

01th January 2025

Indo Farm Equipment Limited – SUBSCRIBE

Investment Thesis

Indo Farm Equipment Limited (IEFL) is a book built issue of Rs 260.15 Cr. The issue is a combination of fresh issue of 0.86 Cr. shares aggregating to Rs 184.90 Cr. and offer for sale of 0.35 Cr. shares aggregating to Rs 75.25 Cr. IFEL proposes to utilize the proceeds from the fresh issue towards funding the objectives like 1. Setting up new dedicated unit for expansion of their pick & carry cranes manufacturing capacity 2. Repayment or pre-payment, in full or part, of certain borrowings availed by the company 3. Further investment in NBFC subsidiary (Barota Finance Ltd.) to finance the augmentation of its capital base to meet its future capital requirements. 4. General corporate purposes

They have acquired additional industrial land near the current facility to build a new pick & carry crane manufacturing unit, aiming to increase capacity by 3,600 units per year.

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, IFEL intend to leverage brand's visibility and expand presence, PAN India. IFEL has 159 registered dealers for tractor and 16 registered dealers for crane and services across India as on Jun '24 and intend to increase dealer base to above 500 in the next three year.

IEFL offers a comprehensive tractor range from 16 HP to 110 HP in 2WD and 4WD variants. Notably, the 4WD models in 65, 75, 90, and 110 HP categories are tailored for export markets. In the construction and infrastructure segment, the company manufactures pick & carry cranes with capacities ranging from 9 tons to 30 tons, available in 2WD and 4WD variants. With a robust product lineup and established manufacturing capabilities, IFEL is well-positioned to scale operations rapidly upon securing additional equity capital. Exports currently contribute approximately 7% to the company's total sales, reflecting a growing international footprint and strong product acceptance across diverse markets. IFEL presence spans multiple countries, including Afghanistan, Algeria, Bangladesh, Belgium, Brazil, Ethiopia, Germany, Ghana, Italy, Japan, Kenya, Mexico, Netherlands, Nigeria, Saudi Arabia, Spain, the United Kingdom, and many others. This global reach underscores the company's ability to deliver world-class products and after-sales services at competitive prices, catering to a broad spectrum of international customers.

Financials

Particulars	FY22	FY23	FY24
Revenue (Rs in Cr.)	352.10	370.80	375.20
EBITDA (Rs in Cr.)	51.50	57.70	61.80
PBT (Rs in Cr.)	19.3	22.3	23.9
PAT (Rs in Cr.)	13.7	15.4	15.6
EPS (Rs)	2.8	3.2	3.3

* At highest price band # Post listing

IPO Details

Issue Open Date	31 December 2024
Issue Close Date	02 January 2025
Price Band (Rs.)	Rs.204 – Rs. 215
Issue Size*	Rs. 2,601 Mn
Issue Size (Shares)	1,21,00,000
Market Lot	69 Shares
Listing Exchanges	BSE and NSE
Face Value (Rs.)	Rs. 10/-

* At highest price band

Key Details

Fresh Issue*	Rs. 1,849.0 Mn
Issue Type	Book Building
Book Running Lead Manager	Aryaman Financial Services Limited.
Issue structure	QIB: 20% Non Institutional:15% Retail: 35% Anchor Investors: 30%
Credit of Shares to Demat Account	06 January 2025
Issue Listing Date	07 January 2024

* At highest price band

Key Business Highlights

- Incorporated in 1994, Indo Farm Equipment Limited is engaging in manufacturing tractors, pick & carry cranes, and other harvesting equipment. IEFL operates two brands: Indo Farm and Indo Power. IEFL manufactures tractors range 16 HP to 110 HP and pick & carry cranes range 9 to 30 tons. The facility in Baddi, Himachal Pradesh, spans 127,840 sq. meters and includes a foundry, machine shop, and assembly units. The company has 12,000 tractors and 1,280 pick & carry cranes production capacity annual.
- To complement and expand its core business, the company launched its in-house NBFC subsidiary, Barota Finance Limited, in 2017 to provide tractor financing solutions. As of June 30, 2024, the NBFC has a total vehicle finance loan book of Rs. 1,271.55 Cr., serving approximately 5,900 active customers. The NBFC demonstrates strong asset quality, with a gross NPA of 4.13% and a net NPA of 3.00% as of June 30, 2024. This integrated financing ecosystem enhances customer accessibility by offering seamless in-house financing options, supporting product sales, and fostering customer loyalty.

