



Q1FY2014 Investor Presentation



Our Manufacturing Facilities



Safe Harbour Statement

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

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.

Discussions and Highlights

Innoventive Industries Ltd

Snapshot	6
Diverse Product Profile	7
Product Application & Advantage	8
Competitive Edge	9
Demonstrated Track Record	10
Corporate Details	12
Key Subsidiaries	14

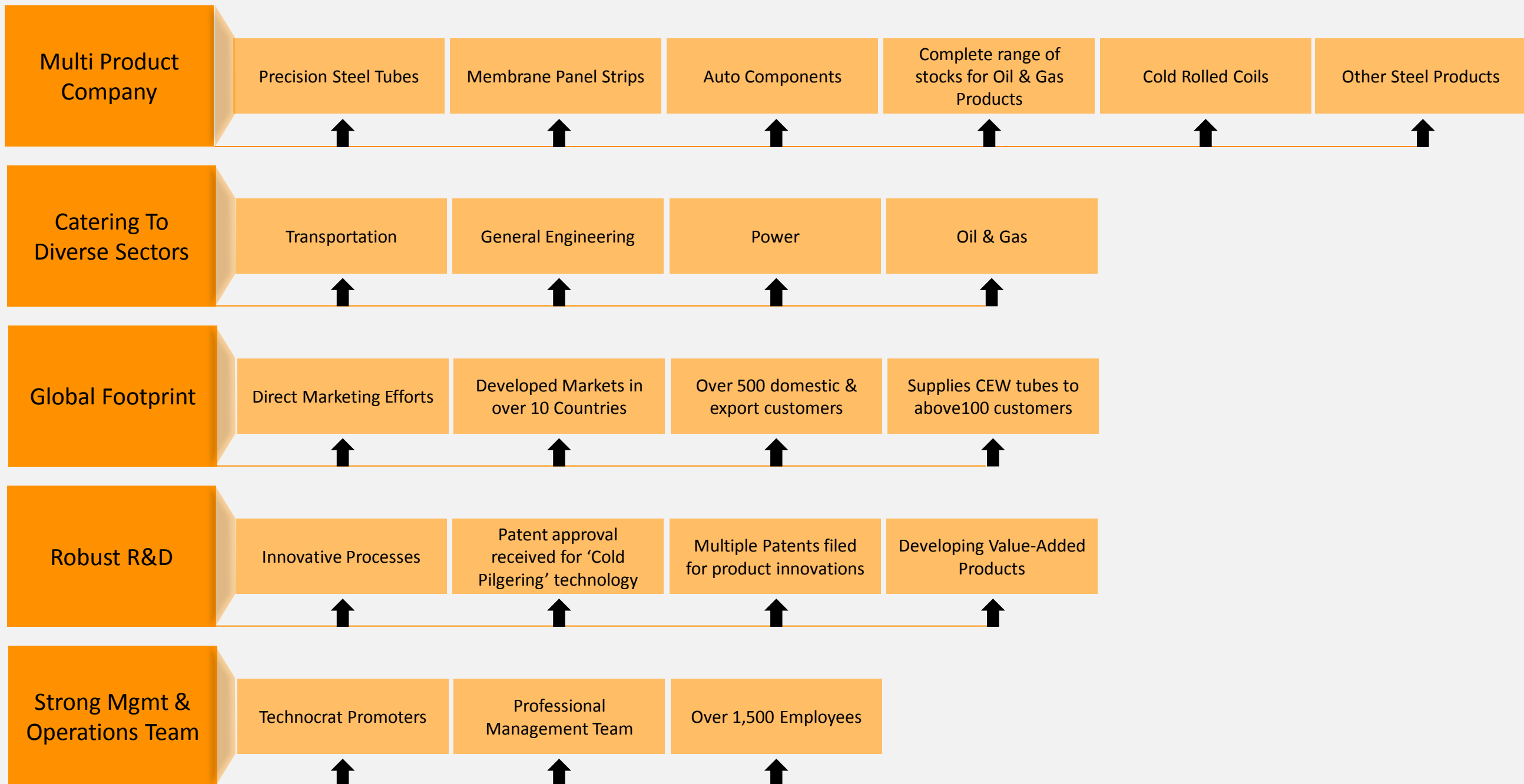
Financial Overview

Chairman's Message	18
Financial Highlights Q1FY2014 (Standalone)	19
Financial Highlights Q1FY2014 (Consolidated)	22
Shareholding	25
Key Business Drivers	26
Our Strategy	27
Business Outlook	28

Innoventive Industries Ltd (IIL)



Uniquely Positioned Operations



Diverse Product Profile



DOM/CEW, ERW Tubes & Products

- Drawn Over Mandrel (DOM)/ Cold Drawn Electric Welded (CEW) tubes manufactured by our innovative process
- Machined tubular components



Auto Components

- Machined components
- Press fabricated parts
- Robotic welding of components and assemblies



Power Equipment Components

- Narrow-width Membrane Panel Strips for sub-critical and super-critical boilers
- Tubes for energy sector



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
- High voltage soft starters and testing equipment

Product Application & Advantage

DOM/CEW, ERW Tubes & Products



- ✓ Application – Extensive usage in several fields such as automobile industry, shock absorbers, fuel line, brake line, steering columns, tie rods, propeller shafts and bobbin tubes- textile industries, etc.
- ✓ IIL's advantage – Manufactured using its unique 'Cold Pilgering' technology which has been awarded a patent in India 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 specifications and supply consistent quality products

Power Equipment Components



- ✓ Application – Membrane panel strips (MPS) and energy tubes find application in boilers and heat exchangers
- ✓ IIL's advantage – Only manufacturer of MPS in the country – supplies import substitute products at par with international standards at competitive 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

Leveraging on Engineering Capabilities

Patented 'Cold Pilgering' technology

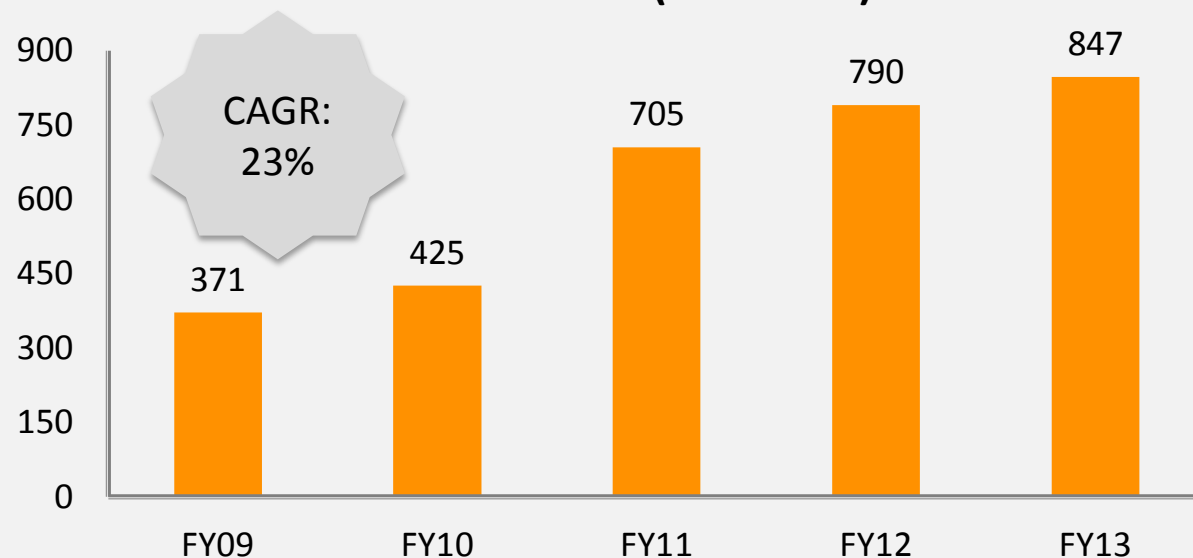
- Patented its indigenous technology used to manufacture DOM/CEW tubes of various specifications
- Awarded a patent for 20 years w.e.f April 24, 2009
- Cost reduction in terms of energy, labour and material in comparison to the traditional draw bench technique
- Customised designs for tools & dies result in enhanced efficiency
- Products manufactured by this method have unmatched quality with a superior surface finish and a higher tensile strength while being competitively priced
- Having received the patent for India, IIL is now eligible to apply for the same in other countries. Patent application is in process in other countries
- IIL has also applied for patents in 2 additional processes/products. Further, few more patent applications are under process for filing

