



Press Release

Barota Finance Limited (BFL)

February 10th, 2021

Sr. No	Facilities	Amount (INR Crore)	Current Ratings*	Rating Action
1	Long Term Fund Based Facilities – O/s Term Loans	76.21 (Increased from INR45.00 Crore)	IVR BBB+(CE)/Stable {IVR Triple B Plus (Credit Enhancement) with Stable Outlook}	Revised
2.	Long Term Fund Based Limit – Cash Credit	20.00	Withdrawn	Withdrawn**
3.	Proposed Long Term Bank Facility	40.00	Withdrawn	Withdrawn***
	Total	76.21		

*CE Rating based on Indo Farm Equipment Limited's unconditional and irrevocable Corporate Guarantee

**Debt has been paid in full and no due certificate received from lender.

*** The company has not proceeded with the debt as envisaged.

Details of Facilities are in Annexure 1

Detailed Rationale

The revision in the Credit Enhancement rating reflects revision in the rating of the Indo Farm Equipment Limited (IVR BBB+/Stable; IVR A2). The rating of the instrument is based on unconditional and irrevocable corporate guarantee received which covers the entire amount and tenor of the rated facilities. Given the attributes, the guarantee provided by Indo Farm Equipment Limited is adequately strong to result in a credit enhancement of the rating of the said facilities to IVR BBB+(CE)/Stable against the unsupported rating of IVR BBB-/Stable.

The rating continues to derive strength from strong parent support backed by its established track record and moderate financial risk profile. However, the rating strengths are partially offset by moderate asset quality indicators and modest revenue diversity amid competitive nature of business.

Key Rating Sensitivities:

- Upward Factor

- Substantial scaling up its operations and diversifying its loan portfolio geographically, while improving the asset quality indicators, adequate capital position and profitability.



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- Improvement in the credit risk profile of the corporate guarantor.
- **Downward Factor**
 - Any impact in the current asset quality levels, impacted by movement in the collection efficiency, thereby increasing the credit cost for the Company.
 - Deterioration in the credit risk profile of the corporate guarantor.

Key Rating Drivers with detailed description

Key Rating Strengths

- ***Strong parent support backed by its established track record:***

Barota Finance Limited is a 100% owned subsidiary of Indo Farm Equipment Limited (IFEL), rated IVR BBB+/Stable; A2. Mr. Ranbir Singh Khadwalia, promoter of IFEL & BFL, has almost four decades of experience in the agriculture equipment manufacturing industry. Leveraging on the promoter's extensive experience in the industry, BFL has been able to make substantial growth in the scale of operations since its inception in 2017. The Company has strong network of dealers working in various parts of India. IFEL's overall gearing stood comfortable at 0.74x as on March 31st, 2020. The improvement in recent past is attributable to the investments made in the form of equity and Optionally convertible debenture (OCD) from the promoter Company. IFEL derives operational and managerial synergies and enjoys financial flexibility.

- ***Moderate financial risk profile:***

BFL commenced operations with 100% capital infusion by its promoters (IFEL). The overall Capital Adequacy (%) stood at 23.75% in FY20 when compared to 21.71% in FY19. Onward lending type of business has led to a certain exposure towards external credit facilities, leading to modest gearing of 3.41x as on December 31st, 2020.

Due to the experienced senior management, excellent acumen for business and dynamic operations, the Company has demonstrated a healthy growth in the overall scale of operations since its inception, as seen from the rise in total AUM to INR107.31 Crore as on December 31st, 2020 when compared to INR83.51 Crore as on March 31st, 2020 and INR71.15 Crore as on March 31st, 2019.

The growth in loan portfolio is coupled with healthy earning profile. BFL's Net Interest Margins (NIMs) stood comfortable at 8.23% in FY20, supported by Company's ability to lend



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at competitive and profitable lending rates. The Company's ROCE further stood comfortable at 10.06% in FY20.

Key Rating Weaknesses

- ***Moderate asset quality:***

BFL forayed in the lending segment in 2017 having commenced extending tractor & agricultural equipment financing having average tenure of 48 months. The Company's loan book stood at INR83.51 Crore as on March 31st, 2020 when compared to INR30.48 Crore as on March 31st, 2018. Due to substantial growth in the loan book in the last 2 years, major portion of the portfolio is yet to see an entire loan cycle. Backed by the efficient collection mechanisms placed, though the Company has improved its GNPA (%) to 2.27% in 9MFY21 when compared to 3.47% in FY20 & Net NPA (%) to 2.05% in 9MFY21 as against 3.13% in FY20, it still remains modest.

