

Innoventive Industries Limited

Annual Report **2010-11**

Innovation
Engineering
Growth

The strengths that will propel Innoventive Industries Limited to the next level

Forward looking statement

In this Annual Report, we have disclosed forward-looking statement to enable investors to comprehend our prospects and take investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in assumptions. The achievements of results are subject to risks, uncertainties, and even inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated, or projected. Readers should keep this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

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The big picture at Innoventive Industries is consistent growth through innovation and value engineering.

Our objective is to evolve globally as an innovation-driven multi-product engineering organization. We focus on manufacturing products that carve a niche in the market on the strength of their quality-excellence and cost-effectiveness. The passion for creation drives our continuous endeavour to improve and expand the product range through innovation.

Over the past few years, we have developed a strong distribution network and supply chain management for deep penetration into national and international markets. To ensure adequate infrastructure facilities (power, water, transportation, skilled manpower), the plant locations and warehouses have been set up in industrial areas, which ensures proximity to clients.

ISO 9001:2000 and ISO/TS
16949:2002 certified

Has implemented Total
Productivity Management (TPM)

Over 1,200 employees are
consistently contributing to the
growth of our organization.

Consistently creating value across diverse sectors

WE COMMENCED OUR BUSINESS WITH SUPPLYING ELECTRIC RESISTANCE WELDED (ERW) TUBES TO THE AUTOMOBILE INDUSTRY. TODAY, WE CATER TO THE DIVERSE ENGINEERING REQUIREMENTS OF CLIENTS FROM VARIED INDUSTRIES, INCLUDING POWER, OIL AND GAS, AUTOMOBILE, FARM EQUIPMENT AND GENERAL ENGINEERING. SPECIALIZATION IN PROCESSING VARIOUS TYPES OF STEELS, FASTER DEVELOPMENT CYCLES, FLEXIBLE PRODUCTION SYSTEMS AND EFFECTIVE SUPPLY CHAIN MANAGEMENT HAVE MADE INNOVENTIVE ONE OF THE INDUSTRY LEADERS. THE PRODUCTS COMPLY WITH STRINGENT REQUIREMENTS OF SURFACE FINISH, WALL THICKNESS, DIMENSION TOLERANCE AND MECHANICAL PROPERTIES TO MAINTAIN QUALITY STANDARDS.

Mission

Install the core values of Excellence, Freedom, Integrity, Respect and Harmony

Vision

To evolve globally as value creator for customers by specializing in Total Engineering Solutions and Supply Chain Management

Offerings

Innoventive has a well-diversified product portfolio comprising

- Precision Steel Tube
 - Electric Resistance Welded (ERW) Tube
 - Cold drawn Electric Welded (CEW)/ Drawn Over Mandrel (DOM) Tube
- Auto Components
- Oil Country Tubular Goods (OCTG)
- Membrane Panel Strips
- Cold Rolled Coils
- Other Products

Operations

Six manufacturing facilities are located around Pune and Silvassa, India. The locations include:

- Sanaswadi, Shirur, Pune
- Pimple Jagtap, Shirur, Pune
- Nanekarwadi, Chakan, Khed, Pune
- VadhuBudruk, Shirur, Pune
- Galonda, Kilvani Road, Silvassa, U.T. Dadra & Nagar Haveli
- Karandi, Shirur, Pune

Market leadership

- Over 475 international and domestic customers
- Supplies superior quality CEW/ DOM tubes to around 100 customers worldwide
- Export destinations – to various geographies across the globe including Europe, the Middle East and Latin America



Evolving with vision and vigour

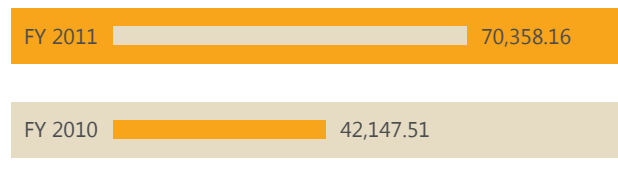
Innoventive successfully raised ₹ 21,740.53 lacs through its Initial Public Offer (IPO) during April 2011. The Company issued 1,85,81,650 equity shares of ₹ 10 each at a premium of ₹ 107 per share to around 13,352 investors in the IPO. The money will be utilized for the following purposes:

- Capacity expansion of the manufacturing facilities
- Prepayment of loans
- General corporate purposes

Consolidated Financial Highlights

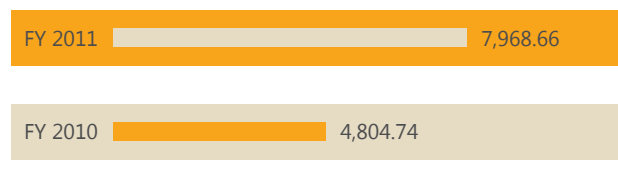
Sales

(₹ in lacs)



Profit Before Tax

(₹ in lacs)



2002

Acquisition of the Company by Mr. Chandu Chavan and other promoters

Commencement of ERW & CEW tube manufacturing


2006

Commenced manufacturing of auto components

Crossed the benchmark of ₹ 100 crore revenue


2007

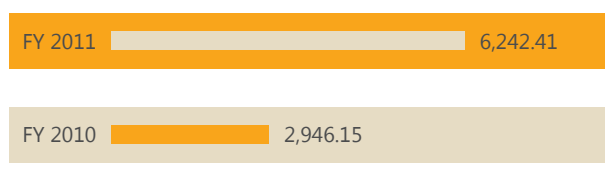
Acquired 51% stake in Saicon Steels

Acquired 26% stake in Sankalp Forgings

- A final dividend of ₹ 2 per share on face value of ₹ 10 has been recommended
- Exports increased to 16% of the total revenue in FY 2011, compared to that of 9% in the previous year

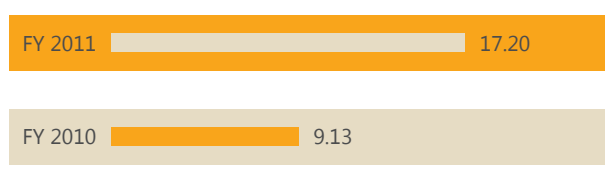
Profit After Tax

(₹ in lacs)



Earnings Per Share

(₹)



2008

Received 'Mega Project' status from the Government of Maharashtra

Increased stake in Sankalp Forgings from 26% to 51%

Kavos Capital became a shareholder in the Company



2009

Converted into a public limited company

Eligibility certificate granted for 'Mega Project'

Breakthrough innovation and commercialization of DOM tubes and Membrane Panel Strips



2010

Renamed as Innoventive Industries Limited

PE funding received from Kavos Capital

Applied patent for the novel Cold Pilgering Process



2011

Pre-IPO fund raised from Standard Chartered Private Equity (Mauritius)

Initial Public Offering (IPO) in April, 2011



Chairman's message

Dear Shareholders,

It gives me immense pride and pleasure to present to you our first annual report post our IPO. It is a humbling moment considering our modest beginnings, made even special by the fact that your Company has successfully weathered the impact of global economic slowdown which began in FY 2008 that continued through to FY 2010. Innoventive not only rightly navigated these cross-currents of the market but successfully capitalized on the opportunities that presented themselves. With the successful IPO, a new era in the course of your Company has decidedly begun.

Innoventive listed on the BSE and NSE on 13th May, 2011, marking the beginning of a relationship with the Indian capital markets. I take this opportunity to gratefully acknowledge the confidence and faith reposed by the shareholders in our Board and the Management Team which has spurred the Company to take on more challenges. Our listing has created added responsibility for us to deliver on the expectations of investors. We are committed to put in our best efforts in creating incremental shareholder value and rewarding all our stakeholders.

The global economy is facing unpredictable turbulence owing to the overwhelming debt crisis encountered by

the US and the Eurozone. Although the tremors of the crisis might marginally impact India, the fundamentals of the Indian economy are robust enough to counter such headwinds. India's economy is firmly in place to grow attractively over the next decade, attracting investments and technology alliances globally. This sets the optimism that prevails in the domestic markets, although inflationary pressure remains a concern.

