



IPO Note

Carraro India Limited

Recommendation: **NEUTRAL**

Company Background -

- **Incorporation:** Incorporated in 1997 the company's registered office is located in Mumbai, Maharashtra.
- **Business Activity:** Carraro India Ltd. (CIL) is a technology driven integrated supplier that develops complex engineering products and solutions for original equipment manufacturer ("OEM") customers. It is an independent tier 1 solution provider of axles, transmission systems and gears for the agricultural tractor and construction vehicle industries in India.
- **Human Resource:** As of September 30, 2024, the company's local quality and after-sales team consisted of 87 full-time employees and 53 contractual temporary employees.

Objects of the Issue -

The Company will not receive any proceeds from the Offer and all the Offer Proceeds will be received by the Promoter Selling Shareholder after deduction of Offer related expenses and relevant taxes thereon, to be borne by the Promoter Selling Shareholder.

Promoters Name -

Tomaso Carraro, Enrico Carraro, Carraro S.p.A and Carraro International S.E.

Rationale for recommendation -

- ✓ Peers have better performance but steady growing revenue (at a CAGR of 9%) and profits.
- ✓ All proceeds are going to Promoters and not towards growth initiatives.
- ✓ Highly competitive slow-growing industry.
- ✓ 60-65% market share in the non-captive construction vehicle transmission market.
- ✓ Experienced an educated management team.

IPO Details

Opening Date	Dec 20, 2024
Closing Date	Dec 24, 2024
Allotment Date	Dec 26, 2024
Listing Date	Dec 30, 2024
Stock Exchange	BSE & NSE
Lot Size	21 Shares
Issue Price Per Share	₹668 to ₹704 per share
Issue Size	₹1,250.00 Cr.
Fresh Issue	-
Offer for Sale	₹1,250.00 Cr
Application Amt	₹14,784 (21 shares)

Industry - Component Supply

Average P/E of peers: **55.80**

	KPIs			(In Crores)
KPI's	FY 22	FY 23	FY 24	Sep-24*
Revenue	1,497.54	1,713.15	1,788.97	1,829.24
EBITDA	60.35	104.66	132.41	185.95
Net Profit	22.43	48.46	62.56	99.47
RoCE	5.80%	12.61%	16.50%	23.64%
ROE	7.66%	14.36%	16.91%	21.20%
P/E	178.68	82.63	64.00	40.24

*Annualised

Promoter Share Holding Pattern

Pre-Issue	Post-Issue
100.00%	68.77%

Valuation Parameters

Particulars	Pre-Issue	Post Issue*
EPS	11.00	17.50
BVPS	65.07	82.53
P/E	64.00	40.24
P/BV	10.82	8.53
Mkt Cap (In Cr)	4,002.35	4,002.35

Lead Managers -

1. Axis Bank Limited
2. Bnp Paribas
3. Nuvama Wealth Management Limited

Registrar -

Link Intime India Private Ltd

Business Overview

Incorporation and Background

- Established in 1997, the company specializes in complex engineering products and solutions for Original Equipment Manufacturer (OEM) customers.
- Key milestones include launching transmission system production in 1999, axles in 2000 and establishing its manufacturing facility in Pune and R&D center in 2006.
- Company has developed a network of 220 suppliers based in eight states in India and 58 suppliers internationally.

Parent Company and Legacy

- Part of the globally renowned **Carraro Group**, led by **Carraro S.p.A.**, specializing in transmission systems for off-highway vehicles.
- Leverages Carraro’s expertise in research, manufacturing, and market positioning to meet customer needs.

Product Portfolio

Agricultural Tractors

- **Transmission Systems:** These are available for tractors ranging from 35 HP to 150 HP, with features suited for various farming applications such as ploughing, rotavating, and sprayers. Some key products include:
 - **T40:** A lightweight system for tractors up to 42 HP, ideal for paddy fields, with 8 forward and 2 reverse speeds, and waterproof sealing.
 - **T50:** For tractors up to 50 HP, with multiple speed configurations and independent PTO control.
 - **T75/T100:** Compact, versatile systems for tractors from 50-100 HP, with up to 24 forward and reverse speeds.
 - **T100 CVT:** A continuously variable transmission (CVT) system, designed for optimal productivity.
 - **T135:** For tractors up to 150 HP, offering up to 36 forward and reverse speeds.
- **Electric Solution:** The eT50/eT75 is a fully electric system designed for sustainable tractors, ensuring zero CO2 emissions.

Construction Vehicles

- **Transmission Systems:** Suitable for a variety of construction vehicles with power ratings up to 120 HP.
- **TCB80-2WD & 4WD:** Ideal for backhoe loaders, telehandlers, and material handling cranes with power shifts and smooth transmission.
- **TCB80SPS:** Features electronic control for smooth operation in rough conditions.
- **Hydrostatic Systems:** For smooth, infinitely variable transmission, suitable for various construction vehicles.
- **Axles:** Includes steering axles, rigid axles, and hypoid axles, designed for high load capacity and durability, used in construction vehicles like backhoe loaders and wheel loaders.













