



IPO Note

Indo Farm Equipment Limited

Recommendation: **AVOID!**

Company Background -

- **Incorporation:** Indo Farm Equipment Limited was originally incorporated as "Welcut Tools Private Limited" on Oct 05, 1994. The registered office is located at Chandigarh, India.
- **Business Activity:** The company is engaged in manufacturing of Tractors and Pick & Carry Cranes. They also deal in other farm equipment such as Harvester Combines, Rotavators and other related spares & components.
- **Revenue Stream:** The major revenue stream for the company is from sale of tractors and cranes.
- **Human Resource:** The company had 938 permanent employees as of June 30, 2024.

Objects of the Issue -

- Setting up new Dedicated Unit for Expansion of the 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.

Promoters Name -

Ranbir Singh Khadwalia and Sunita Saini

Rationale for recommendation -

- ✓ The PE ratio post issue annualized basis is 104.72 times which makes it aggressively priced.
- ✓ The company's top line, bottom line and profitability margins have a very slow growth over the years.
- ✓ The RoCE and RoE have remained very low over the years.
- ✓ The NBFC's AUM has reduced over the years.
- ✓ The GNPA and NNPA is quite high and has increased over the years.
- ✓ The industry both manufacturing and NBFC are highly competitive and fragmented.

IPO Details

Opening Date	Dec 31, 2024
Closing Date	Jan 02, 2024
Allotment Date	Jan 03, 2024
Listing Date	Jan 07, 2024
Stock Exchange	BSE, NSE
Lot Size	69 Shares
Issue Price Per Share	₹204 to ₹215
Issue Size	216.15 Cr.
Fresh Issue	184.90 Cr.
Offer for Sale	75.25 Cr.
Application Amt	₹ 14,835 – ₹ 1,92,855 (69 to 897 shares)

INDUSTRY – Manufacturing (Tractors & Cranes)

Avg. PE ratio as per RHP – 42.10

KPI's	KPIs (In Crores)			
	FY 22	FY 23	FY 24	Jun-24
Revenue	352.08	370.76	375.23	74.96
EBITDA	51.63	57.66	61.80	12.08
Net Profit	13.72	15.37	15.60	2.45
RoCE	10.52%	12.05%	12.54%	0.73%
ROE	4.99%	5.29%	4.92%	0.72%
P/E	58.90	52.57	51.81	104.72*

*Annualized

Promoter Share Holding Pattern

Pre-Issue	Post Issue
93.45%	69.44%

Valuation Parameters

Particulars	Pre-Issue	Post Issue*
EPS	4.15	2.05
BVPS	84.43	111.25
P/E	51.81	104.72
P/BV	2.55	1.93
Mkt Cap (In Cr)	848.21	1,033.11

*Annualized

Lead Managers -

Aryaman Financial Services Limited

Registrar -

MAS Services Limited

Business Overview –

Indo Farm Equipment Limited is engaged in manufacturing of Tractors and Pick & Carry Cranes. They also deal in other farm equipment such as Harvester Combines, Rotavators and other related spares & components. The products are distributed by 175 dealers from various states such as Punjab, Haryana, Uttar Pradesh, Maharashtra, Gujarat, Rajasthan etc.

The company sells tractors under the brand name “INDO FARM” and cranes are sold under “INDO POWER”.

Manufacturing Facilities: The facility is spread across 1,27,840 sq. mtrs. of Industrial lands at Baddi, Himachal Pradesh which includes a captive foundry unit and machine shop, fabrication and assembling units for Tractors, pick & Carry Cranes and other equipment. As on September 30, 2024, the production facilities have a capacity to manufacture 12,000 Tractors p.a. & 1,280 Pick & Carry Cranes p.a. They are currently manufacturing Tractors ranging from 16 HP to 110 HP and Pick & Carry Cranes ranging from 9 tons to 30 tons. The capacity utilization for cranes remained at 67.22%, 94.31% and 99.38% and for tractors it remained at 41.70%, 29.63% and 24.83% for FY22, FY23 and FY24 respectively.



Product Portfolio:

1. Tractors: The company has 29 types of tractors. These are categorised into four series, which includes 1 series (20-26 HP category) with 3 variations, 2 series (34-45 category) with 3 variations, 3 series (38-90 category) with 11 variations and 4 series (75 – 110 category) with 12 variations. Apart from these the company has developed backhoe loader, A/c tractor and electric tractor.



