

The Issue

Type of Issue	Issue size Rs. Mn
Fresh Issue	1,849.0
Offer for Sale	752.5
Total	2,601.5
Post issue mkt cap (Rs. mn)*	10,331.1
Lot size	69 shares

*At Upper Price Band

Issue Break-Up

Reservation for	% of Issue
QIB	50%
NIB	15%
Retail	35%
Total	100%

Indicative Offer Timeline
Indicative Date

Bid/Offer Opening Date	Dec 31, 2024
Bid/Offer Closing Date	Jan 02, 2025
Finalization of the Basis of Allotment	Jan 03, 2025
Credit of shares	Jan 06, 2025
Initiation of refunds	Jan 06, 2025
Listing Date	Jan 07, 2025

Use of Proceeds (Mn)

Expansion in manufacturing capacity	700.7
Re-payment of Borrowings	500.0
Investment in Subsidiary	450.0

General Corp Purpose

Manager	Aryaman Financial Services Ltd.
Registrar	MAS Services Ltd.

Saral Seth

VP—Institutional Equities

Tractor industry to see robust growth; SUBSCRIBE

Company Overview:

- Incorporated in 1994, **Indo farm equipment Ltd.** is the manufacturer of tractors and pick and carry cranes (Mobile Cranes) and other farm equipment, in India and export markets. As of September 30, 2024, the company's capacity is 12,000 tractors and 1,280 cranes annually, with 77.8% crane utilization.
- The company's manufacturing facilities cover 127,840 sq. meters in Baddi, Himachal Pradesh, with advanced equipment for molding, machining, fabrication, and quality testing. The company is expanding with a new unit to produce 3,600 additional cranes annually.
- The company manufactures tractors for agriculture sector (52.2% of sales | FY22-24 CAGR of –15%):** The company offer tractors from 16 HP to 110 HP in 2WD and 4WD, 80% of global demand, with specialized models for Europe, Africa, Latin America, and Asia.
- Pick and carry cranes (47.8% of sales | FY22-24 CAGR of 53%):** Manufactures Pick & Carry cranes from 9 to 30 tons, offering safety, quality, productivity, and innovation for the engineering, construction, and infrastructure industries in 2WD and 4WD variants.
- Other segment (2.5% of sales):** Manufactures farm equipment such as harvester combines, rotavators, and other related spares and components.
- The products are marketed and distributed by 175 dealers from various states, such as Haryana, Madhya Pradesh, Punjab, Rajasthan, and Uttar Pradesh, contributing around 62.8% to the revenue as of June 30, 2024.
- The company's top 10 customers contribute 23.1% in FY2024. In FY2024, the company is generating nearly 3,572 million revenue, with a FY22-24 CAGR of 3.2%.
- Region wise mix – India 93% | Export 7% (As on June 30, 2024, India; Tractors 257.3 Mn., Cranes 381.9 Mn., and Others 6.9 Mn. | Export; Tractors 42.2 Mn., and cranes 7.0 Mn.)**
- The company also launched an In-house NBFC in 2017, '**Barota Finance**' which offers tractor loans, with a Rs 1271.5 Mn loan book, serving 5,900 customers and 3% net NPAs.

Valuation and Outlook: At the upper band, the IPO is valued at a PE of 75.3x/67.2x/66.2x on FY22/23/24 EPS. Indo Farm is one of the leading tractor and crane manufacturers in India with a distribution network of 175 dealers. The company has also expanded its product segment and manufactures cranes and other products like harvestors, rotavators etc. We believe, the tractor industry is expected to reach ~1.25mn units by FY28E implying a CAGR of 6%. This is led by deployment of modern technology in agriculture coupled with healthy growth in infrastructure activity. The company has grown its Rev/EBITDA/PAT at a CAGR of 3%/9%/7% over FY22-24 with a robust OPM of ~16.5%. Given industry tailwinds and superior financial metrics, we assign a **SUBSCRIBE** rating to the IPO.