Gears

The company manufactures ring gears, gears, and shafts for industrial and automotive sectors.

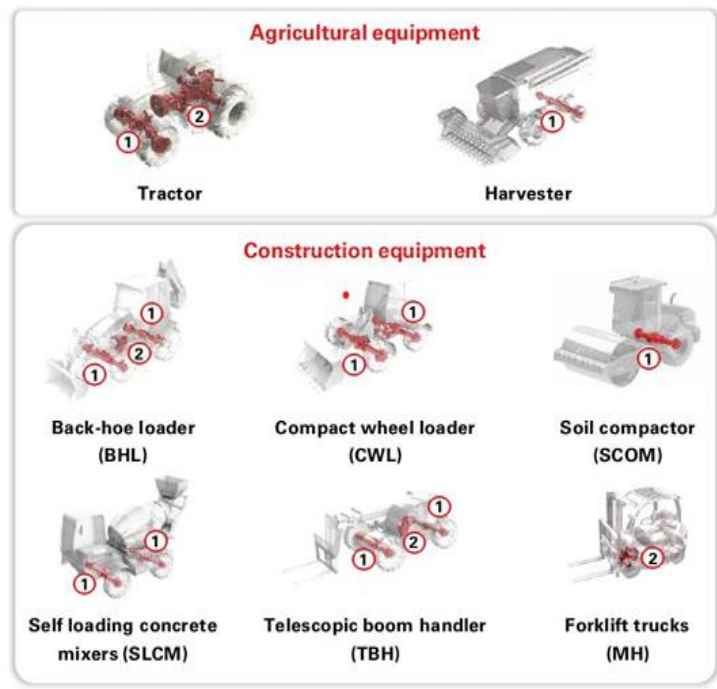
- **Ring Gears:** Offered in various sizes and specifications, including hardened versions.
- **Gears & Shafts:** Produced through hobbing, shaving, and grinding processes, with diameters from 20 mm to 500 mm.

Spare Parts & After-Sales Services

- **Spare Parts:** Includes components like gears, seals, hydraulic parts, and lubricants to ensure the longevity of products.
- **After-Sales Services:** The company provides warranty services, training for OEMs, and maintenance support.

	Agricultural tractor			Construction vehicle		
Axles						
	30 – 50 HP	49 – 135 HP	50 – 75 HP	Steering Axle 1 - 9.5 T UVW	Rigid Axle 1- 9.5 T UVW	Rigid Hypoid Axle 5 - 17 T UVW
Transmission Systems						
	T40 & T50	50-90 HP	Upto 150 HP	TCB80	TCB80SPS	Hydrostatic Infinitely Variable

Product Sector	Details	Revenue Contribution (FY24) (₹ Crores)	CAGR (FY22-FY24)
Agricultural Tractors	Axles and transmission systems	793.38	3.13%
Construction Vehicles	Products for backhoe loaders, soil compactors, cranes, etc.	727.17	16.85%
Gears & Related Components	Serves industrial and automotive sectors	240.63	10.60%



Use Cases: 1) Axles 2) Transmissions

Geography - Wise Revenue Distribution

Region	Revenue (₹ Crores)	CAGR (FY22-FY24)
India	1,141.29	10.07%
Exports	638.40	7.90%

Manufacturing Facilities

Facility	Key Features	Size
Driveline Manufacturing Plant	Axles, transmission systems; integrated casting, machining, and assembly processes. <i>Certifications:</i> ISO 14001:2015, ISO 9001:2015, ISO 45001:2018	84,000 sq. m.
Gear Manufacturing Plant	Heat treatment (carburizing, induction, nitriding); IATF 16949:2016 certification.	78,000 sq. m.

Capacity Utilization data

Metric	FY2024	FY2023	FY2022
Axles Produced	68,961	74,342	72,654
Transmission Systems Produced	46,579	47,055	47,129
Other Components Produced	14,066	10,772	11,503
Capacity Utilization	81.07%	80.20%	82.27%
Gears & Related Components Produced	16,18,845	16,76,707	15,25,468
Driveline Capacity Utilization (%)	81.07	80.2	82

Cost Optimization Initiatives

Key Initiative	Impact
Localization of Supply Chain	Reduced material costs from 76.18% (FY22) to 74.75% (FY24).
Technology Investments	Modernized facilities, introduced automation, and adopted advanced manufacturing techniques.
Volume-Based Procurement	Leveraged bulk purchase negotiations to optimize costs.
Process Optimization	Shift from cut gears to forged gears, further reducing material costs to 72.66% by 1H FY24.
Inventory Management	QR tracking, narrow aisle warehouses for space optimization.
Quality Control	Rejection rates consistently low at 0.01% over FY22-FY24.

IP Integration

Proprietary IP rights transferred, reducing royalties from ₹40.75 crores (FY22) to ₹25.60 crores (FY24).

