



Innoventive Industries Ltd

Q2 & H1 FY13 Investor Presentation

October 31, 2012

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.

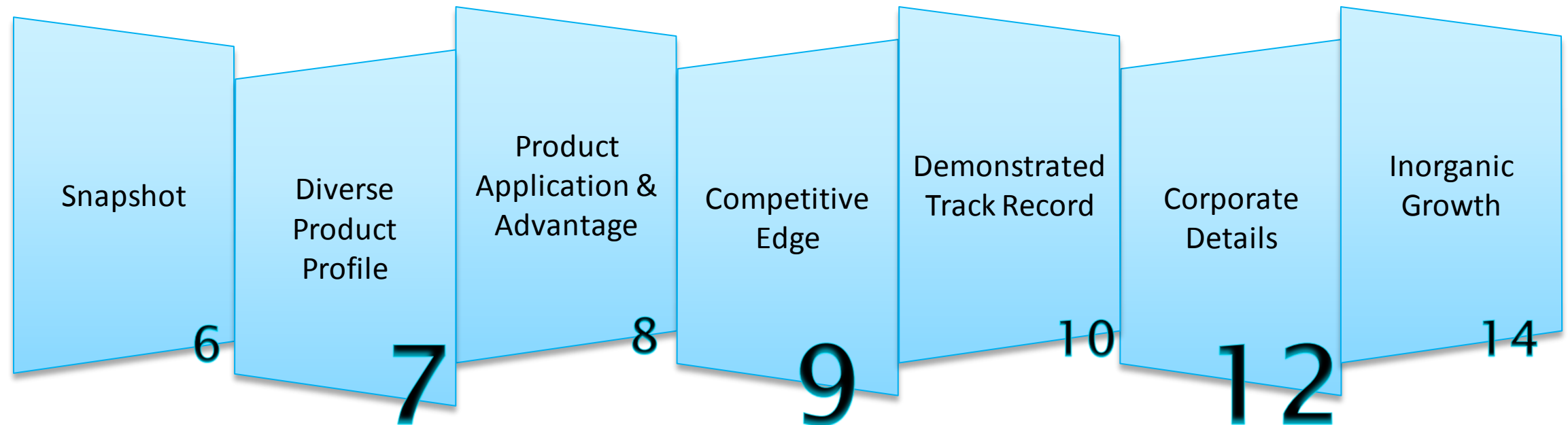
These statements are based on information currently available to us, and we assume no obligation to update these statements as circumstances change. There are risks and uncertainties that could cause actual events to differ materially from these forward-looking statements. These risks include, but are 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.

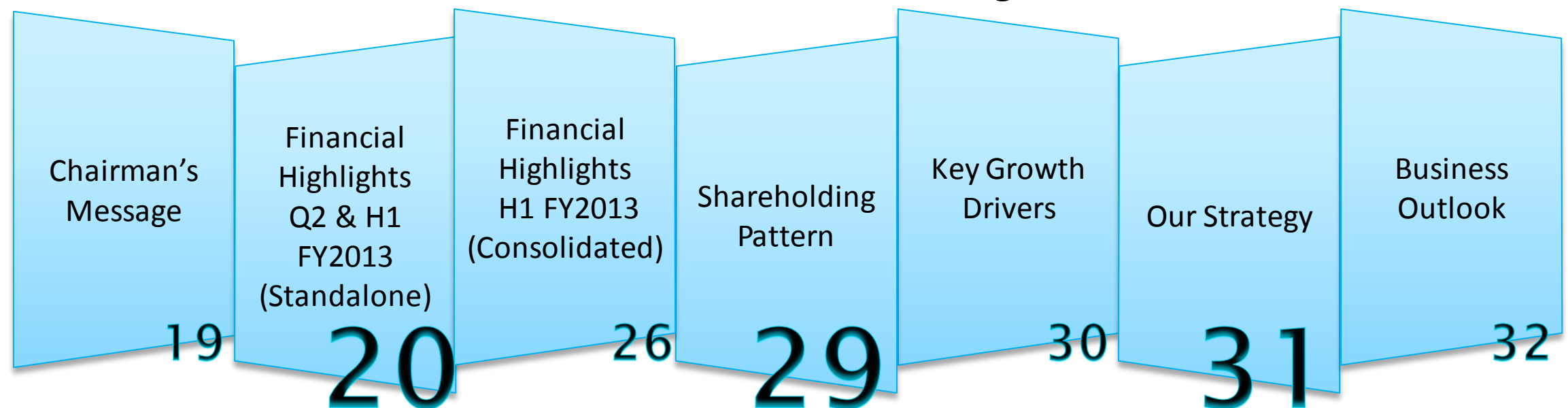
BSE:INNOIND, NSE:INNOIND, Reuters: INNV.BO, Bloomberg: IIL IN

Discussions and Highlights

Innoventive Industries Ltd : A solid operating platform



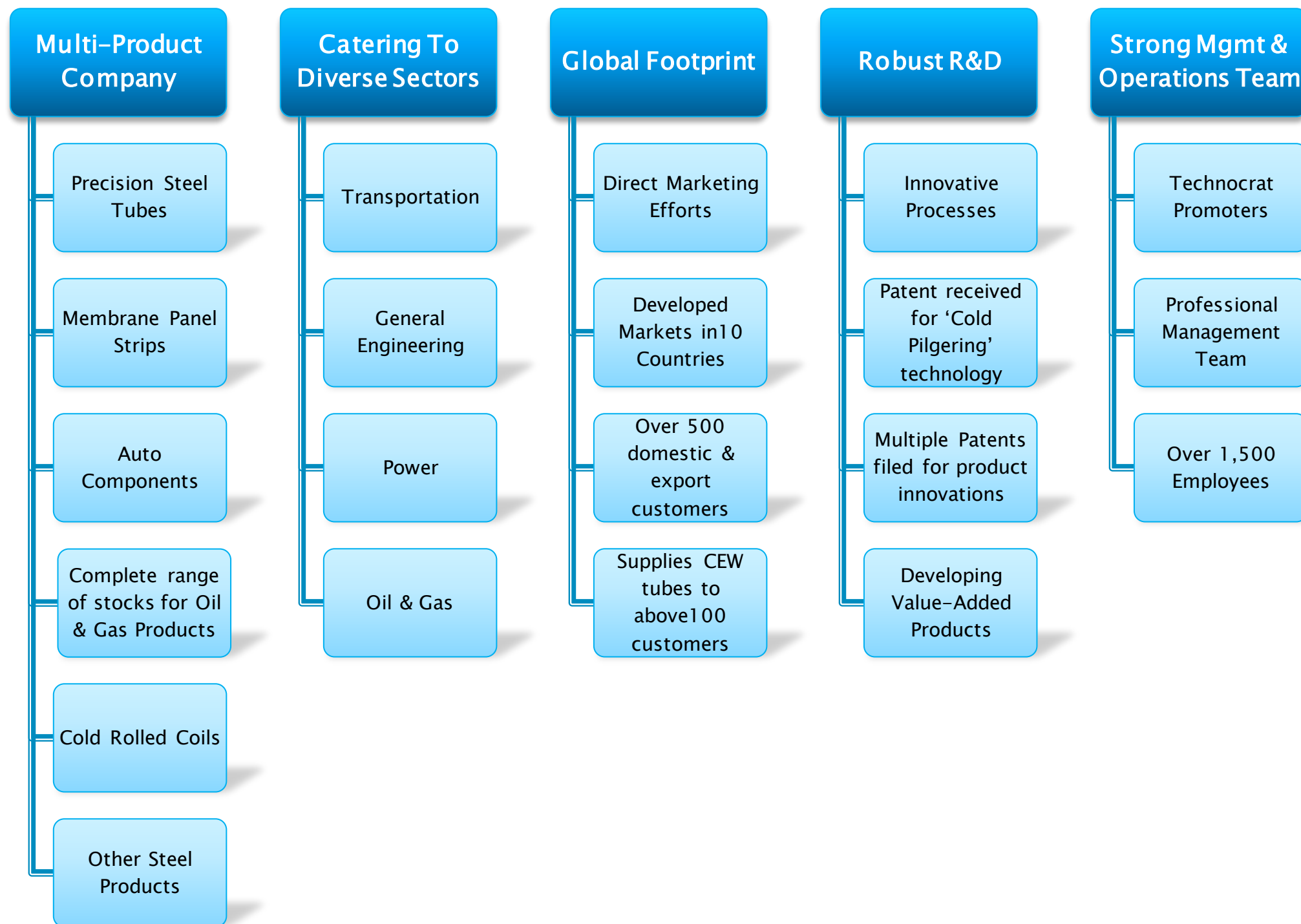
Financial Performance : Sustained growth





Innoventive Industries Ltd : A solid operating platform

Uniquely Positioned Operations



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 from 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 such as 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 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 received 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 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