Indo Farm Equipment Ltd.

Financial summary

Financial summary (Rs. mn)	FY22	FY23	FY24
Revenue	3,521	3,708	3,752
Adj. EBITDA	515	577	618
Adj. EBITDA margin (%)	14.6%	15.6%	16.5%
PAT	137	154	156
PAT margin (%)	3.9%	4.1%	4.2%

Pre-issue and post-issue holding structure

	Pre-issue	Post-issue*
Shareholding pattern	Holding (%)	Holding (%)
Promoter & Promoter Group	93.5	69.4
Public	6.5	30.6
Total	100.0	100.0

* At upper price band

•Key risk:

- **Dependency on financing support:** The company relies on retail financing from Banks, NBFCs, and its subsidiary Barota Finance. Operational or regulatory issues could affect sales, financial performance, and reputation of the company.
- **High dependency on macro factors:** The company's revenue has grown, but tractor sales are declining while crane sales increase. Demand for both products depend on factors like weather, credit availability, competition, and government policies, impacting financial performance, growth, and operations.
- **Operational and Inventory Risks:** The company faces risks from inventory management, raw material price fluctuations, and sales volume declines, which may impact operational efficiency, profitability, and long-term sustainability.
- **External Demand Factors:** Tractor demand is influenced by factors like government policies, agriculture sector fluctuations, diesel prices, credit availability, and seasonality, which may impact market competitiveness, revenue, profitability, and long-term growth of the company.
- **Transportation Risk Exposure:** Dependent on third-party transportation for raw materials and product delivery. Disruptions, weather conditions, strikes, accidents, or inadequate insurance could delay shipments, damage goods, or increase costs, adversely impacting operations and financial results

Indo Farm Equipment Ltd.

Strengths:

- **Integrated Manufacturing Hub:** The Company's manufacturing facility in Himachal Pradesh produces critical tractor and crane parts in-house, improving efficiency, cost, and quality. Also offer customized solutions through their advanced R&D centre.
- **Experienced Management:** Mr. Ranbir Singh Khadwalia, with 30 years of industry experience, leads the company alongside his sons, Anshul and Shubham, who have over 11 and 8 years of experience. Their skilled management team drives consistent performance, market adaptation, and strong customer relationships.
- **In house NBFC Setup:** In 2017, Indo farm equipment ltd. launched Barota Finance Limited, their in-house NBFC, offering tractor financing. As of June 2024, it has a Rs.1,271.5 million loan book and serves over 5,900 customers with strong asset quality.
- **Diverse product range:** The Company offer tractors (16-110 HP) for global markets and Pick & Carry Cranes (9-30 tons) for construction and infrastructure. Their products are safe, efficient, and scalable, helping meet growing demands in various industries.
- **Global Reach and Financing;** Exports make up 7% of sales, with products in many countries worldwide. Leading banks like HDFC, YES Bank, and Kotak Mahindra finance their products, and company plan to expand these financial support services as they grow.

Strategies:

- **Capital Expansion Strategy;** The company grown steadily through earnings and their owned funds, focusing on technology and strong manufacturing. With their second generation now involved, company plan to scale up by raising equity capital for expansion, enhancing their NBFC, and increasing marketing efforts.
- **Niche Crane Market:** The company started with tractors and expanded into Pick & Carry Cranes due to similar technology. Sales have grown at 44.8% CAGR over three years, and with increasing demand, company plan to expand their capacity to 3,600 units annually. This expansion, using existing infrastructure, will improve sales and profitability in a growing market.
- **Dealer Network Expansion:** The company Wanted to expand their presence across India by growing dealer network from 159 to 500 in three years. Also plan to increase exports, focusing on tractors and pick & carry cranes in SAARC countries, with enhanced marketing and dealer support.

