

### The Issue

Type of Issue	Issue size Rs. Mn
Fresh	0.0
Offer for Sale	12,500.0
<b>Total</b>	<b>12,500.0</b>
<b>Post issue mkt cap (Rs. mn)*</b>	<b>40,023.5</b>
<b>Lot size</b>	<b>21 shares</b>

\*At Upper Price Band

### Issue Break-Up

Reservation for	% of Issue
QIB	50%
NIB	15%
Retail	35%
<b>Total</b>	<b>100%</b>

### Indicative Offer Timeline

### Indicative Date

Bid/Offer Opening Date	Dec 20, 2024
Bid/Offer Closing Date	Dec 24, 2024
Finalization of the Basis of Allotment	Dec 26, 2024
Credit of shares	Dec 27, 2024
Initiation of refunds	Dec 27, 2024
Listing Date	Dec 30, 2024

### Use of Proceeds

Issue is entirely OFS

### General Corp Purpose

<b>Manager</b>	Axis capital Ltd., BNP Paribas, Nuvama Wealth Management Ltd.
<b>Registrar</b>	Link Intime India Pvt. Ltd.

**Saral Seth**

VP—Institutional Equities

## Growth to hinge on Agriculture and Infrastructure sector; SUBSCRIBE

- Commenced operations in 1997, Carraro India Ltd. is a leading supplier of axles, transmission systems, gears, and related components for tractors and construction vehicles in India.
- The company manufactures axles and transmission systems for agricultural tractors and construction vehicles such as backhoe loaders, cranes, and compactors. The company also offers a variety of products, including different horsepower axles, transmission systems, gears, shafts, and ring gears for industrial and automotive vehicles.
- Segment wise revenue mix -**
  - Axles and transmission systems for agricultural tractors (45% of sales | FY22-24 CAGR of 3%):** Manufactures axles and transmission systems for agricultural tractors, in India and export markets.
  - Gears and transmission system for construction vehicles (41% of sales | FY22-24 CAGR of 17%):** Manufactures Gears and Transmission systems for backhoe loaders, compact wheel loaders, telehandlers, crane, fork-lift, aerial working platforms, self-loading concrete mixers and soil compactors for use in construction
  - Others segment (14% of sales | FY22-24 CAGR of 11%):** Manufactures Gears, Shafts and Ring Gears for Industrial and Auto segment.
- The company has two manufacturing plants in Pune, Maharashtra and caters to 38 OEMs in India and exports internationally through Carraro Drive Tech Italia S.p.A.
- The company holds 49.4% market share in Agriculture, 38.4% in Construction, and 12.2% in Other sectors. Its Top 10 customers contribute 85.4% to its sales which include marquee names like **the Carraro Group, CNH, M&M, John Deere India, International Tractors., Escorts Kubota.**
- Region wise mix:** India - 62.5% | Europe - 33.8% (mainly to parent) | America - 3.1% | Others - 0.6%.

**Valuation and Outlook:** At the upper price band of Rs 704, the IPO is valued at a P/E of 178.5x/82.6x/64.0x FY22/23/24 earnings. The company is one of the leading manufacturers of axles and transmission systems for agricultural tractors and construction vehicle industry. It caters to leading industrial and automotive OEMs for Gear shafts. The company has grown its Revenue/EBITDA/PAT at a CAGR of 9%/48%/67% over FY22-24 led by new customer additions, improved product mix (shift towards higher HP tractors) and market share gains. The company also exports components to its parent CARRARO S.p.A, Italy (~33% of sales). We believe the Indian tractor industry is poised to grow at 7% CAGR over FY24-27E and CARRARO should gain ahead of the industry backed by new product applications and market share gain. We thus assign a **SUBSCRIBE** rating to the IPO.

