



Press Release

Revised Press Release

Barota Finance Limited (BFL)

January 25, 2023

This is with reference to the press release dated January 25, 2023. The revised press release stands as below:

The revised press release consists of additional details as mentioned below as per the regulatory guidelines:

- Adequacy of credit enhancement structure
- Transaction structure
- Detailed explanation of covenants of the rated instrument/facilities

Ratings

Facilities	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	77.64 (Reduced from 104.72)	IVR A-(CE) / Stable [IVR Single A Minus (Credit Enhancement) with Stable Outlook]*	Reaffirmed	Complex
Total	77.64	(Rupees Seventy-Seven crore and Sixty-Four lakh only)		

**CE is based on the unconditional and irrevocable Corporate Guarantee provided by Indo Farm Equipment Limited (IFEL; rated IVR A-/ Stable/ IVR A2+).*

Details of Facilities are in Annexure 1

Unsupported Rating	IVR BBB / Stable (IVR Triple B with Stable Outlook)
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Note: Unsupported Rating does not factor in the explicit credit enhancement.

Detailed Rationale

The reaffirmation of the ratings to the bank facilities of Barota Finance Limited (BFL) is based on the unconditional and irrevocable corporate guarantee given by Indo Farm Equipment Limited (IFEL) [Holding company] which covers the entire rated amount. Further, the rating continues to derive strength from strong parent support along with BFL established track record and Moderate financial risk profile. However, the rating



Press Release

strengths are partially offset by moderate asset quality and Moderate revenue diversity amid competitive nature of business.

Rating Sensitivities

Upward Factor

- Substantial improvement in AUM while maintaining the debt protection metrics at current level coupled with improving asset quality leading to improvement/maintenance of NPAs from/at current level on a sustained manner.
- Improvement in the credit risk profile of the corporate guarantor.

Downward Factor

- Substantial de-growth in AUM and/or decline in debt protection metrics.
- Substantial rise in slippages to NPAs.
- Deterioration in the credit risk profile of the corporate guarantor.

Adequacy of Credit Enhancement Structure

For assigning the ratings, Infomerics has assessed the attributes of the guarantee issued by IFEL in favour of lender who has extended the said facilities. In view of the RBI's Guidance Note dated April 22, 2022 and the FAQ document dated July 26, 2022 In view of the RBI's Guidance Note dated April 22, 2022 and the FAQ document dated July 26, 2022 for assigning CE ratings, While the guarantee is legally enforceable and unconditional and covers the entire amount and tenor of the rated facilities, it does not have a structured payment mechanism defining invocation and payment timelines. However, as per the clarification given by RBI vide FAQ dated July 26, 2022, for existing loans, the Credit Rating Agencies may reckon the existing guarantees till the residual tenure of the rated instrument. Accordingly, Infomerics has reaffirmed the CE ratings to the bank facilities of BFL considering the existing corporate guarantee. The capital structure and debt protection metrics of IFEL remains comfortable.

Transaction Structure



Press Release

In event of payment default, the following structure will be applicable:

The guarantor is liable to pay and satisfy to the Bank on demand the "General Balance" due from the Borrower.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Strong parent support backed by its established track record

BFL is a wholly owned subsidiary of IFEL. Mr. Ranbir Singh Khadwalia, promoter of IFEL and BFL, has almost four decades of experience in the agriculture equipment manufacturing industry. Incorporated in 1994, IFEL commenced commercial production of tractors in October 2000. Within a year of operation, IFEL had successfully indigenized the engine components, manufacturing, and assembly. IFEL had started its operations with a single model of 50 HP, and now manufactures the largest range of tractors from 22 HP to 110 HP. For enhancing the utilization of the plant, in 2008 It diversified into manufacturing and marketing of Pick-N-Carry cranes of 9-30 tonnes capacity. It operates through 15 regional offices and a 275 plus dealer network for sales and services, spread across the country. 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. IFEL has invested around Rs.22.00 crore in BFL in the form of equity share capital, optionally convertible debentures, and unsecured loans as on February 28, 2022.

Moderate financial risk profile

BFL commenced operations with 100% capital infusion by its promoters, IFEL, and later on availed external borrowing along with growth in AUM. The overall Capital Adequacy (%) stood at 18.26% in FY22 when compared to 19.46% in FY21. Onward lending type of business has led to a certain exposure towards external credit facilities, leading to modest gearing of 3.88x as on March 31, 2022. 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 Rs. 161.73 Crore as on September 30, 2022 when compared to Rs. 147.99 Crore as on March 31, 2022 and Rs. 116.83 Crore as on March 31, 2021. The growth in loan portfolio is coupled with healthy earning profile. BFL's Net Interest Margins (NIMs) stood comfortable at 7.72% in



Press Release

FY22, supported by the company's ability to lend at competitive and profitable lending rates. The company's ROCE also stood comfortable at 12.80% in FY22.