Clients

Agricultural tractor sector



Construction vehicle sector



Others sector



Business Strategy

Innovation and Market Leadership

The company’s growth strategy focuses on innovation, cost optimization, and market expansion. As of 2023, it holds a **60-65% market share** in the non-captive construction vehicle transmission market and leads in agricultural tractor transmissions. It aims to maintain this position by introducing an “Industrial Design Cost Optimization” function, leveraging cross-functional teams to refine designs and reduce import dependency.

Expanding Product Lines

The company has initiated **16 tractor-driveline projects** across various horsepower ranges and **11 construction vehicle projects**. It is entering new product categories, such as self-loading concrete mixers and telehandler markets, while leveraging R&D capabilities to innovate applications like electric tractors and mobile crane drivelines.

Future-Ready Solutions

Carraro Group’s technologies, including **transmission** and electric solutions, enable the company to cater to high HP tractor demands driven by emission norms.

Production and Localization

Manufacturing facilities in Pune are expanding with advanced automation and sustainability initiatives. Localization efforts aim to increase reliance on domestic suppliers, currently contributing over **73%** of material costs, further optimizing supply chain efficiency.

Strategic Objectives

By focusing on sustainable growth, innovation, and cost competitiveness, the company seeks to capitalize on emerging trends, expand market share, and deliver value-added solutions.

Risk Factors –

The company derives 33.91% and 33.27% of its revenue from The Carraro Group in Fiscal 2024 and the six months ended September 30, 2024, respectively. Top 10 customers contributed 85.39% of revenue in Fiscal 2024, highlighting customer concentration risk.

Agricultural tractor business faces seasonal sales fluctuations, impacting company's financial performance. Demand peaks during certain seasons, and operating costs are expected to rise significantly. This may lead to price increases, impacting sales and making period-to-period comparisons unreliable.

The company and certain Group Companies may compete, leading to potential conflicts of interest. These conflicts may arise in business opportunities, allocation of resources, and market competition. There are no guarantees that these conflicts will be resolved in the company's favour.

The company, its subsidiary, and promoters are involved in litigation amounting to ₹320.56 crore, including tax disputes and civil cases.

The attrition rate of Key Managerial Personnel and Senior Management was 12.5% in two of the last three fiscals, higher than the mean rate which is 5-10% depending on the sector. This poses risks, as the company heavily depends on their expertise for operations and innovation.

Foreign exchange rate fluctuations materially affect the company's results due to currency mismatches in revenues and costs. In FY 2024, 22.44% of revenue was denominated in foreign currencies (₹205.23 crore), while 25.58% of material costs were imports (₹169.97 Crore). Currency volatility poses a significant financial risk.

Competition Analysis

Market Dynamics

- **Indian Agricultural Machinery Market:**

- Projected to triple over the next decade, reaching approximately **\$40 billion by 2033**.
- In 2023, tractor sales surpassed **900,000 units**, setting an all-time high.
- Expected **CAGR of 7.9%** from 2021 to 2030, with the tractor market size estimated at **\$12,700.8 million by 2030**.
- Growth drivers include government initiatives for rural development, better infrastructure, and financial assistance to farmers, promoting mechanization.

- **Global Automotive Axle Market:**

- Estimated to grow at a **CAGR of 1.5%** from 2023 to 2030.
- **Asia-Pacific Automotive e-Axle Market:** Projected CAGR of **5.56%** from 2024 to 2030, reaching **\$2.94 billion by 2030**, driven by the demand for electric vehicles and advanced technologies.

Competitive Landscape

- **Major Competitors:**

- Global and domestic players include **ZF, Dana, and Comer**, offering strong financial resources, advanced technical capabilities, and expansive distribution networks.
- **ZF India (December 2023):** Announced the manufacturing of transmissions for off-highway vehicles at a new Coimbatore plant for both domestic and export markets.

- **Market Challenges:**

- Electric tractors, though promising, face hurdles like high upfront costs, lack of charging infrastructure, and unsuitability for heavy-duty applications.
- Market overcapacity may prompt price reductions and incentives to retain market share.

- **Industry Consolidation:**

- **American Axle & Manufacturing:** Sold its commercial vehicle axle business in India to Bharat Forge Limited for **\$65 million**, signaling increased mergers and strategic partnerships.

Opportunities and Risks

Opportunities:

- Focus on innovation, cost-efficiency, and expanded service networks can bolster market position.
- The rise of electric tractors and vehicles presents a growth avenue.

Risks:

- Backward integration by customers could reduce demand for supplied components.
- Competitors with better margins or innovative solutions could erode market share and profitability.