Leveraging on Manufacturing Capabilities

Patented 'Cold Pilgering' technology

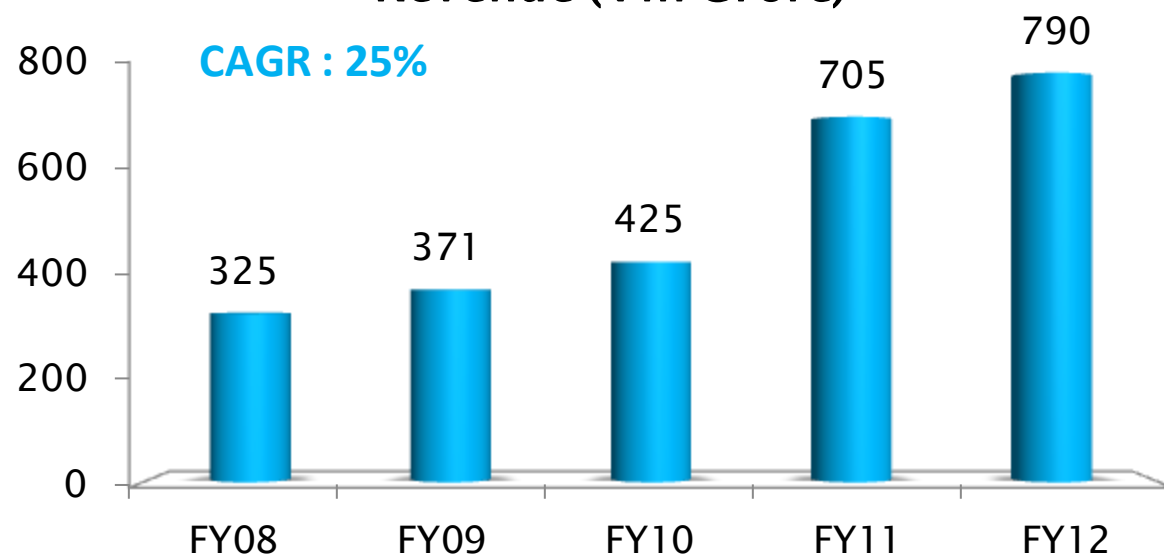
- Patented its indigenous technology used to manufacture DOM/CEW tubes of various specifications
- Received a patent approval for 20 years w.e.f April 24, 2009
- Cost reduction in terms of energy, labour and material in comparison to the traditional draw bench technique
- Customised designs for tools & dies result in enhanced efficiency
- Products manufactured by this method have unmatched quality with a superior surface finish and a higher tensile strength alongside being competitively priced
- Having received the patent for India, IIL is eligible to apply for the same in other countries. Patent application fees have already been paid for in 33 other countries

Membrane Panel Strips

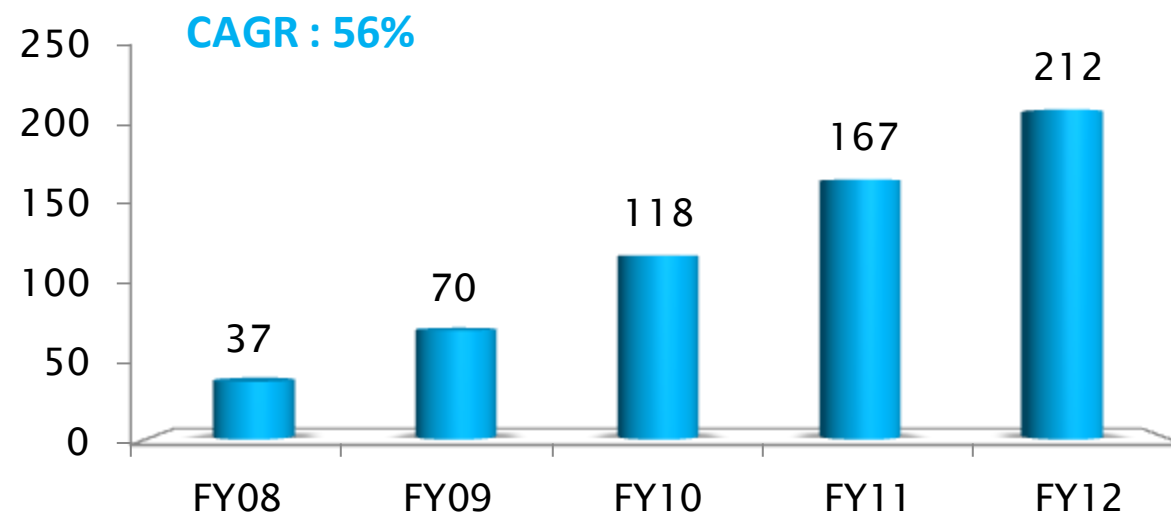
- IIL manufactures membrane panel strips (narrow width ~ 10.3mm) directly from HR coils leading to improved quality at lower cost
- A strong understanding in metallurgy has helped IIL to carry out improvements in traditional processes
- Conventionally these strips are manufactured using steel bars
-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

Demonstrated Track Record

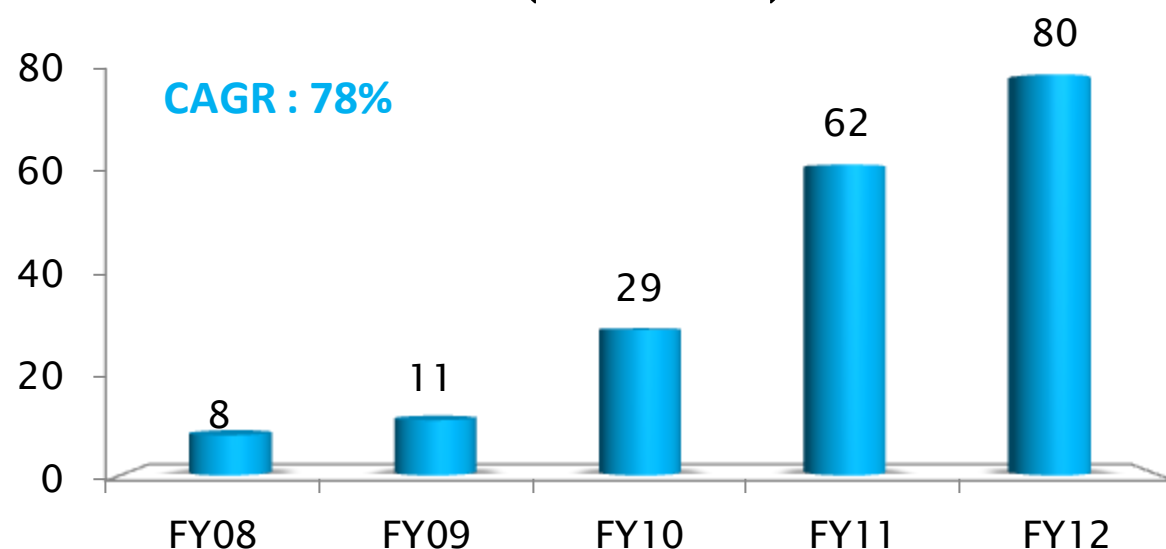
Revenue (₹ in Crore)



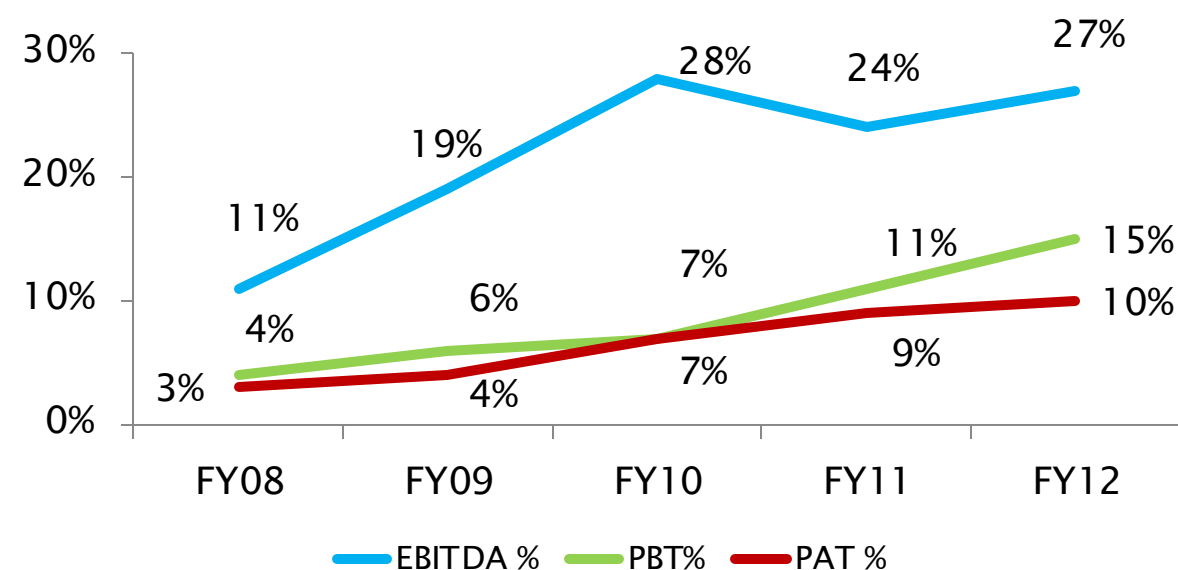
EBITDA (₹ in Crore)



PAT (₹ in Crore)



Margins (%)