## Carraro India Ltd.

### Financial summary

Financial summary (Rs. mn)	FY22	FY23	FY24
Revenue	14,975	17,131	17,890
Adj. EBITDA	604	1,047	1,324
Adj. EBITDA margin (%)	4.0%	6.1%	7.4%
PAT	224	485	626
PAT margin (%)	1.5%	2.8%	3.5%

### Pre-issue and post-issue holding structure

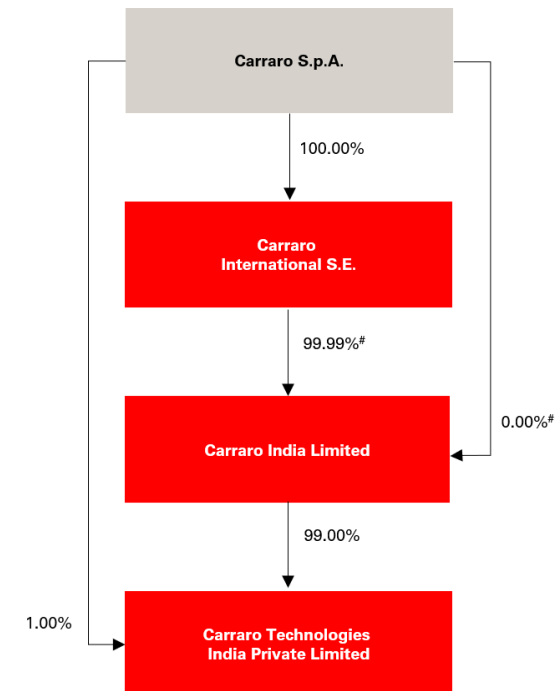
	Pre-issue	Post-issue*
Shareholding pattern	Holding (%)	Holding (%)
Promoter & Promoter Group	100.0	68.8
Public	0.0	31.2
Total	100.0	100.0













\* At upper price band

### Key risks:

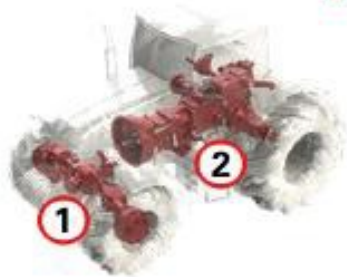
- **Seasonal sales fluctuations:** Agricultural tractor sales are affected by seasonal demand, rising costs, and product development, which can cause fluctuations in results and impact financial performance of the company.
- **Potential competition and conflicts:** Conflicts of interest may arise with Group Companies due to similar business activities, lack of non-compete agreements, and competition, affecting Carraro India's business and financial performance.
- **Dependence on tractor and construction markets:** Carraro India's business depends on global tractor and construction vehicle markets, which can be affected by factors like demand fluctuations, government policies, and economic conditions, impacting sales and financial performance.
- **Dependence on manufacturing stability:** The Company's manufacturing plants may face risks like equipment failure, labour disputes, power interruptions, natural disasters, or regulatory issues, potentially impacting production, and operations.
- **Royalty** paid to parent has ranged between 1-2% of sales but has been reducing gradually. Any sharp increase in royalty payment could impact the company's profitability.

### Corporate structure of Carraro India

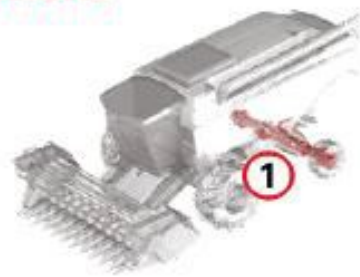


	Agricultural tractor			Construction vehicle		
Axles						
	30 – 50 HP	49 – 135 HP	50 – 75 HP	Steering Axle 1 - 9.5 T UVW	Rigid Axle 1- 9.5 T UVW	Rigid Hypoid Axle 5 - 17 T UVW
Transmission Systems						
	T40 & T50	50-90 HP	Upto 150 HP	TCB80	TCB80SPS	Hydrostatic Infinitely Variable