Membrane Panel Strips (MPS)

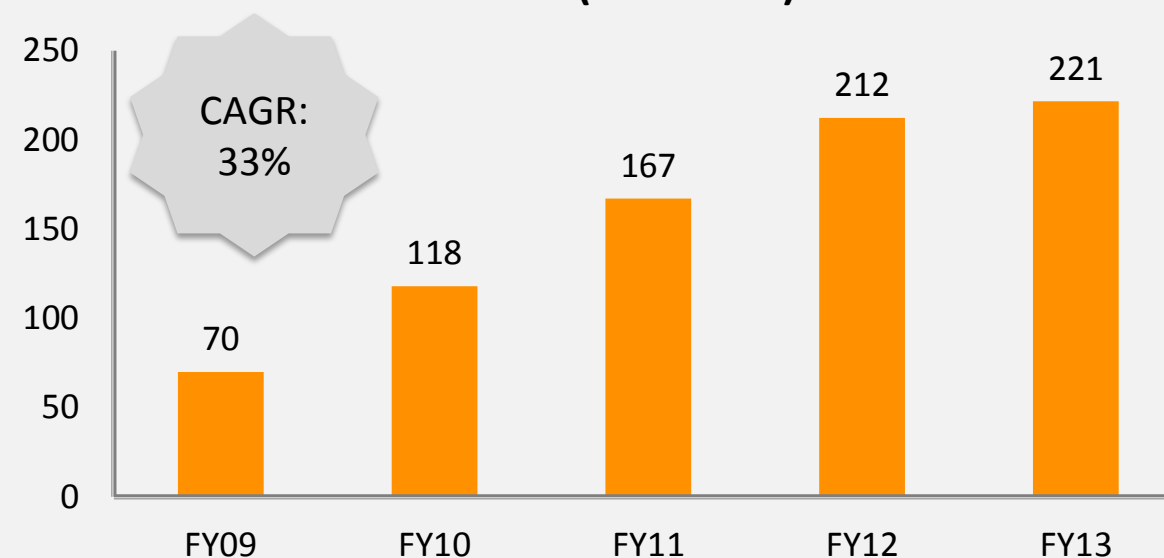
- IIL manufactures MPS (narrow width ~ 10.3mm) directly from HR coils leading to improved quality at lower cost
- A strong understanding in metallurgy has helped IIL to carry out improvements in traditional processes
- Conventionally these strips are manufactured using steel bars
- It is an import substitute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

Demonstrated Track Record

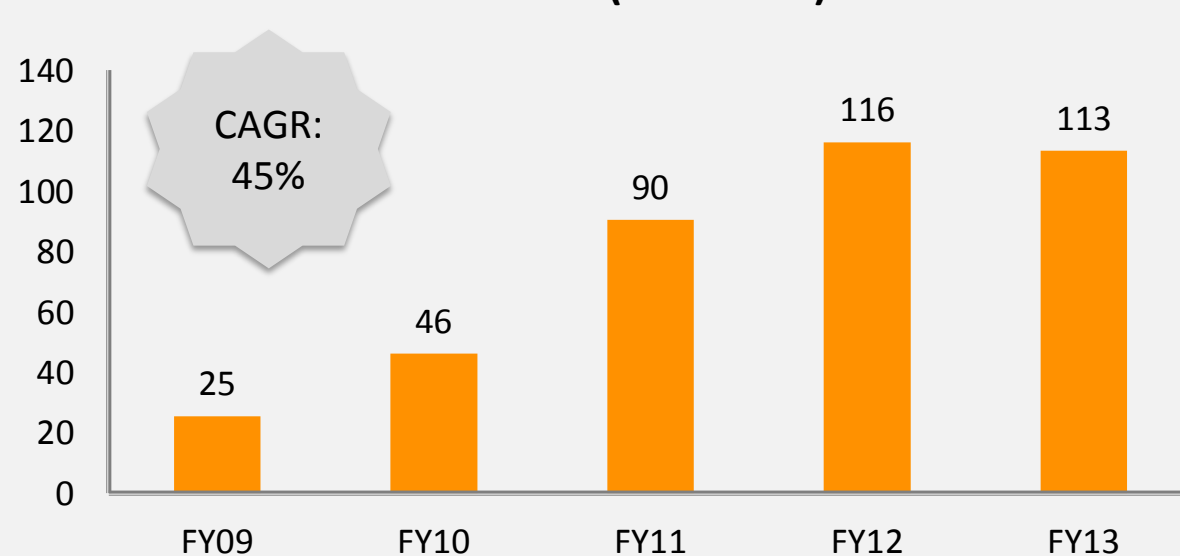
Total Revenue (₹ in Crore)



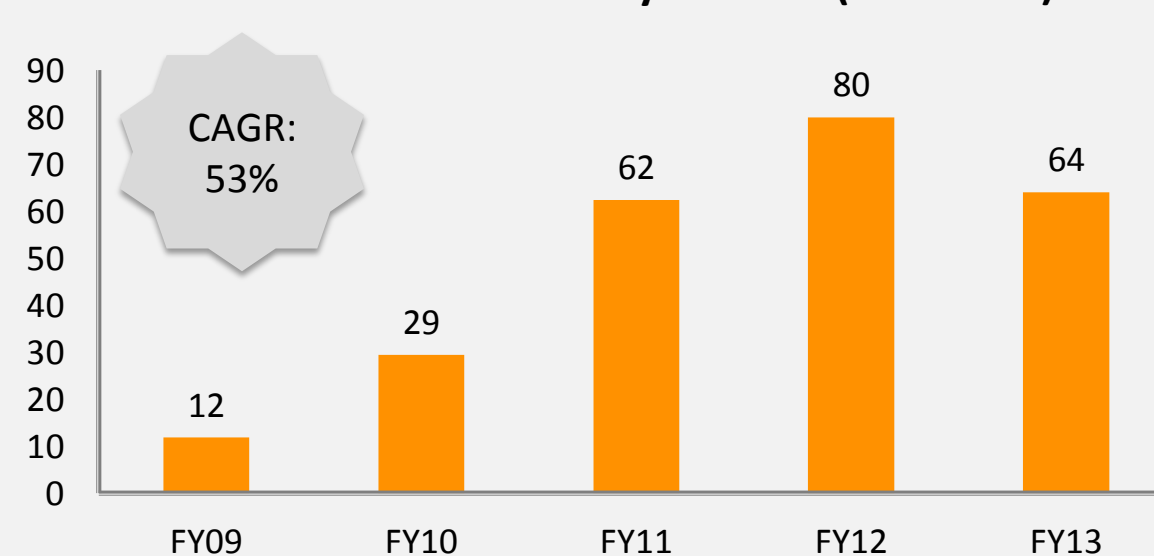
EBITDA (₹ in Crore)



Cash Profit (₹ in Crore)