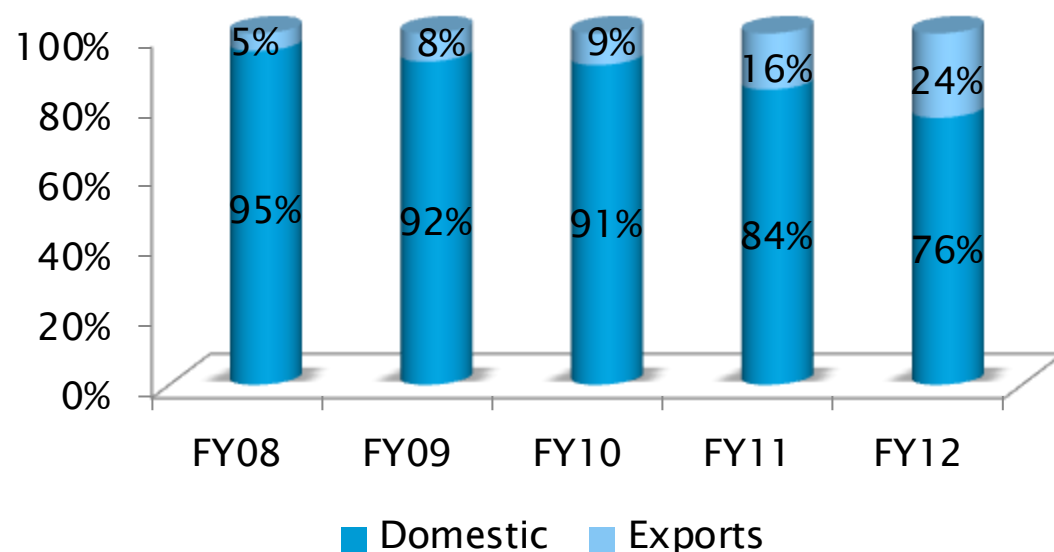


All figures are on a consolidated basis

Demonstrated Track Record...

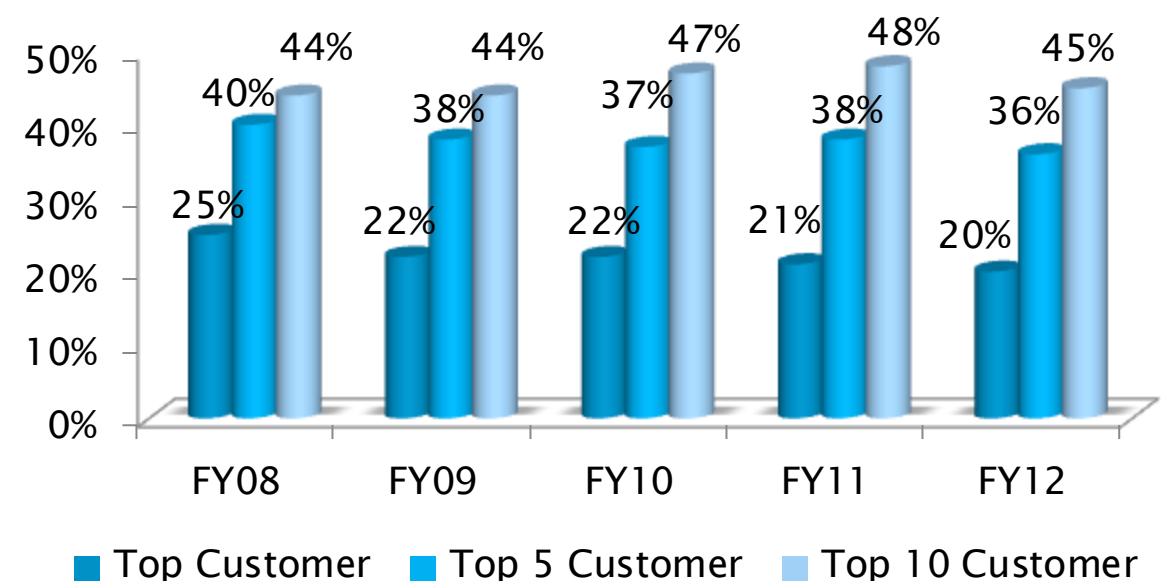
- Export contribution rising in total revenue
- Expanding reach to more markets – now exporting to North America, Europe and Middle East
- Volumes & widening product range are leading to revenue growth from overseas markets
- Increasing share of high value products in export revenues
- Improved distribution 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
- Upselling new products to existing customers
- Growth also driven by expanding customer base

Revenue : Top Customers (%)



Board of Directors

Mr. Chandu Chavan
Chairman and Managing Director

Mr. Ravindra Katre
Whole Time Director

Mr. Sanjay Waghulade
Whole Time Director

Mr. K.V. Ramarathnam
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

Key Management Personnel

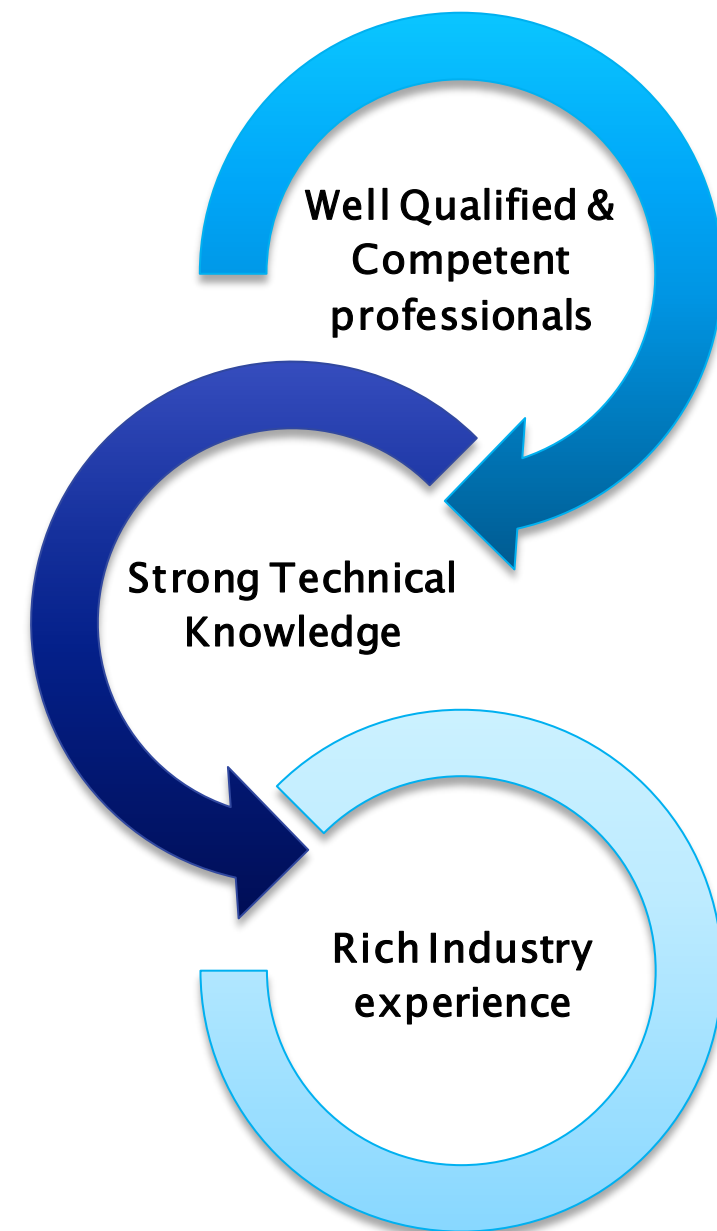
Mr. Jitendra Palande – Group CEO

Mr. Devdatta Ratnakar – CEO Tube Division

Mr. Avinash Adige – CEO Auto Division

Mr. Sanjay Bhade – COO Tube Division

Mr. Sagar Shah – Sr. Finance Manager



The logo for SANKALP, featuring the word in a bold, red, stylized font.

SALEM STEEL NA, LLC
TUBING WORLD WIDE



Innovative
Technomics

Inorganic growth...

... in the backdrop of market realities

Key Subsidiaries

2012



Salem Steel NA, LLC

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

2007



Sankalp Forgings Pvt. Ltd.

- Manufactures forgings & couplings for oil & gas
- Increased stake in Sankalp Forgings from 26% to 51% in 2008

2007



Saicon Steels Pvt. Ltd

- Conversion of HR coils into CRCA
- Acquired 51% stake in Saicon Steels

Acquisition of ITPL, India (Oct 2012)

IL has acquired a 51% stake in Innovative Technomics Pvt. Ltd (ITPL) an industry leader in high voltage soft starters and testing equipment.

ITPL's range of niche engineering products comprises of High Voltage Soft Starters, High Speed Testing Equipment and Linear Motor Systems used in industries such as water, oil & gas, steel, cement, textile, etc.

ITPL has a strong presence in domestic markets and has recently entered the Middle East and European markets.

ITPL's business has been valued at INR 230 million.

Acquisition Strategy

Overseas

- Will look at acquiring profitable distribution set-ups in developed markets to improve global distribution infrastructure and accelerate product offtake
- 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 Performance : Sustained Growth

Chairman's Message



Commenting on the Company's performance for Q2 & H1 FY13, Mr. Chandu Chavan, Chairman & Managing Director, Innoventive Industries Ltd., said:

"The Q2 & H1 FY13 was a decent period for us. Revenues for H1 FY13 on a consolidated basis stood at INR 409.91 crore and PAT at INR 40.54 crore.

We are extremely pleased to reaffirm that we recently signed an agreement to acquire 51% stake in Innovative Technomics Pvt. Ltd (ITPL), an industry leader in high voltage soft starters and testing equipment. Though the names of both the companies seem similar, the current association is purely coincidental and has borne no ties in the past. ITPL's unique product range of electrical and electromechanical products already have a large and lucrative customer base in India, with recently commenced exports to the markets in the Middle East & Europe.