### Agricultural equipment

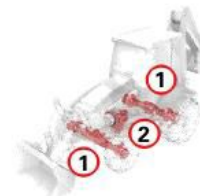


**Tractor**



**Harvester**

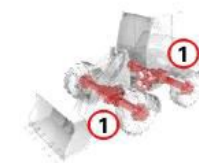
### Construction equipment



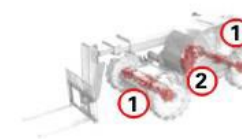
**Back-hoe loader  
(BHL)**



**Self loading concrete  
mixers (SLCM)**



**Compact wheel loader  
(CWL)**



**Telescopic boom handler  
(TBH)**



**Soil compactor  
(SCOM)**



**Forklift trucks  
(MH)**

**End-user segment mix (In %)**

Particulars	2022	2023	2024	9MFY24
Agricultural Tractors	50.6%	49.4%	45.0%	47.0%
Construction Vehicles	36.1%	38.4%	41.3%	39.6%
Others	13.3%	12.2%	13.7%	13.3%

**Revenue mix from India and Exports (In %)**

	2022	2023	2024	9MFY24
<b>India</b>	<b>63.2%</b>	<b>61.8%</b>	<b>64.1%</b>	<b>65.4%</b>
<b>Exports</b>	<b>36.8%</b>	<b>38.2%</b>	<b>35.9%</b>	<b>34.6%</b>
• European Union	32.9%	34.6%	34.6%	33.2%
• Asia (Excluding India)	0.8%	0.6%	0.8%	1.0%
• America	3.0%	3.0%	0.4%	0.2%
• Rest of the World	0.0%	0.0%	0.0%	0.0%

**Production in units and capacity utilization (%)**

Units	2022	2023	2024	6MFY24
Axles	72,654	74,342	68,961	42,144
Transmission System	47,129	47,055	46,579	19,635
Other Components	11,503	10,772	14,066	8,112
<i>Driveline Utilisation (%)</i>	<i>82.3%</i>	<i>80.2%</i>	<i>81.0%</i>	<i>76.8%</i>
<i>Gear Utilisation (%)</i>	<i>84.8%</i>	<i>93.2%</i>	<i>89.9%</i>	<i>71.4%</i>

**Royalty to parent (Rs in mn) and as a % of sales**

Rs in mn	FY22	FY23	FY24	9MFY24
<b>Royalty</b>	<b>407.5</b>	<b>421.2</b>	<b>256.0</b>	<b>44.5</b>
<b>% of sales</b>	<b>2.7%</b>	<b>2.5%</b>	<b>1.4%</b>	<b>0.5%</b>

## Carraro India Ltd.

### Revenue from top 10 customers (9MFY24)

OEM Name	Rs in mn	% of sales
The Carraro Group	3,043	37.9%
Mahindra & Mahindra	1,187	14.8%
CNH	1,163	14.5%
Customer E	515	6.4%
Sonalika	454	5.6%
Bull Machines Private Limited	420	5.2%
Customer F	371	4.6%
Customer C	341	4.2%
Customer A	319	4.0%
Customer D	226	2.8%
<b>Total sales</b>	<b>8,037</b>	<b>100.0%</b>

### Key customers include leading domestic and International OEMs

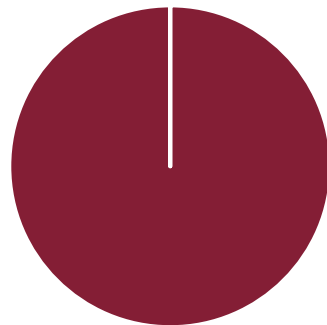
Product Sector	Customers
Agricultural tractor sector	Mahindra
	TAFE
	SONALIKA INTERNATIONAL
	ACE
Construction vehicle sector	CNH INDUSTRIAL
	KARIAR
	PREET
	BULL
Others sector	CNH INDUSTRIAL
	Mahindra
	VOLVO Construction Equipment
	TEREX
	DOOSAN
	Bobcat
	KION GROUP
	DYNAPAC
	LIUGONG