2. Pick & Carry Cranes: The company has 15 types of cranes. These are categorised into three series, which includes FN series with 4 variations, FNX series with 4 variations and IP series with 7 variations.



3. Other Farm Equipment and Components:

These include Harvester Combines, Rotavator and other Foundry Components and Scrap.



Harvest Combines

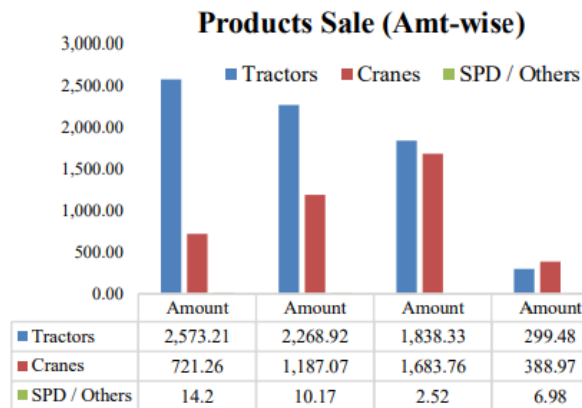
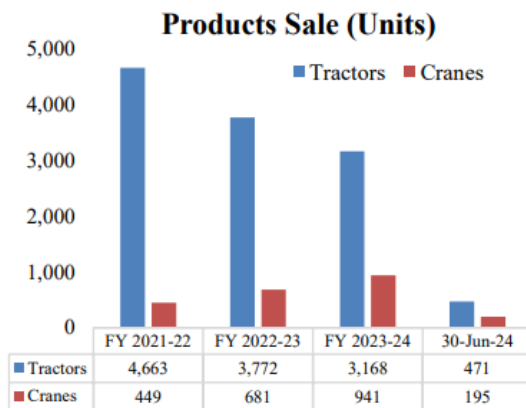


Rotavators

Revenue Bifurcation:

(Amt in Cr.)

Particulars	FY 2022		FY 2023		FY 2024	
	Amt	%	Amt	%	Amt	%
Tractors	299.48	43.06	1,838.33	52.16	2,268.92	65.46
Cranes	388.97	55.93	1,683.76	47.77	1,187.07	34.25
Others	6.98	1.00	2.52	0.07	10.17	0.29
Total	695.43	100.00	3,524.61	100.00	3,466.16	100.00



Subsidiary:

Barota Finance Limited: The company was established in 2017. It is a NBFC created to provide an in-house finance option to buyers. It is primarily in the business of financing the tractors which are sold by the company and also finances other pre-owned vehicles of other brands as well. As on June 30, 2024, they had a total Loan Book (Vehicle Finance) of ₹1,271.55 million and served over 5,900 active customers.

The details of the NBFC is given below:

Particulars	FY2022	FY2023	FY2024	Jun-24
Gross NPA (%)	2.96	3.26	3.84	4.13
Net NPA (%)	2.62	2.71	2.90	3.00
AUM (Amt in Cr.)	146.45	150.05	139.43	127.16
AUM Growth (%)	25.52%	2.31%	-7.07%	-

Competition -

- 1. Market Competition:** The industry is highly competitive and the key factors of competition are quality, pricing, and innovation, perceived value, brand recognition, promotional activities, advertising, special events, and new product introductions.
- 2. Geographic Competition:** The company faces competition from large Indian and multinational players as well as local players, which are either independent or are affiliated to a hotel chain.
- 3. Barriers to entry:** Moderate barriers to entry.
- 4. Threat of Substitutes:** High threat of substitutes.
- 5. Bargaining Power of Buyers:** The bargaining power is high with the customers.
- 6. Bargaining Power of Suppliers:** The bargaining power is low with the suppliers.

Business Strategies -

1. The company intends to expand pick and carry cranes division and capitalize NBFC.
2. The company intends to install the fabrication, sheet metal and assembly line to create additional capacities of the cranes.
3. The company proposes to set up Auto ancillary park and had taken the physical possession of leasehold land admeasuring 1,12,750 sq. mtrs from the Himachal Pradesh State Industrial Development Corporation via letter dated August 25, 2022.
4. The company intends to increase the customer base to above 500 in the next three years.
5. The company plans to expand to SAARC Countries namely Nepal, Bhutan, Maldives, Afghanistan, Bangladesh, Sri Lanka etc. to further strengthen presence in export market.

Risk Factors -

The company is highly dependent on dealers for revenue generation from tractors contributing to 99.96%, 99.87%, 99.78% and 91.84% for FY22, FY23, FY24 and Jun-24.

