

Indo Farm Equipment Limited

Equipment & Machinery | India

IPO | 30 December 2024

SUBSCRIBE 

About the Company

Indo Farm Equipment Limited (IFEL) is a two decade old fully integrated established manufacturer of tractors and pick & carry cranes with domestic sales at 93% and 7% export sales to more than 30 countries. IFEL production facilities are located at Baddi, Himachal Pradesh has a capacity to manufacture 12,000 tractors p.a. & 1280 pick & carry cranes p.a. manufacturing tractors ranging from 16 HP to 110 HP and pick & carry cranes ranging from 9 tons to 30 tons along with other farm equipment.

Consistent growth in industry trends

The global agriculture equipment market is projected to grow from USD 180.8 bn to 296.6 bn growing at an CAGR of 7.3% in FY 23-30 as need for sustainable farming practices, increasing demand for food, government incentives and ability of players to bring innovative technologies in precision farming. The tractor industry is expected to grow at 5.8% for FY 23-30 as shortage of labour, increasing availability of credit, rise in farmers income and emergence of contract farming. The crane market is expected to grow at 6.7% for FY23-30 due to rising infrastructural developmental projects and high-level investments by construction companies augmented by inclusion and adoption of new technologies such as GPS tracking, fleet management.

Strong product profile and dealer network

IFEL has in-house state-of-the-art integrated plant manufacturing engines, transmissions, hydraulic components, fabrications and assembly while 40% of tractor and 60% of crane components by value are manufactured in-house with strong product acceptability in domestic and exports markets. IFEL has a strong presence in North India, we intend to leverage our brand's visibility and expand our presence, PAN India. IFEL has 159 registered dealers for tractor and 16 registered dealers for crane and which also includes 12 dealers for spares and services across India as on Jun '24 and intend to increase our dealer base to above 500 in the next three years.

Inhouse NBFC to drive growth

IFEL has started a wholly owned subsidiary NBFC in 2017, with a vision to create a fully integrated ecosystem in the life cycle of a tractor and in order to provide an easy in-house finance option to our buyers, as a forward integration that are sold by IFEL & other brands as well as pre-owned vehicles. It has an AuM of 139.5 Crs having 6000 + active customers and intends to grow the book with fresh investments from the IPO proceeds and consistently improve its capacity, margins enabling a strong asset quality and track record of growth.

Financials in brief

On the financial front, the company reported a turnover of Rs 352.6 Crs, Rs 371.8 Crs and Rs 376 Crs for FY22, FY23 and FY24 respectively, on a consolidated basis. It posted net profit of Rs 13.7 Crs, Rs 15.5 Crs and Rs 15.6 Crs respectively for the aforementioned period, witnessing improvement in margins and IFEL has moved its revenue percentage in cranes business from 22% to 48% over the last three years and the current capacity expansion will augur strong growth in the coming years for cranes business as well as financing for tractors will improve its capacity utilization in the coming years.

Our View

IFEL is in a fairly strong position in both the segments it operates in and with the possibility of the market expanding substantially in both the segments in the near future, IFEL should be able to grow along with the sector, its capacity additions in the cranes segment would aid strong growth and refinancing its own tractors through its subsidiary will improve the tractor units growth and margin expansion for the overall business. IFEL has a fully integrated manufacturing plant with 40-60% of products being made in house and its strong R&D product development capabilities of designing new developments, strong entry barriers with attractive industry dynamics, strong promoter pedigree augurs for multifold growth in the coming years. **Hence, we recommend a SUBSCRIBE to the issue.**

IPO Details

| | |
|-------------------------------------|---------------------|
| Price Band (Rs) | 204-215 |
| Face Value (Rs) | 10 |
| Issue Open/Closing Date | 31-Dec-24/02-Jan-25 |
| Fresh Issues (Crs) | 184.9 |
| OFS (Crs) | 75.3 |
| Total Issue (Crs) | 260.2 |
| Minimum Bid Qty. (Nos) | 69 |
| QIB / HNI / Retail | 50%/15%/35% |
| Implied Market Cap (Rs Crs)* | 1033 |

*At higher band

Object of the Issue

- Funding of capital expenditure for increase in manufacturing capacity for pick and carry cranes.
- Investment in subsidiary Barota Finance for financing equipment.
- Repayment/pre-payment in full or in part of certain borrowings.

Strengths

- Attractive industry dynamics and strong entry barriers.
- Strong product profile of agri and construction equipment company.
- Diversified dealer network across 16 states in India and presence in 30 countries.
- Strong promoter pedigree and experienced management team.

Key Risks

- Any economic slowdown in construction equipment or reduction in demand.
- Lower capacity utilization could hamper margins and growth in coming years.

