INDO FARM EQUIPMENT LIMITED

December 30, 2024

INDO FARM EQUIPMENT LIMITED
AN ISO 9001 : 2015 CERTIFIED COMPANY

SMC Ranking

★★☆☆☆ (2/5)

Issue Highlights

Industry	Capital Goods
Offer for sale (Shares)	3,500,000
Fresh Issue (Shares)	8,600,000
Net Offer to the Public	**12,100,000**
Issue Size (Rs. Cr.)	246-260.15
Price Band (Rs.)	204-215
Offer Date	31-Dec-24
Close Date	2-Jan-25
Face Value	10
Lot Size	69

Issue Composition

	In shares
Total Issue for Sale	12,100,000
QIB	6,050,000
NIB	1,815,000
Retail	4,235,000

Shareholding Pattern (%)

Particulars	Pre-issue	Post -issue
Promoters & promoters group	93.45%	69.44%
QIB	6.55%	12.59%
NIB	0.00%	3.78%
Retail	0.00%	8.81%
Total	**100.00%**	**94.62%**

*calculated on the upper price band

Objects of the Issue

The Objects of the Net Fresh Issue is to raise funds for:

Setting up new Dedicated Unit for Expansion of their Pick & Carry Cranes Manufacturing Capacity

Repayment or pre-payment, in full or part, of certain borrowings availed by the Company

Further Investment in NBFC Subsidiary (Barota Finance Ltd.) for financing the augmentation of its capital base to meet its future capital requirements.

General Corporate Purposes

Book Running Lead Manager

- Aryaman Financial Services Limited

Name of the registrar

- MAS Services Limited

About the company

Incorporated in 1994, Indo Farm Equipment Limited is engaging in manufacturing Tractors, Pick & Carry Cranes, and other harvesting equipment. The Company operates two brands: Indo Farm and Indo Power, it exports its products to countries like Nepal, Syria, Sudan, Bangladesh, Myanmar, etc. The Company 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 12000 tractors and 1,280 Pick & Carry Cranes production capacity annually. The Company spans 127,840 sq. meters of industrial land in Baddi, Himachal Pradesh, housing a captive foundry, machine shop, and fabrication and assembly units for tractors, pick & carry cranes, and other equipment. It has 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. It as of June 30, 2024, had 938 employees on payroll.

Strength

Fully Integrated and established Manufacturing Setup: Its ISO 9001:2015 certified manufacturing facilities are spread across 127,840 sq. mtrs. of Industrial lands at Baddi, Himachal Pradesh which includes a captive foundry unit and dedicated machine shop, fabrication and assembling units for Tractors and Pick & Carry Cranes. Its facility is equipped with induction furnaces, pneumatic molding machines, automatic molding line, sand plant, fully equipped metallurgy and Sand Testing Laboratory, Machining Center, Gear Shop, Hydraulic shop, Sheet metal, Press shop Fabrication Shop, Paint Shop, Assembly unit, Quality Room & Utility room. Its integrated operations enable it to manufacture some of the critical machine components in-house which reduces its dependence on third parties, streamlines its production process and improves its operational efficiencies. In addition, it also enables it to maintain control over the entire manufacturing process and also provide better delivery timelines to its customers at a more competitive cost.

In-House NBFC Setup In 2017, to further compliment & grow the business: It has launched its in-house NBFC Company for providing tractor finance for its buyers through its subsidiary entity "Barota Finance Limited". As on June 30, 2024, its NBFC has a total Loan Book (Vehicle Finance) of Rs.127.15 crore and served over around 5,900 active customers. Its NBFC has a strong asset quality and track record. Its Gross and net NPA as on June 30, 2024 are 4.13% and 3.00% respectively. It has over the years created a fully integrated eco-system for ensuring high quality products and financial support for its customers. Easy in-house finance facilities enable its customers to purchase its products with ease of finance.

Manufacturing Wide Range of Products: It is having the product range in tractors from 16 HP – 110 HP in 2 WD & 4 WD range. This range meets out around 80% of global market requirement especially 4WD tractors and 65, 75, 90 and 110 HP range which are developed for export markets such as Africa, Latin America, Middle East, Central and South East Asia and its 1,026 (26 HP range) is developed & homologated especially for European market. The Company manufactures Pick & Carry Cranes which are widely used throughout engineering, construction and infrastructure industry. It offers customers a Pick & Carry mobile crane that epitomizes safety, quality, operator productivity, innovative features, and competitive total cost of ownership. The Company currently manufactures these cranes

from 9 tons to 30 tons capacity available in 2-wheel drive and 4-wheel drive variants. Its machines are safe, economical and highly productive, capable of lifting and placing loads and also traveling long distances. As a result, they not only make the operator's job easier, but also ensure that he is able to deliver more in less time. In doing so, it helps meet the growing requirements of the country's infrastructure development, mining, realty, and other sectors. Having a ready setup with a wide range of running products, positions the company to be able to scale at a fast pace once adequate equity capital is infused in the company.

