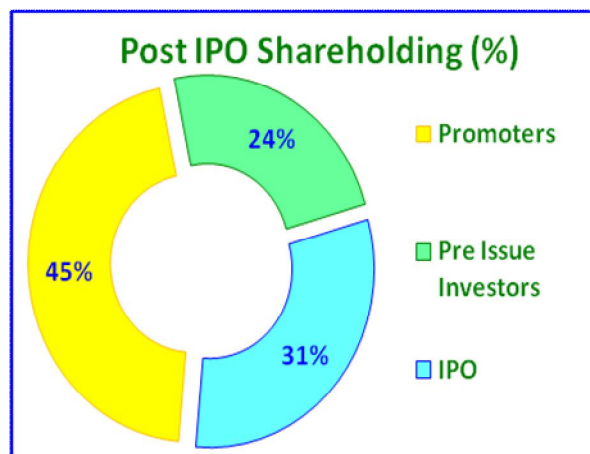




Innoventive Industries Limited (IIL)

INR 117-120 (FV 10)

Sector	Engineering
Website	www.innoventive.in
Issue Opens	26 April 2011
Issue Closes	29 April 2011
Issue	1.83 Crore Shares
Price Band (Rs.)	117-120
Aggregating	219.58 Crore
Key Executives	Chandu Chavan, Ravindra Katre Sanjay Waghulade
Registrar	Karvy
BRLM	Axis Bank, Avendus
Post Issue Equity	Rs. 59.36 Crore



Assuming Issue at Rs.120/Share Upper Band

Company Background

Incorporated in 1991, Innoventive Industries Ltd is a multiproduct engineering company engaged in the manufacturing and sale of precision steel tubes, tubular components, auto components, machined components and other steel products which find application in diverse industrial sectors such as transportation, oil & gas, power, farm equipments and general engineering. It has 6 manufacturing facilities located across Pune and Silvassa. It sells the products in the domestic as well as in export markets.

The wide range of precision steel tubes and other value added products manufactured by the company include:

ERW Precision Tubes: It manufactures Electric Resistance Welded (ERW) precision steel tubes from mild and carbon steel alloys that conform to various industrial standards as desired by the customers from transportation, power and general engineering sectors.

CEW Tubes: Cold drawn Electric Welded (CEW) tubes are value added products manufactured by cold drawing ERW tubes using draw benches and/or cold pilgering respectively. It also machines these tubes to manufacture tubular components. These CEW tubes and components find applications in power, farm equipments, transportation and general engineering sectors.

Auto Components: It manufactures a variety of machined components, press fabricated parts, welded components and assemblies catering to the transportation and farm equipments sector

Power Equipment Components: It makes power components like strips and energy tubes that are used for boilers and heat exchangers.

Oil Country Tubular Goods (OCTG): Through the subsidiary, it makes fully machined ready-to-assemble parts such as machined tubing, couplings, casing couplings, pup joints, crossovers, open-die and closed-die forgings which are used in the oil & gas sector.

Other Steel Products: Through subsidiaries, it makes cold rolled (CR) sheets, metal wires, laminates and stampings. These products are used in transportation, consumer durables, energy and general engineering sectors.



The key subsidiaries of the company include:

Key Subsidiaries	
<p>Sankalp Forgings Private Limited ("Sankalp" or "SFPL")</p> <p><i>IIL stake – 51%</i></p>	<ul style="list-style-type: none"> Engaged in manufacturing fully machined ready to assemble parts such as machined tubing, coupling, casing couplings, pup joints, cross overs etc, which are used in oil rigs/ oil wells Engaged in manufacturing open die and closed die forgings, castings used in precision engineering components, oil fields and automobile components
<p>Saicon Steel Private Limited ("Saicon" or "SSPL")</p> <p><i>IIL stake – 51%</i></p>	<ul style="list-style-type: none"> Engaged in converting Hot Rolled Steel Coils ("HR coils") to Cold Rolled Steel Coils ("CR coils") and selling the finished product to diverse industries for various applications Engaged in manufacturing and selling laminates and stampings, primarily to electrical industries
<p>Arihant Steel and Metal Wires Private Limited ("ASMWPL")</p> <p><i>IIL stake – 100%</i></p>	<ul style="list-style-type: none"> Engaged in manufacturing of steel wires using steel scrap generated in our various manufacturing plants

