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INDO FARM EQUIPMENT LIMITED

Our Company "Indo Farm Equipment Limited", was originally incorporated as "Weicut Tools Private Limited" on October 05, 1994 at Chandigarh as a private limited company under the Companies Act, 1956 with the Registrar of Companies, Punjab, H.P. & Chandigarh. Further, our Company was converted into Public Limited Company pursuant to special resolution passed by the shareholders of our Company in their meeting held on June 29, 1999. There were multiple name changes of our Company between 1994 to 2009. Last name change of our Company was happened vide special resolution passed by the shareholders of our Company in their meeting dated October 24, 2009. We obtained a fresh Certificate of Incorporation on November 04, 2009 by Registrar of Companies, Punjab, Himachal Pradesh and Chandigarh. For further details, please refer to the chapter "History and Certain Corporate Matters" beginning on page no. 200 of the Red Herring Prospectus

Registered Office: SCO 859 N.A.C Manimajra Kalka Road, Chandigarh-160101, India. Tel: 0172-2730060; Contact Person: Navpreet Kaur, Company Secretary and Compliance Officer; E-mail: compliance@indofarm.in; Website: www.indofarm.in; Corporate Identity Number: U29219CH1994PLC015132.

OUR PROMOTERS: RANBIR SINGH KHADWALIA AND SUNITA SAINI

INITIAL PUBLIC OFFER OF UP TO 12,100,000 EQUITY SHARES OF FACE VALUE OF ₹10 EACH ("EQUITY SHARES") OF INDO FARM EQUIPMENT LIMITED (THE "COMPANY" OR THE "ISSUER") FOR CASH AT A PRICE OF ₹ [●] PER EQUITY SHARE, AGGREGATING TO ₹ [●] MILLIONS ("THE OFFER") COMPRISING OF A FRESH ISSUE OF UP TO 8,600,000* EQUITY SHARES AGGREGATING TO ₹ [●] MILLIONS (THE "FRESH ISSUE") AND AN OFFER FOR SALE OF UP TO 3,500,000 EQUITY SHARES BY RANBIR SINGH KHADWALIA ("THE PROMOTER SELLING SHAREHOLDER") AGGREGATING TO ₹ [●] MILLION ("OFFER FOR SALE"). THE OFFER WILL CONSTITUTE 25.18% OF THE FULLY DILUTED POST OFFER PAID-UP EQUITY SHARE CAPITAL OF OUR COMPANY.

* Our Company, in consultation with the BRLM, has undertaken Pre-IPO Placement of 1,900,000 Equity Shares of ₹10/- each at the rate of ₹185/- per share aggregating to ₹351.50 million. Accordingly, the size of the Fresh Issue has been reduced from 10,500,000 Equity Shares to 8,600,000 Equity Shares of Face Value of ₹10 each.

DETAILS OF THE SELLING SHAREHOLDER, OFFER FOR SALE AND WEIGHTED AVERAGE COST OF ACQUISITION

NAME OF SELLING SHAREHOLDER	TYPE	NUMBER OF EQUITY SHARES OFFERED	WEIGHTED AVERAGE COST OF ACQUISITION PER EQUITY SHARE (IN ₹)
Ranbir Singh Khadwalia	Promoter Selling Shareholder	3,500,000	2.11

Our Company is a manufacturer of Tractors and Pick & Carry Cranes.

The Issue is being made in accordance with Regulation 6(1) of the SEBI (ICDR) Regulations, 2018.

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

PRICE BAND: ₹ 204 TO ₹ 215 PER EQUITY SHARE OF FACE VALUE OF ₹ 10/- EACH.

THE FLOOR PRICE IS 20.40 TIMES THE FACE VALUE AND THE CAP PRICE IS 21.50 TIMES THE FACE VALUE.

BIDS CAN BE MADE FOR A MINIMUM OF 69 EQUITY SHARES AND IN MULTIPLES OF 69 EQUITY SHARES THEREAFTER.

THE PRICE/EARNINGS RATIO (P/E) BASED ON DILUTED EPS FOR FY 2023-24 AT THE HIGHER END

OF THE PRICE BAND IS AS HIGH AS 51.81 AS COMPARE TO INDUSTRY AVERAGE 42.10.

WEIGHTED AVERAGE RETURN ON NET WORTH FOR LAST THREE FULL FINANCIAL YEARS IS 5.06%.

In accordance with the recommendation of a Committee of Independent Directors (consisting of Mr. Brij Kishore Mahindroo (Chairman), Ms. Arshdeep Kaur & Ms. Babita Dosajh), the above provided Price Band is justified based on quantitative factors / KPIs as disclosed in the "Basis for Offer Price" beginning on page no. 105 of the Red Herring Prospectus section vis-a-vis the WACA of primary issuance / secondary transactions as disclosed in the "Basis for Offer Price" section.

IN MAKING AN INVESTMENT DECISION, POTENTIAL INVESTORS MUST RELY ON THE INFORMATION INCLUDED IN THE RHP AND THE TERMS OF THE ISSUE, INCLUDING THE RISKS INVOLVED AND NOT RELY ON ANY OTHER EXTERNAL SOURCES OF INFORMATION ABOUT THE ISSUE AVAILABLE IN ANY MANNER.