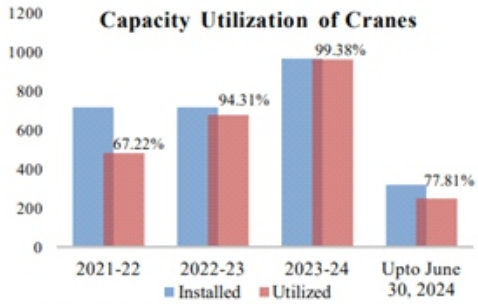
Product acceptability in multiple countries and wide variety of financial institutions: Currently exports contribute to around 7% of its total sales, however its product acceptance track record in so many countries serves as an impressive international footprint and demonstrates its ability to provide world class products and after sales services to its esteemed customers at the affordable prices. It currently has presence in multiple countries such as Afghanistan, Algeria, Bangladesh, Belgium, Bhutan, Brazil, Chilli, Ethiopia, Gabon, Germany, Ghana, Hungary, Italy, Japan, Jordan, Kenya, Kuwait, Lebanon, Malawi, Mauritius, Mexico, Myanmar, Namibia, Nepal, Netherlands, Nigeria, Oman, Poland, Tanzania, Saudi Arabia, Spain, Sudan, Syria, United Kingdom, Uruguay, Uganda, Yemen, Zimbabwe, etc.

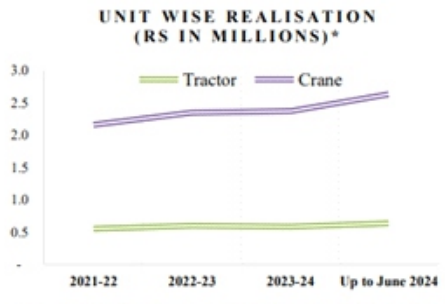
Strategy

Augment capital base for scaling and expanding its operations: It has over the years been a technology driven enterprise and have focused on developing strong product and established world class manufacturing facilities. It has not yet taken any external equity from PE/ VC or other such investor and have built these large manufacturing capabilities, distribution network etc through earnings and owned funds in a slow and steady manner. Hence it has been a consistent but not a very fast-growing organization. However, with its second generation having now committed themselves to its business it is poised to best exploit its set up and scale up its operations in order to take its company to the next level. It intends to fund its growth by raising equity capital from capital markets. This fund would be primarily used to fund its growth plans such as expansion of Pick & Carry Cranes division and to further capitalize NBFC and also to increase thrust on branding and marketing in order to be able to increase dealer network and hence better utilize its available production capacities.

Reduce Debt Levels and improve Debt to Equity Ratio: As on June 30, 2024, its standalone and consolidated debt levels are Rs. 156.70 crore and Rs. 245.36 crore respectively. As on June 30, 2024, its consolidated debt to equity ratio is 0.72. It intends to utilize Rs. 50 crore towards reduction in its debt. Reducing its debt would ensure strong profitable and robust balance sheet which would lead to wealth creation for its shareholders in the long term.

Focus on the niche market of Pick and Carry Cranes: It started with manufacturing of Tractors and since the base technology behind a Pick & Carry Crane is similar to a Tractor it has entered into manufacturing of pick & Carry Cranes also. As compared to Tractors which is a very competitive industry where local and global players are present in the matter, the Pick and Carry Crane sector is a niche segment with not many global players are participating in this segment.





**The unit wise realization has been computed by dividing total segment sale by total number of units sold during such year. Hence it represents average price per unit and doesn't represent specific price of a particular class of product.*