Peer Analysis

Particulars	Carraro India Limited			Escorts Kubota Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	1.5%	2.8%	3.5%	9.9%	7.3%	11.3%
EBITDA Margin	4.0%	6.1%	7.4%	15.3%	11.5%	17.1%
RoCE	9.0%	11.9%	16.5%	13.0%	10.1%	15.1%
ROE	7.7%	14.4%	16.9%	9.7%	7.8%	11.4%
EPS (INR)	3.94	8.52	11.00	55.21	48.26	86.55
P/E	178.68	82.63	64.00	30.75	39.18	32.09

Particulars	Happy Forgings Limited			Sona BLW Precision Forgings Limited			Ramakrishna Forgings Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	16.4%	17.4%	17.7%	16.7%	14.7%	16.1%	8.5%	7.8%	8.6%
EBITDA Margin	27.4%	28.8%	29.2%	27.4%	26.2%	28.6%	22.4%	21.8%	21.9%
RoCE	22.5%	27.4%	20.4%	20.4%	20.9%	21.8%	17.0%	22.0%	16.3%
ROE	18.1%	21.1%	15.1%	18.1%	17.3%	18.5%	18.4%	18.8%	12.7%
EPS (INR)	15.90	23.32	26.45	-13.08	-0.11	1.30	12.39	15.52	20.04
P/E	-	-	-	-	-	543.04	13.09	18.43	34.49

- Peers are not comparable on apple-to-apple basis due to significant differences in revenue and service offerings.

Industry Overview

Indian Construction Vehicle Components Market

1. Market Introduction

The Indian construction vehicle components market plays a crucial role in the country’s infrastructure development. Essential components like gears, transmissions, axles, and drive systems are vital for the functioning of construction vehicles such as backhoe loaders, crawler excavators, mobile cranes, and concrete mixers. This market is influenced by technological advancements, government initiatives, and the push for sustainable construction equipment.

2. Key Growth Drivers

- Electrification of Construction Vehicles:** The shift toward electric construction vehicles is a key driver. Electric components like axles, motors, inverters, and controllers are replacing traditional engine systems.
- Government Schemes and Infrastructure Development:** Programs like the Production-Linked Incentive (PLI) scheme and the National Infrastructure Pipeline (NIP) are driving demand for construction vehicles and components.
- Stricter Emission Norms (CEV-V):** The 2025 implementation of CEV-V emission norms will drive demand for more efficient and eco-friendly components like advanced gear technologies.
- Urbanization and Infrastructure Growth:** Rapid urbanization and large-scale infrastructure projects are expected to fuel demand for construction vehicles and components.

3. Key Trends

- Electrification:** The adoption of electric vehicles (EVs) in construction is growing, with a focus on backhoe loaders, excavators, and cranes. Key components include electric axles, motors, inverters, controllers, and energy management software.

Recommendation: **NEUTRAL**

- **Excon 2023:** Suppliers showcased EV technologies such as wheel drives and e-transmissions for construction vehicles.
- **Impact:** This shift requires component manufacturers to diversify their portfolios to meet the demand for electric vehicle technologies.
- **Demand for Backhoe Loaders and Crawler Excavators:** These vehicles account for over 65% of total sales in CY2023. Sales of backhoe loaders grew by 10.2%, while crawler excavators grew by 2.4%.
- **Improvement in Gear Technologies:** The gear market is expected to grow, reaching 614.2 thousand units by CY2029, driven by advancements in gear materials, manufacturing, and integrated electronic controls for improved efficiency and reliability.

Segment	Key Data	Growth Trends	Market Share
Construction Vehicle Gears	India gears market expected to reach 614.2 thousand units by CY2029	Growth driven by need for more efficient, eco-friendly gear technologies due to emission regulations (CEV-V)	Key suppliers: Bharat Gears Limited, Ashoka Engineering Works, Carraro India
Construction Vehicle Axles	Dominated by backhoe loaders, telehandlers, self-loading concrete mixers, and motor graders	Increase in demand for these components, driven by infrastructure growth and government schemes	Non-captive suppliers: 50-55% of the market; Carraro India: 25-30% share in CY2023
Electrification	Expected to rise as construction vehicles transition to electric drivetrains	Focus on electric axles, motors, transmissions, and controllers for electric vehicles	Key focus on backhoe loaders, excavators, cranes, etc.
Backhoe Loaders	Sales in CY2023 increased by 10.2%, reaching 42,000 units	Continued demand for backhoe loaders, driving component demand like axles, transmissions	Major component suppliers: Dana India, ZF India, Carraro India
Crawler Excavators	Market growth of 2.4% in CY2023, reaching 24,500 units	Driven by urbanization, mining projects, and infrastructure growth	Increased demand for axles, transmissions, and related components

4. Key Challenges and Threats

- **Supply Chain Disruptions:** Natural disasters, geopolitical tensions, and pandemics have caused delays and shortages in the supply of critical materials, affecting vehicle production.
- **Rising Rental Market:** The increasing popularity of rental and used construction vehicles may reduce demand for new vehicles, impacting component sales.
- **Impact of Emission Regulations:** The CEV-V emission norms will lead to higher production costs for construction vehicle manufacturers, raising component prices.
- **Non-Captive Sourcing:** Increased reliance on non-captive suppliers for key components like axles and transmissions could heighten competition and pressure on suppliers.

