



IPO NOTE

**Indo Farm Equipment
Limited**

30th December 2024

Company Overview

Established in 1994, Indo Farm Equipment Ltd. is a fully integrated manufacturer specializing in tractors and Pick & Carry Cranes. The company also produces other agricultural equipment, including harvester combines, rotavators, and related spare parts, though these do not contribute significantly to its overall revenue. After its incorporation in October 1994, the company acquired a land to establish a manufacturing facility for tractors, tillers, and harvesters. The company began production in 2000 after it acquired engine technology. Initially, the company imported fully assembled engines but gradually indigenized and upgraded them to comply with India’s evolving emission standards. In 2006, the company set up an in-house captive foundry and added Pick & Carry Cranes to its portfolio the following year. In 2017, Indo Farm launched its own NBFC to provide retail financing for its tractors, enhancing financial accessibility for its customers. The company’s manufacturing facility, located in Baddi, Himachal Pradesh, spans 127,840 sq. mtrs. of industrial land and includes a captive foundry, machine shop, fabrication units, and assembly lines for tractors, cranes, and other equipment. The facility, certified with ISO 9001:2015, has advanced machinery and technology. Indo Farm produces tractors ranging from 16 HP to 110 HP and Pick & Carry Cranes with lifting capacities from 9 tons to 30 tons. As of September 30, 2024, the company has an annual manufacturing capacity of 12,000 tractors and 1,280 Pick & Carry Cranes. With the acquisition of additional land, the company is set to increase its crane production capacity by 3,600 units annually. Indo Farm exports its products to multiple countries, accounting for 7% of total sales, while its domestic distribution network spans 175 dealers across states like Punjab, Haryana, Uttar Pradesh, Maharashtra, Gujarat, and Rajasthan. Over the years, Indo Farm has built a fully integrated ecosystem, ensuring high-quality products and comprehensive financial support for its customers.

Objects of the issue

The objects of the net fresh issue is to raise funds for:

- Setting up new dedicated unit for expansion of its Pick & Carry Cranes manufacturing capacity;
- Repayment or pre-payment, in full or part, of certain borrowings availed by the company;
- Further investment in its NBFC subsidiary (Barota Finance Ltd.) for financing the augmentation of its capital base to meet its future capital requirements; and
- General corporate purposes.

Investment Rationale

Efficient and integrated manufacturing setup provides a competitive advantage

Indo Farm’s ISO 9001:2015-certified manufacturing facilities are located on 127,840 sq. mtrs of industrial land in Baddi, Himachal Pradesh. These facilities include a captive foundry unit, a dedicated machine shop, and fabrication and assembly units for Tractors and Pick & Carry Cranes. The facilities are equipped with advanced infrastructure, including induction furnaces, pneumatic molding machines, an automatic molding line, a sand plant, a fully equipped metallurgy and sand testing laboratory, machining centers, a gear shop, a hydraulic shop, a sheet metal and press shop, a fabrication shop, a paint shop, assembly units, and quality and utility rooms. The company’s integrated operations enable in-house manufacturing of critical components, reducing reliance on third-party suppliers and streamlining the production process. Over 330 components used in making a tractor and over 190 components used in making cranes are manufactured in-house by the company, enabling it to maintain control over the entire manufacturing process and providing better delivery timelines to its customers at a more competitive cost in both segments. The company’s R&D center, equipped with updated technology, is staffed with specialist engineers and develops customized solutions to meet diverse customer needs. This backward integration supports the production of a diverse range of series and variants, helping Indo Farm cater to its customers with flexibility and efficiency.

Issue Details

Offer Period	31 st Dec 2024 - 02 nd Dec 2025
Price Band	Rs. 204 to Rs. 215
Bid Lot	69
Listing	BSE & NSE
Issue Size (no. of shares in mn)	12.1
Issue Size (Rs. in bn)	2.6
Face Value (Rs.)	10

Issue Structure

QIB	50%
NIB	15%
Retail	35%

BRLM Aryaman Financial Services Ltd.

Registrar MAS Services Ltd.

