



IPO NOTE

INDO FARM EQUIPMENT LIMITED

DEC 31, 2024





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Details of the Issue

Price Band	₹ 204 - ₹ 215
Issue Size	₹ 260.15 Cr
Face Value	₹ 10
Bid Lot	69
Listing on	BSE, NSE
Post Issue Mcap	₹ 1,033.11 Cr
Investment Range	₹ 14,076 - ₹ 14,835

Important Indicative Dates (2024)

Opening	31 - Dec
Closing	02 - Jan
Basis of Allotment	03 - Jan
Refund Initiation	06 - Jan
Credit to Demat	06 - Jan
Listing Date	07 - Jan

Lead Manager

Aryaman Financial Services Limited

Offer Details

Offer Size	₹ 260.15 Cr
Fresh Issue	₹ 184.90 Cr
OFS	₹ 75.25 Cr

Type	In Rs Cr	No of Shares (Mn)		% of Issue
		Upper	Lower	
QIB	130	6.05	6.37	50
NIB	39	1.82	1.91	15
Retail	91	4.24	4.46	35
Em- ploy.	-	-	-	-
Total	260	12.8	12.1	100

Invest Now**Company Profile**

Indo Farm Equipment Limited (IFEL), established in 1994, is a fully integrated manufacturer with over two decades of experience. The company specializes in tractors and pick-and-carry cranes, which account for 99.57% of its sales, while the remaining 0.43% comes from farm equipment such as harvester combines, rotators, and related spares. IFEL generates 93% of its revenue from domestic markets and 7% from exports.

The company operates ISO 9001:2015 certified manufacturing facilities spanning 127,840 sq. meters in Baddi, Himachal Pradesh. These facilities include a captive foundry, dedicated machine shop, fabrication, and assembly units. IFEL has a production capacity of 12,000 tractors per year (16 HP to 110 HP) and 1,280 pick-and-carry cranes per year (9 tons to 30 tons). The company is also expanding its capabilities with the acquisition of additional land near its current facility to set up a new unit, increasing crane production capacity by 3,600 units annually. As of June 30, 2024, IFEL employed 938 individuals, demonstrating its commitment to growth and excellence in the manufacturing sector.

Business Highlights & Services

Indo farm operate under vertical integration business model. This vertical integration enables in-house manufacturing of over 330 tractor components and 190 crane components, including critical parts like cylinder blocks, transmission housings, and hydraulic winches, ensuring cost efficiency, quality control, and streamlined production timelines. Equipped with advanced R&D capabilities, have developed indigenous technologies, such as re-entrant type combustion chambers for improved fuel efficiency. The backward integration supports a diverse product range, enhances operational efficiency, and reduces third-party dependence, making us highly competitive in cost and quality in both tractor and crane segments.

IFEL offer wide range of tractor from 16HP to 10HP in both 2WD and 4WD configuration. Key models, including the 65, 75, 90, and 110 HP tractors, are developed for export markets such as Africa, Latin America, the Middle East, and Asia. Additionally, the 1,026 (26 HP) model is specifically designed and homologated for the European market. In the pick-and-carry crane segment, IFEL manufactures cranes with capacities ranging from 9 tons to 30 tons in 2WD and 4WD variants. These cranes, known for their safety, efficiency, and productivity, serve industries such as engineering, construction, infrastructure, and mining. Their versatility enhances operator efficiency while meeting the growing demands of infrastructure development. With an established infrastructure and a diverse product lineup, IFEL is well-positioned to scale rapidly, leveraging equity infusion to capitalize on opportunities in domestic and global markets.

Exports currently contribute approximately 7% to IFEL total sales. However, the strong track record of product acceptance across numerous countries highlights the company's impressive international footprint. Company has a presence in diverse markets, 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, Netherlands, Nigeria, Oman, Poland, Tanzania, Saudi Arabia, Spain, Sudan, Syria, the United Kingdom, Uruguay, Uganda, Yemen, and Zimbabwe. This expansive reach underscores the company's global potential and commitment to quality and customer satisfaction.

Investment Rationale

Equity capital raised from markets will fund expansion in the Pick & Carry Cranes division, capitalize the NBFC, and enhance branding, marketing, and dealer network to maximize production capacity utilization. Additionally, IFEL aims to reduce its debt levels by ₹50 Cr, improving the consolidated debt-to-equity ratio of 0.72x as of June 30, 2024. This will strengthen the balance sheet, enhance profitability, and create long-term shareholder value.