Revenue from top 5 States

Particulars	Top 5 States	% of Sales
2022	Haryana, Madhya Pradesh, Punjab, Rajasthan, Uttar Pradesh	68.3%
2023	Haryana, Maharashtra, Punjab, Rajasthan, Uttar Pradesh	56.9%
2024	Gujarat, Haryana, Maharashtra, Punjab, Uttar Pradesh	63.0%
3M2024	Gujarat, Karnataka, Maharashtra, Punjab, Tamil Nadu	62.8%

The Sales and Capital Utilisation of the Pick & Carry cranes

Particulars	2022	2023	2024	3M2024
Capacity (In Unit)	720	720	970	320
Production (In unit)	484	679	964	249
Capacity utilization (%)	67.2	94.3	99.4	77.8
Sales (In units)	449	681	941	195

Sale of products in Domestic and International market (In Mn)

Particulars	2022		2023		2024		3M2024	
	Domestic	Export	Domestic	Export	Domestic	Export	Domestic	Export
Tractors	2,394.2	179	1,892.5	376.4	1,657.4	181.0	257.3	42.2
Cranes	708.7	12.6	1,183.3	3.8	1,669.1	14.7	382.0	7.0
Others	14.2	-	10.2	-	2.5	-	7.0	-

Product wise breakup

Particulars	2022		2023		2024		3M2024	
	Quantity	% of sales	Quantity	% of sales	Quantity	% of sales	Quantity	% of sales
Tractors	4,663	77.8%	3,772	65.5%	3,168	52.2%	471	43.1%
Cranes	449	21.8%	681	34.3%	941	47.8%	195	55.9%
Others	-	0.4%	-	0.3%	-	0.1%	-	1.0%

Indo Farm Equipment Ltd.

Installed and capacity utilization (In Units)

Particulars	2022			2023			2024			3M2024		
	Installed	Utilized	%	Installed	Utilized	%	Installed	Utilized	%	Installed	Utilized	%
Tractors	12,000	5,004	41.7	12,000	3,555	29.6	12,000	2,980	24.8	3,000	417	13.9
Cranes	720	484	67.2	720	679	94.3	970	964	99.4	320	249	77.8