RISKS TO INVESTORS

For details refer to section titled "Risk Factors" on page 27 of the Red Herring Prospectus

- 1) **Revenue Concentration Risk:** We derive a significant portion of our revenue from the sale of tractors (approximately 52.16%) & Pick & Carry cranes (approximately 47.77%) during the FY 2023-24 and any reduction in demand or in the manufacturing of such products could have an adverse effect on our business, results of operations and financial condition. The sales (in % term) for the last three financial years are entailed below:

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	Q1 FY 2024-25
Tractors	77.77%	65.46%	52.16%	43.06%
Cranes	21.80%	34.25%	47.77%	55.93%
Others	0.43%	0.29%	0.07%	1.00%
Total	100.00%	100.00%	100.00%	100.00%

- 2) **Capacity Utilisation Risk:** Average Capacity utilization for FY 2021-22 to FY 2023-24 is 32% for tractors and 87% for cranes. Under-utilization of our manufacturing capacities and an inability to effectively utilize our expanded manufacturing capacities could have an adverse effect on our business, future prospects and future financial performance. Capacity utilization (in % term) of our production facilities for the last three financial years are entailed below:

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	Q1 FY 2024-25
Tractors	41.70%	29.63%	24.83%	13.90%
Cranes	67.22%	94.31%	99.38%	77.81%

- 3) **Business Expansion Risk:** Capital expenditure to the tune of ₹ 700.74 million required for the expansion of our Pick & Carry Cranes Manufacturing Capacity, which would be funded out of the Net Proceeds of the Issue. We have not yet placed orders in relation to such capital expenditure. In the event of any delay in placing the orders, or in the event the vendors are not able to provide the machines and equipments in a timely manner, or at all, may result in time and cost over-runs and our business, prospects and results of operations may be adversely affected.

- 4) **Risk of Low Growth in Revenue and PAT Margin:** We have recorded low growth in Revenue and PAT margins in the last three Fiscals of our Company and our Subsidiary.

(₹ in millions)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	Q1 FY 2024-25
Revenue	3,520.84	3,707.59	3,752.32	749.59
PAT	137.19	153.72	155.95	24.54
PAT Margin	3.90%	4.15%	4.16%	3.27%

- 5) **Regulatory Risk:** If we are not able to obtain, renew or maintain our statutory and regulatory licenses, registrations and approvals required to operate our business, it may have a material adverse effect on our business, results of operations and financial condition.

- 6) **Proceeds from the Offer for Sale:** The Offer comprises of the Fresh Issue of 8,600,000 Equity Shares by our Company and an Offer for Sale of 3,500,000 Equity Shares by the Promoter Selling Shareholders, representing 25.00% of total Offer Size (including Pre-IPO placement) and aggregating to ₹ 752.50 million at the higher end of the Price Band. Our Company will not receive any proceeds from the Offer for Sale.

- 7) **Risk of dependency on dealers:** We have dependency on our customers / dealers in the last three Fiscals of our Company. If our existing dealers do not deal with us, or our relationships are impaired or terminated, our revenue could decline, and our results of operations would be adversely impacted.

(₹ in millions)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	Q1 FY 2024-25
Income from Top 10 Dealers	781.82	683.94	814.09	271.63
In % term	23.63%	19.73%	23.13%	39.10%

- 8) **Negative Cash flow risk:** We have reported negative net cash flows in the past and may do so in the future. Our net cash flow for the period / years are set forth in the table below:

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	Q1 FY 2024-25
Net cash flow from operating activities (A)	99.77	301.75	405.87	66.98
Net cash flow from investing activities (B)	(259.62)	(83.74)	(25.91)	(47.70)
Net cash flow from financing activities (C)	164.02	(219.91)	(256.98)	(88.45)
Net increase/(decrease) in cash and cash Equivalents	4.17	(1.90)	122.98	(69.17)

- 9) **Concentration of Revenue on top 5 states:** Our revenue from manufacturing operations is significantly concentrated in the top 5 States. Any adverse political or economical stability in such States may have a material adverse effect on our business, results of operations and financial condition.

(₹ in millions)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	Q1 FY 2024-25
Manufacturing revenue from top 5 States	2,258.79	1,972.89	2,222.89	434.90
In % term	68.27%	56.92%	63.07%	62.81%

- 10) **Risk of Low Demand for Pick & Carry Cranes in Future:** The capacity expansion for the manufacturing of Pick & Carry cranes is based on the expected domestic demand in India, with no confirmed order book for the additional production, and our sales are concentrated primarily in India, making us vulnerable to market fluctuations, regulatory changes, and economic downturns.

- 11) **Risk of retail Financing of Tractors:** Our ability to sell tractors is heavily dependent on financing support from Banks, NBFCs, and our subsidiary NBFC, which exposes us to risks related to financing availability, regulatory compliance, and operational performance of our subsidiary NBFC.

- 12) **Risk of location:** The geographical concentration of our manufacturing facilities in Himachal Pradesh may restrict our operations and adversely affect our business and financial conditions.

- 13) **Risk of Future Complaints/actions by Regulatory of Statutory Authorities:** Our Company has received complaints after filing of the Draft Red Herring

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