It Pick & Carry Cranes sales have grown at a CAGR of 44.77% in the last 3 years and as can be seen from the above graphs, it has almost fully utilized its capacities for this segment. Pick and Carry cranes are the most popular of the mobile cranes because of the flexibility of use that they provide. Hence the demand for mobile cranes is expected to be driven by Pick and Carry cranes. Indian crane market is expected to grow at 5-6% CAGR for the next 5 years owing to large infrastructure and construction spending by the Government and private sector in the pipeline (Source: B2K Analytics Industry Report*). With the industry expanding in correlation to the all-round infrastructure and construction push, the existing players have an advantage in the market. With such robust growth outlook for the industry, a capex cycle for the market players is expected during the near future. Due to high demand & to cater the market, it has increased its installed capacity from 720 units to 1280 units during the Fiscal 2024. The proportionate installed capacity for the Fiscal 2024 is 970 units. It capacity utilization for cranes has increased from 67% in Fiscal 2022 to 99% in Fiscal 2024. It now intends to further enhance and fund its expanded production line facility for the same through this equity issue for additional capacity of 3600 “Pick & Carry” Cranes p.a. As it has developed all the crane components and spare capacity available across all the shops i.e. Foundry, Machine shop, Gear shop and hydraulic shop in its existing facility, only the fabrication, sheet metal and assembly line is to be installed for creating above said additional capacities of the Cranes. With this, it will be able to encash the utilization of unused capacities available in various shops with a relatively lower capital expansion cost. Moreover, the unit wise sale realization of the Cranes is in increasing trend over the last 3 years mostly due to the Government’s focus on infrastructure building and also because it is one of the fastest growing economies.

Augment Dealer Network and Sales Force: While historically it has had a strong presence in North India, it intends to leverage its brand’s visibility and expand its presence PAN India. As on June 30, 2024, it has 159 registered dealers for tractor and 16 registered dealers for crane and which also includes 12 dealers for spares and services across India. It dealerships are fully equipped for Sales, Service & Spares. The Company intends to increase its dealer base to above 500 in the next three years, Pursuant to its board resolution dated August 25, 2023. It has commenced planning to increase dealer base, and it will achieve this through: - Establishing a dedicated Dealer Development Division with 100 recruits - Conducting market research and analysis to identify potential markets and competitors' gaps - Targeted dealer recruitment with segmented outreach and incentive programs - Enhanced brand positioning and marketing through strong brand campaigns, local engagement, and digital marketing - Comprehensive dealer support and training, including onboarding, technical support, and marketing assistance it seeks to increase its presence in export markets by targeting to serve in developed and emerging countries through dealers distributors in order to access a more diversified customer base across geographies. It plans to increase its penetration for exports of tractors in select export markets and once it is able to expand its capacities of cranes it plans to export its pick & Carry Cranes in SAARC Countries namely Nepal, Bhutan, Maldives, Afghanistan, Bangladesh, Sri Lanka etc. Further to strengthen its presence in export market, it intends to add an experienced marketing team with continuous focus on branding and also participation in trade fairs of export markets.

Risk factor

- It derives a significant portion of its revenue from the sale of tractors (approximately 52.16%) & Pick & Carry cranes (Approximately 47.77%) during the Fiscal 2024 and any reduction in demand or in the manufacturing of such products could have an adverse effect on its business, results of operations and financial condition.
- It has not yet placed orders in relation to the capital expenditure to be incurred for the proposed expansion project.
- It proposed expansion plans w.r.t its new manufacturing facilities being set up are subject to the risk of unanticipated delays in implementation and cost overruns.

Peer comparison

Co_Name	Total Income	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcap
Escorts Kubota Limited	1423.62	91.77	74.08	112.41	8.01	1038.99	10.00	8327.40	5655.51
Action Construction Equipment Ltd	573.07	38.52	12.52	124.41	6.85	227.42	10.00	1557.60	4791.11
Indo Farm Equipment Limited	375.23	15.60	3.25	66.24	1.96	109.70	10.00	215.00	1033.11

***Peer companies financials are TTM based**
****Indo Farm Equipment Limited financials are based on Fy24**

Valuation

Considering the P/E valuation, on the upper end of the price band of Rs.215, the stock is priced at pre issue P/E of 54.39 x on FY24 EPS of Rs.3.95. Post issue, the stock is priced at a P/E of 66.24x on its EPS of Rs. 3.25. Looking at the P/B ratio at Rs.215 pre issue, book value of Rs. 86.75 of P/Bvx 2.48x. Post issue, book value of Rs.109.70 of P/Bvx 1.96x.

Considering the P/E valuation, on the lower end of the price band of Rs.204, the stock is priced at pre issue P/E of 51.60x on FY24 EPS of Rs.3.95. Post issue, the stock is priced at a P/E of 62.85x on its EPS of Rs. 3.25. Looking at the P/B ratio at Rs.204 pre issue, book value of Rs. 86.75 of P/Bvx 2.35x. Post issue, book value of Rs.109.70 of P/Bvx 1.86x.