We see immense potential in this acquisition due to the product offerings of ITPL and its contribution in diversifying our product offerings in the niche engineering space. Adding ITPL will increase IIL's scale and broaden its capability of creating, managing and delivering innovative and diversified products globally; thus contributing to our growth and creating substantial value for all our stakeholders in the foreseeable future.

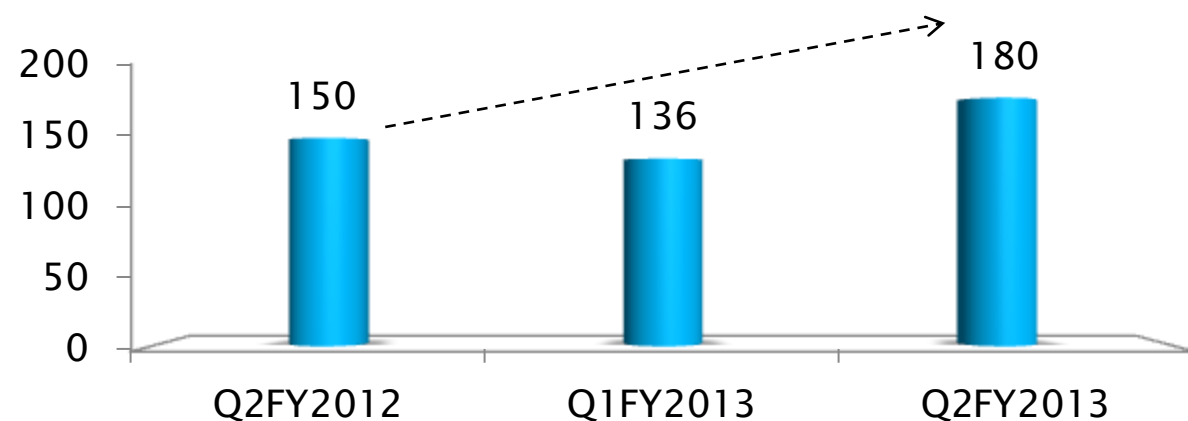
As you would acknowledge, we received a patent for our proprietary 'Cold Pilgering' technology for a period of 20 years with effect from April 24, 2009, during the last quarter. The patent grant has led to greater acceptability of our tubes among potential customers. Furthermore, we are now eligible to apply for the patent in other countries, with the application fees towards the same already been paid for in another 33 nations.

Our consolidation with Salem Steel continues to positively impact our operations in the North American markets. As IIL continues to establish itself as one of the stronger players for CEW/DOM tubes in those markets, we also plan to create a market for offerings such as those from ITPL's product range and sustain the widening of our portfolio in the region.

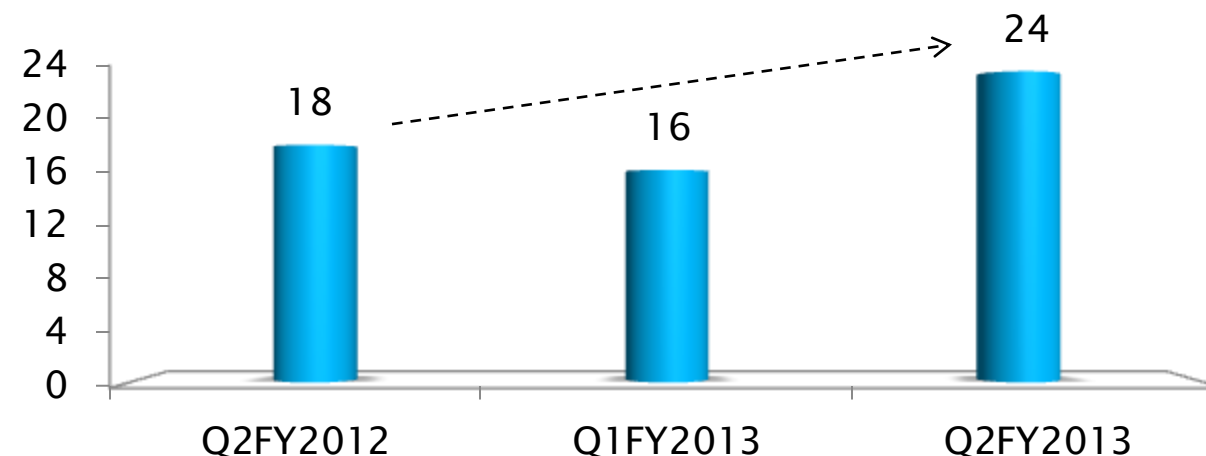
While the business environment continues to challenge us, our conscious focus on high-value products, particularly in our Tubes & Products (T&P) division, should enable us to optimize our strengths in the prevailing market conditions. This places us in a competitively better position to respond to the market's demands and as a result continue to deliver a strong performance going forward."

Financial Highlights – Q2FY2013 (Standalone)

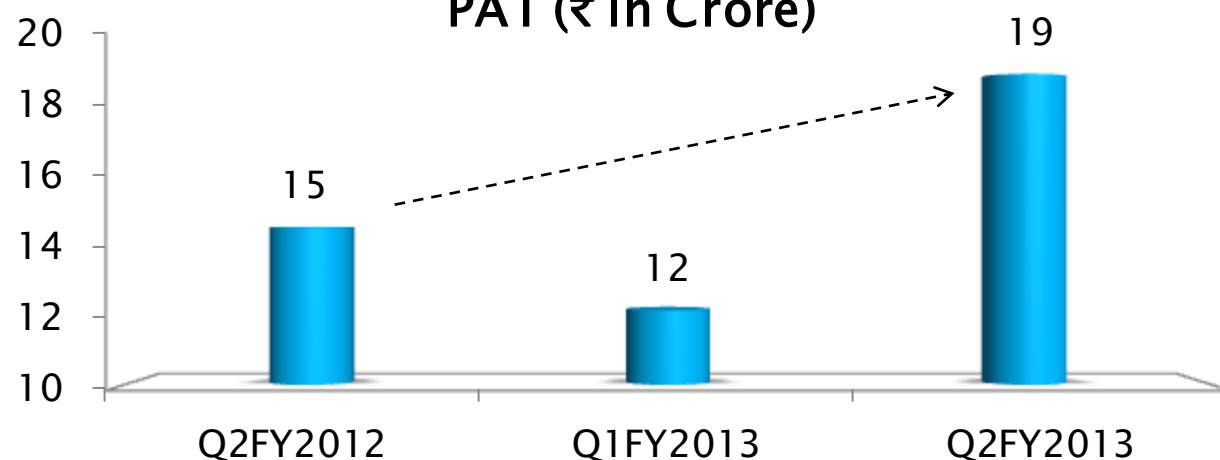
Revenue (₹ in Crore)



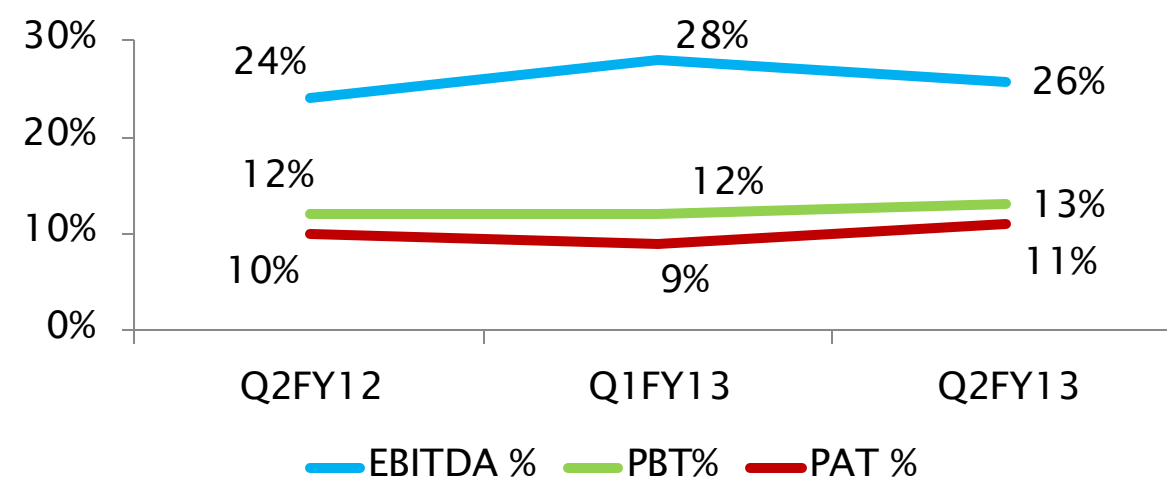
EBT (₹ in Crore)



PAT (₹ in Crore)