### Segment wise customer base

No. of customers	FY22	FY23	FY24	9MFY24
Agricultural tractor sector only	10	9	12	12
Construction vehicle sector only	15	17	16	18
Both segments	6	6	6	5
Others segment	11	9	10	9
<b>Total customers</b>	<b>42</b>	<b>41</b>	<b>44</b>	<b>44</b>

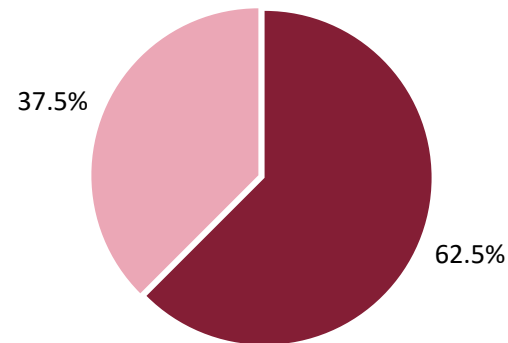
### Company has 2 facilities in Pune and Ranjangaon



**Market share by volume (%)**
**Agricultural Tractor Transmission**


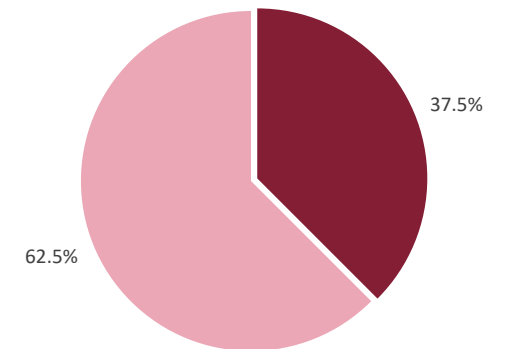
100.0%

■ Carraro

**Construction Vehicle Transmission (~)**


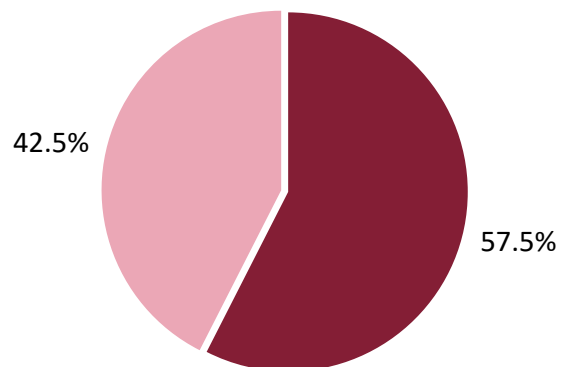
62.5%

■ Construction Vehicle Transmission ■ Carraro ■ Others

**Agriculture Tractor 4WD Axle (~)**


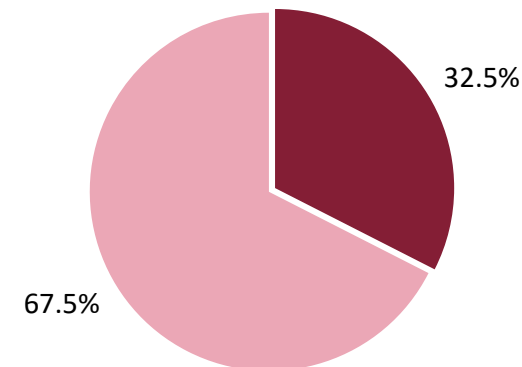
37.5%

■ Agriculture Tractor 4WD Axle ■ Carraro ■ Others

**Agricultural Tractor 4WD Axle, >40 HP (~)**


57.5%

■ Agricultural Tractor 4WD Axle, &gt;40 HP ■ Carraro ■ Others

**Indian Construction Vehicle Rear Axle (~)**


32.5%

■ Indian Construction Vehicle Rear Axle ■ Carraro ■ Others



**Driveline manufacturing plant****Gears manufacturing plant**

## Carraro India Ltd.

### Strengths:

- **Tier 1 Supplier:** The company is a leading supplier of axles, transmission systems, and gears for agricultural and construction vehicles in India. Company is the market leader in tractor transmission systems and have a strong competitive advantage due to product complexity and long customer relationships.
- **Customized OEM Solutions:** The company provides customized driveline solutions for key customers like Mahindra and Bull Machines. Also, The company supply axles and transmission systems for tractors and construction vehicles. With long-term contracts, company maintain strong relationships with domestic and international OEMs, generating significant revenue from both markets.
- **Strong Supplier Network:** As a one-stop OEM supplier, the company has strong relationships with 220 domestic and 58 international suppliers, focusing on local sourcing to reduce costs, optimize logistics, and ensure quality.