The company has 13 cases against it amounting to Rs. 4.60 Cr. and have filed 12 cases amounting to Rs. 26.89 Cr.

The promoters/ directors have 3 cases against them amounting to Rs. 0.15 Cr. and have filed 3 cases.

The subsidiary has filed 170 cases for criminal matters amounting to Rs. 5.46 Cr.

The company has contingent liabilities amounting to Rs. 20.03 Cr. as of June 30,2024.

PEER ANALYSIS

Particulars	Indo Farm Equipment Limited			Action Construction Equipment Limited			Escorts Kubota Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	3.9%	4.1%	4.2%	6.4%	7.8%	11.0%	9.9%	7.3%	11.3%
EBITDA Margin	14.7%	15.6%	16.5%	9.9%	11.9%	16.1%	15.3%	11.5%	17.1%
RoCE	12.1%	11.7%	12.5%	19.0%	26.0%	36.7%	13.0%	10.1%	15.1%
ROE	5.0%	5.3%	4.9%	13.9%	18.7%	26.7%	9.7%	7.8%	11.4%
EPS (INR)	3.65	4.09	4.15	9.03	14.41	27.56	55.21	48.26	86.55
P/E	58.90	52.57	51.81	26.10	28.24	51.77	30.75	39.18	32.09

- The market cap of the company is low compared to its peers.
- The NP and EBITDA margin of the company has seen a slow growth compared to its peers.
- The CCC of the company is very high compared to its peers.
- The RoCE and RoE of the company is low among its peers.
- The PE ratio of the company is highest among the peers.

INDUSTRY OVERVIEW -

Tractor Industry:

Global Tractor Industry:

The global tractor market is broadly segmented on the basis of horsepower, drive type and geography. The developed nations have demand for higher range in horsepower whereas the developing world has high demand for less than 40 HP. 2-wheel drive is more preferable than 4-wheel drive as it has a share of more than 75% of the market owing to high demand in countries such as India, China, African region etc.

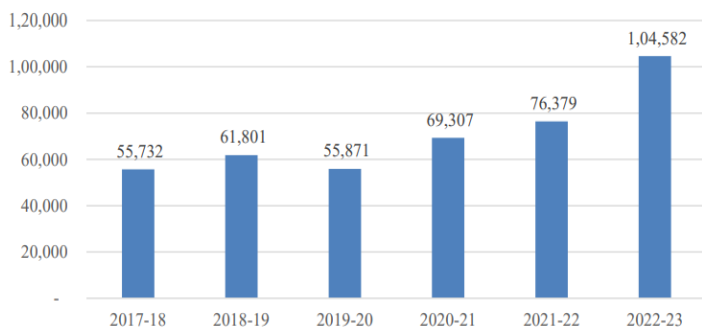
The global tractor market is projected to grow from USD 84.80 billion in 2024 to USD 114.5 billion by 2029, at a CAGR of 5.90% during the forecast period.

The global Agri-tractor demand findings were at 3200.87 thousand units in 2023 and it is anticipated to reach nearly 5841.35 thousand units by 2032.

Domestic Tractor Industry:

The India Agricultural Machinery Market size stands at around USD 16.73 billion as in 2024. It is expected to grow to USD 25.15 billion by 2029 at a CAGR of 8.5%.

Trend in Sales of Agriculture Equipment in India - Rs crs (including Tractors)



(Source: RHP)

The Indian Agricultural Tractor Market size is estimated at USD 7.42 billion in 2024. It is expected to reach USD 10.28 billion by 2029, at a CAGR of 6.70%

Government Initiatives:

1. Making India a Global Powerhouse on Farm Machinery Industry: National Council of Applied Economic Research (NCAER) released the report "Making India a Global Powerhouse on Farm Machinery Industry" in Feb 2023.
2. SMAM Scheme: The Government of India launched a unique program called "Sub Mission on Agricultural Mechanization (SMAM)" in 2014-15 to increase farm mechanization across the nation.

Mobile Crane Market:

Global Market:

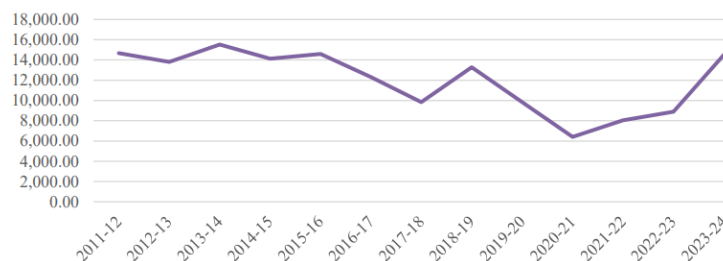
Globally the mobile crane market size is anticipated to grow from USD 21.10 billion in 2024 to USD 29.10 billion by 2029, at a CAGR of 6.65% during the forecast period.