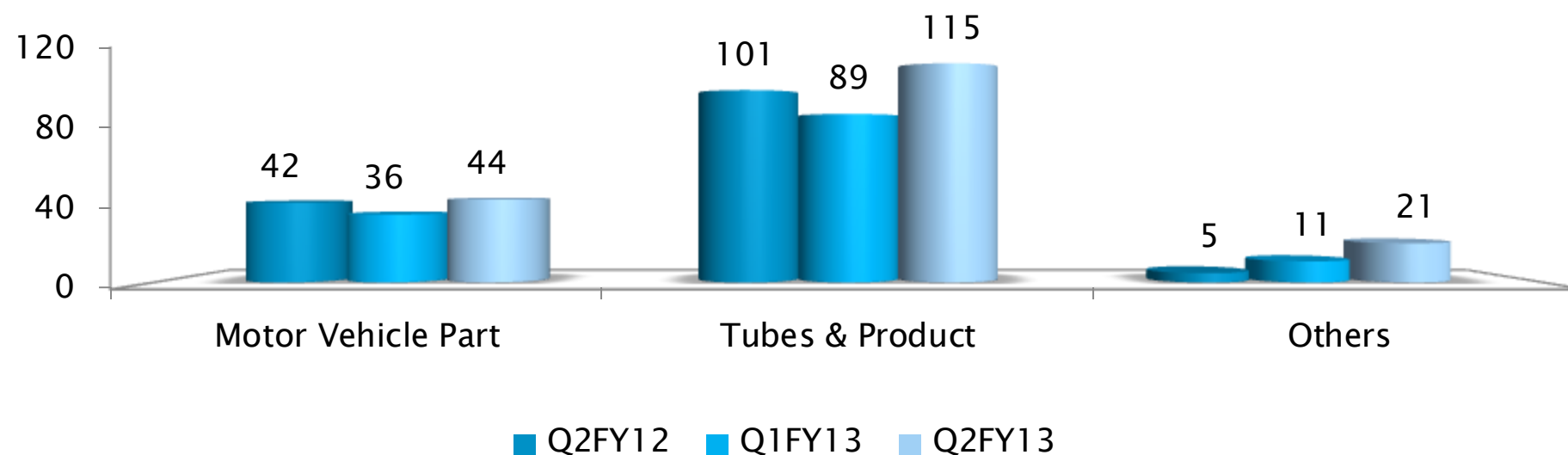
Margins (%)



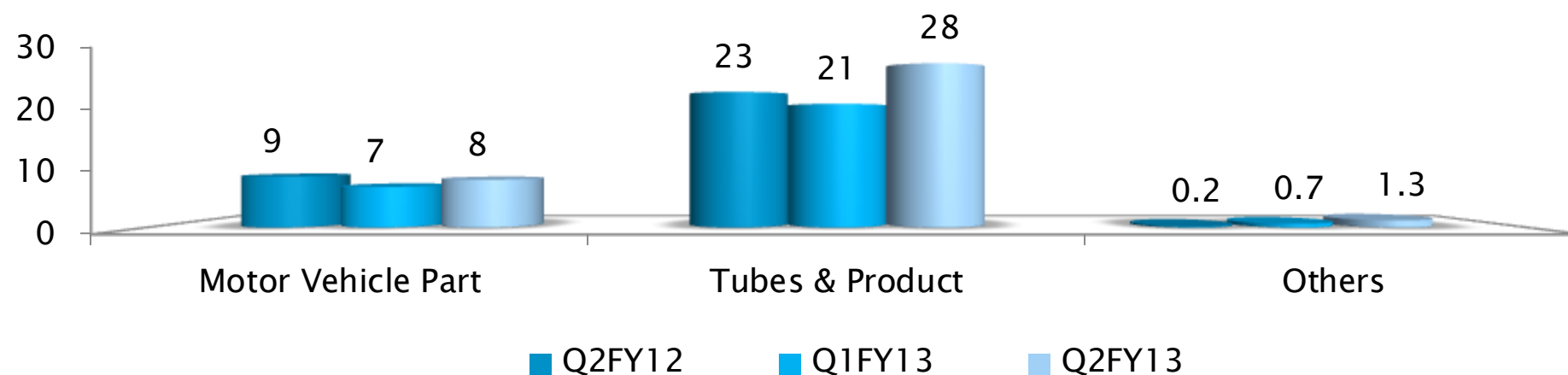
- All divisions contributed to the growth with Tube division maintaining its share
- PAT performance has been in-line with revenue growth

Segmental Performance – Q2FY2013 (Standalone)

Segmental Revenue (₹ in Crore)



Segmental EBIT (₹ in Crore)



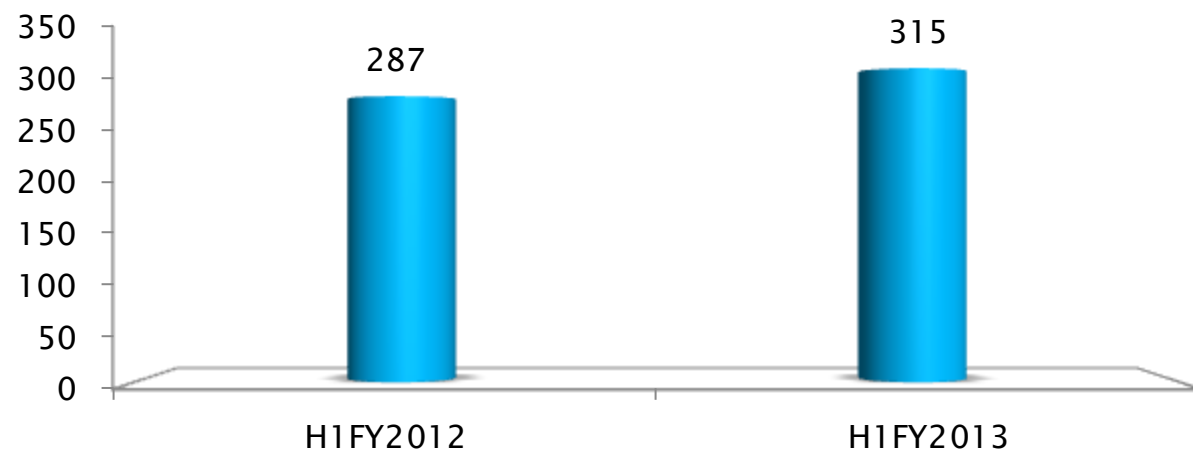
Financial Table – Q2FY2013 (Standalone)

Quarter ended September 30, 2012	Q2FY2013		Q1FY2013		Q2FY2012		QoQ Growth	YoY Growth
	₹ crore	% of Turnover	₹ crore	% of Turnover	₹ Crore	% of Turnover	%	%
Net Sales	172.5		130.1		148.18		33%	16%
Other Income	7.2	4%	6.63	5%	3.47	2%	9%	107%
Total Income	179.7		136.73		151.65		31%	18%
Material Consumption	100.07	56%	76.36	56%	94.34	62%	31%	6%
Employee Cost	6.24	3%	5.88	4%	4.24	3%	6%	47%
Other Expenditure	27.03	15%	16.51	12%	16.73	11%	64%	62%
EBITDA	46.33	26%	37.98	28%	36.34	24%	22%	27%
Depreciation	9.05	5%	8.27	6%	5.17	3%	9%	75%
EBIT	37.28	21%	29.72	22%	31.16	21%	25%	20%
Finance Cost	13.11	7%	13.33	10%	12.84	8%	-2%	2%
EBT	24.17	13%	16.39	12%	18.32	12%	47%	32%
Tax	5.19		4.24		3.48			
PAT	18.99	11%	12.15	9%	14.85	10%	56%	28%
EPS*	3.18		2.04		2.65			

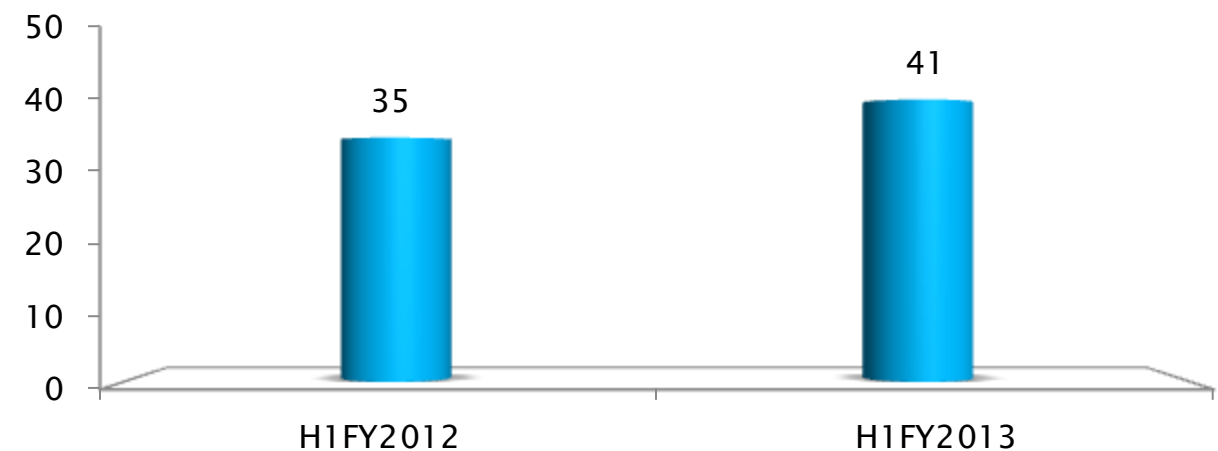
* Basic/Diluted (not annualised). EPS for the given period is not comparable due to issue of shares in IPO.