5. Competitive Landscape

- **Transmission Market:** Non-captive suppliers accounted for 35-40% of the transmission market in CY2023. Carraro India held the largest share of 60-65%.
- **Axles Market:** Non-captive suppliers made up 50-55% of the axle market, with Carraro India holding 25-30%.
- **Key Players:** ZF India, Dana India, Carraro India, Meritor, and Comer Industries.
- **Exports:** Indian exports of construction vehicle components grew by 9%, reaching USD 1,333.25 million in CY2023, with the US, UK, Germany, Italy, and Brazil accounting for 64% of exports.

6. Future Outlook

- **Electrification:** As electric construction vehicles become more prevalent, component manufacturers will need to innovate and expand their portfolios.
- **Infrastructure Development:** The demand for construction vehicle components will continue to rise with government infrastructure initiatives and urbanization.
- **Technological Advancements in Gear Systems:** The gears market will grow, driven by the demand for efficiency, reliability, and advanced materials.

Recommendation: **NEUTRAL**

- **Export Growth:** The global demand for Indian construction vehicle components is expected to increase, with key export markets like the US, UK, and Germany leading the way.

Indian Agricultural Tractor Market

1. Market Introduction

The Indian agricultural tractor market is crucial to the country's agricultural economy. Tractors play a vital role in enhancing productivity by helping farmers with tasks like plowing, sowing, harvesting, and tilling. The market has seen significant growth due to mechanization, government policies, and technological advancements.

2. Market Segmentation

- **By Power Output:**
 - **<30 HP:** Small tractors for rural areas.
 - **30-50 HP:** Most popular, used for various tasks.
 - **>50 HP:** Larger tractors for intensive operations.
- **By Drive Type:**
 - **2WD (Two-Wheel Drive):** The dominant segment, suitable for general tasks.
 - **4WD (Four-Wheel Drive):** Growing in demand, especially for heavy-duty tasks and in regions requiring more traction.

3. Key Growth Drivers

- **Rising Demand for Mechanization:** Increased mechanization in agriculture to boost productivity and reduce manual labor.
- **Government Policies and Subsidies:** Schemes like the Sub-Mission on Agricultural Mechanization (SMAM) provide financial assistance for purchasing tractors.
- **Favorable Crop and Weather Conditions:** Good weather and crop cycles have driven tractor demand.
- **Improved Financing:** Easier access to credit and government subsidies has made tractors more affordable for farmers.
- **Export Growth:** Indian tractor exports have increased, especially to Africa, Southeast Asia, and Latin America.

4. Key Market Trends

- **Increasing Popularity of >40 HP Tractors:** Demand for tractors with more than 40 HP is growing, especially for larger farms and tasks like harrowing and land leveling.
- **Shift Toward 4WD Tractors:** There's growing interest in 4WD tractors, especially in regions requiring higher traction.
- **Technological Advancements:** Features like GPS, automated steering, and fuel-efficient engines are enhancing tractor performance.
- **Export Potential:** The export market for Indian tractors continues to grow, with 2023 exports valued at USD 551.37 million.

5. Key Players in the Indian Agricultural Tractor Market

- **Mahindra & Mahindra:** A market leader offering a wide range of models.
- **Sonalika Tractors:** Known for technologically advanced tractors.
- **Tafe:** A key player in durable, high-performance tractors.
- **Escorts Ltd:** Offers a variety of tractors for different tasks.
- **John Deere:** Focuses on advanced technology and high-horsepower tractors.