The Pick and Carry Crane Industry is expected to grow at a brisk pace over the next 6 - 7 years. The crane market is expected to increase 300% between FY 2020 and FY 2030. It is projected to increase from 7000 units sold in FY 2020 to nearly 22000 units sold in FY 2030. The level of growth can be estimated at 5-6% CAGR over the next 7 years in line with the expected investment growth in the infrastructure sector.

Domestic Market:

- Critical infra projects for last mile connectivity is expected to get an investment of Rs.75000 crores
- Government has allocated Rs.16000 crores towards Smart City Mission for FY 2024
- Capital outlay of Rs.2,55,000 crores has been provided to the Indian Railways44 in the current budget
- Outlay for PM Awas Yojna 2.0 will be increased to Rs.10 lakh crores as per Budget 2024

Production Trend of Cranes in 10 years (in Tonnes)

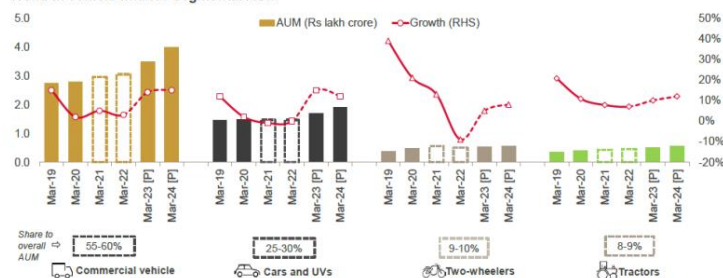


(Source:RHP)

Vehicle Financing:

Vehicle finance AUM is expected to grow 12-14% over the next two fiscals. The CV finance segment is expected to grow 14-15% in the near term. Due to the dominance of banks and revival of new car sales, growth in cars and UVs is expected to settle at ~15%.

Trend in vehicle finance segmental AUM



(Source:RHP)

Key Management -

Key Management Persons Name -	Ranbir Singh Khadwalia
Age	64
Designation and No. of experience	Promoter, Chairman and Managing Director, 30+ years of experience in manufacturing of farming / agricultural equipment and machines
Qualification	Diploma in Mechanical Engineering
Responsibility	Responsible for overall supervision of the management and affairs of the Company including the setting up of new plants and developing industry networks for further business development.
Other Directorships	Barota Finance Limited, Indo Farm Industries Limited and TVC Ratings Limited

Key Management Persons Name -	Anshul Khadwalia
Age	34
Designation and No. of experience	Whole Time Director, 22+ years of experience in construction and real estate sector
Qualification	Bachelor of Science in Business and Management
Responsibility	He is looking after Sales and Marketing strategies for the IFEL's Tractor and Spare Parts Division
Other Directorships	Barota Finance Limited, Kyoor Healthcare Limited and TVC Ratings Limited

Key Management Persons Name -	Charan Singh Saini
Age	69
Designation and No. of experience	Whole Time Director, 40+ years of experience in Tractor and automobile industry
Qualification	Diploma in Mechanical Engineering
Responsibility	Responsible for the overall operations and supervision of manufacturing facilities
Previous Associations	HMT Limited and Maruti Suzuki

Key Management Persons Name -	Arshdeep Kaur
Age	34
Designation and No. of experience	Non-Executive Independent Director, 5+ years of experience in company secretarial and corporate law
Qualification	Qualified CS, Bachelor in Business Administration and Masters in Finance and Control
Other Directorships	Jai Parvatiforge Limited, Spray Engineering Devices Limited and Syschem (India) Limited

Key Management Persons Name -	Babita Dosajh
Age	53
Designation and No. of experience	Non-Executive Independent Director, 20+ years of experience in teaching
Qualification	Bachelor's in Arts, M.A. in Psychology, PHD in Industrial Psychology and MBA
Current Venture	Associate Dean and Head of School of Humanities Cum Associate Professor (Management-HR) with Amity University, Punjab and Amity Global Business School, Mohali.