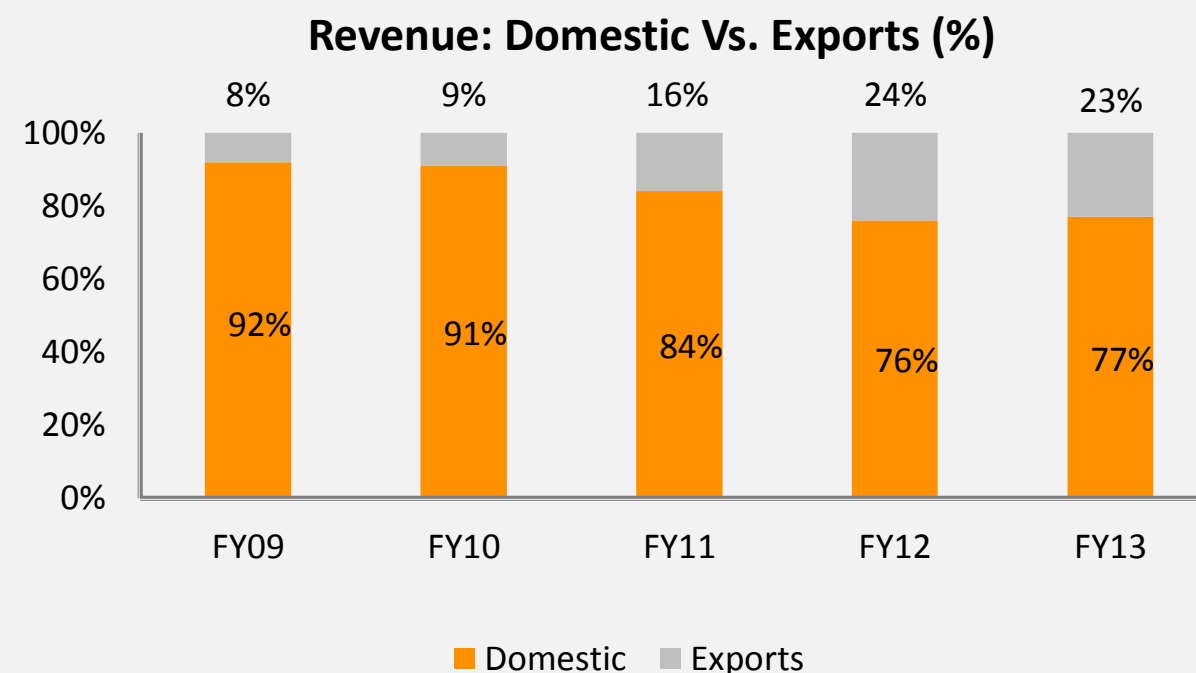
Profit after tax & minority interest (₹ in Crore)



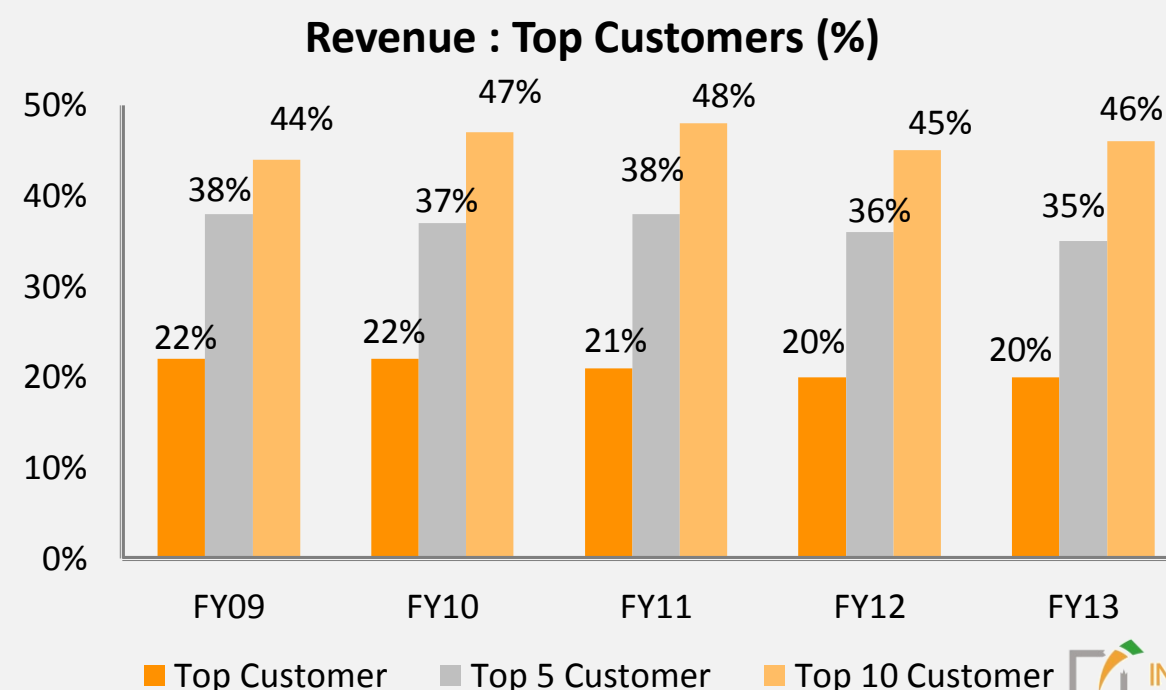
All figures are on a consolidated basis

Demonstrated Track Record

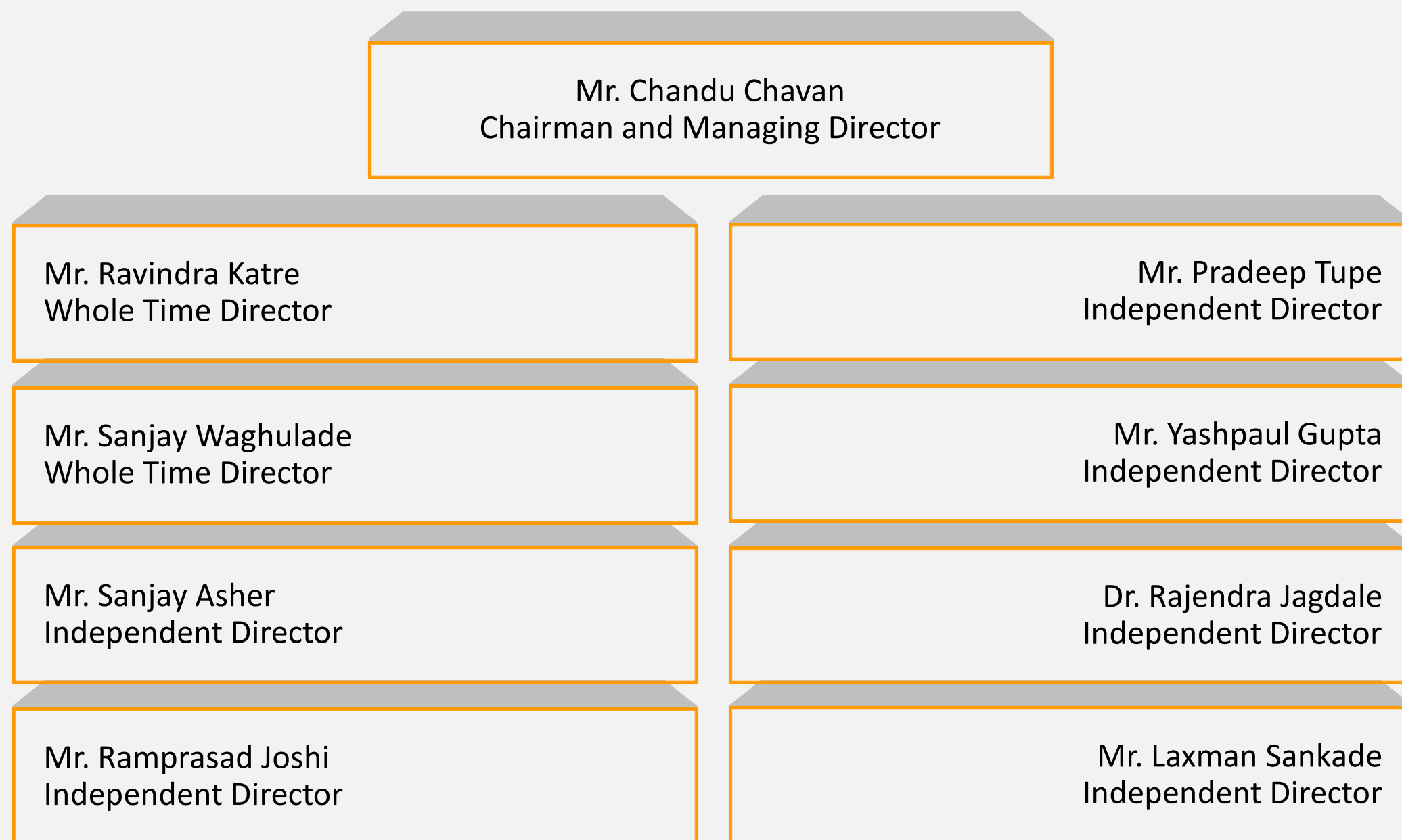
- 5 year trend demonstrates expanding contribution of exports to total revenue
- FY13 has been an exception owing to slowdown in the global economy
- Improved distribution channels in overseas markets has led to expanded reach – now exporting to North America, Europe and the Middle East