- **In-house Innovation Expertise:** The company, through the acquisition of CTIPL and its R&D centre, strengthened its design, R&D, and manufacturing capabilities, enhancing competitiveness, and enabling innovation in electric transmission projects.
- **Advanced Manufacturing Capabilities:** The company operate two manufacturing plants in Pune, producing axles, transmission systems, gears, and related components with using advanced technology, high quality, and efficiency.
- **Experienced Leadership Team:** Experienced management team driving growth through cost optimization, local supply chain, quality improvements, and regional expansion, enhancing profitability and efficiency.

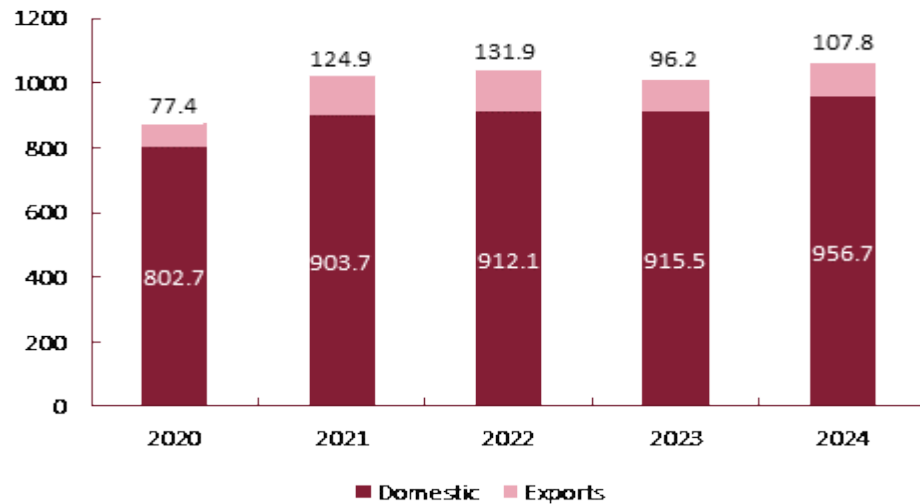
### Strategies:

- **Strong Market Positioning:** Company's growth strategy focuses on innovation, cost optimization, expanding local suppliers, and capitalizing on industry trends to increase market share.
- **Product Innovation:** The Company plan to expand market penetration through new product introductions, innovation in applications, and entry into new segments, enhancing growth and customer value.
- **Future-Ready Market Expansion:** The Company aim to drive growth by introducing future-ready technologies, including electric and high-HP transmissions, to meet the increasing demand in the agricultural and construction vehicle sectors, leveraging innovations from the Carraro Group.
- **Production Expansion Strategy:** Carraro India Ltd. planning to enhance production capabilities in Pune, expand manufacturing plants, implement digitalization for efficiency, and increase automation while focusing on sustainability and carbon reduction.
- **Enhancing Local Efficiency:** The company wants to localize their supply chain, expand local suppliers, vertically integrate key components, and optimize cost and efficiency.