6. Market Challenges

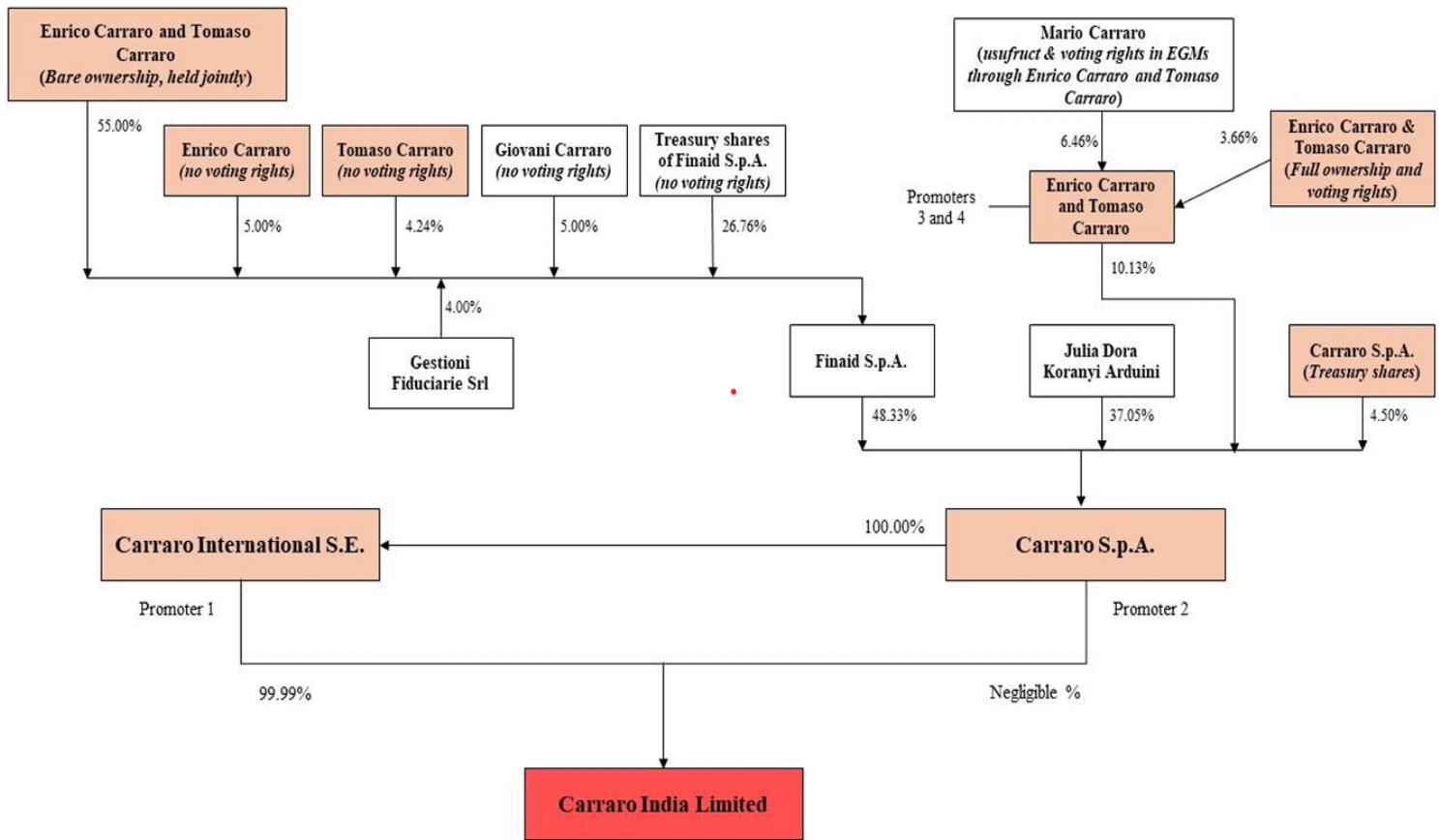
- **Weather Dependency:** The market is sensitive to changes in weather and monsoon patterns.
- **Price Sensitivity:** Despite subsidies, the high cost of tractors is a barrier for small-scale farmers.
- **Competition from Used Tractors:** The availability of used tractors at lower prices affects new tractor sales.

7. Future Outlook

The agricultural tractor market in India is expected to continue growing, driven by mechanization, government support, and technological advancements. The demand for >40 HP tractors, 4WD tractors, and those with modern features will rise, while the export market will remain a key growth driver.

(Source: RHP, Mordor Intelligence)

Key Management -



Key Management Persons Name - Age	Tomaso Carraro 58
Designation & experience	Promoter, Vice Chairman and Non-Executive Director; over 26 years of experience in manufacturing sector
Qualification	Master’s degree in business administration from the Graduate School of Business, University of Chicago
Previous Associations	Associated with various entities in the Carraro Group, including Carraro China Drive Systems Co. Ltd, Carraro Drive Tech Italia S.p.A., Carraro International S.E., Carraro S.p.A., Carraro North America Inc. and Siap S.p.A. and was previously associated with Gear World S.p.A.

Key Management Persons Name - Age	Enrico Gomiero 66
Designation and experience	Promoter, Non-Executive Director; approximately 8 years of experience in manufacturing sector
Qualification	Diploma of accountant and commercial expert from the Technical Institute for Commercials and Surveyors of Padua
Roles & Responsibility	Associated with various entities in the Carraro Group, including Carraro S.p.A., Carraro Drive Tech Italia S.p.A., Carraro Finance S.A., Carraro International S.E., and Siap S.p.A. He has over 29 years of experience in the manufacturing sector. He was also previously associated with Carraro S.p.A. in his capacity as a manager.

Recommendation: **NEUTRAL**

Ettore Francesco Sequi, Chairman and Independent Director, holds a **political science degree** from the University of Cagliari and represents Italy on the **Einstein Telescope Infrastructure Board**. With **37+ years in foreign affairs**, including roles at Italy’s Ministry of Foreign Affairs, he brings strategic global expertise.

Balaji Gopalan, Managing Director, has been with the Company since **1998**. With a **PhD in HR management** from the University of Pune and **25+ years in manufacturing**, he oversees growth strategies and operational excellence.

Daive Grossi, Whole-time Director & CFO, holds degrees in **business administration and corporate finance** from Bocconi University. With **13 years in finance**, including roles at Alten Sverige AB and Deloitte, he drives financial strategy and compliance.

Sudhendra Mannikar, Whole-time Director & COO, joined in **1999**. With a **production engineering degree and MBA**, and **25+ years in supply chain and operations**, he ensures operational efficiency.

Andrea Conchetto, Non-Executive Director, holds an **electrotechnical engineering diploma** and has **23 years in manufacturing**, contributing expertise from the Carraro Group.

