



Press Release

Revised Press Release

Barota Finance Limited (BFL)

July 03, 2023

This is with reference to the press release dated July 03, 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 – Term Loans	138.05 (Increased from Rs.77.64 crore)	IVR A-(CE) / Stable [IVR A Minus (Credit Enhancement) with Stable Outlook]*	Reaffirmed	Complex
Total	138.05	(Rupees One Hundred Thirty-Eight Crore and Five lakh only)		

*CE is based on the unconditional and irrevocable Corporate Guarantee provided by Indo Farm Equipment Limited (IFEL) (IFEL; rated as IVR A-/ Stable/ IVR A2+ vide Press Release dated June 12, 2023).

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: rated IVR A-/Stable/IVR A2+] which covers the entire rated amount. For assigning the ratings, Infomerics has assessed the attributes of the guarantee issued by IFEL in favour of lenders who have extended the



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said facilities. The guarantee is legally enforceable and unconditional and covers the entire amount and tenor of the rated facilities, it also has structured payment mechanism defining invocation and payment timelines as per the RBI Guidelines vide its letter dated April 22, 2022 and July 26, 2022. The guarantor's capability to support the guaranteed amounts is found to be in line with credit profile connoted by the credit ratings assigned. The corporate guarantee results in an enhancement in the rating of the said facilities to IVR A- (CE) against the unsupported rating of IVR BBB/Stable.

Further, 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 and moderate revenue diversity amid the competitive nature of business.

Key Rating Sensitivities:

Upward Factors

- 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 rating of the corporate guarantor.

Downward Factors

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

Adequacy of Credit Enhancement Structure

For assigning the ratings, Infomerics has assessed the attributes of the corporate guarantee issued by IFEL in favour of lenders who have extended the said facilities. The guarantee is legally enforceable, irrevocable, and unconditional and covers the entire amount and tenor of the rated facilities and has a structured payment mechanism defining invocation and payment timelines. The corporate guarantee results in an enhancement in the rating of the said facilities to IVR A- (CE)/Stable against the



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unsupported rating of IVR BBB/Stable. The adjusted capital structure and adjusted debt protection metrics of IFEL remain adequate after considering guaranteed debt.

For assigning the ratings, Infomerics has assessed the attributes of the guarantee issued by IFEL in favour of lenders who have extended the said facilities. While the guarantee is legally enforceable and unconditional and covers the entire amount and tenor of the rated facilities, it also has structured payment mechanism defining invocation and payment timelines as per the RBI Guidelines vide its letter dated April 22, 2022 and July 26, 2022. Accordingly, Infomerics has reaffirmed the CE ratings to the bank facilities of BFL considering the corporate guarantee issued by IFEL.

Transaction Structure

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

Canara Bank

- T being scheduled due date of payment.
- If the funds available are not sufficient for repayment 2 days prior to the respective due date of such loan amount, it should be recognized as 'Event of Default (EOD)'.
- On occurrence of EOD, the lender shall invoke guarantee immediately and in any case not later than T-1 day by giving the demand. The Lender will invoke the guarantee in T-2 days by giving a Demand notice to the Guarantor.
- The Guarantor on receipt of the demand notice by the lender shall forthwith and in any case latest by due date (T) make the payment of the amounts towards the borrower. Infomerics will consider (T) as its legal final maturity for the purpose of recognition of default.

Punjab National Bank

- T being scheduled due date of payment.
- If case of imminent shortfall in the funds of the borrower during the period of guarantee, the guarantor shall bring the funds to make repayment/payment/discharge of any of the monies in respect of Secured Obligations, 1 (One) day prior to respective due dates of such Secured Obligations.
- And/or the lender shall invoke the guarantee by giving T+1 (One) day demand notice to the guarantor, immediately upon occurrence of any event of default in repayment of the secured obligations by the borrower on its due date.



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- The Guarantor shall forthwith upon receipt of the Demand Notice from the lender immediately and in any event not later than 1 (One) business day of the receipt of the demand notice shall discharge the Secured Obligations.

Infomerics will consider (T+2) as its legal final maturity for the purpose of recognition of default.

List of Key Rating Drivers with Detailed Description

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 100 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 140 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.25.00 crore in BFL in the form of equity share capital and unsecured loans as on March 31, 2023.

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 (%) improved to 21.23% as against 18.26% in FY22. Onward lending type of business has led to a certain exposure towards external credit facilities, leading to modest gearing of 3.49x as on March 31, 2023 which is marginally improved from 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. 153.85 crore as on March 31, 2023 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 comfortable earning profile supported by the



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company's ability to lend at competitive and profitable lending rates.. BFL's Net Interest Margins (NIMs) stood at 7.40% in FY23 as against 7.72% in FY22. The company's ROCE stood comfortable at 10.93% in FY23.

