



Press Release

Barota Finance Limited (BFL)

Revised

March 25, 2022

Ratings

Facilities	Amount (Rs. crore)	Ratings*	Rating Action*	Complexity Indicator
Long Term Bank Facilities	104.72 (Increased from 76.21)	IVR A-(CE)/ Stable [IVR Single A Minus (Credit Enhancement) with Stable Outlook]	Upgraded from IVR BBB+(CE)/ Stable [IVR Triple B Plus (Credit Enhancement) with Stable Outlook]	Simple
Total	104.72	Rupees One Hundred Four Crore and Seventy Two 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+) to the lender (Canara Bank) of Barota Finance Limited for the sum not exceeding Rs. 120.00 crore.

Details of Facilities are in Annexure 1

Unsupported Rating[^]	IVR BBB-/ Positive (IVR Triple B Minus with Positive Outlook) (Rating reaffirmed and Outlook revised from Stable to Positive)
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[^]Unsupported rating does not factor in the corporate guarantee given by Indo Farm Equipment Limited.

Detailed Rationale for the credit enhanced debt

The revision in the Credit Enhancement rating reflects revision in the rating of the guarantor, IFEL, from IVR BBB+/ Stable/ IVR A2 to IVR A-/ 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.

Detailed Rationale for the Unsupported ratings

The revision of the Outlook from Stable to Positive reflects expected improvement in overall operating performance of BFL FY22 onwards.

The unsupported rating assigned to BFL's bank facilities continues to derive strength from strong parent support backed by its established track record and moderate financial risk profile along with healthy growth in scale of operations. However, the rating strengths are partially offset by moderate asset quality indicators and modest revenue diversity amid the competitive nature of business.



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Key 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, IVR has assessed the attributes of the corporate guarantee issued by Indo Farm Equipment Limited in favour of lender (Canara Bank) who have extended the said facilities. The corporate 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 guarantor's capability to support the guaranteed amounts is found to in line with credit profile connoted by the credit ratings assigned.

Transaction Structure

-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.

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



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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 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. Apart from this, IFEL has also extended an unconditional and irrevocable corporate guarantee of Rs.120.00 crore towards the borrowings of BFL as on February 28, 2022.

Moderate financial risk profile along with healthy growth in scale of operations

BFL commenced operations with 100% capital infusion by IFEL, and later on availed external borrowing along with growth in AUM. The overall Capital Adequacy (%) stood at 19.46% in FY21 when compared to 23.75% in FY20. Onward lending type of business has led to a certain exposure towards external credit facilities, leading to modest gearing of 4.03x as on March 31, 2021.

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.143.81 crore as on December 31 2021 as compared to Rs.116.83 crore as on March 31, 2021 and Rs.83.51 crore as on March 31, 2020. The growth in loan portfolio is coupled with healthy earning profile. BFL's Net Interest Margins (NIMs) stood comfortable at 7.31% in FY21, supported by the company's ability to lend at competitive and profitable lending rates. The company's ROCE also stood comfortable at 11.27% in FY21.

Key Rating Weaknesses

Moderate asset quality

BFL forayed in the lending segment in 2017 having commenced tractor and agricultural equipment financing having average tenure of 48 months. The company's loan book stood at Rs.143.81 crore as on December 31, 2021 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



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remained modest remains modest at 3.07% and 2.52% respectively as on December 31, 2021.

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 operations are primarily confined to northern and central states of India with ~80% of the loans disbursed in Punjab, Haryana, Uttar Pradesh and Madhya Pradesh during 9MFY22. 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 in south 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 \(HFCs\)](#)

Liquidity: Adequate

The BFL's funding profile is backed by IFEL's unconditional and irrevocable corporate guarantee to ensure timely servicing for its debt obligations. 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, 2021, 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



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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*	31-03-2020 (Audited)	31-03-2021 (Audited)
Total Operating Income	231.78	251.76
EBITDA	25.95	29.61
PAT	3.55	5.68
Total Debt	137.40	160.15
Tangible Net Worth (Adjusted)	218.42	227.74
Ratios		
EBITDA Margin (%)	11.20	11.76
PAT Margin (%)	1.52	2.25
Overall Gearing Ratio (x) (Adjusted)	0.63	0.70

*As per Infomerics' standards

Financials – BFL (Standalone)

(Rs. crore)

For the year ended / As On*	31-03-2020 (Audited)	31-03-2021 (Audited)
Total Operating Income	16.16	19.87
Interest	6.03	7.12
PAT	1.38	2.91
Total Debt	69.04	79.63
Tangible Net Worth	16.83	19.74
Total Loan Assets	83.51	116.83
Ratios		
PAT Margin (%)	8.56	14.62
Overall Gearing Ratio (x)	4.10	4.03
GNPA (%)	3.23%	2.78%
NNPA (%)	2.91%	2.37%
CAR (%)	23.75%	19.46%

*As per Infomerics' standards

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil



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Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1	Term Loan	Long Term	104.72	IVR A-(CE)/ Stable	IVR BBB+(CE)/ Stable (February 10, 2021)	IVR A-(CE)/ Stable (November 15, 2019)	-
2	Cash Credit	Long Term	-	-	Withdrawn (February 10, 2021)	IVR A-(CE)/ Stable (November 15, 2019)	-
3	Proposed Bank Facility	Long Term	-	-	Withdrawn (February 10, 2021)	IVR A-(CE)/ Stable (November 15, 2019)	-

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About Infomerics:

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, suspend 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



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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	104.72	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/Barota-Finance-lenders-mar22.pdf>

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

Particulars	Details
Financial Covenants	Minimum Asset Coverage ratio: 1.33x
Non-Financial Covenants	Primary Security: First and exclusive charge by way of hypothecation on receivables (standard assets) of the company and execution of power of attorney to enable bank to recover monies directly from borrowers of BFL in the event of default of principal and interest payments commitments. Collateral Security: Immovable properties (office fixed assets) belonging to BFL and industrial plot land in name of promoters Personal Guarantee: Ranbir Singh Khadwalia, Sunita Saini, Sat Prakash Mittal, Shubham Khadwalia, Anshul Khadwalia Corporate Guarantee: Indo Farm Equipment Limited ROI and Margin: 1Y MCLR+2.60% +0.40% i.e. 11.35%

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.