- Reducing customer concentration in revenue by widening of customer base
- Simultaneously, increasing revenue per customer by catering to rising demand from key customers and upselling new products to existing customers
- Mix of customers across different product lines, end user industries and markets provide a natural hedge



Board of Directors



* As on Date

Key Management Personnel

Mr. K.V. Ramarathnam – Head Tube Division

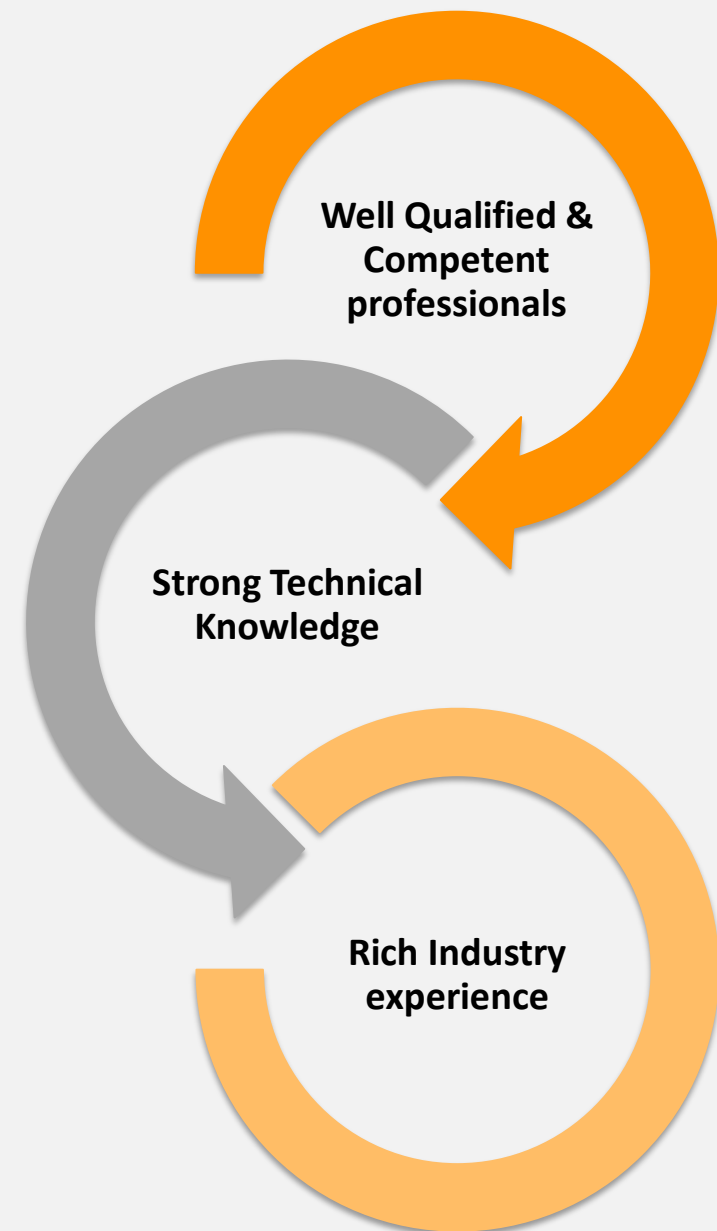
Mr. Vivek Kulkarni – CEO Tube Division

Mr. Sanjay Bhade – COO Tube Division

Mr. Avinash Adige – CEO Auto Division

Mr. Asok Kumar Banerjee – COO MPS/Sheet Division

Mr. G. Balasubramanian – Director, Sankalp





SALEM STEEL NA, LLC
TUBING WORLD WIDE

SANKALP



**Innovative
Technomics**

Key Subsidiaries

Key Subsidiaries

Innovative Technomics Ltd.



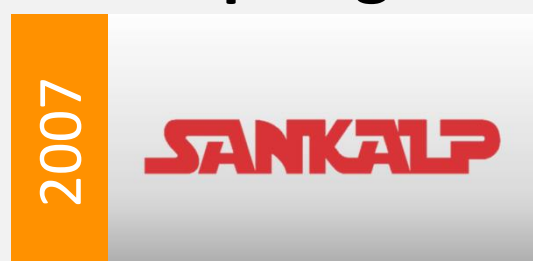
- Manufactures high voltage soft starters and testing equipment for domestic and international markets
- Acquired a 51% stake in Innovative Technomics Pvt. Ltd.

Salem Steel NA, LLC



- Supplies DOM & Seamless tubes across US
- Acquired an 85% stake in Salem Steel NA, LLC

Sankalp Engineering & Services Pvt. Ltd.



- Manufactures forgings & couplings for the oil & gas sector
- Increased stake in Sankalp Engineering & Services Pvt. Ltd. from 26% to 51% in 2008

Saicon Steels Pvt. Ltd.



- Conversion of HR coils into cold rolled close annealed (CRCA)
- Acquired 51% stake in Saicon Steels Pvt. Ltd.

Acquisition Strategy

Overseas

- Will look at acquiring profitable distribution set-ups in developed markets to improve global distribution infrastructure and accelerate product off-take
- Will **not** invest in manufacturing assets in developed markets owing to its already established high quality and cost competitive manufacturing base in India

Domestic

- Will pursue high end engineering businesses with potential of near term scalability
- Will look to acquire manufacturing assets with strong inherent value which are available at attractive valuations

Financial Overview



Chairman's Message



Commenting on the Company's performance for Q1FY14, Mr. Chandu Chavan, Chairman & Managing Director, Innoventive Industries Ltd., said:

"Our performance is reflective of the challenging macro-environment. While factors such as moderating demand, delayed capex plans and high interest rates have been impacting the operating environment for some quarters, they have intensified in the recent months.

This has led to diminished business visibility for our customers across the various end user industries that we serve. Consequently, many of these customers have rationalised their inventories leading to sluggish off take and moderation in revenues.

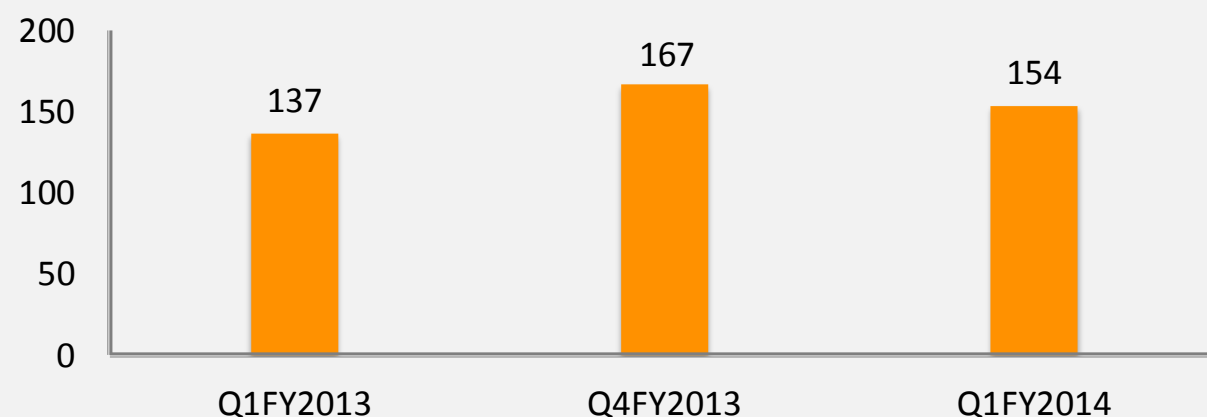
Margins have been under pressure as reduced velocity of demand has affected production cycles leading to lower utilization at our facilities. This has been exacerbated by the changed revenue mix during the quarter as high value products have faced greater impact from the slowdown.

While the outlook remains extremely cautious, there have been some positive developments this quarter. We have won initial orders for two new products in the Tubes and Motor Vehicle Parts segment. We have also made progress in further increasing touch points in our distribution networks, both locally and globally.

Lastly, we are working on automating product processes in the Motor Vehicle Parts segment which will allow us to widen and deepen our offering to customers. All of this may not be visible in the reported numbers, but we believe that these initiatives put us in a better position to respond rapidly to any improvement in the demand environment."