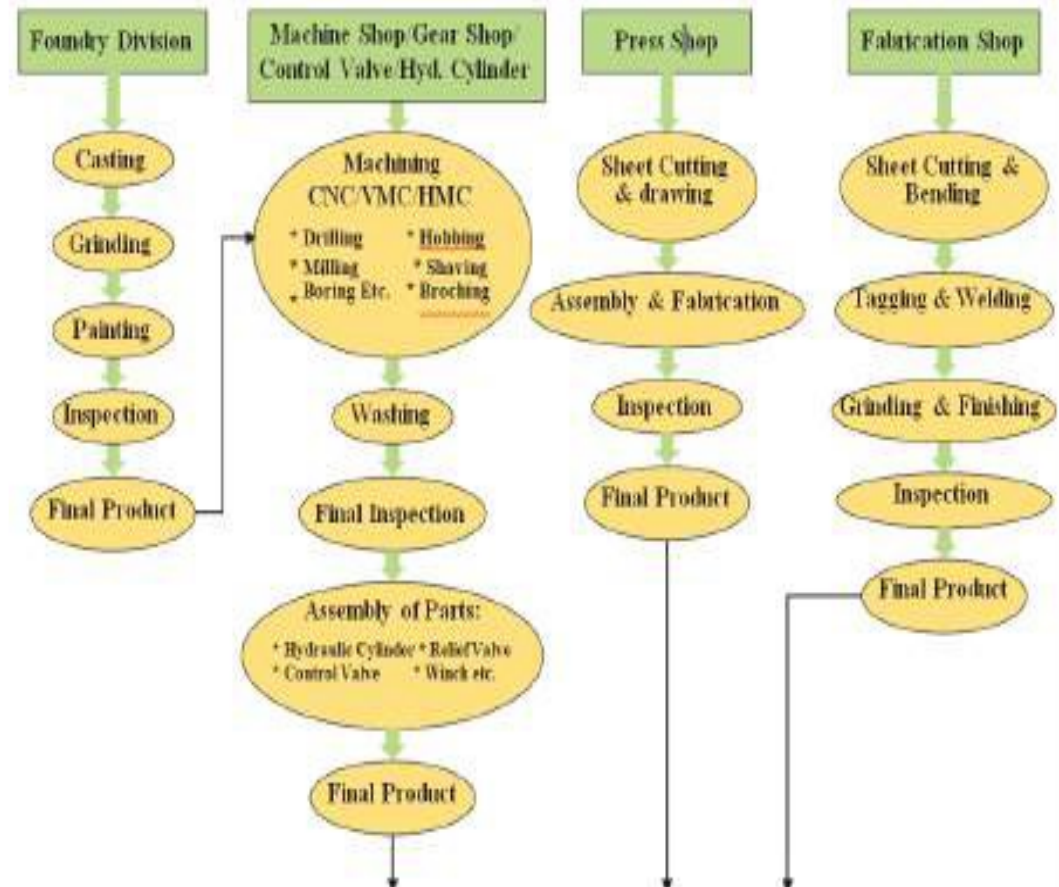
Revenue From Top Dealers

Particulars	2022	2023	2024	3M2024
Income from Top 5 Dealers	14.1%	11.9%	14.9%	27.7%
Income from Top 10 Dealers	22.6%	19.7%	23.1%	39.1%

Ratios of NBFC Subsidiary i.e. Barota Finance Ltd.

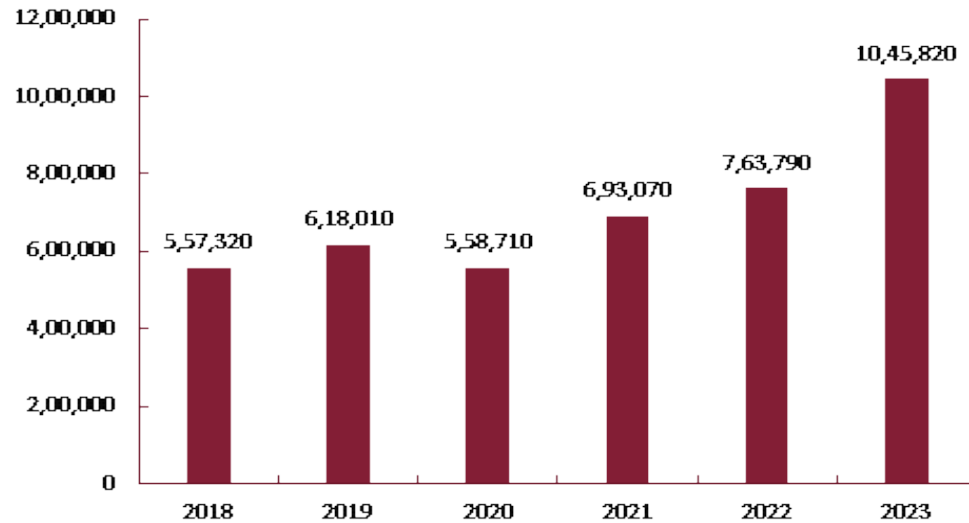
Particulars	2022	2023	2024	3M2024
Current Ratio (in times)	1.4	1.3	1.4	1.4
Debt-Equity Ratio (in times)	3.9	3.5	3.1	2.7
Return on capital Employed (ROCE)	12.7%	11.1%	9.3%	2.2%
Capital Adequacy Ratios (CAR)	18.1%	21.3%	23.7%	26.1%
Gross Non-Performing Asset (GNPA)	3.0%	3.3%	3.8%	4.1%
From Agriculture & Allied activities	Above 99% (For all the 3 years)			
From Other activities	Less than 1% (For all the 3 years)			

