IPO
- During the year we added over 30 new customers
- The company's facility at Pimple Jagtap has been awarded the 'Mega Project Status' which makes Innoventive Industries eligible for VAT refunds till FY2016
  - The company has received its second refund under IPS subsidy. An amount of ` 16.38 crore (85% of subsidy) was received in May 2011.
- Traction was witnessed in our products catering to the Oil & Gas and Power industries
- A product mix shift towards high value products was observed during FY11

# Corporate Information

# Shareholding as on June 30, 2011



Ref: BSE

# Experienced Board of Directors & Management



Chandu Laxman Chavan  
*Chairman*

- Acquired our company in 2002 and has since been an integral part of our Company's growth & strategy
- A first generation entrepreneur, he worked at Bajaj Auto for 9 years before starting a trading firm in 1996
- Completed his Diploma in Mechanical Eng from Cusrow Wadia Institute, Pune

Ravindra Katre  
*Managing Director*

- Associated with our Company since 2002 and oversees the raw material purchases, operations for sheet and tubes division and Saicon Steels
- Handled the materials department in Bajaj Auto for 14 years before joining Mr. Chavan
- Post graduate in Management and Diploma in Mechanical Eng from Cusrow Wadia Institute, Pune

Sanjay Waghulade  
*Managing Director*

- Associated with our Company since 2002 and oversees the production, tooling and project setup
- Earlier worked with Baja Auto, Kalyani Seamless and Saw Pipes in various roles
- B.E. from University of Karnataka

William Sean Sovak  
*Nominee Director  
(Lighthouse PLC)*

- Rich experience across a broad industry spectrum from manufacturing, distribution, retail, healthcare etc.
- Earlier worked with W.P.Carey & Co in various investment related roles, including their India entry
- Graduated in Finance from University of Pennsylvania's Wharton School

Ramprasad Joshi  
*Independent Director*

- Former lecturer/faculty at VJTI, Mumbai and PICT, Pune. Served as Project Engineer at IIT Mumbai in Aerospace Department and Software & Hardware engineer at Venus Engineers
- Pursuing Ph.D in Computer Science from BITS Pilani, B.E (Shivaji University) & M.E. (VJTI)

Yashpaul Gupta  
*Independent Director*

- Former General Manager at the Union Bank of India with 28 years experience in banking
- Bachelors from BITS Pilani and PGDM from IIM Ahmedabad

Pradeep Tupe  
*Independent Director*

- Rich experience in sales and marketing at various companies like KSB Pumps, Kirloskar Brothers, Rathi Industrial Equipment Co., Atlas Steel Tubes, Gujarat Steel Tubes etc.
- Co-ordinator of MIT Group of Institutions, Hon. Secretary at All India Management Association

Dr. Rajendra Jagdale  
*Independent Director*

- Vast experience in field of urban e-transformation, IT open source, IP Management and Technology Transfer and business incubation
- Recipient of highest civilian award "Knight of the Order of Academic Palms" by Govt. of France
- Masters in Botany and Ph.D. in Forest Ecology from Pune

# Experienced Board of Directors & Management Team



Sanjay Bhade  
*COO – Tube Division*

- Associated with our company since 2002 and manages the operations of our tube division
- Earlier worked with Bajaj Auto and Jindal Seamless and has rich experience in field of auto components design, assemblies, castings, forgings etc.
- Completed his Diploma in Mech Engg from Govt Polytechnic, Pune

Devdatta Ratnakar  
*CEO - Tube Division*

- Over 24 years of experience in leadership positions across diverse organizational functions
- Earlier worked as COO of Lenux (US MNC JV) and GM & SBU Head at STI Sanoh (Japanese MNC JV)
- Post graduate in Management from IIM Indore and B.E. Mechanical

Shivaji Katke  
*Business Head - Energy & Planning*

- Associated with our Company since 2002 and responsible for exploring opportunities in the energy sector
- Rich experience in field of marketing, commercial activities and overseas operations
- B.E. Mechanical from University of Pune

Parag Mulye  
*CEO - Overseas Business Group*

- Associated with our Company since 2002 and responsible for overall exports market
- Rich experience in all fields of commercial and marketing activities
- Diploma in Mechanical Eng from Pune

Jitendra Palande  
*Group CEO*

- Responsible for overseeing business strategy & development, finance, strategic acquisitions as well as overall operations of the Company
- Over 18 years of international experience in providing strategic leadership in business transformation
- Earlier worked with Hognas India, Mahindra & Mahindra, Bharat Forge, Cognizant and Tech Mahindra
- Sloan Fellow from London Business School, B.E. Mechanical, CFA and Cost Accountant

Avinash Adige  
*Business Head – Auto Division*

- Associated with our Company since 2005 and responsible for all commercial, financial and marketing activities of our Auto Division
- Over 23 years of experience in field of Quality & Development. Earlier worked at Bajaj Auto
- MBA from IMDR, Pune and Diploma in Mechanical Eng from Cusrow Wadia Institute, Pune

Kishor Deshpande  
*GM - Finance*

- A veteran in banking industry with over 25 years of experience
- Earlier worked at Bank of Maharashtra in a senior position before joining our Company in 2006
- B.Com and L.L.B.

*The Company has been able to demonstrate a robust performance on back of its innovative technologies which have helped to deliver best-in-class quality products at competitive pricing while maintaining margins. IIL anticipates a sustained performance due to:*

- *Strong demand scenario across end user industries*
- *Increasing penetration into existing customers and markets*
- *Enhanced market initiatives to lead to new customers*
- *Strong pipeline of new products*
- *Continued innovation and focus on enhancing cost competitiveness in existing processes*
- *Increasing prominence of value added products in product mix.*
- *Implementation of capacity expansion plans.*



# Some of Our Plants

**Sanaswadi Plant**



**Pimple Jagtap Plant (Mega Project)**



**Vadhu Bk. Plant**



**Karandi Plant**



Thank You