Financial Highlights – Q1 FY2014 (Standalone)

Total Revenue (₹ in Crore)



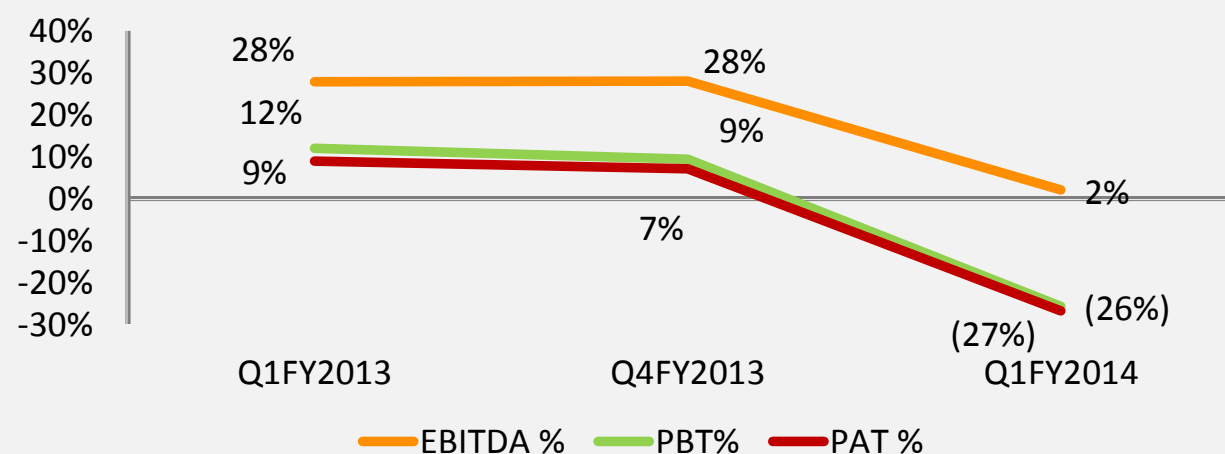
PBT (₹ in Crore)



PAT (₹ in Crore)



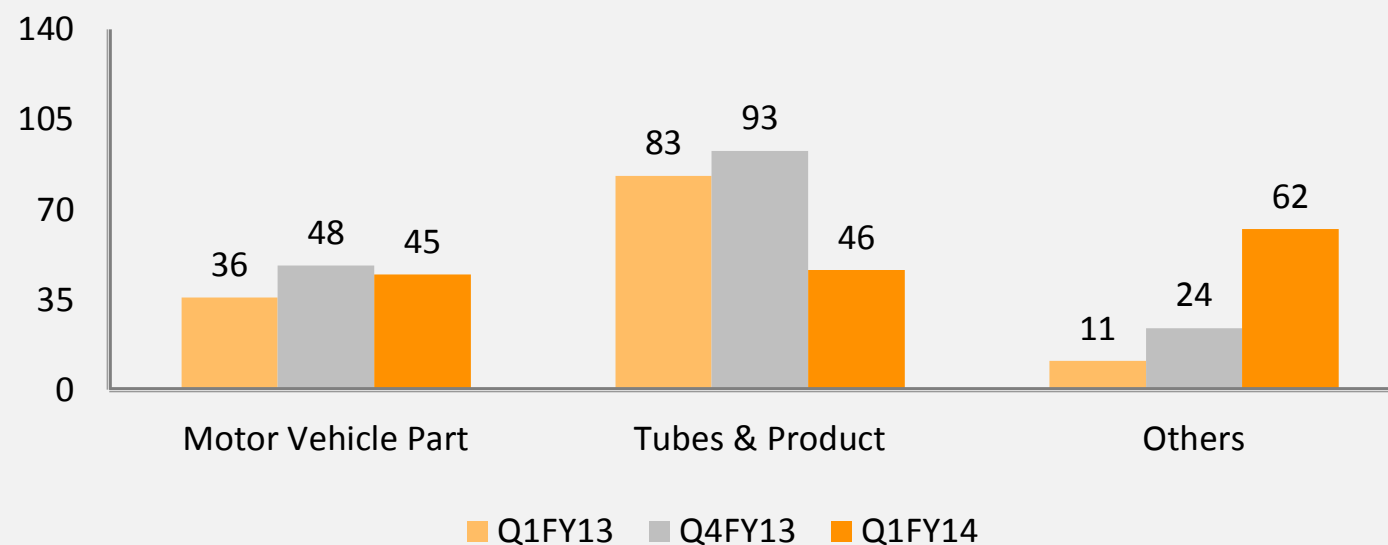
Margins (%)



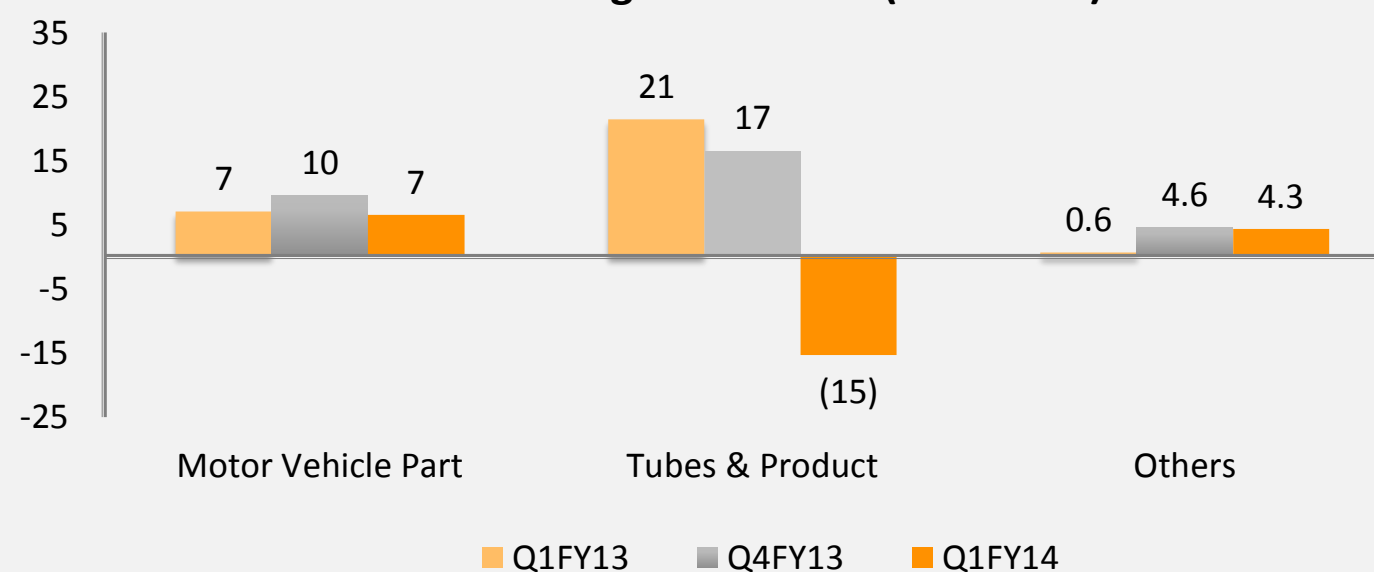
- ➔ Slower off take in the domestic market and overall challenging scenario has resulted in moderate growth in revenues while margins have been impacted by the changed revenue mix
- ➔ Profitability further impacted by non-absorption of fixed cost, Provisions for doubtful debt (₹ 9.67 crore) and currency fluctuation (₹ 10 .85 crore forex loss)

Segmental Performance – Q1 FY2014 (Standalone)

Segmental Revenue (₹ in Crore)



Segmental EBIT (₹ in Crore)