Manufacturing Process Flow Chart

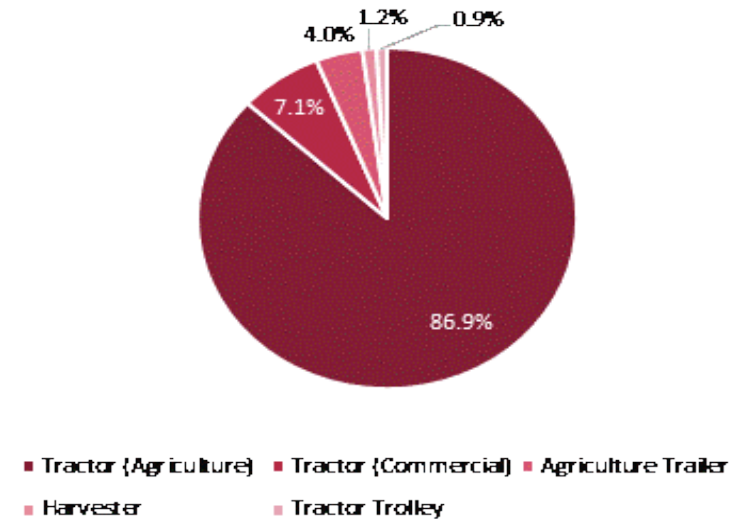


Industry

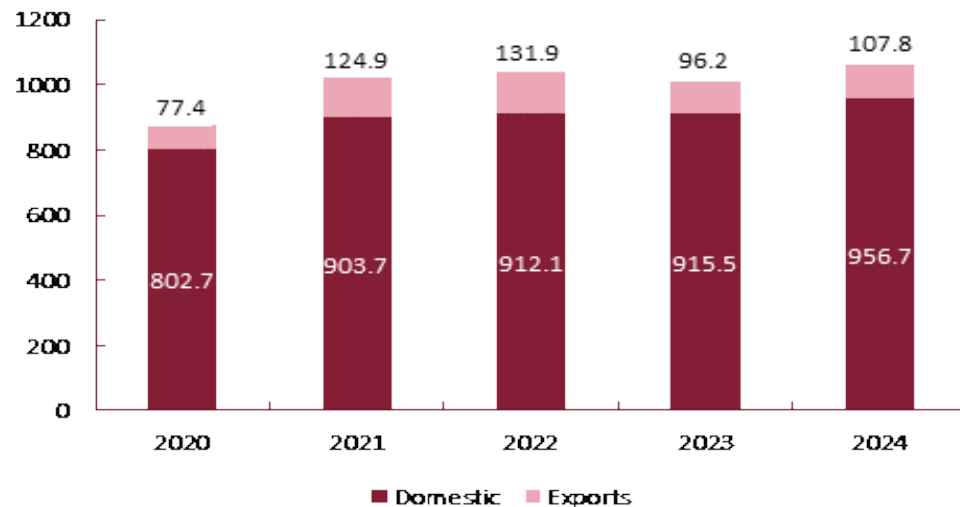
Sales of Agriculture Equipment in India (Incl. Tractor)-In Mn