Financial Highlights – H1FY2013 (Standalone)

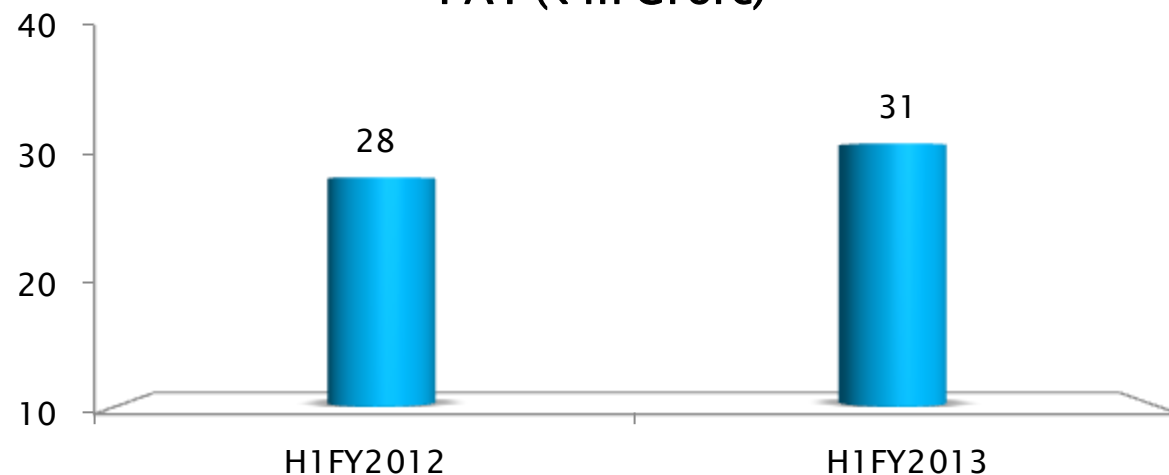
Revenue (₹ in Crore)



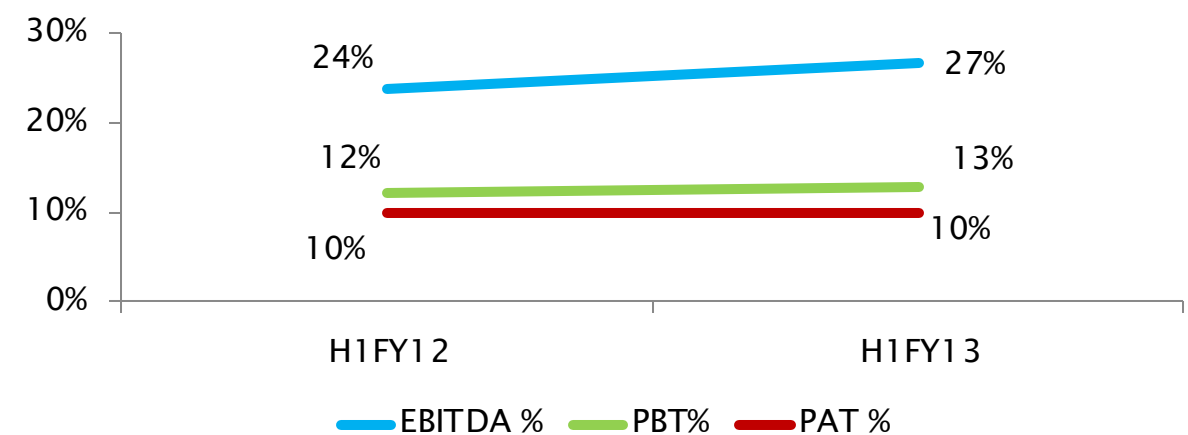
EBT (₹ in Crore)



PAT (₹ in Crore)



Margins (%)

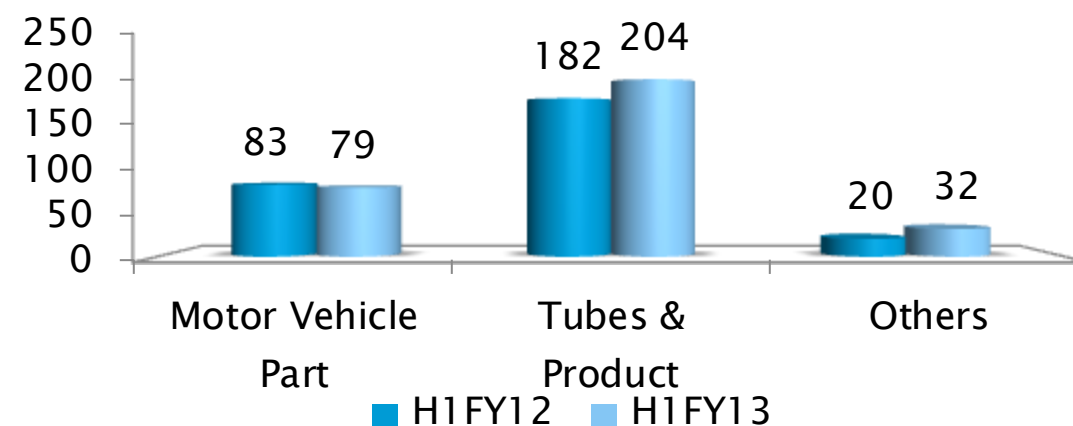


- Better product mix ensured strong EBITDA margins
- MV parts division led to flat performance

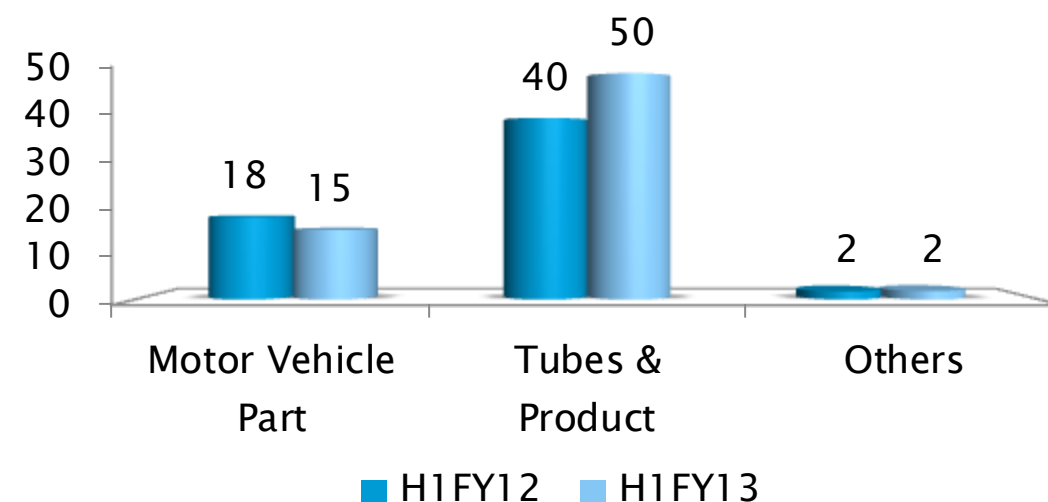
Financial Table – H1 FY2013 (Standalone)

Half year ended September 30, 2012	H1FY2013		H1FY2012		YoY Growth %
	₹ crore	% of Turnover	₹ crore	% of Turnover	
Net Sales	302.6		285.1		6%
Other Income	13.83	4%	3.12	1%	343%
Total Income	316.4		288.3		10%
Material Consumption	176.42	56%	177.89	62%	-1%
Employee Cost	12.12	4%	8.86	3%	37%
Other Expenditure	43.54	14%	33.3	12%	31%
EBITDA	84.32	27%	68.2	24%	24%
Depreciation	17.32	5%	10.15	4%	71%
EBIT	67.00	21%	58.05	20%	15%
Finance Cost	26.44	8%	22.97	8%	15%
EBT	40.56	13%	35.08	12%	16%
Tax	9.43		6.67		
PAT	31.14	10%	28.41	10%	10%
EPS*	5.22		5.07		

Segmental Revenue (₹ in Crore)



Segmental EBIT (₹ in Crore)



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

Balance Sheet (As on September 30, 2012 – Standalone)

Particulars	H1 FY 2013 ₹ crore
Equity and liabilities	
Shareholders' funds	462.20
Non-current liabilities	260.85
Current liabilities	228.38
Total – Equity and Liabilities	951.43
Assets	
Fixed Assets	572.86
Non-Current Assets	96.46
Current Assets	282.11
Total – Assets	951.43

Book Value Per Share (₹)*	77.49
EPS (₹)*	5.22
Net Worth (₹ Crore)	462.20
Long Term Debt (₹ Crore)	192.96
Cash & Cash Equivalent (₹ Crore)	7.14
ROCE (%)**	8.09