Particulars	Pre Issue %	Post Issue %
Promoters and promoter group	93.5	69.4
Public	6.5	30.6
Total	100	100

(Assuming issue subscribed at higher band)

Diverse product range and global footprint offers growth potential

Indo Farm offers a diverse range of tractors, from 16 HP to 110 HP, in both 2WD and 4WD configurations, which meet approximately 80% of global market requirements, particularly for 4WD tractors. The 65, 75, 90, and 110 HP models are developed for export markets such as Africa, Latin America, the Middle East, and Central and South East Asia. The 1,026 (26 HP) tractor has been developed and homologated specially for the European market. Exports account for around 7% of the company's total sales. However, its extensive product acceptance across numerous countries underscores an impressive international footprint and highlights its ability to deliver world-class products and reliable after-sales services at competitive prices. Currently, Indo Farm's global presence spans various countries, including Afghanistan, Algeria, Bangladesh, Belgium, Bhutan, Brazil, Chile, Ethiopia, Gabon, Germany, Ghana, Hungary, Italy, Japan, Jordan, Kenya, Kuwait, Lebanon, Malawi, Mauritius, Mexico, Myanmar, Namibia, Nepal, the Netherlands, Nigeria, Oman, Poland, Saudi Arabia, Spain, Sudan, Syria, Tanzania, the United Kingdom, Uruguay, Uganda, Yemen, and Zimbabwe, among others. The company also manufactures Pick & Carry Cranes with capacities ranging from 9 to 30 tons, available in 2WD and 4WD variants. These cranes are widely utilized in the engineering, construction, and infrastructure sectors and are recognized for their safety, quality, operator productivity, innovative features, and competitive total cost of ownership. With an established portfolio of diverse, globally accepted products and a robust operational setup, Indo Farm is well-positioned to scale rapidly and capitalize on emerging opportunities in international and domestic markets.

Valuation

Indo Farm Equipment, with over two decades of experience, is a fully integrated and established manufacturer of Tractors & Pick & Carry Cranes. The company also produces ancillary farm equipment such as harvester combines, rotavators, and related spare parts, although these do not significantly contribute to its total revenue. In addition, Indo Farm operates an asset financing business through its wholly owned subsidiary, Barota Finance Ltd., an RBI-registered NBFC. The mobile crane market is expected to grow to USD 29.1 billion, at a CAGR of 6.65%, during the 2024-29 period, while the global tractor market is projected to reach USD 114.5 billion, growing at a CAGR of 5.90% during the same period. The global agricultural equipment market is estimated to reach USD 296.61 billion, growing at a CAGR of 7.3% from 2023 to 2029. Indo Farm's fully integrated manufacturing facilities enhance product efficiency and ensure timely delivery to its customers. The company's diverse tractor range meets around 80% of global market requirements, while its Pick & Carry Cranes are widely utilized in infrastructure development. Additionally, the company's investment in its subsidiary NBFC is expected to drive tractor sales by facilitating easier financing options. Indo Farm also plans to expand its dealer network from 175 to 500 dealers over the next five years. Financially, Indo Farm has maintained a profitable track record and consistent performance. It reported a PAT of Rs. 155.95 million, Rs. 153.72 million, and Rs. 137.19 million in FY24, FY23, and FY22, respectively, and has consistently achieved EBITDA margins of 16.63%, 15.79%, and 14.77% during the same periods. **The issue is priced at a P/E ratio of 51.8x on the upper price band, based on FY24 earnings, which is relatively high compared to its peers. However, given the company's improving sales, growth-oriented investment in its NBFC, and favorable industry trends, we recommend a "SUBSCRIBE" rating for the issue.**

Key Risks

- The company's average capacity utilization was 32% for tractors and 87% for cranes from FY22 to FY24. Under-utilization or the inability to effectively utilize its existing and expanded manufacturing facilities could adversely affect its business, future prospects and financial performance.
- The company's manufacturing facility is geographically concentrated in Himachal Pradesh, which may restrict its operations and affect the business and financial conditions.
- The company's ability to sell tractors depends heavily on financing support from banks, NBFCs, and its subsidiary NBFC, which exposes the company to risks related to financing availability, regulatory compliance, and operational performance of its subsidiary NBFC.