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. 153.85 crore as on March 31, 2023 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 at 3.30% and 2.72% respectively as on March 31, 2023 as compared to 2.96% and 2.61% respectively as on March 31, 2022. There is marginal increase in NPA levels due to slippages of substandard assets of FY22 to doubtful category.

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 Haryana, Uttar Pradesh, Madhya Pradesh, Gujarat and Rajasthan. 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 southern region 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](#)

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



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[Rating Methodology for Financial Institutions, Non-Banking Finance Companies \(NBFCs\) & Housing Finance Companies \(HFCs\)](#)
[Criteria On Parent & Group Support](#)
[Complexity level of rated instruments/Facilities](#)
[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, 2023, 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*	31-03-2022 (Audited)	31-03-2023 (Provisional)
Total Operating Income	330.87	346.20
EBITDA	35.73	40.32
PAT	8.92	11.57
Total Debt	175.22	168.78



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For the year ended / As On*	31-03-2022 (Audited)	31-03-2023 (Provisional)
Tangible Net Worth (Adjusted)	236.21	241.98
Ratios		
EBITDA Margin (%)	10.80	11.65
PAT Margin (%)	2.69	3.34
Overall Gearing Ratio (x) (Adjusted)	0.74	0.70

*Classification as per Infomerics' standards

Financials – BFL (Standalone)

(Rs. crore)

For the year ended / As On*	31-03-2022 (Audited)	31-03-2023 (Provisional)
Total Operating Income	25.96	27.72
Interest Expenses	9.37	11.38
PAT	4.29	2.99
Total Debt	104.78	115.17
Tangible Net Worth	27.02	33.01
Total Loan Assets	147.99	153.85
Ratios		
PAT Margin (%)	16.50	10.79
Overall Gearing Ratio (x)	3.88	3.49
Gross NPA (%)	2.96	3.30
Net NPA (%)	2.61	2.72
CAR (%)	18.26	21.23

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 January 25, 2023	Date(s) & Rating(s) assigned in 2021-22 March 25, 2022	Date(s) & Rating(s) assigned in 2020-21 February 10, 2021
1	Term Loan	Long Term	138.05	IVR A-(CE)/ Stable	IVR A-(CE)/ Stable	IVR A-(CE)/ Stable	IVR BBB+(CE) / Stable
2	Cash Credit	Long Term	-	-	-	-	Withdrawn



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3	Proposed Bank Facility	Long Term	-	-	-	-	Withdrawn
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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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 or 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.



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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	-	-	FY25	14.23	IVR A-(CE)/ Stable
Term Loan	-	-	FY26	21.96	IVR A-(CE)/ Stable
Term Loan	-	-	FY27	30.59	IVR A-(CE)/ Stable
Term Loan	-	-	FY28	23.60	IVR A-(CE)/ Stable
Term Loan	-	-	FY28	47.67*	IVR A-(CE)/ Stable

**Total term loan sanctioned by Punjab National Bank is Rs.50.00 crore. However, disbursed amount till date is Rs.13.04 crore.*

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-jul23.pdf>

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

Canara Bank

- 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.

Punjab National Bank

- Unconditional & irrevocable Corporate Guarantee of M/s Indo Farm Equipment Limited
- The borrower should maintain adequate books of accounts, as per applicable accounting practices and standards, which should correctly reflect its financial position and scale of operations and should not radically change its accounting system without notice to the Bank
- The borrower should submit to the Bank such financial statements as may be required by the Bank from time to time in addition to the set of such statements to be furnished by the borrower to the Bank as on the date of publication of the borrower's annual accounts.



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- In case of default in repayment of the loan/advances or in the payment of the interest thereon or any of the agreed instalments of the loan on due date(s) by the borrower, the Bank and/or the RBI will have an unqualified right to disclose or publish the borrower's name or the name of the borrower/unit and its directors/partners/proprietors as defaulters/willful defaulters in such manner and through such medium as the Bank or RBI in their absolute discretion may think fit.
- The Bank will have the right to share credit information as deemed appropriate with Credit Information Companies (CICs) or any other institution as approved by RBI from time to time
- The borrower should not induct into its Board a person whose name appears in the willful defaulters list of RBI/ CICs. In case such a person is already on the Board of the borrowing company, it would take expeditious and effective steps for removal of that person from its Board. Nominee directors are excluded for this purpose.

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 July 03rd, 2023: [Click here](#)