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CARRARO India

CARRARO INDIA LIMITED



(Please scan the QR code to view the RHP)

Our Company was incorporated as "Carraro India Private Limited" on April 11, 1997, as a private limited company under the Companies Act, 1956, at New Delhi, India, pursuant to a certificate of incorporation issued by the Registrar of Companies, NCT of Delhi and Haryana ("RoC Delhi"). Pursuant to an allotment of Equity Shares by our Company and in accordance with the provisions of Section 434(1) of the Companies Act, 1956, our Board passed a resolution on September 30, 1997, wherein our Board noted that our Company had become a deemed public company, and the name of our Company was changed to "Carraro India Limited" with effect from September 3, 1997, pursuant to a certificate of incorporation endorsed by the RoC Delhi to that effect. Further, pursuant to a resolution passed by our Board dated September 26, 2007 and a special resolution passed by our Shareholders dated September 29, 2007 which was confirmed by an order of the Company Law Board, Northern Region Bench, New Delhi dated July 25, 2008, the registered office of our Company was shifted from the state of Delhi to the state of Maharashtra with effect from July 25, 2008 and a certificate of registration of the order of the Company Law Board for change of state of our registered office was issued by the Registrar of Companies, Maharashtra at Pune ("RoC") on August 14, 2008. Subsequently, pursuant to a resolution passed by our Board dated August 26, 2008 and a special resolution passed by our Shareholders dated September 22, 2008, our Company was re-converted into a private limited company and the name of our Company was changed to "Carraro India Private Limited", and a fresh certificate of incorporation dated March 16, 2009 was issued by the RoC. Subsequently, on the conversion of our Company to a public limited company, pursuant to a resolution passed by our Board on July 3, 2024 and a special resolution passed by our Shareholders on July 4, 2024, the name of our Company was changed to "Carraro India Limited" and a fresh certificate of incorporation dated August 12, 2024 was issued by the RoC. For further details of the changes in the name and the registered office of our Company, see "History and Certain Corporate Matters - Changes in the registered office" on page 246 of the Red Herring Prospectus dated December 16, 2024 ("RHP") filed with the RoC.

Corporate Identity Number: U52509MH1997PL112029; Registered Office: 602 MIDC, Ranjanpur, Pune 412 221, Maharashtra, India; Contact Person: Naku Shivaji Patil, Company Secretary and Compliance Officer; Tel: +91 2138 662966; E-mail: company_secretary@carraraindia.com; Website: www.carraraindia.com

OUR PROMOTERS: TOMASO CARRARO, ENRICO CARRARO, CARRARO S.p.A. AND CARRARO INTERNATIONAL S.E.

INITIAL PUBLIC OFFERING OF [•] EQUITY SHARES BEARING FACE VALUE OF ₹ 10 EACH (THE "EQUITY SHARES") OF CARRARO INDIA LIMITED (THE "COMPANY" OR "ISSUER") FOR CASH AT A PRICE OF ₹ [•] PER EQUITY SHARE BEARING FACE VALUE OF ₹ 10 EACH (THE "OFFER PRICE") AGGREGATING UP TO ₹ 12,500.00 MILLION (THE "OFFER") COMPRISING AN OFFER FOR SALE OF [•] EQUITY SHARES BEARING FACE VALUE OF ₹ 10 EACH AGGREGATING UP TO ₹ 12,500.00 MILLION BY CARRARO INTERNATIONAL S.E. (THE "PROMOTER SELLING SHAREHOLDER"), AND SUCH OFFER FOR SALE, THE "OFFER FOR SALE", AND SUCH EQUITY SHARES BEARING FACE VALUE OF ₹ 10 EACH, THE "OFFERED SHARES", THE OFFER WOULD CONSTITUTE [•]% OF THE POST-OFFER PAID-UP EQUITY SHARE CAPITAL OF OUR COMPANY.

DETAILS OF THE OFFER FOR SALE			
NAME OF THE SELLING SHAREHOLDER	TYPE	NUMBER OF EQUITY SHARES OFFERED/ AMOUNT (IN ₹ MILLION)	WEIGHTED AVERAGE COST OF ACQUISITION PER EQUITY SHARE (IN ₹)*
Carraro International S.E.	Promoter Selling Shareholder	[•] Equity Shares of face value of ₹ 10 each aggregating up to ₹ 12,500.00 million	15.18

*As certified by J.C. Bhalia & Co., Chartered Accountants, by way of their certificate dated December 16, 2024.

We are an independent tier 1 solution provider of axles, transmission systems and gears for the agricultural tractor and construction vehicle industries in India.

The Offer is being made through the Book Building Process in accordance with Regulation 6(1) of the SEBI ICDR Regulations.

• QIB Portion: Not more than 50% of the Offer • Non-Institutional Portion: Not less than 15% of the Offer • Retail Portion: Not less than 35% of the Offer

PRICE BAND: ₹668 TO ₹704 PER EQUITY SHARE OF FACE VALUE OF ₹10 EACH

THE FLOOR PRICE AND THE CAP PRICE ARE 66.80 TIMES AND 70.40 TIMES THE FACE VALUE OF THE EQUITY SHARES RESPECTIVELY.