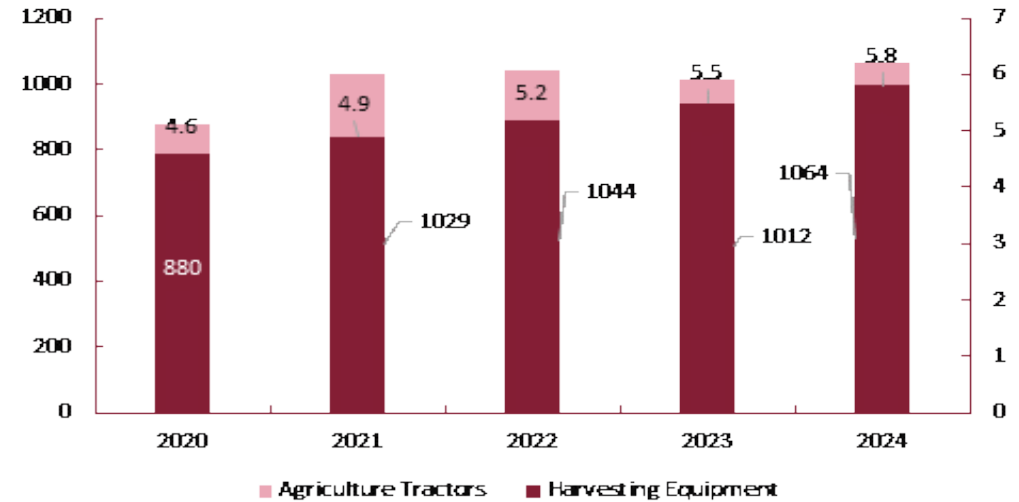


## Industry

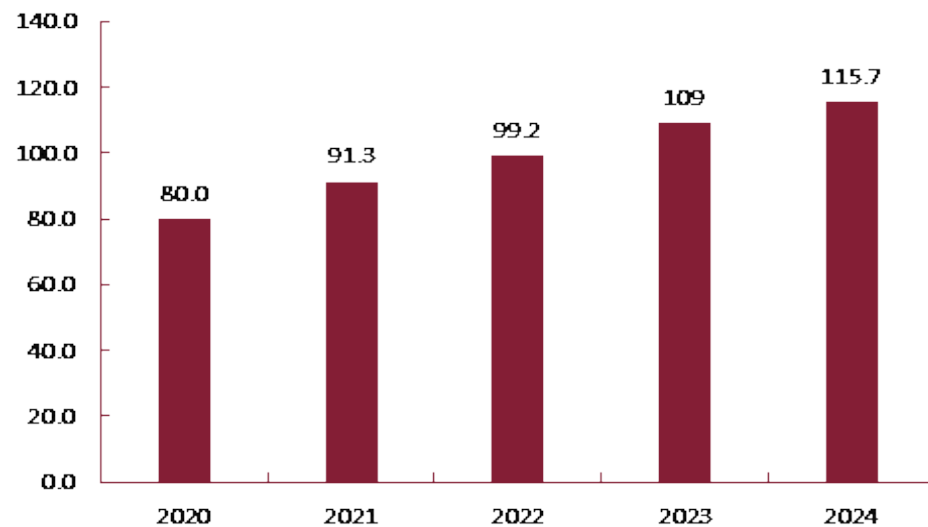
**Indian Agriculture Tractor Sales; Domestic Vs. Exports Volume ('000 Units)**



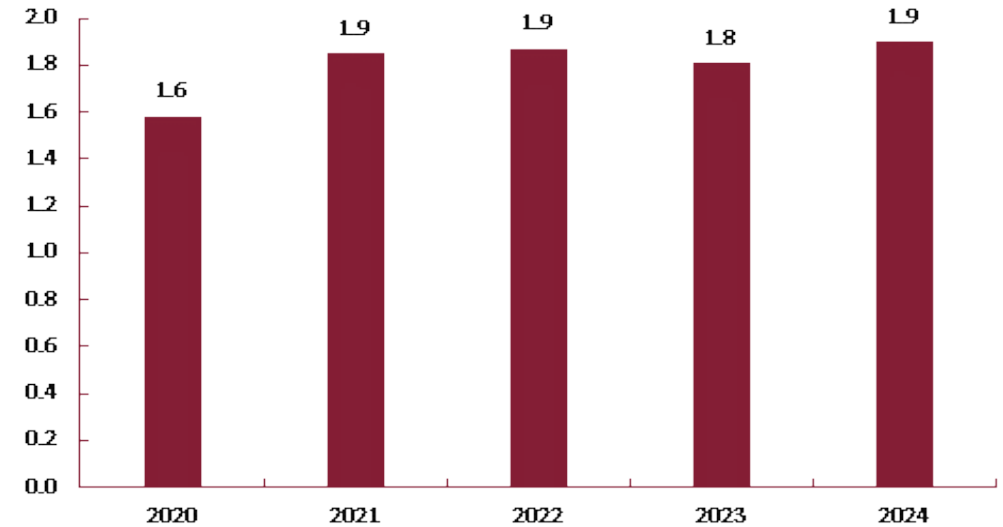
**Indian Agriculture Equipment Sales Volume ('000 Units)**