Key Management Persons Name -	Brij Kishore Mahindroo
Age	71
Designation and No. of experience	Non-Executive Independent Director, 36+ years of experience
Qualification	Bachelors of Science and Masters in Science
Other Directorships	Barota Finance Limited

- The overall management of the company is satisfactory.
- The management and promoters have good experience.
- There is an evidence of the dual chairmanship, which is not favourable.
- Varun Sharma (CFO), aged 28 years, is a qualified CA and holds decent experience.
- The senior management of the company is satisfactory.

FINANCIAL SNAPSHOT

Statement of Profit and Loss				Amt in Crores
Particulars	FY 22	FY 23	FY 24	Jun-24
Revenue from Operations	352.08	370.76	375.23	74.96
Other Income	0.44	1.06	0.72	0.58
Total Income	352.52	371.82	375.95	75.54
Expenses				
Raw Material Consumed	211.63	218.39	218.49	43.09
Changes in Inventories of WIP, Finished Goods & Stock in Trade	-11.99	7.12	2.23	-1.78
Employee benefits expense	37.11	42.50	46.08	10.92
Finance Cost	23.82	27.64	28.31	6.34
Depreciation and Amortization expense	8.97	8.83	10.31	2.57
Other Expenses	63.70	45.09	46.64	10.65
Total Expenses	333.25	349.57	352.06	71.79
EBITDA	51.63	57.66	61.80	12.08
EBITDA Margin	14.66%	15.55%	16.47%	16.11%
Profit/(Loss) before tax	19.27	22.25	23.89	3.74
Tax Expense				
Current tax	3.86	4.47	4.48	0.72
Deferred Tax	3.91	2.14	0.75	0.17
MAT utilization/ (recognition)	-2.21	0.26	3.07	0.41
Total Tax Expense	5.56	6.88	8.30	1.29
Profit/(Loss) for the year	13.72	15.37	15.60	2.45
Net Profit Margin	3.89%	4.13%	4.15%	3.25%
Statement of Assets and Liabilities				Amt in Crores
Particulars	FY 22	FY 23	FY 24	Jun-24
EQUITY AND LIABILITIES				
1. Shareholders' funds				
Share Capital	18.78	18.78	37.55	39.45
Other Equity	256.03	271.60	279.51	302.79
Total Equity	274.80	290.37	317.06	342.25
2. Non-current liabilities				
Financial Liabilities				
(i) Borrowings	126.00	109.85	83.66	69.96
(ii) Lease Liabilities	-	-	1.45	1.45
(iii) Other financial liabilities	3.75	3.78	3.54	3.85
Provisions	0.94	1.34	1.92	2.03
Deferred tax liabilities	-	-	2.86	3.46
Total Non-current liabilities	130.69	114.97	93.43	80.75
3. Current liabilities				
Financial Liabilities				
(i) Borrowings	149.00	170.81	186.88	175.41
(ii) Lease Liabilities	-	-	0.17	0.21
(iii) Trade Payables				
(a) Outstanding Dues to MSME	12.06	3.68	8.39	9.10
(b) Outstanding Dues to other than MSME	34.77	27.25	26.66	21.05
(iv) Other Financial Liabilities	10.47	8.72	8.71	9.03
Other current liabilities	1.75	1.93	1.34	1.01
Provisions	3.88	3.82	4.13	4.31
Income Tax Liabilities	2.41	1.29	1.18	1.16
Total Current liabilities	214.34	217.49	237.46	221.27
Total Liabilities	345.03	332.47	330.89	302.02
Total Equity and Liabilities	619.83	622.84	647.95	644.27
ASSETS				
1. Non-current assets				
Property, Plant and Equipment	189.55	200.37	196.70	199.54

Particulars	FY 22	FY 23	FY 24	Jun-24
Capital work-in-progress	19.52	8.06	5.11	4.07
Other Intangible Assets	4.69	5.97	4.96	5.19
Financial Assets				
(i) Investments	1.07	0.09	0.15	0.18
(ii) Loans	90.91	91.87	83.32	74.69
(iii) Other financial assets	2.55	1.47	2.08	2.03
Deferred Tax Assets (net)	3.45	0.96	-	-
Other non-current assets	0.59	3.29	0.04	0.04
Total Non-Current assets	312.34	312.07	292.37	285.73
2. Current assets				
Inventories	163.50	162.89	164.85	165.88
Financial Assets				
(i) Trade receivables	72.03	74.39	104.40	115.51
(ii) Cash and cash equivalents	1.95	1.76	14.06	7.14
(iii) Bank balances other than (ii)	1.03	1.87	1.19	1.40
(iv) Loans	57.67	62.49	62.80	59.28
Income tax assets	0.22	0.22	0.27	0.27
Other Current Assets	11.09	7.17	8.02	9.06
Total Current assets	307.49	310.78	355.58	358.54
Total Assets	619.83	622.84	647.95	644.27