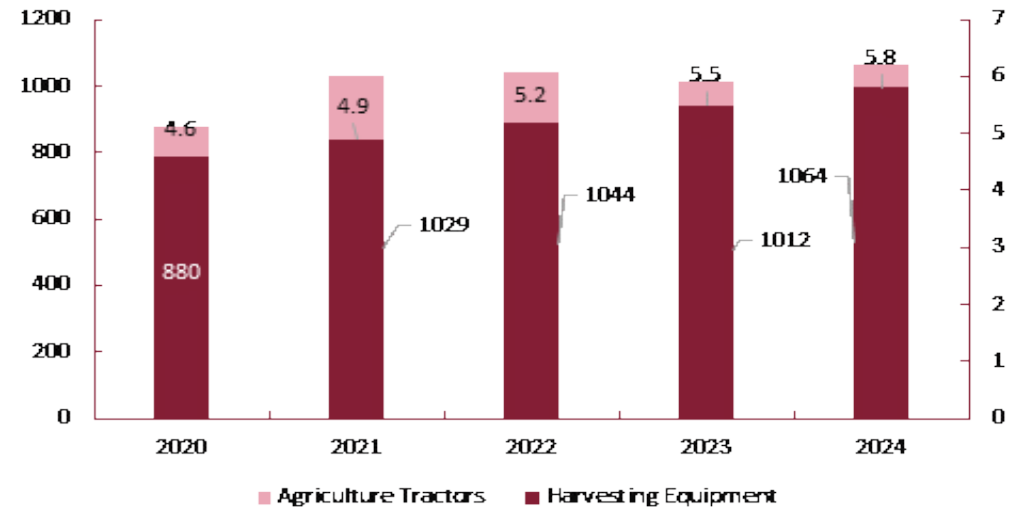
Agri Equipment Market Share (%)



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

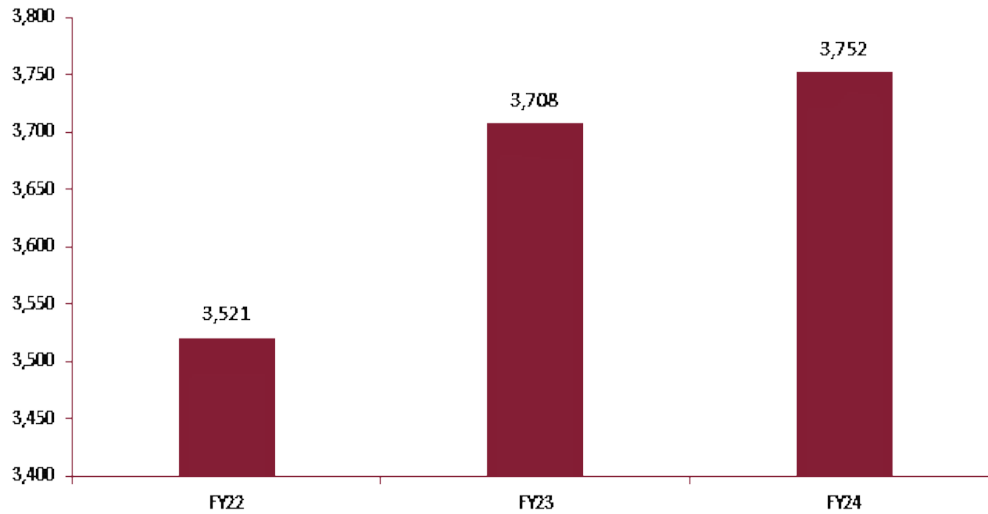


Indian Agriculture Equipment Sales Volume ('000 Units)

