

JANUARY 16, 2015

CARE ASSIGNS 'CARE BBB+/ CARE A3+' RATINGS TO THE BANK FACILITIES OF INDO FARM EQUIPMENT LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	99.36	CARE BBB+ (Triple B Plus)	Assigned
Short term Bank Facilities	20.00	CARE A3+ (A Three Plus)	Assigned
Total Facilities	119.36		

Rating Rationale

The ratings derive strength from the long track record of operations of Indo Farm Equipment Ltd. (IFEL) in the tractor industry, steady scale-up of operations in the past and integrated nature of operations leading to healthy profitability margins. The ratings further derive strength from the comfortable capital structure and strong dealer network scattered across various parts of India. The ratings are, however, constrained by elongated operating cycle leading to working capital-intensive nature of operations, stiff competition from large established players in the industry and susceptibility of the profitability margins to fluctuations in foreign exchange rates. Going forward, managing the working capital requirement along with scaling up of operations while maintaining the profitability margins and capital structure in a competitive market shall remain the key rating sensitivities.

Background

IFEL is promoted by Mr R. S. Khadwalia, who is the chairman and managing director of the company. The company is engaged in the manufacturing of tractors and cranes at its plant located in Baddi in District Solan, Himachal Pradesh. IFEL was earlier incorporated in November 1994, by the name Welcut Tools Pvt Ltd, with the company getting rechristened to IFEL in the year 2003. The company commenced its commercial production of tractors in October 2000 and is currently manufacturing tractors of various models in the range of 30-90 HP, with many variants. In the year 2008, the company diversified into manufacturing and marketing of Pick-N-Carry cranes of 9-18 tonnes. IFEL sells tractors and cranes by the brand name of Indo Farm and Indo Power, respectively. As on March 31, 2014, the company had annual installed capacities of 12,000 tractors and 720 cranes.

In FY14 (refers to the period April 1 to March 31), the company reported a total operating income of Rs.262.89 crore and PAT of Rs.9.40 crore as against total operating income of Rs.212.18 crore and a PAT of Rs.8.70 crore in FY13. During H1FY15, IFEL reported a total operating income of Rs.137.53 crore and a PBT of Rs.7.04 crore.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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