At Innoventive, we have always believed that innovation is the key to long-term growth. We have also seen that even in a sluggish market, customers embrace brands with a high innovation quotient. The reason is that innovation is not an end in itself; it heralds a culture of constant evolution to create value. This creates a strong positive branding for any organization, which benefits it in the long run. Our multi-product precision engineering has also stood us in good stead, helping us sustain a strong growth performance.

In fiscal 2011, we accelerated our growth pace and witnessed superlative performance. Our total income increased by 67%, whereas profit after tax recorded an exponential growth of 110%. With high economic expansion, the key segments including power, general engineering, oil and gas, automobile and farm equipment, are on a growth path. These in turn accelerates the growth of our business line.



IN FISCAL 2011, WE ACCELERATED OUR GROWTH PACE AND WITNESSED SUPERLATIVE PERFORMANCE. OUR TOTAL INCOME INCREASED BY 67%, WHEREAS PROFIT AFTER TAX RECORDED AN EXPONENTIAL GROWTH OF 110%. 

To cater to the requirements of our user industries, we are investing and improving our research and developments continuously. Advanced technologies have been installed in our plants. The Company's products have received high acclaim and we have also introduced a number of innovative and exclusive products in the current year. The objective is to enhance customer satisfaction by providing cost-effective products, without compromising on quality.

We have tapped high-growth markets both domestically and globally. In future, we are planning to concentrate more on margin-accretive products to strengthen our revenue model. In addition, we are looking for global opportunities to forge strategic collaborations or make acquisitions to enhance technical expertise or access new markets.

Looking back, when we started with less than 30 people, we had no idea of how the Company will evolve. Today's Innoventive is a result of combined efforts put in by a strong management team of over 30 professionals and more than 1,200 employees and their ideas. I know many of them have sacrificed their personal lives to drive organizational growth. At this juncture, I take the opportunity to thank all of them, and look forward to their continued support.

The road ahead is full of opportunities. We have the capabilities and the confidence to turn those opportunities into vibrant realities. We look forward to your continued guidance. I am very grateful for your consistent support.

Warm Regards,
Chandu L. Chavan
Chairman

Consistent leadership with a well diversified engineering business model

WITH A VISION TO EMERGE AS A GLOBAL VALUE-CREATOR, WE ARE SIGNIFICANTLY IMPROVING OUR PRODUCTS AND PROCESS EXCELLENCE. THE RESULT IS BUSINESS RESILIENCE, STRONG CUSTOMER SATISFACTION AND LOYALTY.

Over the years, we have significantly secured industry leadership and enhanced our performance, through a number of innovative products, exclusive to the industry. In certain applications, we have successfully replaced the usage of seamless tubes, non-ferrous tubes, bars and tubular components with our very unique CEW / DOM tubes. In membrane panel strips, we have the capability to slit the hot rolled coils to narrow-width strips with accuracy that ranges from 22 mm to 6 mm. The strips find extensive use in boilers and heat exchangers. We have successfully created rubber to metal bounded tubes and complex profile tubes. In automobiles, our skill to work using high grade steel alloys and non-ferrous metals has successfully reduced the weight of the vehicles. We have expertise in special products like perforated tubes, tubes with spine and VW Polo IP Beam. Innoventive has recently commercialized the production of hydraulic cylinder tubes, bearing spacers, impact beams and drag linkages. Production of bi-metallic tube, which is exclusive across the whole world, and anti-roll bars are in the pipeline. Today, we are a part of the high growth sectors like power, oil and gas, farm equipment, automobile and general engineering.

Consolidated Revenue from user industries

(₹ in lacs)

Industries	FY 2011	Contribution in total sales (%)	FY 2010	Contribution in total sales (%)	FY 2009	Contribution in total sales (%)
Transportation	35,923.82	51.06	20,098	47.68	19,190.60	53.02
Oil & Gas	8,120.81	11.54	4,389.00	10.41	3,746.70	10.35
Power	8,534.44	12.13	5,265.60	12.49	3,964.90	10.95
Farm Equipment	2,047.42	2.91	1,239.70	2.94	488.20	1.35
General Engineering	15,731.67	22.36	11,155.21	26.47	8,805.61	24.33
Total Sales	70,358.16	100.00	42,147.51	100.00	36,196.31	100.00