



Innocorp Ltd.
For Medium Term

Face Value: Rs 10
CMP: Rs 32
Target Price: Rs 60
BSE Group/Code: B2/531929
52-Week High/Low: Rs 41/12
Market Cap: Rs 25.3 cr.

Highlights:

- Diversified interest in Power & IT
- Has successfully ventured into turnkey projects
- Leveraging its technical expertise in the power distribution
- Few FIIs have already taken stake

Background:

Incorporated in 1994, in Hyderabad as Innosoft Technologies Ltd., Innocorp has diversified interests in plastic; IT enables services and power infrastructure.

Promoters:

The company was promoted by Prasad VSS Ganapati, who is present chairman & managing director.

Products & Services:

- High technology plastic molded products
- Power cables
- Provides quick & reliable database like power supply parameters, on-line billing & collections, report generation.
- Provides MBC Metering, Billing & Collections,
- Enables Energy Accounting & Energy Auditing.

Manufacturing Division:

Innocorp has been engaged in contract manufacturing of high quality Plastic Molded Products, and our state-of-the-art facility is located at a 25000-sq.ft building in Hyderabad. This division has manufacturing tie up with multinational company "TUPPERWARE India Private Limited".

IT Division:

Innocorp provides high quality cost effective IT services to energy sector. The advantage of having an international outlook makes Innocorp an ideal partner in the area of IT applications in energy sector.

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Power Infrastructure:

Conductor (Gem Cables make - ACSR, XLPE, allied materials), Poles (Kiran Electricals and Engg make) Distribution Transformers (Capacities upto 500 KVA), Polymer Insulators (Goldstone make - different capacities), Power Factor Controllers, Static Energy Meters, Hand Held Data Loggers, Electrical Power Analyzers and Switched/Fixed Capacitor banks (All 'AEE Services Pvt. Ltd' Make) and IT Solutions for Distribution sector (All from PHEONIX)

IT Enabled Services:

Innocorp has tied up with IT companies in the areas of Consumer Information and Administration Systems, New Connections, Billing, Trouble Call Management, Programmable Logic Controls (PLC), Geospatial Information Systems, SCADA etc., with a view to provide consultancy and development services to Distribution Companies. Innocorp has developed teams that can design and present various modules of Modernization and Automation viz., SCADA, Remote Monitoring Units, Data Loggers etc.

Project Execution:

LT / HT Line construction, Sub station construction, Energy Audit and Accounting, Consumer indexing and Database management, HVDS, SCADA.

Contract manufacturing: Plastic Molding.

Financial Performance:

Rs in crore	Q3fy07	Q3fy06	%	9 month	9 month	%	FY06	FY05	%
				FY07	FY06				
Sales	8.62	8.3	3.9	20.71	19.96	3.8	28.48	5.3	437.4
Other Income	0.01	0	-	0.22	0.34	-35.3	0.58	0.4	45
PBIDT	2.27	1.28	77.3	3.81	3.17	20.2	3.88	1.1	252.7
Interest	0.4	0.09	344.4	0.88	0.3	193.3	0.67	0.26	157.7
PBBDT	1.87	1.19	57.1	2.93	2.87	2.1	3.21	0.84	282.1
Depreciation	0.39	0.13	200	0.69	0.38	81.6	0.51	0.43	18.6
PBT	1.48	1.06	39.6	2.24	2.49	-10	2.7	0.41	558.5
Tax	0.12	0	-	0.12	0	0	0.37	0.03	1133.3
Deferred Tax	0	0	-	0	0	0	-0.56	-0.02	-2700
PAT	1.36	1.06	28.3	2.12	2.49	-14.9	2.89	0.4	622.5
Equity							7.9	6.8	
Reserves							10	5.4	
Book Value (Rs)							22.6	17.9	
EPS (Rs)							3.7		
OP Margin (%)	26.3	15.3		18.3	15.9		13.6	20.7	
NP Margin (%)	15.8	12.8		10.2	12.5		10.1		



Acquisitions:

Innocorp has acquired two firms managed by experienced manpower in the area of project execution. With this acquisition, it now has two state licenses for contracting works in A.P and Karnataka. It also has the work experience, which is crucial requirement in bidding for the works. The firms it has acquired are:

Kiran Electricals & Engineering: Specialists in turnkey execution of LT and HT lines, Sub-stations etc. experienced for more than 20 years, reputed in the HESCOM area for their "Implementation of Impossible projects."