Objectives of the Issue

The company is likely to raise Rs.219.58 Crore through the IPO. It plans to utilize the proceeds as:

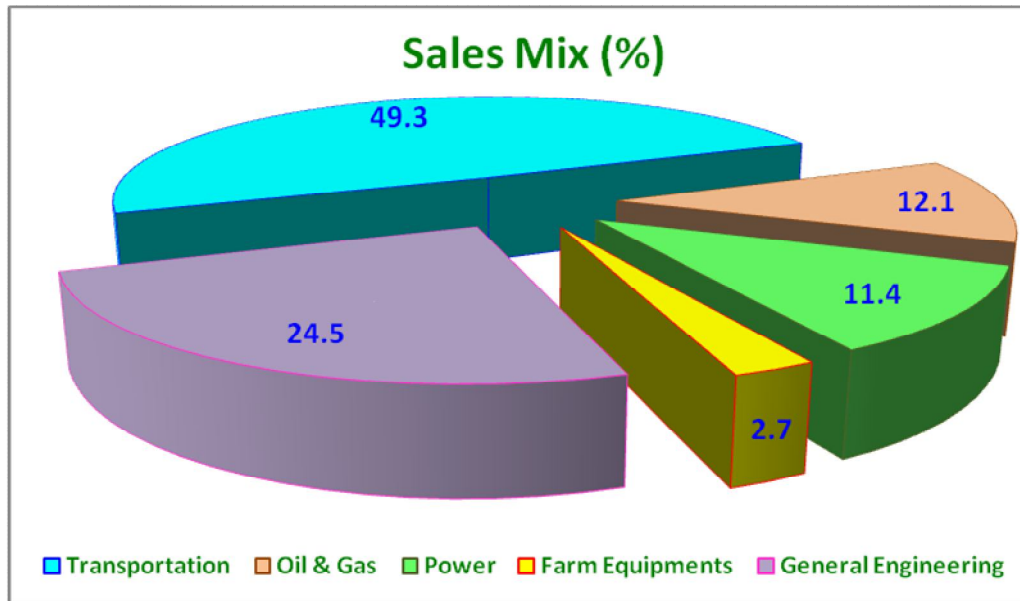
Particulars	Rs. Crore
Capacity Expansion of Manufacturing Facility	163.06
Repayment of Term Loans	50
Total Rupees Crore	213.06

Besides, it plans to meet Issue expenses, Corporate expenses, general Expenses etc. from the proceeds.

Highlights

- India is fast emerging as a global manufacturing hub. India has all the requisite skills in product, process and capital engineering, thanks to its long manufacturing history and higher education system. India's cheap, skilled manpower is attracting a number of companies, spanning diverse industries, making India a global manufacturing powerhouse. Moreover, India has the largest number of companies, outside of Japan, that have been recognized for excellence in quality.
- According to a United Nations Industrial Development Organization's (UNIDO) 'International Yearbook of Industrial Statistics 2010', India ranks among the top ten producers of manufacturing output in 2009. While the US and China occupies the first two places, India is in the ninth place followed by Brazil. India surpassed Canada, Brazil and Mexico in 2009 to reach the ninth position from the twelfth position it held in 2008.
- According to the report, India is among the global top ten in the following sectors: basic metals; electrical machinery and apparatus; transport equipment, trailers and semi-trailers; textiles; leather, leather products and footwear; coke, refined petroleum products, nuclear fuel; chemicals and chemical products.
- With constant economic growth, there is increased emphasis on infrastructure, higher industrialization, increased consumption etc. to further boost up manufacturing especially in Automotive segments, Energy etc. sectors.
- IIL is a multiproduct engineering company engaged in the manufacturing and sale of precision steel tubes, tubular components, auto components, machined components and other steel products which find application in diverse industrial sectors such as transportation, oil & gas, power, farm equipments and general engineering.
- The company has strong focus on R&D and product innovation to meet the changing requirements of the various sectors.