Uma Mandavgane, Independent Director, is a **Chartered Accountant** and **CISA** with **14+ years in advisory**, specializing in governance and risk.

Kishore Saletore, Independent Director, is a **Chartered Accountant** with **11+ years in finance**, formerly CFO at Bharat Forge and TATA Realty.

FINANCIAL SNAPSHOT

Statement of Profit and Loss				Amt in Crores.
Particulars	FY 22	FY 23	FY 24	Sep-24
Revenue from Operations	1,497.54	1,713.15	1,788.97	914.62
Other Income	22.51	20.15	17.58	8.12
Total Income	1,520.05	1,733.30	1,806.55	922.74
Expenses				
Cost of Material Consumed	1,140.86	1,290.51	1,337.24	664.58
Changes in Inventories of WIP, Finished Goods & Stock in Trade	-18.78	-14.78	-24.09	2.73
Employee benefits expense	117.33	130.46	143.47	75.30
Finance Cost	16.22	19.79	22.49	11.89
Depreciation and Amortization expense	35.91	39.44	43.14	22.29
Other Expenses	197.78	202.30	199.93	79.03
Total Expenses	1,489.32	1,667.71	1,722.18	855.82
EBITDA	60.35	104.66	132.41	92.98
EBITDA Margin	4.03%	6.11%	7.40%	10.17%
Profit/(Loss) before tax	30.73	65.59	84.37	66.92
Tax Expense				
Current tax	9.20	18.94	24.36	17.31
Deferred Tax	-0.89	-1.81	-2.55	-0.13
Total Tax	8.31	17.13	21.81	17.18
Profit/(Loss) for the year	22.43	48.46	62.56	49.73
Net Profit Margin	1.48%	2.80%	3.46%	5.39%

Statement of Assets and Liabilities				Amt in Crores.
Particulars	FY 22	FY 23	FY 24	Sep-24
EQUITY AND LIABILITIES				
1. Shareholders' funds				
Share Capital	56.85	56.85	56.85	56.85
Other Equity	235.64	280.52	312.97	362.59
Non-Controlling Interest	0.14	0.16	0.09	0.10
Total Equity	292.63	337.53	369.91	419.54
2. Non-current liabilities				
Long-Term borrowings	85.72	130.82	122.32	151.01
Lease Liabilities	3.29	2.42	1.30	14.27
Long-term provisions	39.14	46.30	47.38	47.56
Deferred tax liabilities	0.76	-	-	-
Total Non-current liabilities	128.91	179.54	171.00	212.83
3. Current liabilities				
Borrowings	92.41	57.52	90.23	44.77
Lease Liabilities	0.85	1.00	1.13	1.73
Trade Payables				
(a) Outstanding Dues to MSME	54.07	58.93	49.30	40.57
(b) Outstanding Dues to other than MSME	374.59	369.16	316.20	315.97
Other Financial Liabilities	36.62	27.61	29.39	5.48
Other current liabilities	12.23	16.73	13.67	11.40
Provisions	19.13	21.59	32.05	30.48
Current Tax Liabilities (net)	0.99	2.79	0.03	10.65
Total Current liabilities	590.90	555.32	531.98	461.04
Total Liabilities	719.81	734.86	702.98	673.87
Total Equity and Liabilities	1,012.44	1,072.39	1,072.89	1,093.41

Particulars	FY 22	FY 23	FY 24	Sep-24
ASSETS				
1. Non-current assets				
Property, Plant and Equipment	259.88	287.47	311.72	305.54
Capital work-in-progress	16.03	14.97	13.74	27.18
Right-to-use assets	10.12	9.06	-	0.31
Intangible Assets	5.41	4.15	28.97	27.39
Other financial assets	2.70	3.87	4.77	5.02
Deferred Tax Assets (net)	0.60	1.17	3.45	3.61
Non-Current Tax Assets	29.21	31.38	31.97	32.47
Other non-current assets	13.80	3.86	7.34	13.29
Total non-current assets	337.75	355.92	401.95	414.81
2. Current assets				
Inventories	236.64	255.30	286.45	290.99
Trade Receivables	257.04	303.39	242.72	255.62
Cash & Cash equivalents	103.96	104.99	103.60	97.00
Other financial assets	-	-	-	9.55
Other Current Assets	77.04	52.79	38.18	25.44
Total Current assets	674.69	716.47	670.94	678.60
Total Assets	1012.44	1072.39	1072.89	1093.41

Cash Flow Statement				Amt in Crores.
Particulars	FY 22	FY 23	FY 24	Sep-24
Net Cash Flow from Operating Activities	95.83	80.22	112.19	43.73
Net Cash Flow from Investing Activities	-59.45	-61.77	-84.68	-18.41
Net Cash Flow from Financing Activities	8.53	-15.47	-30.18	-28.58

