



September 23, 2010

ICRA upgrades the short term rating of Indo Farm Equipment Limited to A3+; reaffirms the long term rating and outlook at LBBB- (Stable)

ICRA has upgraded the short term rating assigned to the Rs. 10.0 crore¹ fund based and non fund based facilities of Indo Farm Equipment Limited (IFEL) from A3 (pronounced A Three) to A3+ (pronounced A three plus). ICRA has also reaffirmed the long term rating of LBBB- (pronounced L Triple B minus) assigned to the Rs. 50.0 crore fund based facilities of the company[†]. The “stable” outlook on the long term rating has also been reaffirmed.

The revision in short term rating of IFEL takes into account the improvement in company's operating performance during 2009-10 with healthy growth in tractor volumes (although after sharp de-growth during 2008-09), expansion in operating margins, continued healthy financial profile with conservative capital structure, improvement in coverage indicators and recent diversification in crane manufacturing business which is expected to reduce the company's dependence on tractor sales in the medium term. The long term rating, however, continues to be constrained by the company's marginal position in tractor industry, weak dealer network and financing arrangements constraining the company's scaling up plans and high working capital intensity. ICRA expects IFEL to continue to benefit from the growth in the domestic tractors market and revenue diversification from crane manufacturing operations. While the increase in commodity prices may impact the company's operating margins, IFEL is expected to report healthy profitability indicators and maintain comfortable financial profile in the short term.

Company Profile

Indo Farm Equipment Limited (Formerly Indo Farm Industries Limited) manufactures agricultural equipments like tractors and allied components sold under the “Indo Farm” brand. The company is mainly into the manufacturing and marketing of tractors (around 82% of sales during 2009-10) and has recently ventured into manufacturing and marketing of cranes (under “Indo Power” brand) and gensets manufacturing.

IFEL commenced the manufacturing operations in the year 2000 through its 34 acre plant located at Baddi in Solan district of Himachal Pradesh and started in technical collaboration with Ursus (Poland), a well established tractor company, for the procurement of tractor engines. The company manufactures a range of tractors from 30-65 HP catering to all segments and sold 1,561 and 2,722 tractors respectively during 2008-09 and 2009-10. IFEL is promoted by Mr. R.S. Khadwalia and his wife Mrs. Sunita Saini. Mr. R. S. Khadwalia has been awarded “BHARTI Best Entrepreneur of the Year Award-2003” by Entrepreneur Development Institute of India in recognition of his business acumen.

Recent Results

The company has reported a net profit of around Rs. 4.7 crore on the operating income of around Rs. 34.6 crore during Q1 2010-11.

¹100 lakh = 1 crore = 10 million

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

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*ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex".
The classification of instruments according to their complexity levels is available on the website www.icra.in*

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