Key Financials

| (Rs Crs) | FY22(12) | FY23(12) | FY24(12) |
|-------------------|----------|----------|----------|
| Tractor Sales % | 77.8 | 65.5 | 52.2 |
| Cranes Sales % | 21.8 | 34.3 | 47.8 |
| Revenue | 352 | 371 | 375 |
| EBITDA | 52 | 59 | 63 |
| EBITDA Margin (%) | 14.8 | 15.8 | 16.7 |
| PAT | 14 | 15 | 16 |
| PAT Margin (%) | 3.9 | 4.1 | 4.2 |
| RoE (%) | 5.1 | 5.5 | 5.1 |
| RoCE (%) | 8.0 | 8.8 | 9.0 |
| Networth | 275 | 290 | 317 |
| Borrowings | 275 | 281 | 271 |

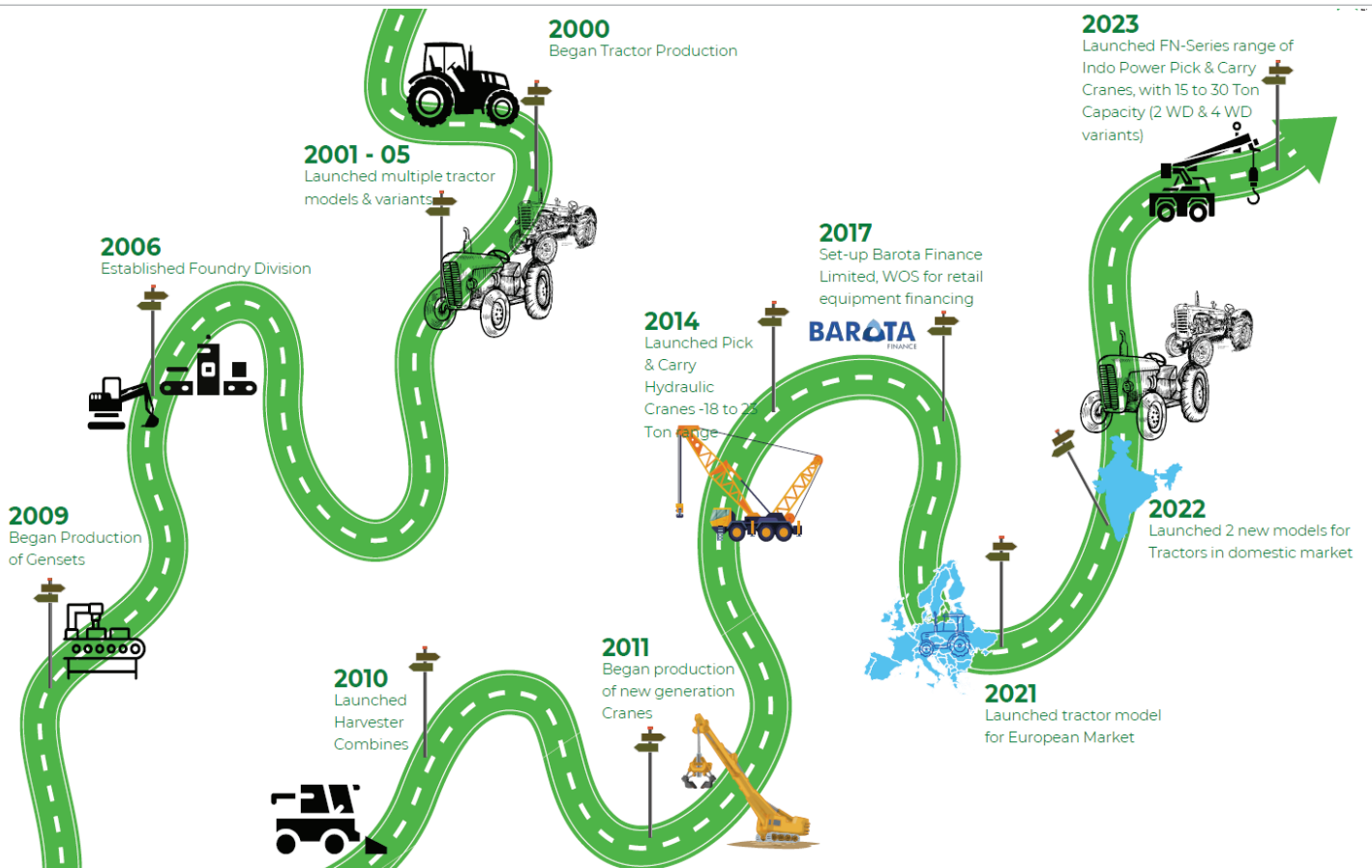
Source: RHP

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Exhibit 1: Key Milestones


Source: RHP

Exhibit 2: Manufacturing & Assembly Plant And Dealer Network

An Aerial view of the Machining and Assembly Units situated in Baddi, Himachal Pradesh.



Source: RHP



Source: RHP

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