IFEL is focusing on the niche Pick & Carry Crane market, leveraging its tractor manufacturing expertise. Unlike the highly competitive tractor industry, the Pick & Carry Crane segment offers limited global competition and robust demand. Crane sales grew at a CAGR of 44.77% over the past three years, with capacity utilization rising from 67% in FY22 to 99% in FY24. To meet growing demand, IFEL plans to expand annual crane production capacity to 3,600 units with minimal capital investment, utilizing existing shop capacities. The Indian crane market is expected to grow at 5-6% CAGR over the next five years, driven by government and private infrastructure investments. Enhanced capacity will enable IFEL to capitalize on increasing demand and strengthen its position. IFEL aims to expand its dealer network from 159 to over 500 in three years, backed by a dedicated dealer development division and targeted marketing efforts. Furthermore, it plans to penetrate export markets for tractors and cranes, focusing on SAARC nations and other emerging economies. These initiatives will drive higher sales realizations, profitability, and market share.

Business Segment Mix

(₹ in millions)

Particulars	FY 2021-22			FY 2022-23			FY 2023-24			For the period ended June 30, 2024		
	Qty.	Amount	% of Sales	Qty.	Amount	% of Sales	Qty.	Amount	% of Sales	Qty.	Amount	% of Sales
Tractors	4,663	2,573.21	77.77%	3,772	2,268.92	65.46%	3,168	1,838.33	52.16%	471	299.48	43.06%
Cranes	449	721.26	21.80%	681	1,187.07	34.25%	941	1,683.76	47.77%	195	388.97	55.93%
Others	-	14.20	0.43%	-	10.17	0.29%	-	2.52	0.07%	-	6.98	1.00%
Total Sale of Products		3,308.67	100.00%		3,466.16	100.00%		3,524.61	100.00%		695.43	100.00%

Geographical Mix

(₹ in millions)

Products	FY 2021-22		FY 2022-23		FY 2023-24		For the period ended June 30, 2024	
	Domestic	Export*	Domestic	Export*	Domestic	Export*	Domestic	Export*
Tractors	2,394.21	179	1,892.53	376.39	1,657.35	180.98	257.25	42.23
Cranes	708.71	12.55	1,183.27	3.8	1,669.11	14.65	381.98	6.99
Others	14.2	-	10.17	-	2.52	-	6.98	-
Total	3,117.12	191.55	3,085.97	380.19	3,328.98	195.63	646.21	49.22

Customer Base

(Rs in Millions)

Sr. No.	Particulars	Period ended June 30, 2024		FY 2023-24		FY 2022-23		FY 2021-22	
		Revenue	(%)	Revenue	(%)	Revenue	(%)	Revenue	(%)
1	Income from Top 5 Dealers	192.34	27.69	525.17	14.92	410.43	11.85	467.38	14.13
2	Income from Top 10 Dealers	271.63	39.10	814.09	23.13	683.94	19.73	781.82	23.63

Peers Comparison

Name of the company	Face Value (₹)	Total Income (₹ Cr)	EPS	NAV (₹)	P/E
Indo Farm Equipment Limited	10	375	3.3	65	NA
Peers Group					
Action Construction Limited	2	2,914	27	110	36
Escort Kuboto Limited	10	2,818	105	879	29



Companies Competitive Strength :

- Fully Integrated and established Manufacturing Setup.
- Well Educated & Experienced Management.
- In-House NBFC Setup.
- Manufacturing Wide Range of Products.
- Product acceptability in multiple countries and wide variety of financial institutions.

Key Strategies Implemented by Company

- Augment capital base for scaling and expanding the operations.
- Reduce Debt Levels and improve Debt to Equity Ratio.
- Focus on the niche market of Pick and Carry Cranes.
- Augment the Dealer Network and Sales Force.

Particular (INR in Cr)	Q1FY25	FY24	FY23	FY22
Net Worth	342	317	290	275
Revenue	76	376	372	353
Growth (%)		1%	5%	
EBITDA	12.66	63	59	52
EBITDAM (%)	16.8%	16.6%	15.8%	14.8%
PAT	2	16	15	14
PATM (%)	11.2%	4.6%	4.5%	6.4%
ROE (%)	0.7%	5.1%	5.4%	5.1%
ROCE (%)	1.73%	8.96%	8.84%	7.96%

Valuations and Recommendation:

- Based on annualized FY24 earnings to pre-IPO paid-up equity capital of the company, The issue is priced at a EV/EBITDA of 20x. Thus the issue appears to be fairly valued compared to its business and PAT growth of the business.
- Indo Farm Equipment Ltd. (IFEL) is a fully integrated manufacturer of agricultural and construction equipment, offering a diverse product portfolio ranging from 9hp to 19hp tractors and 9-ton to 30-ton cranes. As of September 30, 2024, the company has an annual manufacturing capacity of 12,000 tractors and 1,280 cranes. IFEL is expanding its production capacity by 3,600 units, which will increase crane production capacity to 4,880 units per annum, expected to be operational by Q2 FY26. The company is also investing IPO proceeds in Barota Finance, which will strengthen its dealer network and boost tractor sales. With the Indian crane market projected to grow at a 5-6% CAGR over the next five years, driven by government and private infrastructure investments, IFEL is well-positioned to capitalize on this growth through its expanded capacity, diverse product offerings, and enhanced dealer network. Hence, we recommend an "Subscribe" rating on the issue.



Notes

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