Income Statement (Rs. in millions)

Particulars	FY22	FY23	FY24	Q1FY25
Revenue				
Revenue from operations	3,521	3,708	3,752	750
Total revenue	3,521	3,708	3,752	750
Expenses				
Raw material consumed	2,116	2,184	2,185	431
Change in inventories of finished goods and work-in-progress	-120	71	22	-18
Employee benefit expense	371	425	461	109
Other expenses	637	451	466	106
Total operating expenses	3,005	3,131	3,134	629
EBITDA	516	577	618	121
Depreciation & amortization	90	88	103	26
EBIT	427	488	515	95
Finance costs	238	276	283	63
Other Income	4	11	7	6
PBT	193	222	239	37
Tax expense				
Current tax	39	45	45	7
Deferred tax	39	21	7	2
MAT utilisation/(recognition)	-22	3	31	4
Total tax	56	69	83	13
Net Profit	137	154	156	25
Diluted EPS	3.7	4.1	4.2	0.6

Source: RHP, StoxBox

Cash Flow Statement (Rs in millions)

Particulars	FY22	FY23	FY24	Q1FY25
Cash Flow from operating activities	100	302	406	67
Cash flow from investing activities	-260	-84	-26	-48
Cash flow from financing activities	164	-220	-257	-88
Net increase/(decrease) in cash and cash equivalents	4	-2	123	-69
Cash and cash equivalents at the beginning of the period	15	19	18	141
Cash and cash equivalents at the end of the period	19	18	141	71

Source: RHP, StoxBox

Balance Sheet (Rs. in millions)

Particulars	FY22	FY23	FY24	Q1FY25
ASSETS				
Non-Current Assets				
Property, plant and equipment	1,896	2,004	1,967	1,995
Capital work-in-progress	195	81	51	41
Other intangible assets	47	60	50	52
Financial Assets				
(i) Investments	11	1	2	2
(ii) Loans	909	919	833	747
(iii) Other financial assets	26	15	21	20
Deferred tax assets	34	10	0	0
Other assets	6	33	0	0
Total Non Current assets	3,123	3,121	2,924	2,857
Current Assets				
Inventories	1,635	1,629	1,649	1,659
Financial Assets				
(i) Trade receivables	720	744	1,044	1,155
(ii) Cash and cash equivalents	19	18	141	71
(iii) Bank balances other than cash and cash equivalents	10	19	12	14
(iv) Loans	577	625	628	593
Income tax assets	2	2	3	3
Other assets	111	72	80	91
Total Current Assets	3,075	3,108	3,556	3,585
Total Assets	6,198	6,228	6,480	6,443
EQUITY AND LIABILITIES				
Equity				
Equity Share Capital	188	188	376	395
Other Equity	2,560	2,716	2,795	3,028
Total equity	2,748	2,904	3,171	3,422
Liabilities				
Non-Current Liabilities				
Financial Liabilities				
(i) Borrowings	1,260	1,098	837	700
(ii) Other financial liabilities	38	38	35	39
(iii) Lease liability	0	0	15	15
Deferred tax liability	0	0	29	35
Provisions	9	13	19	20
Total Non-Current Liabilities	1,307	1,150	934	807

Source: RHP, StoxBox

Balance Sheet (Rs. in millions)

Particulars	FY22	FY23	FY24	Q1FY25
Current Liabilities				
Financial Liabilities				
(i) Borrowings	1,490	1,708	1,869	1,754
(ii) Trade payables	468	309	350	302
(iii) Other financial liabilities	105	87	87	90
(iv) Lease liability	0	0	2	2
Other current liabilities	17	19	13	10
Provisions	39	38	41	43
Income tax liability	24	13	12	12
Total Current Liabilities	2,143	2,175	2,375	2,213
Total Liabilities	3,450	3,325	3,309	3,020
Total Equity and Liabilities	6,198	6,228	6,480	6,443

Source: RHP,StoxBox

Disclaimer Appendix

Analyst (s) holding in the Stock : Nil

Analyst (s) Certification :

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