Key Ratios									
<u>Per Share Data</u>	FY 22	FY 23	FY 24	FY 25*	<u>Valuation Ratios (x)</u>	FY 22	FY 23	FY 24	FY25*
Diluted EPS	3.94	8.52	11.00	17.50	EV/EBITDA	6.08	4.02	3.62	2.94
BV per share	51.47	59.37	65.07	82.53	Market Cap / Sales	2.67	2.34	2.24	2.19
<u>Operating Ratios</u>					P/E	178.68	82.63	64.00	40.24
EBITDA Margins	4.03%	6.11%	7.40%	10.17%	Price to Book Value	13.68	11.86	10.82	8.53
PAT Margins	1.48%	2.80%	3.46%	5.39%	<u>Solvency Ratios</u>				
Inventory days	57.68	54.39	58.44	58.22	Debt / Equity	0.61	0.56	0.57	0.37
Debtor days	62.65	64.64	49.52	51.15	Current Ratio	1.14	1.29	1.26	1.47
Creditor days	133.58	120.74	99.20	97.15	Quick Ratio	0.74	0.83	0.72	0.84
<u>Return Ratios</u>					Asset Turnover	1.48	1.60	1.67	0.84
RoCE	5.80%	12.61%	16.50%	23.64%	Interest coverage Ratio	1.51	2.74	4.70	5.94
RoE	7.66%	14.36%	16.91%	21.20%					

*Annualised

LEAD MANAGER TRACK RECORD –

The lead manager to the issue are Axis Bank Limited, BNP Paribas and Nuvama Wealth Management Limited

Axis Capital Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Northern Arc Capital Limited	777.00	263.00	Sep 24, 2024	219.90
2.	Akums Drugs and Pharmaceuticals Limited	1,856.74	679.00	Aug 06, 2024	597.95
3.	Bharat Highways Infrastructure Investment Trust	2500.00	100.00	Mar 12, 2024	113.01
4.	Medi Assist Healthcare Services Limited	1171.58	418.00	Jan 23, 2024	593.90
5.	Yes Bank Ltd	15000.00	12.00	Jul 27, 2020	19.92

The company has handled 41 mandates in the past three years (including the current year).

Nuvama Wealth Management Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Suraksha Diagnostic Limited	846.25	441.00	Dec 06, 2024	403.90
2.	NTPC Green Energy Limited	10,000.00	108.00	Nov 27, 2024	134.50
3.	ACME Solar Holdings Limited	2,900.00	289.00	Nov 13, 2024	229.90
4.	Afcons Infrastructure Limited	5,430.00	463.00	Nov 04, 2024	526.90
5.	P N Gadgil Jewellers Limited	1,100.00	480.00	Sep 17, 2024	701.85

The company has handled 18 mandates in the past three years (including the current year).

BNP Paribas -

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Fedbank Financial Services Limited	1200.00	790.00	December 20, 2023	2,526.55
3.	TVS Supply Chain Solutions Limited	8,80.00	197	August 23, 2023	171.60
4.	Adani Wilmar Limited	36,00.00	230.00	February 08, 2022	315.55
5.	Anand Rathi Wealth Limited	6,59.37	550.00	December 14, 2021	3,929.00

The company has handled 5 mandates in the past three years (including the current year)

Recommendation -

- **Offer for Sale:** This is a complete Offer for Sale (OFS) where the promoter, Carraro International S.E., is selling its entire stake.
- **No Proceeds for Company:** Carraro India itself will not receive any proceeds from the IPO. This implies:
- **Limited Growth Opportunities:** The company lacks access to fresh capital for crucial investments in research and development, capacity expansion, or market penetration.
- **Industry Growth:**
 - **Slower Growth:** While the Indian tractor market is projected to grow at a CAGR of 7.9% from 2021 to 2030, reaching \$12.7 billion by 2030, this growth rate is moderate.
 - **Global Automotive Axle Market:** The global automotive axle market is expected to grow at a slower CAGR of 1.5% from 2023 to 2030.
- **Competitive Landscape:**
 - The company faces stiff competition from global giants like ZF, Dana, and Comer. These competitors possess:
 - **Strong Financial Resources:** Enabling significant investments in R&D, technology, and market expansion.
 - **Advanced Technological Capabilities:** Offering superior product innovation and efficiency.
 - **Extensive Distribution Networks:** Providing wider market reach and customer access.
 - **Increased Competition:** ZF India's recent announcement of a new transmission manufacturing plant in Coimbatore further intensifies competition in the Indian market.

The company faces risks from high customer concentration, with the top 10 contributing 85.39% of FY2024 revenue, seasonal fluctuations in tractor sales, potential conflicts of interest with the Carraro Group, ongoing litigation, high key personnel attrition, and foreign exchange exposure affecting profitability and operational efficiency.

Conclusion:

The Carraro India IPO presents several concerns, including limited growth opportunities, intense competition, and significant company-specific risks. The OFS structure, where the company itself does not receive any proceeds, further diminishes its appeal. We have a **Neutral** stance on this IPO for the time-being, investors are advised to check it's post-listing performance.

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The analysis and recommendations are based on the current market and company-specific scenario, along with the data available in the prospectus. Market and company-specific conditions may change after the company's listing, potentially impacting its performance and outlook. We will not be providing any follow-up reports or updates on this analysis post-listing.

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