Industry Outlook

The global tractor market is projected to grow from USD 84.80 billion in 2024 to USD 114.5 billion by 2029, at a CAGR of 5.90% during the forecast period. Tractor has been one of the most essential machineries in mechanising the agriculture activities globally. Globally the mobile crane market size is anticipated to grow from USD 21.10 billion in 2024 to USD 29.10 billion by 2029, at a CAGR of 6.65% during the forecast period. The global agriculture equipment market is projected to grow from USD 180.81 billion in 2023 to USD 296.61 billion by 2030, at a CAGR of 7.3% during the forecast period.

Outlook

The company is fully integrated tractor and pick and carry cranes and, farm equipment manufacturer. Indo Farm's R&D Centre develops indigenous tractor and crane technologies, including efficient combustion chambers that ensure low fuel consumption. Backward integration enables managing diverse product variants and offering customised solutions to customers. It is in the expansion mode for its pick and carry cranes capacities to meet rising demands. However, it derives a significant portion of its revenue from the sale of tractors (approximately 52.16%) & Pick & Carry cranes (Approximately 47.77%) during the Fiscal 2024 and any reduction in demand or in the manufacturing of such products could have an adverse effect on its business, results of operations and financial condition. Along term investor may opt the issue.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
BID/ISSUE OPENS ON	31-December-24
BID/ISSUE CLOSES ON	02-January-25
Finalisation of Basis of Allotment with the Designated Stock Exchange	03-January-25
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	06-January-25
Credit of Equity Shares to Demat Accounts of Allottees	06-January-25
Commencement of trading of the Equity Shares on the Stock Exchanges	07-January-25

Annexure

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended 30-Jun-24 (3 Months)	Period ended 31-Mar-24 (12 Months)	Period ended 31-Mar-23 (12 Months)
Revenue from operations	74.96	375.23	370.76
Total expenditure	62.88	313.44	313.10
Operating Profit	**12.08**	**61.80**	**57.66**
OPM%	16.11	16.47	15.55
Other Income	0.58	0.72	1.06
PBDIT	**12.66**	**62.52**	**58.72**
Depreciation	2.57	10.31	8.83
PBIT	**10.08**	**52.20**	**49.89**
Interest	6.34	28.31	27.64
Profit Before Tax	**3.74**	**23.89**	**22.25**
Tax	1.29	8.30	6.88
PAT	**2.45**	**15.60**	**15.37**

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 30-Jun-24	As on 31-Mar-24	As on 31-Mar-23
Non-current assets			
Property, plant and equipment	199.54	196.70	200.37
Capital work-in-progress	4.07	5.11	8.06
Other Intangible assets	5.19	4.96	5.97
Financial Assets			
Investments	0.18	0.15	0.09
Loans	74.69	83.32	91.87
Other financial assets	2.03	2.08	1.47
Deferred tax assets (net)	0.00	0.00	0.96
Other assets	0.04	0.04	3.29
Total Non Current Assets	**285.73**	**292.37**	**312.07**
Current assets			
Inventories	165.88	164.85	162.89
Financial Assets			
Trade receivables	115.51	104.40	74.39
Cash and cash equivalents	7.14	14.06	1.76
Bank balances other than cash and cash equivalents	1.40	1.19	1.87
Loans	59.28	62.80	62.49
Income Tax Asset	0.27	0.27	0.22
Other assets	9.06	8.02	7.17
Total current assets	**358.54**	**355.58**	**310.78**
Total Assets	**644.27**	**647.95**	**622.84**
Non-current liabilities			
Financial liabilities			
Borrowings	69.96	83.66	109.85
Other financial liabilities	3.85	3.54	3.78
Lease liabilities	1.45	1.45	0.00
Deferred tax liabilities (net)	3.46	2.86	0.00
Provisions	2.03	1.92	1.34
Total non-current liabilities	**80.75**	**93.43**	**114.97**
Current liabilities			
Financial liabilities			
Borrowings	175.41	186.88	170.81
Trade payables - MSME	9.10	8.39	3.68
Trade payables - other than MSME	21.05	26.66	27.25
Other financial liabilities	9.03	8.71	8.72
Lease liabilities	0.21	0.17	0.00
Other current liabilities	1.01	1.34	1.93
Provisions	4.31	4.13	3.82
Income tax liabilities (net)	1.16	1.18	1.29
Total current liabilities	**221.27**	**237.46**	**217.49**
Total	**302.02**	**330.89**	**332.47**
Net worth represented by:			
Equity Share Capital	39.45	37.55	18.78
Other equity	302.79	279.50	271.60
Net Worth	**342.25**	**317.05**	**290.37**

RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★
EXCELLENT	★★★★★

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