Cash Flow Statement

Amt in Crores

Particulars	FY 22	FY 23	FY 24	Jun-24
Net Cash Flow from Operating Activities	9.98	30.18	40.59	6.70
Net Cash Flow from Investing Activities	-25.96	-8.37	-2.59	-4.77
Net Cash Flow from Financing Activities	16.40	-21.99	-25.70	-8.85

Key Ratios

<u>Per Share Data</u>	FY 22	FY 23	FY 24	<u>Valuation Ratios (x)</u>	FY 22	FY 23	FY 24
Diluted EPS	3.65	4.09	4.15	EV/EBITDA	10.59	9.84	9.26
BV per share	146.36	154.65	84.43	Market Cap / Sales	2.93	2.79	2.75
<u>Operating Ratios</u>				P/E	58.90	52.57	51.81
EBITDA Margins	14.66%	15.55%	16.47%	Price to Book Value	1.47	1.39	2.55
PAT Margins	3.89%	4.13%	4.15%	<u>Solvency Ratios</u>			
Inventory days	169.50	160.35	160.36	Debt / Equity	1.00	0.97	0.85
Debtor days	74.68	73.24	101.55	Current Ratio	1.43	1.43	1.50
Creditor days	76.91	50.19	57.45	Quick Ratio	0.67	0.68	0.80
<u>Return Ratios</u>				Asset Turnover	0.57	0.60	0.58
RoCE	10.52%	12.05%	12.54%	Interest Coverage Ratio	1.79	1.67	1.92
RoE	4.99%	5.29%	4.92%				

FINANCIAL ANALYSIS –

1. The top line has increased consistently over the years. For FY2023 it increased by 5.13% and for FY2024 it increased by 1.21% which was because of expanding customer base, effective marketing strategies, improved operational efficiency, and favorable market conditions.
2. The net profit grew by 12% in FY2023 and 1.47% in FY2024.
3. The PAT and EBITDA margin have also grown over the years but by a very low percentage.
4. The RoCE and RoE have remained low over the years.
5. The company has positive cash flow from operations.

LEAD MANAGER TRACK RECORD -

The lead managers to the issue are Aryaman Financial Services Limited. A table has been set below highlighting the details of the IPO of the last companies handled by the Lead Manager in recent times –

Aryaman Financial Services Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Khyati Global Ventures Limited	18.30	99.00	Oct 11, 2024	69.91
2.	Vraj Iron and Steel Limited	171.00	207.00	Oct 10, 2023	224.40
3.	Shivam Chemicals Limited	20.18	44.00	Apr 30, 2024	50.96
4.	Arrowhead Separation Engineering Limited	13.00	233.00	Nov 28, 2023	144.35
5.	Mish Designs Limited	9.76	122.00	Nov 07, 2023	143.30
6.	Sunita Tools Limited	22.04	145.00	Oct 11, 2023	833.20
7.	Master Components Limited	15.43	140.00	Sep 29, 2023	315.00
8.	HMA Agro Industries Limited	480.00	585.00	July 04, 2023	39.52
9.	CFF Fluid Control Limited	85.80	165.00	June 12, 2023	682.05
10.	Command Polymers Limited	7.09	28.00	Mar 29, 2023	43.99

The company has handled 15 mandates in the past three years (including the current year).

*CMP for the above-mentioned companies is taken as of 27th Dec 2024.

As per the offer document, the above-mentioned mandates Command Polymers has opened at a discount and remaining all have opened at a premium on the listing day.

Recommendation -

Indo Farm Equipment Limited has been in the industry since 1994 and has vast experience in the industry. The management overview of the company is satisfactory.

The P/E on a post-IPO annualized basis is 104.72 times which makes it very aggressively priced.

The top line, bottom line and profitability margins of the company have increased over the years but has increased by a very low percentage compared to peers. The RoCE and RoE has remained low over the years. The cash conversion cycle of the company is very high compared to peers. These factors raise concern about the performance of the company in future.

The subsidiary company, which is an NBFC has high GNPA and NNPA, which has increased over the years. The AUM of the company has decreased over the years.

The company operates in a highly competitive and fragmented segment.

Thus, investors can **AVOID** this IPO.

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