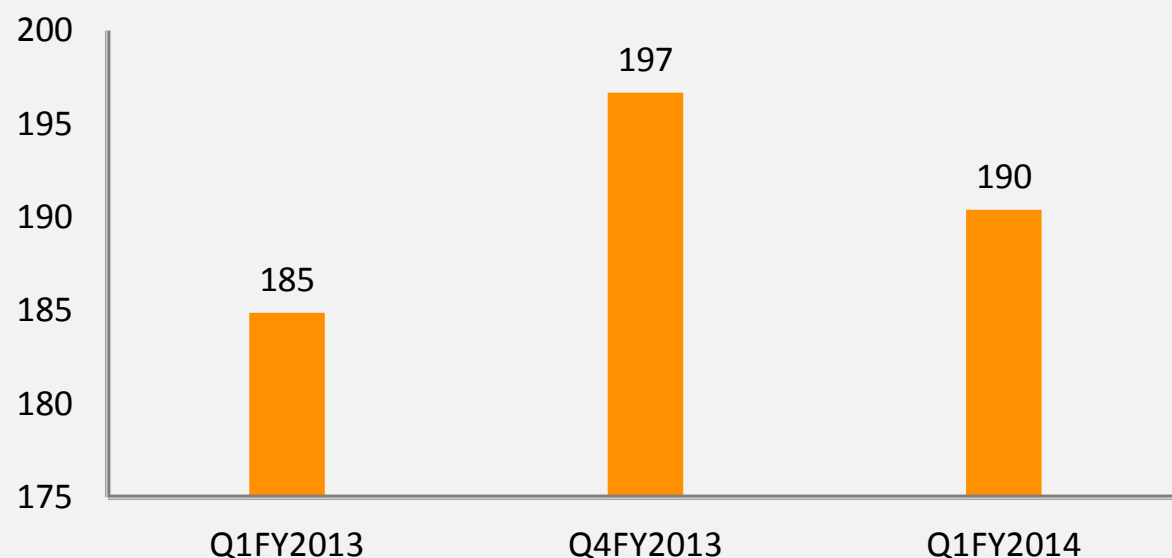
Financial Table – Q1 FY2014 (Standalone)

Quarter ended March 31, 2013	Q1FY2014		Q4FY2013		Q1FY2013		QoQ Growth	YoY Growth
	₹ Crore	% of Total Income	₹ Crore	% of Total Income	₹ Crore	% of Total Income	%	%
Net Sales	153.55		165.12		130.10		-7.01%	18.02%
Other Income	0.74	0.5%	1.69	1.0%	6.63	4.8%	-56.35%	-88.88%
Total Income	154.28		166.81		136.73		-7.51%	12.84%
Material Consumption	114.21	74.0%	94.11	56.4%	76.36	55.8%	-	-
Employee Cost	9.52	6.2%	8.87	5.3%	5.88	4.3%	7.32%	61.87%
Other Expenditure	27.54	17.9%	17.37	10.4%	16.51	12.1%	58.55%	66.88%
EBITDA	3.01	2.0%	46.46	27.9%	37.98	27.8%	-93.52%	-92.08%
Depreciation	10.36	6.7%	9.09	5.4%	8.27	6.0%	14.05%	25.40%
EBIT	-7.36	-4.8%	37.37	22.4%	29.72	21.7%	-119.68%	-124.75%
Finance Cost	21.61	14.0%	20.10	12.0%	16.91	12.4%	7.54%	27.79%
Foreign exchange Loss	10.85	7.0%	1.63	1.0%	-3.58	-2.6%	567.35%	-402.96%
PBT	-39.82	-25.8%	15.65	9.4%	16.39	12.0%	-354.50%	-342.94%
Tax	1.57		3.90		4.24		-59.71%	-62.90%
PAT	-41.39	-26.8%	11.74	7.0%	12.15	8.9%	-452.50%	-440.65%
EPS*	-6.94		1.97		2.04			

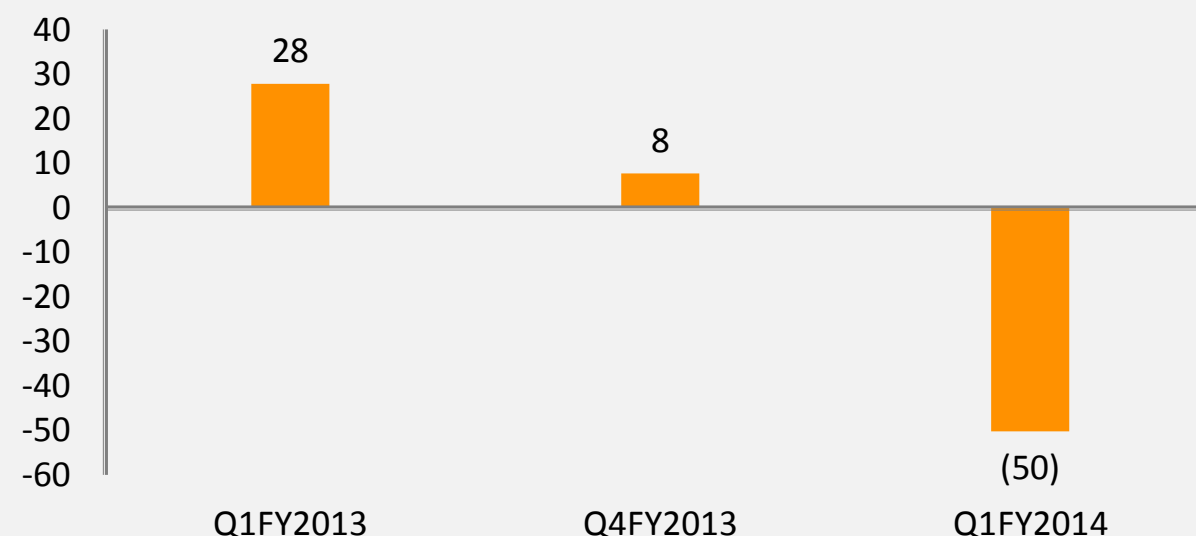
* Basic/Diluted (not annualised).

Financial Highlights – Q1FY2014 (Consolidated)

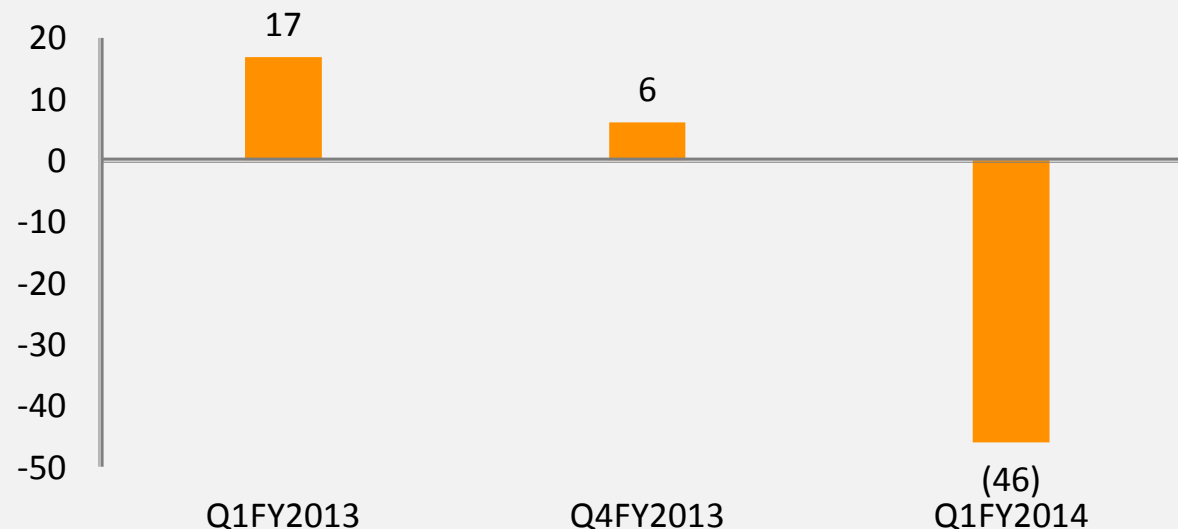
Total Revenue (₹ in Crore)



PBT (₹ in Crore)