BIDS CAN BE MADE FOR A MINIMUM OF 21 EQUITY SHARES AND IN MULTIPLES OF 21 EQUITY SHARES THEREAFTER

THE PRICE TO EARNINGS RATIO BASED ON DILUTED EPS FOR FISCAL 2024 AT THE UPPER END OF THE PRICE BAND IS 64.00 TIMES

AS COMPARED TO THE AVERAGE INDUSTRY PEER GROUP PE RATIO OF 55.80 TIMES.

WEIGHTED AVERAGE RETURN ON NET WORTH FOR LAST THREE FULL FINANCIAL YEARS IS 14.52%

In accordance with the recommendation of Committee of Independent Directors of our Company, pursuant to their resolution dated December 16, 2024, the above provided price band is justified based on quantitative factors/ KPIs disclosed in the "Basis for Offer Price" section on page 108 of the RHP vis-a-vis the weighted average cost of acquisition ("WACA") of primary and secondary transactions, as applicable, disclosed in the "Basis for Offer Price" section on page 108 of the RHP and provided below in this advertisement.

In making an investment decision and purchase in the Offer, potential investors must only rely on the information included in the Red Herring Prospectus and the terms of the Offer, including the merits and risks involved and not rely on any other external sources of information about the Offer available in any manner.

RISKS TO INVESTORS:

For details, refer to "Risk Factors" on page 25 of the RHP.

- 1) Dependence on Customers:** We are dependent on certain key customers for a significant portion of our revenue. The following table sets forth details of revenue generated and contribution to total revenue from our top five customers and top 10 customers on consolidated customer group basis, which consolidate revenue contribution by customer entities in the same group, for the periods and years indicated:

₹ in millions, except percentages

Particulars	For six months ended September 30,				For Fiscals ended March 31,					
	2024		2023		2024		2023		2022	
Revenue from top five customers on consolidated customer groups basis	6,361.51	69.55%	6,684.71	69.56%	12,409.77	69.37%	12,406.91	72.42%	10,959.99	73.19%
Revenue from top 10 customers on consolidated customer groups basis	8,037.27	87.88%	8,223.41	85.57%	15,276.60	85.39%	14,887.95	86.90%	13,209.33	88.21%

- 2) Dependence on Carraro Group:** We depend partially on other entities in the Carraro Group for our operations, such as the license of the Carraro brand, customer sourcing, procurement, R&D and general support of our operations. The Carraro Group was our largest customer in the six months ended September 30, 2024 and 2023 and Fiscals 2024, 2023 and 2022. For the six months ended September 30, 2024 and Fiscal 2024, we derived 33.27% and 33.91% of our total revenue from the Carraro Group and have purchased 3.81% and 4.91% of our raw materials from the Carraro Group, respectively. Any disruption in this relationship could have a material adverse impact on our operations.
- 3) Related party transactions with Carraro Group:** We have entered into and may continue to enter into related party transactions with the Carraro Group, Directors and Key Managerial Personnel. We incurred 33.89% and 34.67% of our total income and 6.70% and 8.63% of our total expenses in transactions with related parties in the six months ended September 30, 2024 and Fiscal 2024, respectively. Such transactions may require significant capital outlay and there can be no assurance that we will be able to make a return on these transactions or investments.
- 4) Industry Risk -** We are dependent on the performance of the tractor and construction vehicle markets, as our agricultural tractors sector and construction vehicles sector constituted 45.05% and 41.29% of our revenue from product sector only for Fiscal 2024, 49.37% and 38.43% of our revenue for Fiscal 2023 and 50.59% and 36.12% of our revenue for Fiscal 2022, respectively. Any adverse changes in the conditions affecting

the tractor or construction vehicles markets can adversely impact our business, financial condition, results of operations, cash flows and prospects.

- 5) Financial Performance Risk -** Our EBITDA margins and PAT margins were lower than the EBITDA margins and PAT margins of our industry peers in the six months ended September 30, 2024 and September 30, 2023 and Fiscals 2024, 2023 and 2022, as disclosed in this Red Herring Prospectus, and we cannot assure you that we will be able to continue to improve our EBITDA margins and PAT margins in comparison to our competitors or at all.
- 6) Seasonality Risk:** The sales of our agricultural tractor products are influenced by the cyclicity and seasonality of demand in the countries in which we operate. According to the Markets and Markets Report, in the Indian agricultural market, tractor demand typically peaks between June and November, which is driven by the arrival of the monsoon, the Kharif crop season, preparations for the upcoming rabi planting season, increased harvesting activities, and improved rural cash flow during this period. The demand for our exported products also depends on the cyclicity and seasonality of agricultural tractors in each country.
- 7) Manufacturing Risk:** We currently manufacture our axles, transmissions and gears at our manufacturing plants in Pune, India. Any disruptions or stoppages at our manufacturing plants could adversely impact our operations, financial condition and results of operations.

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