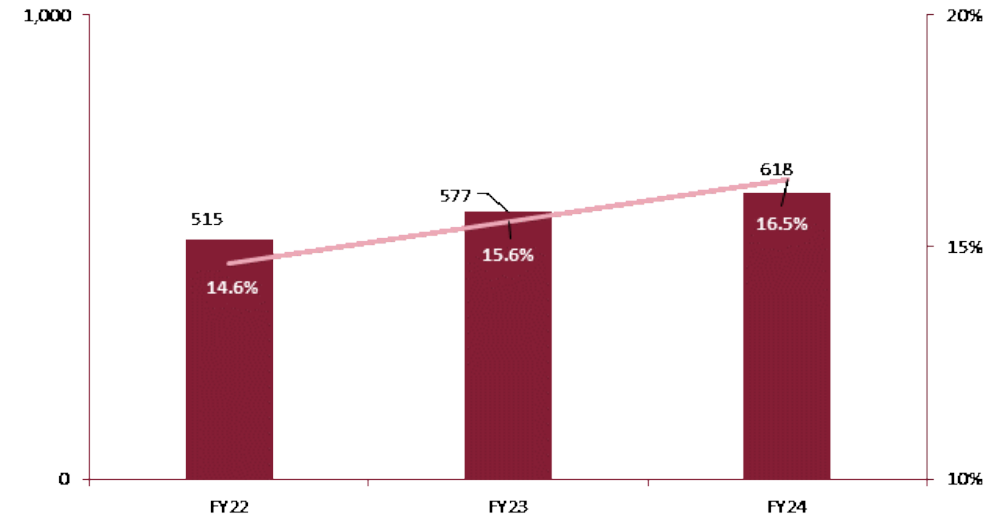


Key financials metrics

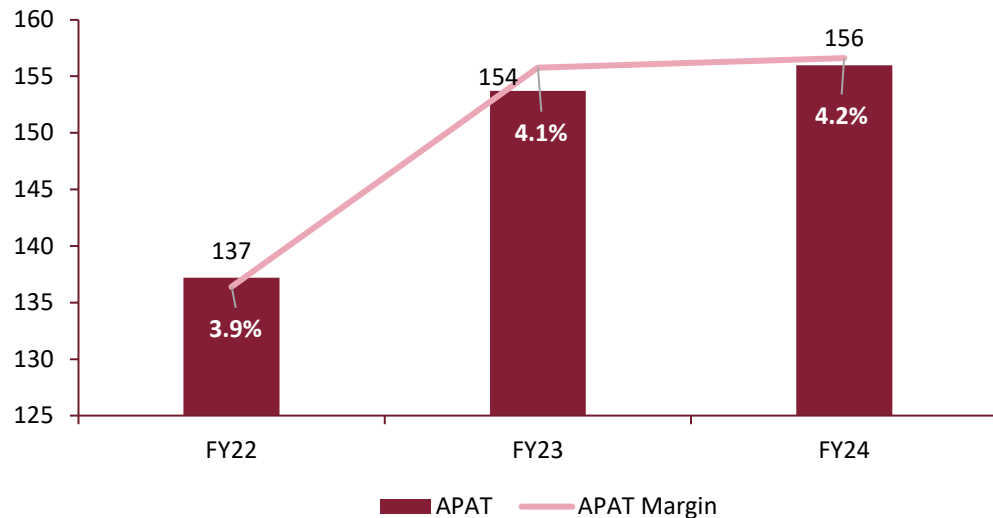
Revenue and Revenue Trend (Rs. In Mn)



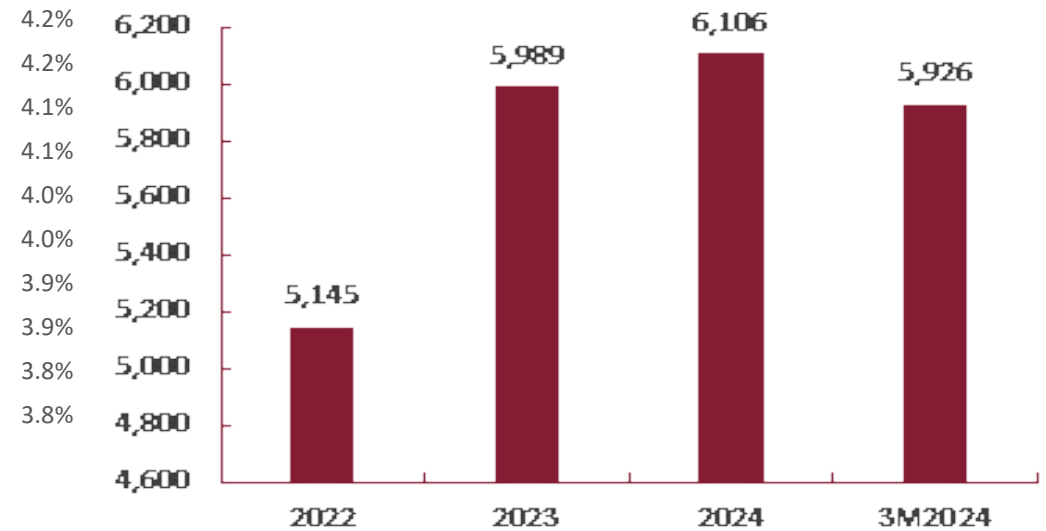
EBITDA (Rs. In Mn) and OPM (%)