Key Rating Weaknesses

Moderate asset quality

BFL forayed in the lending segment in 2017 having commenced tractor & agricultural equipment financing having average tenure of 48 months. The company's loan book stood at Rs. 161.73 Crore as on September 30, 2022 when compared to Rs. 71.15 crore as on March 31, 2019. Due to substantial growth in the loan book in the last 3 years, major portion of the portfolio is yet to see an entire loan cycle. The GNPA and NNPA levels of the company remained modest remains modest at 2.86% and 2.45% respectively as on September 30, 2022.

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 with ~80% of the loans disbursed in Punjab, Haryana, Uttar Pradesh and Madhya Pradesh. 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:

- Credit Enhancement (CE) Rating: Assessment of the credit profile of IFEL, provider of unconditional and irrevocable corporate guarantee to the bank facilities of BFL.
- Unsupported Rating: Standalone

Applicable Criteria:

[Criteria of assigning Rating Outlook](#)

[Criteria On Parent & Group Support](#)

[Rating Methodology for Structure Debt Transaction \(Non-Securitisation Transaction\)](#)

[Rating Methodology for Financial Institutions, Non-Banking Finance Companies \(NBFCs\) & Housing Finance Companies \(HFCs\)](#)

[Complexity level of rated instruments/Facilities](#)



Press Release

[Policy on Default Recognition](#)

Liquidity: Adequate

The company's funding profile is backed by IFEL'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 – IFEL (credit enhancement provider)

Incorporated in 1994, IFEL is engaged in the manufacturing of tractors, cranes, harvester combines, engines and diesel gensets at its plant located in Baddi, Himachal Pradesh. IFEL sells tractors and cranes under the brand names of Indo Farm and Indo Power respectively. As on March 31, 2022, the company had annual installed capacities of 12,000 tractors and 720 cranes. IFEL largely caters to north India with around 50% of its sales concentrated to Haryana, Uttar Pradesh and Punjab. IFEL is promoted by Mr. R. S. Khadwalia, who is the Chairman & Managing Director of the company.

About the Company – BFL

BFL was incorporated in October 2016 as a public limited company (unlisted) and registered itself as a 'Non-Banking Financial Company' in April 2017. It commenced its operations in August 2017. BFL provides custom finance solutions to farmers to help them own agricultural equipment. BFL is a wholly owned subsidiary of IFEL.

Financials – IFEL (Standalone)

(Rs. crore)

For the year ended / As On*	31-03-2021 (Audited)	31-03-2022 (Audited)
Total Operating Income	251.76	330.87
EBITDA	29.61	35.73
PAT	5.68	8.92
Total Debt	160.15	175.22
Tangible Net Worth (Adjusted)	227.74	234.21
Ratios		
EBITDA Margin (%)	11.76	10.80
PAT Margin (%)	2.25	2.69
Overall Gearing Ratio (x) (Adjusted)	0.70	0.75

*As per Infomerics' standards



Press Release

Financials – BFL (Standalone)

(Rs. crore)

For the year ended / As On*	31-03-2021 (Audited)	31-03-2022 (Audited)
Total Operating Income	19.87	25.96
Interest	7.12	9.37
PAT	2.91	4.29
Total Debt	82.63	104.78
Tangible Net Worth	19.74	27.02
Total Loan Assets	116.83	147.99
Ratios		
PAT Margin (%)	14.62	16.50
Overall Gearing Ratio (x)	4.19	3.88
GNPA (%)	2.78	2.96
NNPA (%)	2.26	2.61
CAR (%)	19.46	18.26

*As per Infomerics' standards

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil

Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 Mar 25, 2022	Date(s) & Rating(s) assigned in 2020-21 Feb 10, 2021	Date(s) & Rating(s) assigned in 2019-20 Nov 15, 2019
1	Term Loan	Long Term	77.64	IVR A-(CE)/ Stable	IVR A-(CE)/ Stable	IVR BBB+(CE) / Stable	IVR A-(CE)/ Stable
2	Cash Credit	Long Term	-	-	-	Withdrawn	IVR A-(CE)/ Stable
3	Proposed Bank Facility	Long Term	-	-	-	Withdrawn	IVR A-(CE)/ Stable

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Press Release

About Infomerics:

Infomerics Valuation and Rating Private Limited (Infomerics) was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs 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/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Term Loan	-	-	June 2026	77.64	IVR A-(CE)/ Stable

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-Barota-Finance-jan23.pdf>



Press Release

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:

- Corporate Guarantee of M/s Indo Farm Equipment Limited
- Separate Escrow account to be opened with bank for routing of receivables created out of the proceeds of specific term loans.

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.

Link of Press release dated January 25th, 2023: [Click here](#)