- The company has customers across diverse sectors:



- The company has present order book of about Rs.790 Crore. Its large part of the sales from Automotive sectors are of short term orders, which are not part of order book.
- Its major customers include Bajaj Auto Limited (the largest customer accounting for 1/5 of the sales), Bharat Heavy Electricals Limited, Thermax Limited, John Deere India, Sundram Industries Limited, Gabriel India Limited and Alstom Projects Limited etc.
- Its business is concentrated on a few customers. The revenue contribution in percentage terms from top customers on a consolidated basis:

	Apr-Dec, 2010	FY2010	FY2009	FY2008
Top Customer	20.10%	21.71%	22.03%	25.18%
Top 5 Customers	39.40%	36.61%	38.18%	39.47%
Top 10 Customers	49.80%	46.80%	43.76%	44.29%

Financial Highlights (Consolidated)

` Crore	FY 10	9 M FY 2011	FY 11 E
Net Sales	421.48	453.17	609.26
Other Income	3.67	3.84	4.25
Total Sales	425.15	457.01	613.51
Operating Expenses	310.01	334.03	448.42
Operating Profits	115.14	122.98	165.10
Interest	56.01	53.28	71.22
Depreciation	16.3	16.5	25.15
PBT	42.83	53.2	68.73
Tax	7.69	11.41	15.12
Adjustments	0.8	4.89	5.25
PAT	34.34	36.9	48.36



Equity (FV 10)	41.06	41.06	59.36
EPS (Rs. Not Annualized)	8.36	8.99	8.15
PE @ Rs. 120	14.35	13.35	14.73

Peerset Comparison

Crone (FY 10)	IIL	Gandhi Special	Lumax Auto	Tube Investments
FY 10 Total Sales	425.15	86	230.3	2362
FY 10 PAT	34.34	25.3	6.78	81
Equity	59.36	7.35	13.63	37.11
Face Value	10	5	10	2
9M FY 2011 Total Sales	457.01	67	246	2200
9 M FY 2011 PAT	36.9	19.7	14	122
9 M EPS	6.22	13.40	10.27	6.58
CMP	120	115	240	141
9 M PE (Annualized)	14.48	6.44	17.52	16.08
Market Cap	712.32	169.05	327.12	2616.26
M Cap/FY 10 Sales	1.68	1.97	1.42	1.11
9 M FY 2011 PAT (%)	8.07	29.40	2.94	3.43

Risks

- The company's dependency is very high on a few clients. Any problem with the top customers, especially with Bajaj Auto can impact the business adversely.
- Volatile metals prices directly impact the margins. Slow down in user industries has direct adverse impact on the company.
- The pricing power is limited, as the buyers are only a few.
- Company's Debt cost is rising. Any slowdown in sales can also adversely hurt profits, due to debt burden.

Valuation & Recommendation: Offers Value compared to Peers

Innoventive Industries in multi-product manufacturing company. It provides products for Automotive, Oil & Gas, Power etc. sector. The issue offers decent value compared to peers. RETAIL Investors can still wait till 28 Evening/29 Morning and then apply based on response by big Institutional Investors. The issue is given "3/5" rating by ICRA, which makes it better than the most in recent IPO rush. **Standard Chartered Private Equity (Mauritius) II has picked 26 Lakhs Shares in the company, Pre-IPO @ Rs.117/Share i.e. at lower band of the issue increases the confidence further.**

For Internal Private Circulation Only

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Shri Parasram Holdings Pvt. Ltd.

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