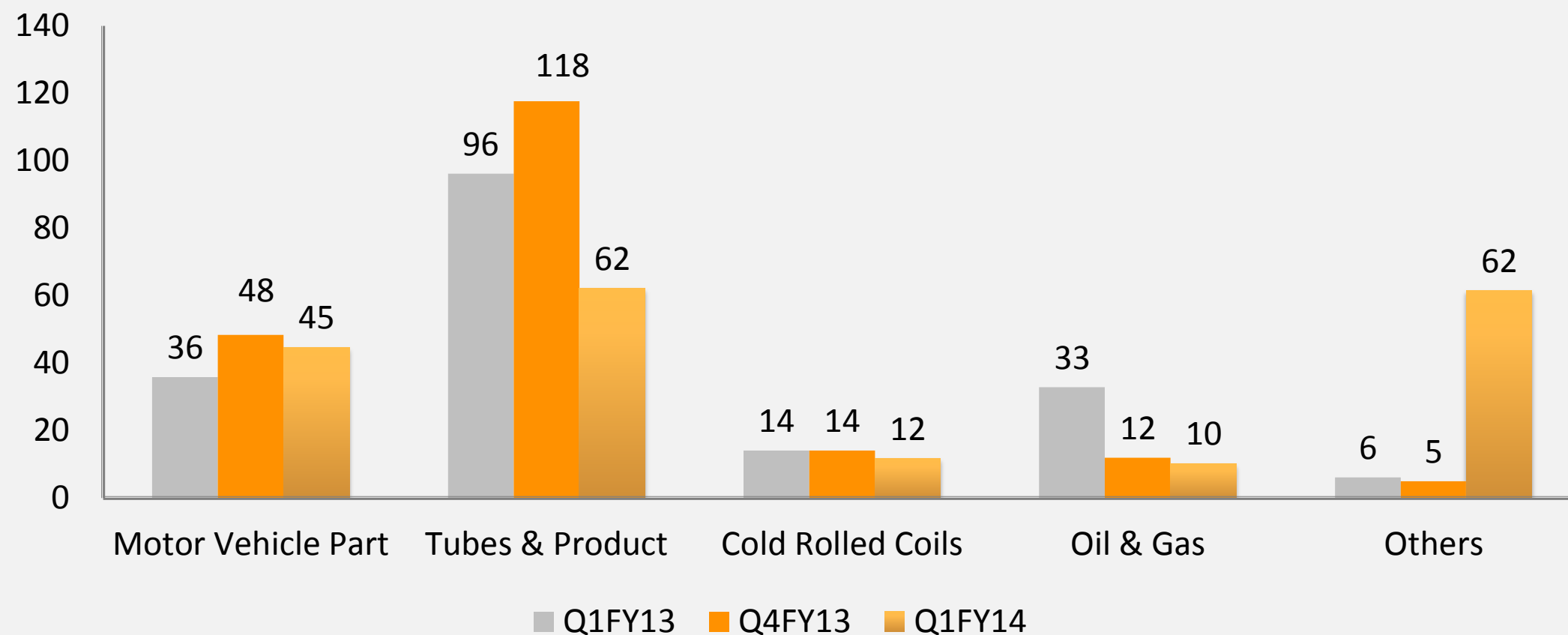
PAT(₹ in Crore)



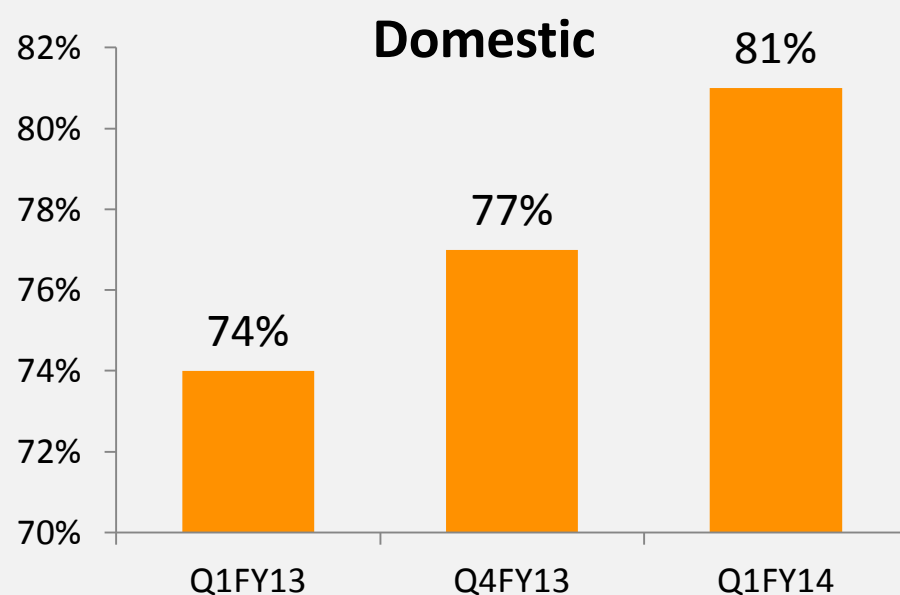
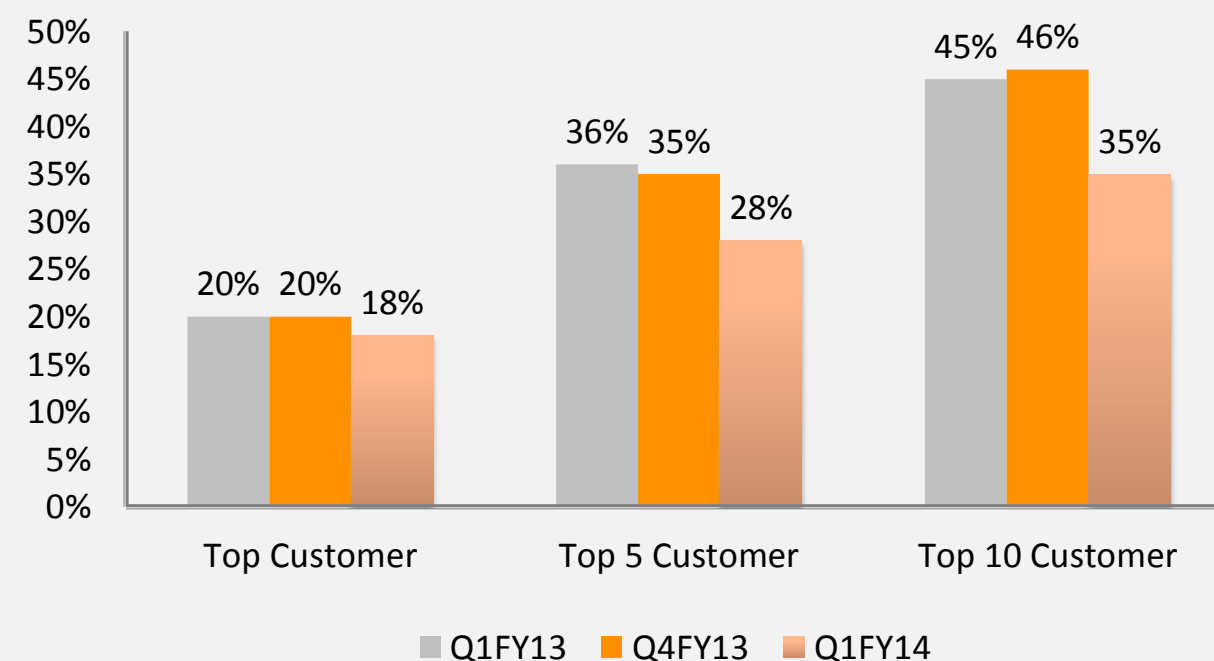
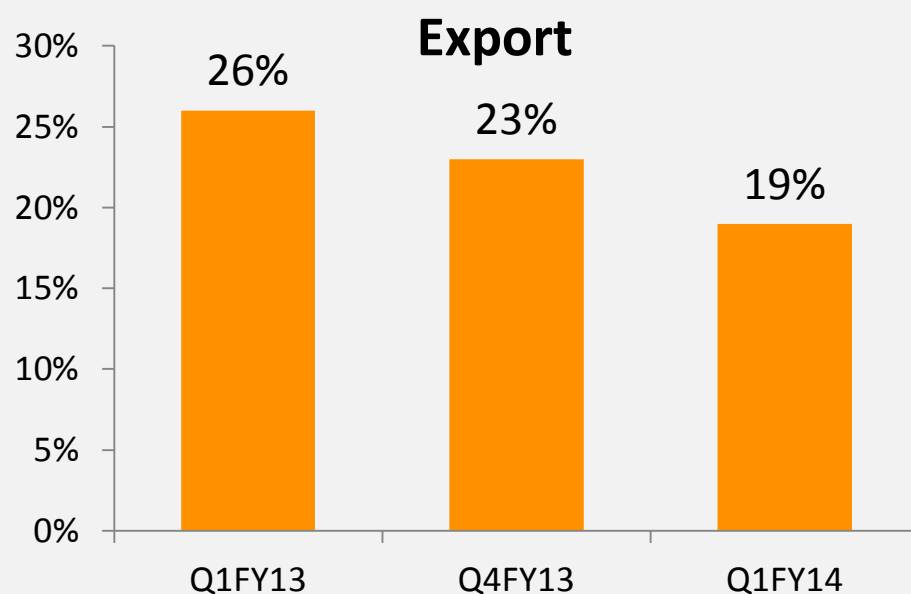
- Sluggish markets constrained growth in revenues
- Margins impacted by drop in sales and changed revenue mix
- Profitability further impacted by non-absorption of fixed cost, Provisions for doubtful debt (₹ 9.67 crore) and currency fluctuation (₹ 10 .85 crore forex loss)