**Indian Construction Vehicle Sales Volume ('000 Units)**

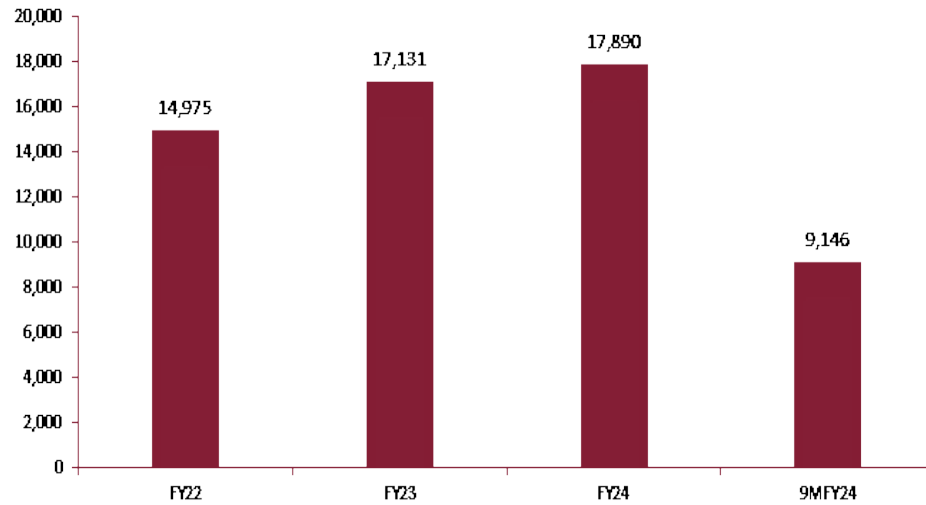


**Indian Agriculture Tractor Transmission Market Value (USD Bn)**

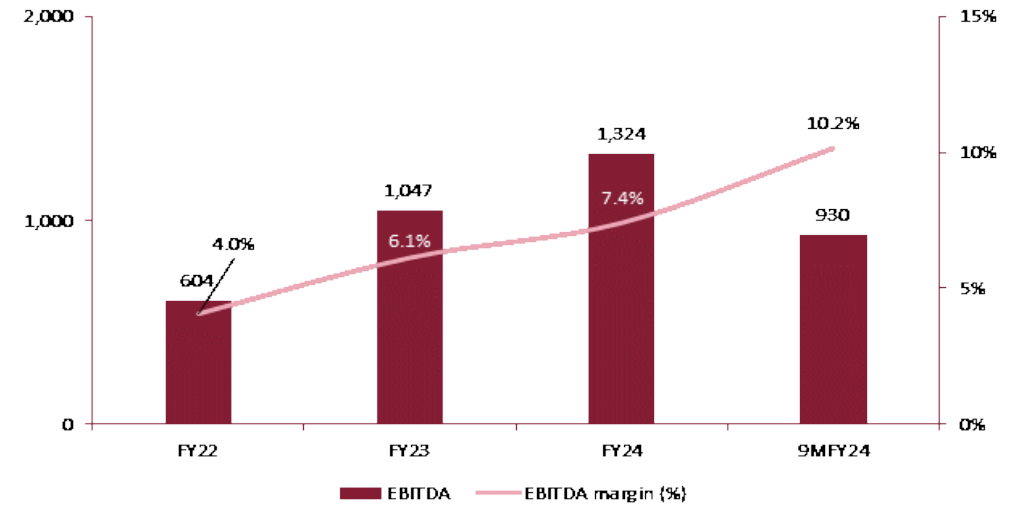


## Carraro India Ltd.

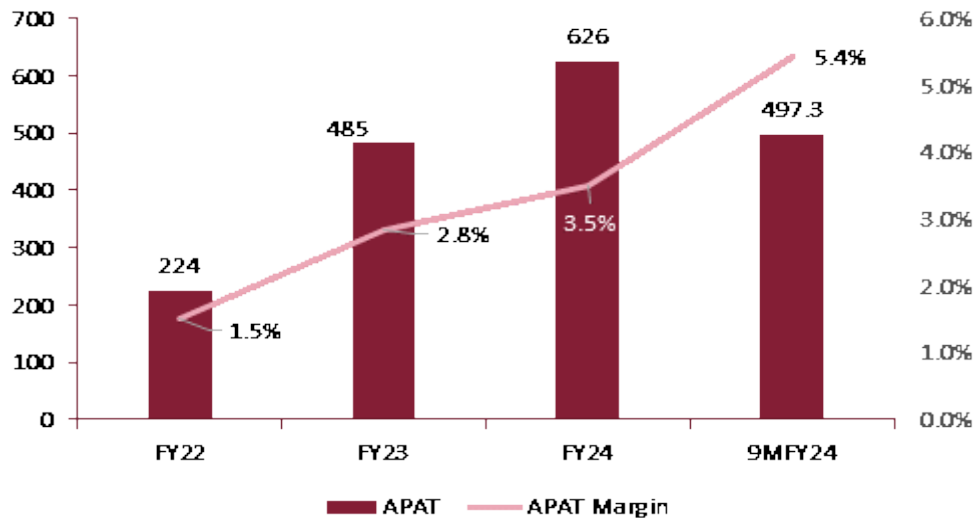
### Revenue and revenue trend (Rs. In Mn)



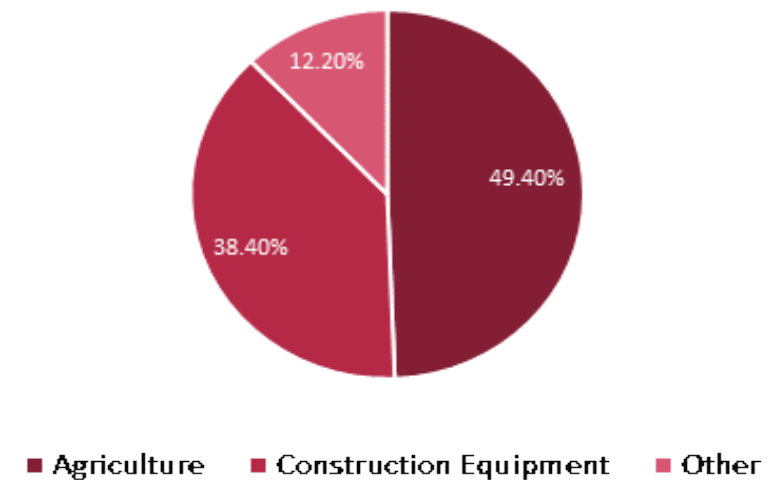
### EBITDA (Rs In Mn) and OPM (%)



### PAT (Rs. In Mn) and PAT margin (%)



### Market Share by Products (In %)



## INDSEC Rating Distribution

**BUY** : Expected total return of over 15% within the next 12-18 months.

**HOLD** : Expected total return between 0% to 15% within the next 12-18 months.

**SELL** : Expected total return is negative within the next 12-18 months.

**NEUTRAL**: No investment opinion, stock under review.

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