- ***Moderate revenue diversity amid competitive nature of business:***

The tractor industry volume growth has been volatile as demand has a strong correlation with domestic agriculture sector output, which depends upon monsoon and crop prices, among other factors.

BFL's presence is primarily confined to northern and central states of India. The company faces intense competition from established and bigger players such as Mahindra Finance, Magma Fincorp, Sonalika Group, etc. The company is taking measures to reduce the concentration risk by planning to expand its operations to the south of India.

Analytical Approach

Unsupported Rating: Standalone

Credit Enhancement (CE) Rating: Assessment of the credit profile of Indo Farm Equipment Limited, provider of unconditional and irrevocable corporate guarantee to the bank facilities of BFL.

Applicable Criteria:

Rating Methodology for Financial Institution/NBFCs

Financial Ratios & Interpretation (Financial Sector)

Rating Methodology for Structure Debt Transaction (Non-securitisation transaction)



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Liquidity: Adequate

The company's funding profile is backed by Indo Farm Equipment Limited's unconditional and irrevocable corporate guarantee to ensure timely servicing for BFL's debt obligation. The ALM statement of the company is well-matched with no negative mismatches in any of the time buckets.

About the Company

Barota Finance Limited (BFL) was incorporated in October 2016 as a public limited company (unlisted) & registered itself as a 'Non-Banking Financial Company' in April 2017. Commencing its operations in August 2017, BFL is a 100% owned subsidiary of Indo Farm Equipment Limited. It provides custom finance solutions to farmers to help their own agricultural equipment.

Financials:

	(INR Crore)	
For the year ended/ As On*	31-03-2019 (Audited)	31-03-2020 (Audited)
Total Operating Income	11.95	16.16
Interest	3.69	6.03
PAT	1.38	1.38
Total Debt	51.99	69.04
Total Net-worth	15.45	16.83
Total Loan Assets	71.15	83.51
Ratios (%)		
PAT Margin (%)	11.52	8.56
Overall Gearing Ratio (x)	3.37	4.10
GNPA (%)	3.03	3.47
NNPA (%)	2.73	3.13
CAR (%)	21.71	23.75

* Classification as per Infomerics' standards

About the Guarantor

Indo Farm Equipment Limited (IFEL) is an ISO certified company located at Baddi, Himachal Pradesh and is into manufacturing of world class tractors, cranes, engines, and diesel gensets and has now launched Harvester Combine Agricom 1070 for wetland paddy



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harvesting. Incorporated in 1994, it commenced commercial production of tractors in October 2000. IFEL is spread over an area of 35 acres and it had started its operations with a single model of 50 HP and now manufactures the largest range of tractors from 22 HP to 100 HP and 110 HP tractor model is under development.

Financials:

For the year ended/ As On*	(INR Crore)	
	31-03-2019 (Audited)	31-03-2020 (Audited)
Total Operating Income	302.79	231.78
EBITDA	31.48	27.37
PAT	9.41	3.76
Total Debt	143.23	137.40
Tangible Net worth	183.49	186.86
EBITDA Margin (%)	10.40	11.81
PAT Margin (%)	3.08	1.61
Overall Gearing Ratio (x)	0.78	0.74

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: N.A

Any other information: N.A

Rating History for last three years:

Sl. No	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20 (November 15 th , 2019)	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Long Term Fund Based Facilities – Term Loans	Long Term	76.21 (Increased from INR 45.00 Crore)	IVR BBB+(CE)/ Stable	IVR A-(CE) /Stable	--	--
2.	Long Term Fund Based Limit – Cash Credit	Long Term	20.00	Withdrawn	IVR A-(CE) /Stable	--	--
3.	Proposed Long Term Bank Facility	Long Term	40.00	Withdrawn	IVR A-(CE) /Stable	--	--



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Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Size of Facility (INR Crore)	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Rating Assigned/ Outlook
Long Term Fund Based Facilities – Term Loans	76.21 (Increased from INR45.00 Crore)	NA	NA	Upto FY 2025	IVR BBB+(CE) /Stable
Long Term Fund Based Limit – Cash Credit	20.00	NA	NA	NA	Withdrawn



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Proposed Long Term Bank Facility	40.00	NA	NA	NA	Withdrawn
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Annexure II: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Barota-Finance-lenders-10feb21.pdf>