Avinash Constructons: Class I contractors in AP Transco for over 15 years and a works profile of over 300 KM LT / HT / EHT line and substations.

Acquisition of Gem Cables & Conductors:

Innosoft is set to acquire Hyderabad based Gem Cables & Conductors and turn it into a subsidiary by taking over equity shares of the promoters and their associates through swap ratio of equity shares to be decided by both the companies. The modalities are being worked out.

Future Plans:

With its recent diversification into power, it is planning to enter into contract manufacturing of the materials as per the requirement. It has already entered into MOUs with manufacturers of Poles, Electric Conductor, Transformers, Energy Meters and Switched Capacitor Banks.

Financial:

Equity capital is Rs 7.9 crore. With reserves of Rs 10 crore, the book value of the share works out to Rs 23.

Equity Holding:

Promoters-27%
Foreign- 31.7%
Mutual Funds-4.6%
PCBs-8.2
Public-28.5%

The foreign holding is collectively held by Taib Securities (Mauritius) Ltd, DBMGOF (Mauritius) Ltd., Hamon Asset Management Ltd etc.



Prospects:

- Today, the focus in various sectors of the Power Industry is on the Distribution Segment and APDRP, including Project Appraisal, Research and Reconnaissance about the core operating areas, Feasibility Study, Design of Engineering and technical particulars, Pre-tendering process and consultancy at various stages of project execution.
- Currently, India has an installed capacity of about 1, 24,000 MW. By 2012, meeting the demand for electricity will require an installed capacity of more than 2, 00,000 MW, which is 60% more of what we have at present.
- It is further estimated that by 2020, India's requirement will be 4, 00,000 MW. The country requires energy in such large quantity as our economy is expected to grow at 8-10% over the next few years. The Union government has embarked on a plan to add 33,000 MW of capacity in the public sector and 6,500 MW of capacity in the private sector in one-three years.
- The Government has set itself vision of 'Power for all by 2012'. This will entail an investment of Rs.11, 50, 000 crore in power generation, transmission and distribution.
- The prospects for IT-enabled services to are extremely bright.

Outlook:

- Innocorp has a power-packed team of professionals who have played a key role in designing the power policies of the state of A.P. Apart from these; the company has built up very strong teams in all the areas of the power industry.
- With Indian power sector (especially distribution) opening up to modernization, and the announcing of power as a priority segment by the Government of India, and several programs and projects in the pipeline, Innocorp is fully geared to deliver the competitive advantage.
- With a core team that is actively involved in both the sides of projects - Utilities and the Contractors - Innocorp has the unique ability to understand both perspectives, and cater to the holistic requirements of the power industry.
- Innocorp has currently orders on hand of Rs 105 crore for power infrastructure division and Rs 11 crore in the manufacturing division.

Investment Perspectives:

The massive investment lined up in the power sector is expected to bring substantial business to the Innocorp in the coming years. With substantial orders on hand, Innocorp is likely to generate sales of Rs 32 crore in FY07 with a net profit of Rs 4.5 crore giving an EPS of Rs 5.6.

The sales are expected to surge to Rs 50 crore in FY08 with a net profit increasing to Rs 8 crore. This would give an EPS of Rs 10 in FY08. With the acquisition of Gem Cables & Conductors, the sales are likely to advance to over Rs 85 crore in FY09 with a net profit increasing to Rs 11 crore. EPS would advance to Rs 14.

The share are traded at Rs 32 at a P/E of 3.2 on FY08E and 2.3 on FY09E are recommended with a medium term target of Rs 60 in the medium term.

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Sunidhi

Innocorp Ltd.
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