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



No. of Customers in NBFC arm (Barota Finance)



Products Offering in the Tractor Division

1 SERIES (20 - 26 HP CATEGORY)/4WD		
		
1020 DI - 20 HP	1036 DI - 26 HP	1026a - 26 HP
2 SERIES (34 - 45 HP CATEGORY)/4WD		
		
2030 DI - 34 HP	2035 DI - 38 HP	2042 DI - 45 HP
3 SERIES (38 - 90 HP CATEGORY)/4WD		
		
3035 DI - 38 HP	3040 DI - 45 HP	3048 DI - 50 HP
		
3055 DI HT - 50 HP	3060 DI HT - 50 HP	3055 NV - 55 HP

		
3055 NV PLUS - 55HP	3055 DI - 60 HP	3065 DI - 65 HP
		
3075 DI - 75 HP	3090 DI - 90 HP	
4 SERIES (75 - 110 HP CATEGORY)/4WD		
		
4175 DI - 75 HP	4190 DI - 90 HP	4100 DI - 100 HP

Products Offering in the Tractor Division

		
3035 NV PLUS - 55 HP	3055 DL - 60 HP	3065 DL - 65 HP
		
3075 DL - 75 HP	3090 DL - 90 HP	
4 SERIES (75 - 110 HP CATEGORY) 4WD		
		
4175 DI - 75 HP	4190 DI - 90 HP	4100 DI - 100 HP
		
4110 DI - 110 HP		

Indo Farm Backhoe Loader

Indo Farm A/C Tractor

Indo Farm Electric Tractor

Rotavators

Harvester Combine


Indo Power-FN 4WD Series New Generation Pick & Carry Hydraulic Mobile Cranes

			
<p>Indo Power – 15 FN/FNT & FNV(63 ft. height 4 part boom)</p>	<p>Indo Power – 20 FN (64 Feet height 4 part boom)</p>	<p>INDO POWER-23 FN/25 (64 feet height 4 part boom)</p>	<p>INDO POWER-30 FN (40/80 ft. height 3/5 part boom)</p>

Indo power-FNX 2WD Series Pick & Carry Hydraulic Mobile Cranes

			
<p>INDO POWER-15 FNX/15 FNX Plus (51 feet height 4 part boom)</p>	<p>INDO POWER-17 FNX/ 17 FNX Plus (63 ft. height 4 part boom)</p>	<p>INDO POWER-20 FNX (65 feet height 4 part boom)</p>	<p>INDO POWER-30 FNX (40/80 feet height 3/5 part boom)</p>

IP Series Conventional Pick & Carry Hydraulic Mobile Cranes

				
INDO POWER-12 AV29'-2 Part Boom36', 42' -3 Part Boom	INDO POWER 12 AV29', 30'in 2 Part Boom 36', 42' & 45' in 3 Part Boom51' & 55' in 4 Part Boom	INDO POWER 1429', 30' in 2 Part Boom 36', 42' & 45' in 3 Part Boom 51' & 55' in 4 Part Boom	INDO POWER-16 36', 42' & 45' in 3 Part Boom 55' & 65' in 4 Part Boom	INDO POWER-20 65', 74' & 80' 4 Part Boom

		
INDO POWER 25 63', & 75' 4/5 Part Boom		INDO POWER-30 63', & 75' 4/5 Part Boom

Maufacturing Unit of Indo Farm Equipment Ltd.

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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