* Weighted average shares outstanding during the year

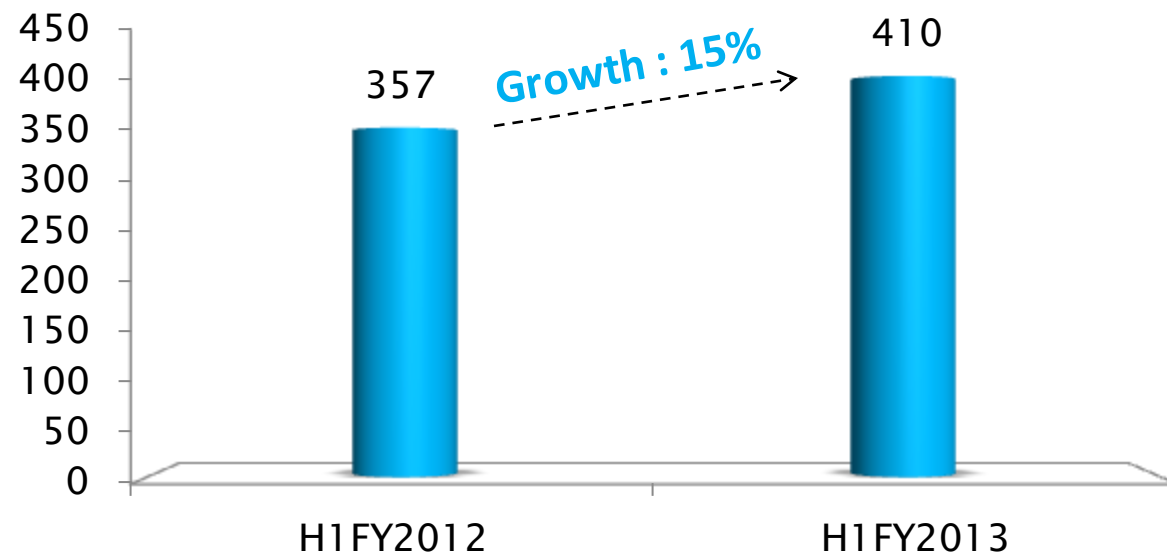
** Not Annualised

Significant improvement in standalone long term Debt Equity ratio at 0.42 on account of improved profitability and debt repayment

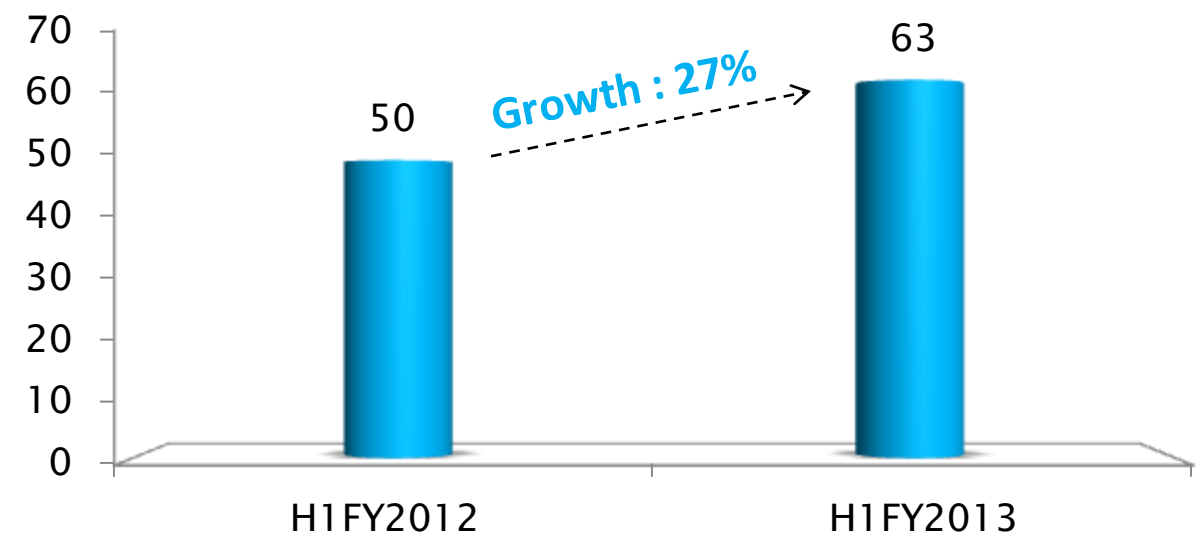
Consolidated long term Debt/Equity stood at 0.52

Financial Highlights – H1FY2013 (Consolidated)

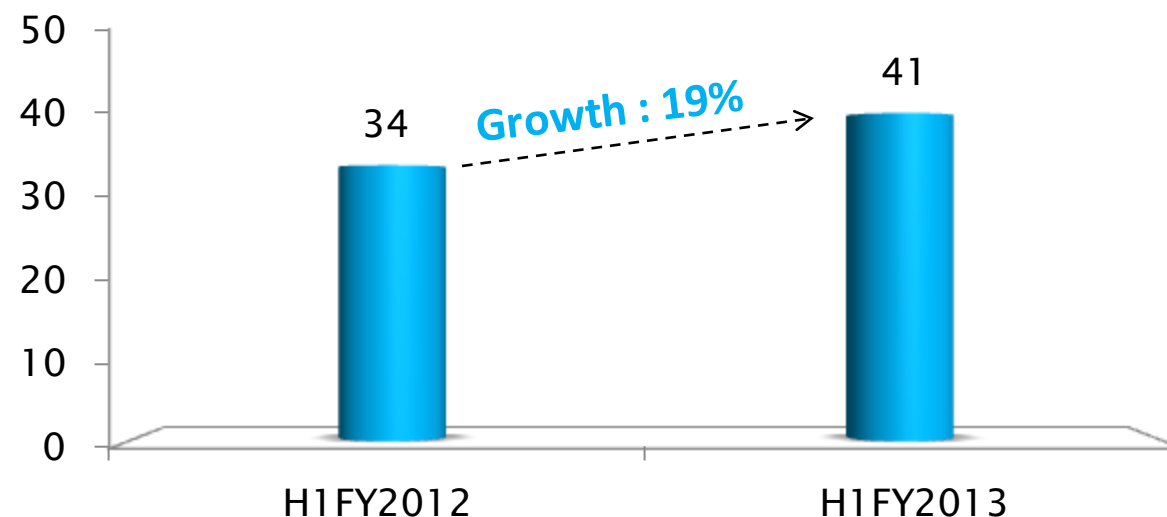
Revenue (₹ in Crore)



PBT (₹ in Crore)



PAT (₹ in Crore)

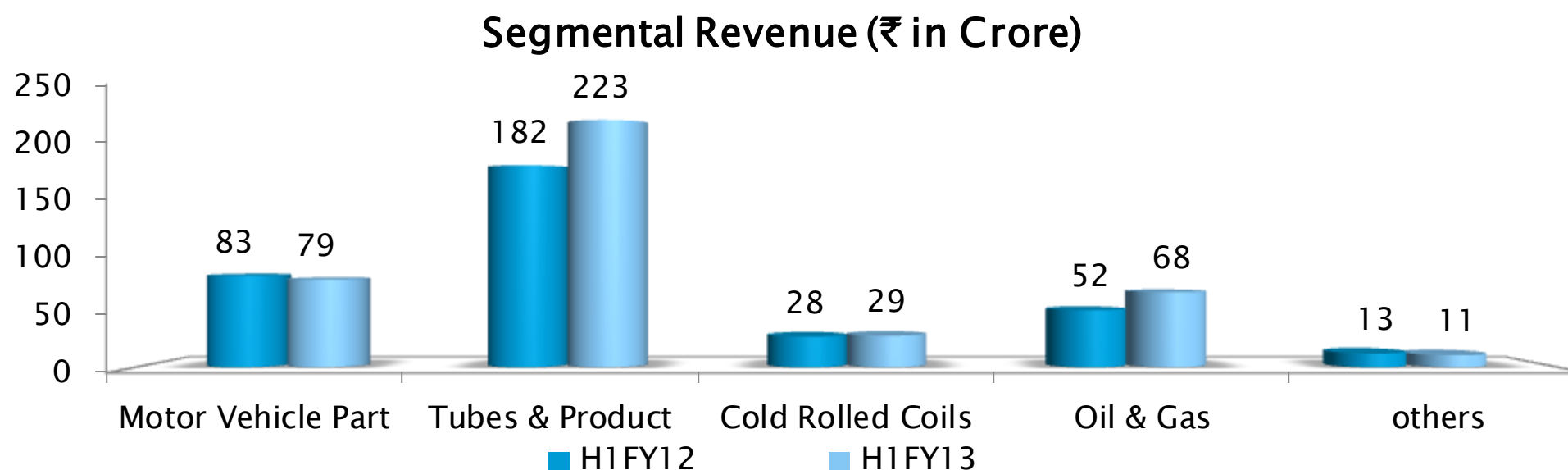


- Net sales largely driven by DOM tube and oil & gas performance
- New customer addition and commercialization of new developed products contributed to overall growth
- PAT growth in-line with revenue performance

Financial Table – H1 FY2013 (Consolidated)

Half year ended September 30, 2012	H1FY13 ₹ crore	H1FY12 ₹ crore	Growth %
Total Revenue	409.90	357.03	15%
Profit before Tax	62.99	49.58	27%
Profit after Tax and Minority Interest	40.54	34.09	19%
EPS*	6.80	6.08	12%

