

## Innoventive Industries : Average Issue; Invest IPO Note: Well expansion plan, growing sector but high debt Rating\*\*

### Issue details

Price band (Rs)	Rs. 117 - Rs. 120
IPO Opening Date	26/04/2011
IPO Closing Date	29/04/2011
Issue Size	Rs. 219.58 Crore

### Valuations & Recommendation

Innoventive Industries manufactures precision steel tubes which are used in automobile industry, energy sector, general engineering and furniture industry. Innoventive Industries recorded a 143% jump in net profit to Rs 34.34 crore in FY 2010 on a topline growth of 16% to Rs 421.48 crore. Operating Profit margin increased by 960 basis point due to increased share of high margin products. For the nine months ended December 2010, the top line and bottom line has already surpassed that of FY 2010 results.

At Rs 117-120, the issue is priced around 14.5 times at upper price band, on the post issue capital. It's turnover is about Rs 400Cr. The pricing looks attractive. The annualized EPS for the nine months ended December 2010 stood at Rs 8.2 and Rs 8.3 on post-issue equity of Rs 59.83 and Rs 59.36, respectively. The listed peers are Tube Investments (FV Rs2, Turnover ~Rs 2500Cr.) which is trading at 12.5 times and Gandhi Special Tubes (FV Rs5, Turnover ~Rs 90Cr.) which is trading around 6 PE. Keeping in view the high growth prospects and company's futures plan we recommend to invest this issue for listing gain.

### Highlights

- ◆ The company manufactures a wide range of products comprising ERW and CEW precision steel tubes, tubular, auto, machined components and assemblies
- ◆ The company has installed capacity of 64,800 MT/annum for ERW tubes and 23,265 MT/annum for CEW tubes.
- ◆ Key customers are Bajaj Auto, Bhel, Thermax, John Deere India, Sundram Industries, Gabriel India and Alstom Projects.
- ◆ A part of the IPO amount (Rs 50cr) goes for repayment of long term debt.
- ◆ The precision tubes market in India is forecasted to grow at a CAGR of 16.8% from FY 2009-10 to FY 2014-15.
- ◆ Top 10 customers account for 50% of the turnover
- ◆ CARE has assigned 3/5 grade to the proposed IPO
- ◆ As on August 31, 2010, the company had Rs. 285.35cr (secured) and Rs. 47.73cr (unsecured) loans

### Company Introduction

#### Company Profile

Innoventive Industries (formerly Arihant Domestic Appliances) is a multi product engineering company engaged into 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 equipment and general engineering. It has six manufacturing facilities, located across Pune and Silvassa.



We manufacture a range of precision steel tubes and other value added products as below: [Read more...](#)

[www.innoventive.in](http://www.innoventive.in)

## RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

## Export

Its market its products domestically and also exported to 10 countries across the globe. In USA, it sell its CEW tubes under the brand of ARIDOM through a long term arrangement with Salem Steel North America, LLC. It caters to over 475 customers worldwide. Its key customers include Bajaj Auto, Bhel, Thermax, John Deere India, Sundram Industries, Gabriel India and Alstom Projects.

## Product Portfolio

The company manufactures a wide range of products comprising ERW and CEW precision steel tubes, tubular, auto, machined components and assemblies. Its products find variety of applications in the transportation, oil & gas, power, farm equipments and general engineering sectors.

## Industry Overview

In terms of value, the domestic consumption (domestic sales and imports) of precision tubes amounted to Rs 3,484.6 crore in FY 2009-10 and exports worth Rs 575.2 crore were made during the same period. The mild/carbon and stainless steel grade precision tubes accounted for a revenue share of 75.0% of this market.

In terms of revenue, the precision tubes market in India is forecasted to grow at a CAGR of 16.8% from FY 2009-10 to FY 2014-15. In terms of volumes, the domestic consumption of precision tubes amounted to 481,357 tonnes in FY 2009- 10. From FY 2009-10 to FY 2014-15, the overall precision tube market is projected to grow at a CAGR of 10.7% in terms of volume. The ERW, CEW and Seamless tube segments are projected to grow at a CAGR of 9.9%, 14.2% and 9.3% respectively over the same period.

## Issue Proceeds

- Capacity expansion of manufacturing facility
- Repayment of term loan
- General corporate purpose

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