Valuation

- 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. **We are recommending SUBSCRIBE rating to the IPO of Indo Farm Equipment Limited. (IFEL) for medium to long term perspective.**

Risk & Concern

- Tractors and pick & carry cranes accounted for nearly 100% of FY24 revenue, making financials highly sensitive to demand or production fluctuations.
- Planned manufacturing facility expansions face risks of unexpected delays and cost overruns.
- Average utilization from FY22 to FY24 was 32% for tractors and 87% for cranes; inefficiencies could impact future performance.
- Crane production expansion relies on projected demand in India without confirmed orders, exposing the company to market and economic risks.
- Revenue and PAT margins have shown minimal growth over the last three fiscals, with PAT margins between 3.27% and 4.16% from FY22 to FY24.

Graphs & Charts

Figure 1: Revenue (Rs. /Cr.)

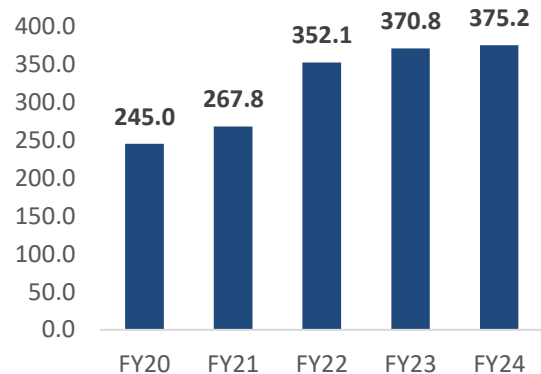


Figure 2: Installed and Utilized Capacity

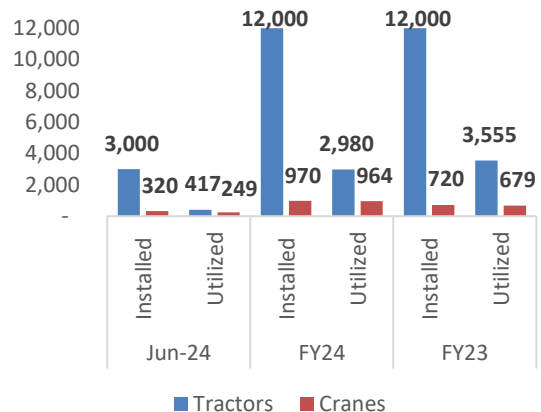


Figure 3: PAT (Rs. /Cr.)

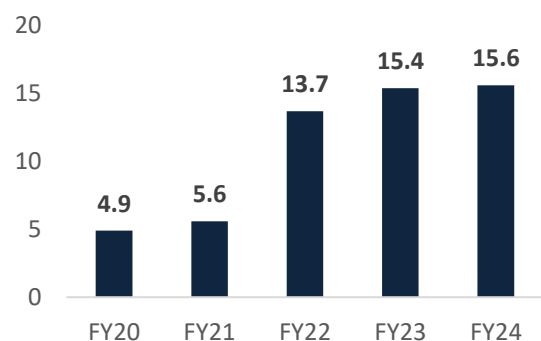
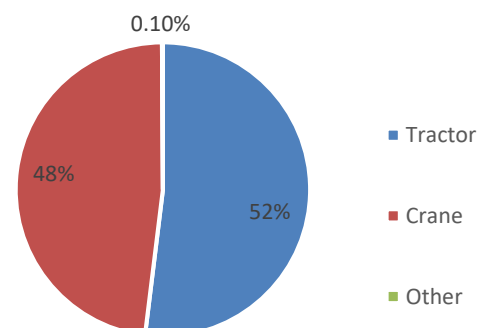


Figure 4: Product Mix



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