Segmental Performance – Q1 FY2014 (Consolidated)

Segmental Revenue (₹ in Crore)

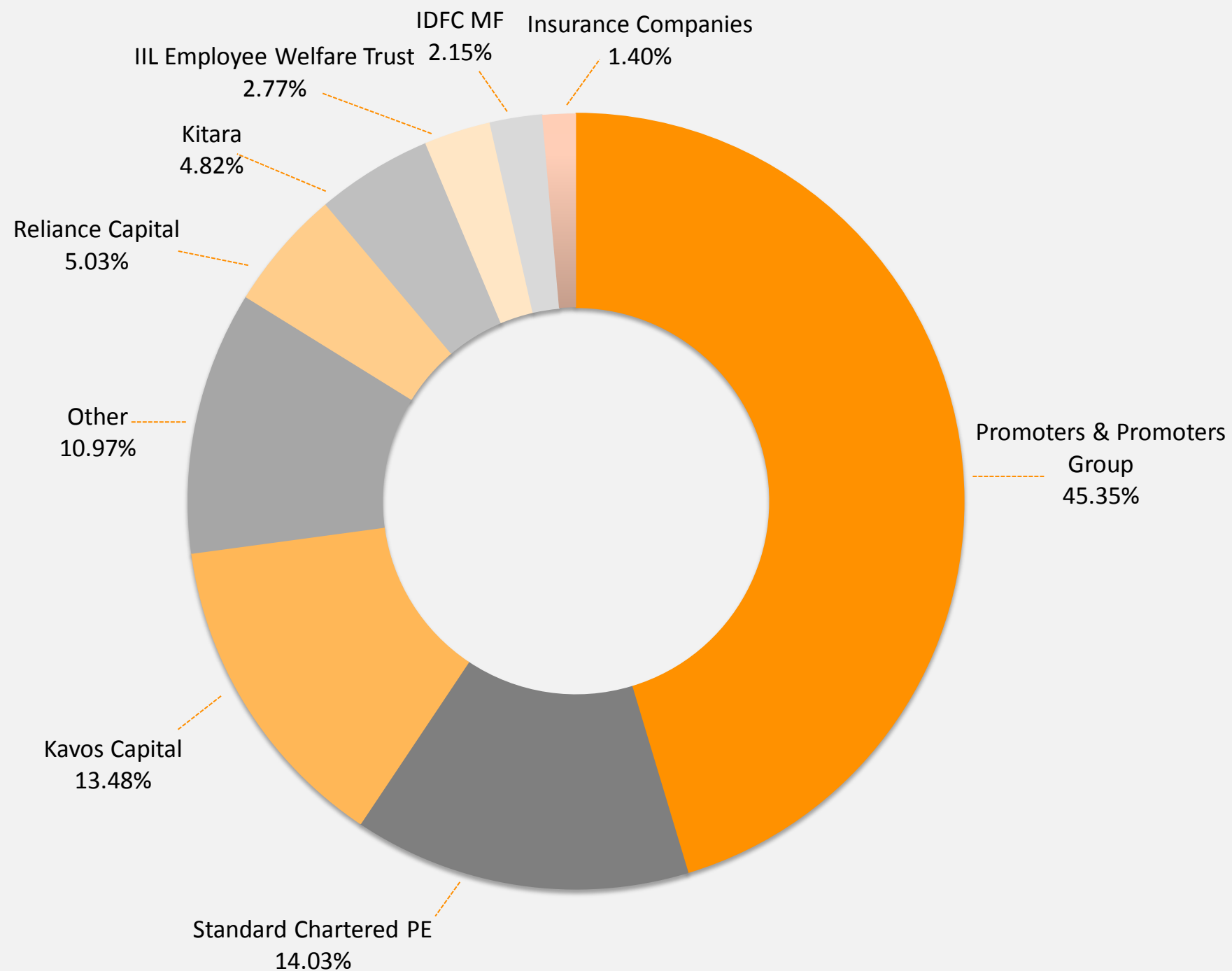


Top Customer Performance & Exports (Consolidated)



- Export contribution moderated due to global pressures
- Sluggish demand for high value products from core customers has led to change in revenue mix
- As a result there has been widening of the overall customer base in non-core products

Shareholding as on June 30, 2013



Key Business Drivers

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 – awaiting ramp up in volumes

Opportunities in end user industries

- Near term demand remains subdued, expect pickup in demand once there is greater clarity and visibility of a sustainable global recovery
- Presently demand for cost effective solutions continues to persist

Relationships

- Strong relations with existing customers – value offering ensures relevance to their growth plans
- Focused on increasing market penetration and building relationships with new 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

Our Strategy

Enhancing Product Mix

- Increase proportion of high margin products in revenue mix
- Leverage process expertise to widen portfolio of niche and customised products

Improve Marketing & Distribution

- Enhance global reach - have appointed 13 agencies in Europe
- Acquisition of front end marketing companies will lead to improved realisations e.g. Salem Steel NA, LLC

R&D

- To leverage R&D efforts to create new opportunities
- IIL has also applied for patents in 2 additional processes/products
- Further few more patent applications are under process for filing

Diversification

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

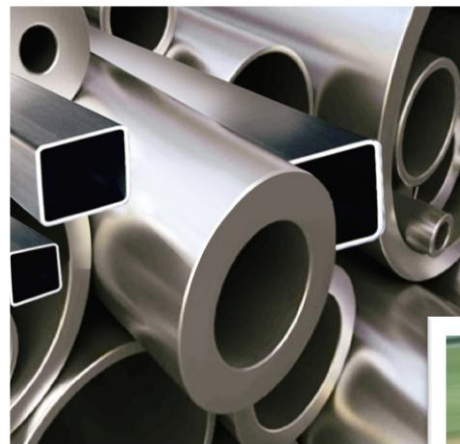
Partnerships

- Pursue JVs/acquisition with manufacturers who offer synergies to IIL
- Offer expertise to potential domestic and international JV partners while gaining access to new products, markets and technology

Business Outlook – FY2014

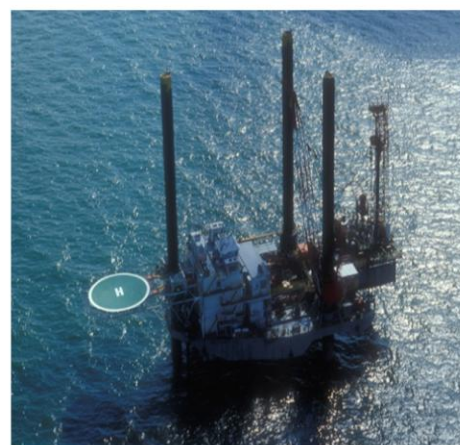
Tubes

- Demand for CEW/DOM tubes to move in line with industry trends
- Existing products are finding newer applications which should lead to further growth in this segment
- Will look to scale up volumes of additional components – Telescopic front fork (TFF) tubes and bearing spacer components



Oil & Gas

- Favorable demand for hydrocarbons
- Increase in vendor certifications to drive 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 – awaiting expansion of volumes



Membrane Panel Strips

- IIL supplies Membrane Panel Strips and super critical panel strips which are import substitutes
- IIL matches the quality of global manufacturers in this product
- Focused on building relationships to benefit from expected growth in medium / long-term demand
- Due to low clarity on the coal allocation policy, there remains low visibility on this product



Motor Vehicle Parts (MVP)

- Maintained reasonable sales level, based on the 2 wheeler majors' performance
- Performance to be in line with the sales of two and three wheeler automobiles
- Impending introduction of new components to assist off take
- Implementing process automation which will lead to higher efficiencies and improved quality leading to better acceptance of components for 4 wheelers and heavy automobile industries

Thank You