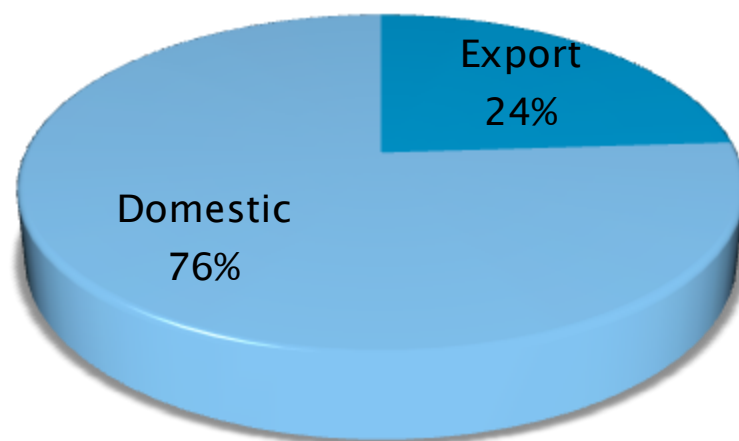
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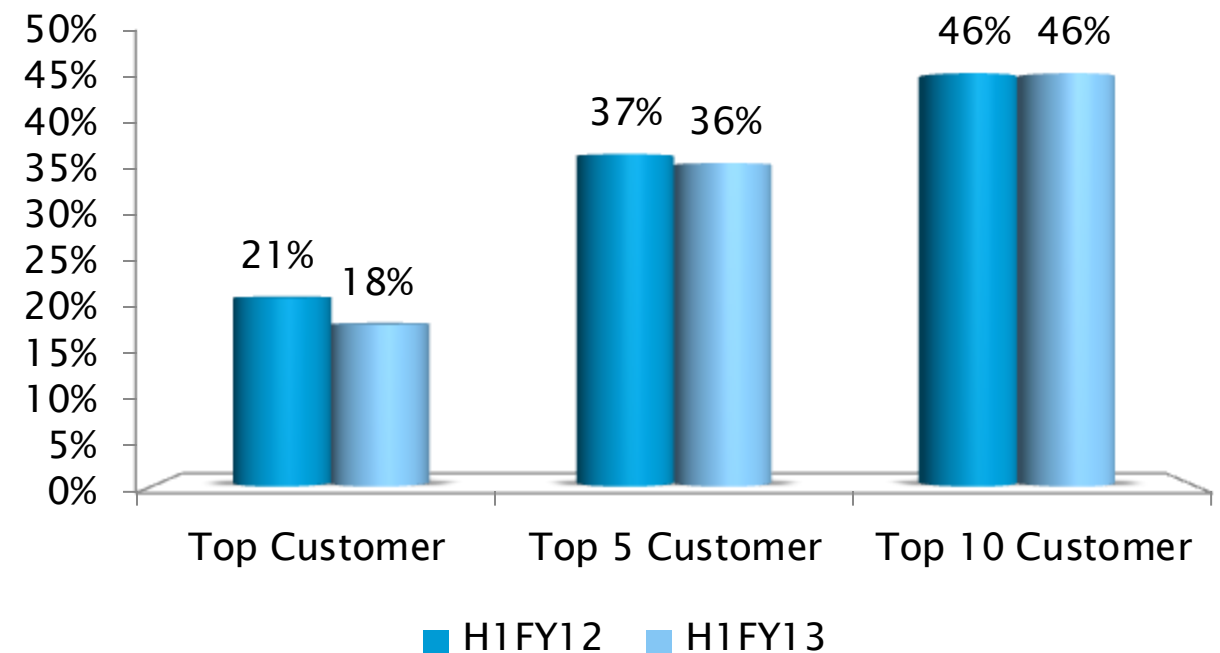
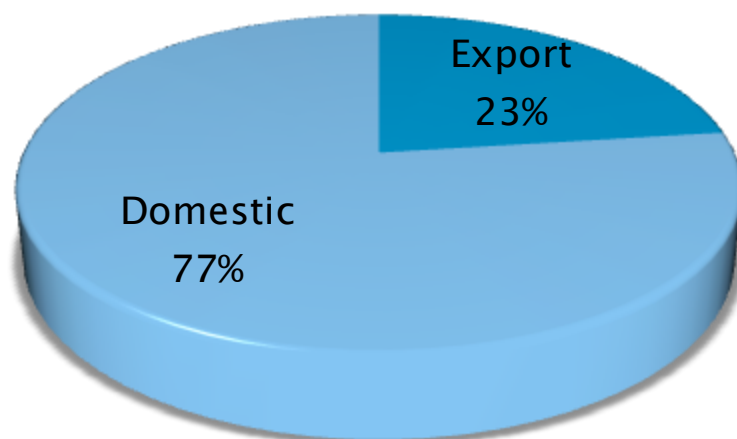
Top Customer Performance & Exports

(Consolidated)

H1FY13

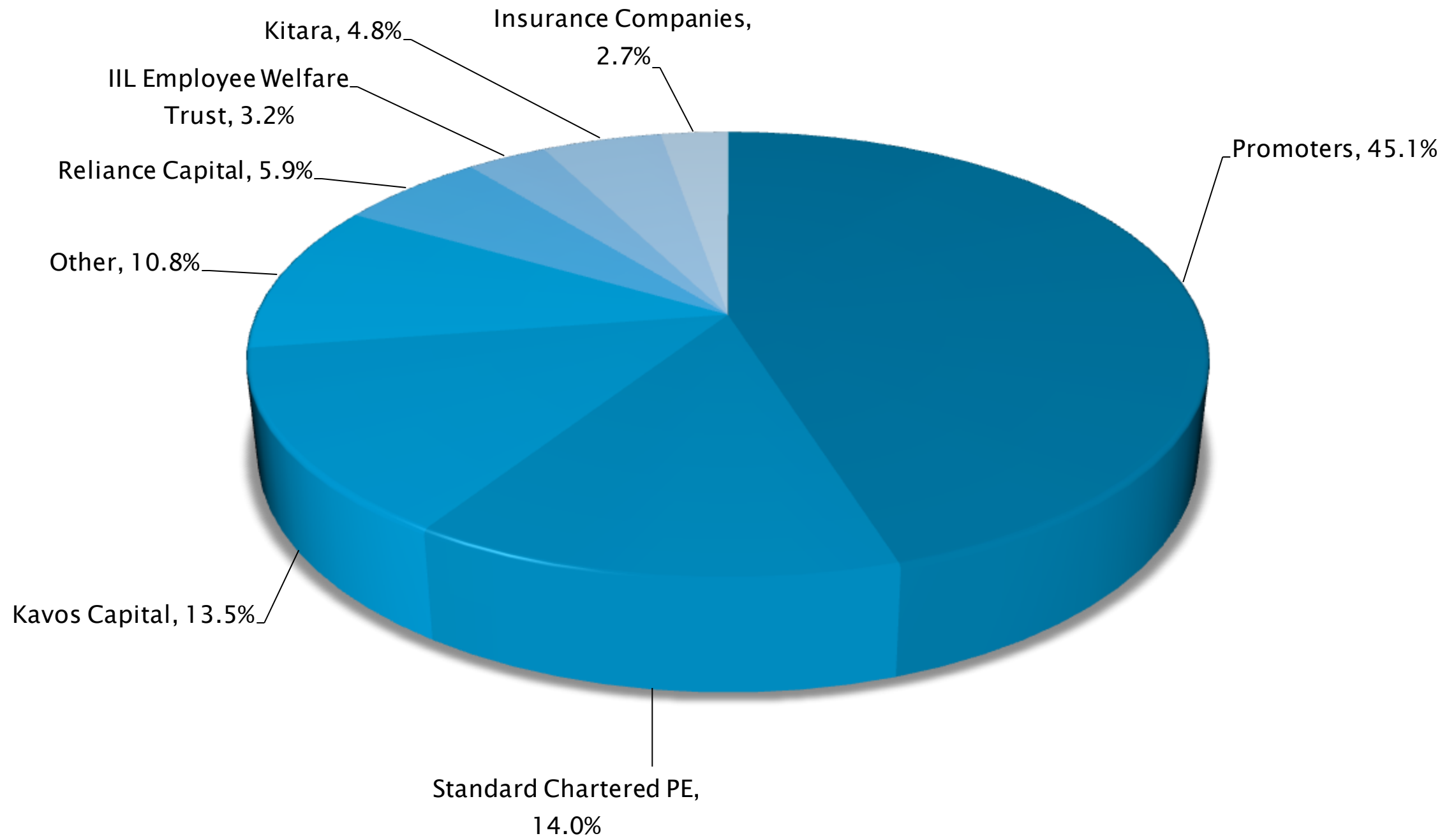


H1FY12



- Exports continued to grow and contributed to increased revenue
- Increasing number of products being supplied to US, Europe, Latin America and Middle-East
- Expanding customer base and value added products has led to a rise in export revenues

Shareholding as on September 30, 2012



Key Growth Drivers

Capacity expansion

- Major capacity expansion during last and current year for CEW / DOM tubes and Allied Products – Funded by 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 expected to continue growing in the foreseeable future
- 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

Our Strategy

Enhance 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, USA

R&D

- Leverage innovation capabilities in new product and process areas
- Engage with customers for product developments at R&D stage

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 – FY2013



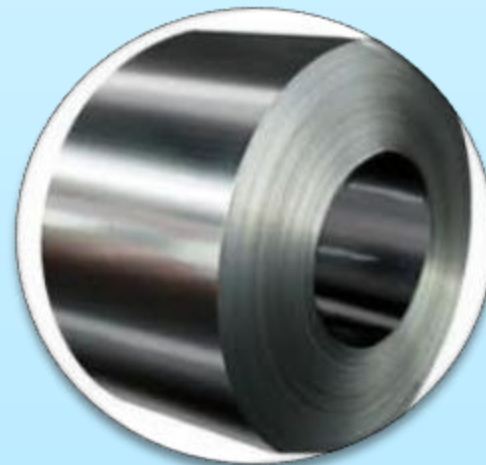
Tubes & Products (T&P)

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



Oil & Gas

- Favorable demand for hydrocarbons
- Increasing vendor certifications is set to 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 – volumes to expand



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 in line with the sales of two and three wheeler automobiles
- Impending introduction of new components to assist offtake

Thank You