

**Eureka Stock & Share Broking  
Services Ltd.**
**IPO — NOTE**

Incorporated in 1997, Carraro India Ltd is engaging in manufacturing components ranging from the smallest gear to complete tractor manufacturing. Tomaso Carraro, Enrico Carraro, Carraro S.p.A. and Carraro International S.E., are the Promoters of the Company. Tomaso Carraro, company's Vice President and Non-Executive Director, has been with the Carraro Group since 1994 and Balaji Gopalan, its Managing Director, has been with the Carraro Group since 1998.

**Business Overview :**

- The company is an independent tier 1 (Tier 1 suppliers are suppliers which supply manufactured products directly to an OEM) solution provider of axles, transmission systems and gears for the agricultural tractor and construction vehicle industries in India.
- It support the full value chain of services as a solution provider for axles, transmission systems, gears and other related components with in-house product design manufacturing capabilities.
- Company's Promoter, Carraro S.p.A., is the parent company of the Carraro Group which designs, manufactures and sells transmission systems (axles, transmissions and drives) mainly for agricultural and construction equipment for off highway vehicles, in addition to marketing a wide range of gears for diverse sectors, from automotive to trucks to agricultural and construction vehicles.
- The Carraro brand is owned by Carraro S.p.A. and licensed to them pursuant to a licensing agreement with Carraro S.p.A.
- The company owns and operates two manufacturing plants in Pune, Maharashtra, India. The driveline manufacturing plant occupies a plot area of approximately 84,000 square meters, while the gear manufacturing plant covers an area of approximately 78,000 square meters.
- The company primarily manufacture axles and transmission systems for agricultural tractors and construction vehicles such as backhoe loaders, soil compactors, cranes, self-loading concrete mixers and small motor graders.
- Company's primary raw materials include castings, steel, components such as bearings, forgings, castings, brakes and clutch, cylinders and hydraulic rear lifts, and indirect materials such as lubricant oil, tools, paints and fixtures.
- Company's Products:
  - Agricultural tractors: They manufacture axles and transmission systems for agricultural tractors which include special requirements on technical specifications, use cases, and mechanical and structural design.
  - Construction vehicles: They manufacture gears and transmission systems for backhoe loaders, compact wheel loaders, telehandlers, cranes, forklifts, aerial working platforms, etc.
  - Others: They manufacture a diverse range of products beyond their core offerings of axles and transmissions for agricultural and construction equipment, which include additional products such as gears, shafts, and ring gears for industrial and automotive vehicles.
- The company has developed expertise in the agricultural tractor and construction vehicle industry in India and has established a network of 220 suppliers across eight states in India, along with 58 suppliers internationally.
- Company's key customers are primarily India-based OEMs including large domestic OEMs and international OEMs with Indian subsidiaries or operations. It has long-term relationships with its top 10 customers based on their revenue contribution on consolidated groups basis as of September 30, 2024, which have continuously engaged them for at least 15 years.

<b>NSE SYMBOL</b>	<b>CARRARO</b>
<b>SECTOR</b>	<b>AUTO ANCILLARIES</b>
<b>ISSUE SIZE</b>	<b>Rs. 1250 Crs.</b>
<b>PRICE BAND</b>	<b>Rs. 668 - 704</b>
<b>BID SIZE (Nos.)</b>	<b>21</b>
<b>FACE VALUE</b>	<b>Rs. 10.00</b>
<b>MARKET CAP</b>	<b>Rs. 4002.38 Crs</b>
<b>RATING</b>	<b>SUBSCRIBE</b>

<b>TENTATIVE DATES</b>	
<b>ISSUE OPEN DATE</b>	<b>20TH DEC 2024</b>
<b>ISSUE CLOSE DATE</b>	<b>24TH DEC 2024</b>
<b>BASIS OF ALLOTMENT</b>	<b>26TH DEC 2024</b>
<b>INITIATION OF REFUNDS</b>	<b>26TH DEC 2024</b>
<b>CREDIT OF SHARES</b>	<b>27TH DEC 2024</b>
<b>LISTING DATE</b>	<b>30TH DEC 2024</b>

- The company has been present in India for 27 years and has developed an extensive network with local and international customers and suppliers based in India.
- Company's customers include Mahindra, ACE, TAFE, CNH INDUSTRIAL, TEREX, DYNAPAC etc.
- It supplies gears mainly used in industrial and automotive markets, spare parts which are primarily loose components of agricultural tractors and construction vehicles and other products which are non-core parts of agricultural tractors and construction vehicles.
- It has maintained a diverse customer base of both domestic customers who have placed purchase orders in India and beyond and international customers who have placed purchase orders entirely outside of India through the Carraro Group. 65.40% and 34.60% of its revenue in the six months ended September 30, 2024 and 64.13% and 35.87% of its revenue in Fiscal 2024 were attributed to domestic customers and overseas customers, respectively.
- It usually enter into long-term contracts with its customers of at least five years, with additional schedules executed based on each new order received.
- It has long term relationship with its top 10 customers, which have continuously engaged it for at least 15 years as of September 30, 2024.
- As of September 30, 2024, it has a supplier base of 220 suppliers spanning across eight states in India and 58 suppliers internationally.
- To focus on local sourcing for supply in order to lower the production cost, optimize supply chain logistics and minimize lead times. For the six months ended September 30, 2024 and 2023 and Fiscals 2024, 2023 and 2022, representing 74.42%, 72.69%, 73.18%, 74.58% and 73.67% of its materials were procured from its domestic suppliers, respectively. It also source from international suppliers in Europe, the People's Republic of China and Japan.
- As of September 30, 2024, the company's local quality and after-sales team consisted of 87 full-time employees and 53 contractual temporary employees.  
*(Source— RHP)*

## STRENGTHS

- One of the leading tier 1 suppliers of transmission systems and a key supplier of axles in the agricultural tractor and construction vehicle industries in India with competitive moat for mission critical and complex driveline components
- Customer-centric offering of customized solutions to a longstanding OEM customer base
- Longstanding relationships with marquee local and international supplier base
- Strong, in-house R&D capabilities with proprietary IP rights to facilitate innovation of future-ready products
- Technologically advanced manufacturing plants with large production capacities and in-house gear production capabilities
- Stable and experienced senior management team with strong industry knowledge and proven track record of growing the business and achieving margin optimization.  
*(Source— RHP)*

## OBJECTS OF THE OFFER

**The Offer for Sale** - Company will not receive any proceeds from the Offer for Sale of shares of Rs. 1250 crores. The Selling Shareholders will be entitled to their respective portion of the proceeds of the Offer for Sale.

## RISKS

- The company is dependent on certain key customers for a significant portion of its revenue.
- The company depend partially on other entities in the Carraro Group for its operations, such as the license of the Carraro brand, customer sourcing, procurement, R&D and general support of its operations.
- Company's agricultural tractor business is seasonal in nature and a decrease in its sales during some quarters could have an adverse impact on its financial performance.
- Certain of its Group Companies, Siap S.p.A., Carraro Drive Tech Italia S.p.A., Carraro China Drive Systems Co. Ltd. and Carraro Argentina S.A. are engaged in businesses which are similar to its business.

## PEER COMPARISON

	Face Value (Rs.)	CMP In Rs. (19-12-2024)	TTM EPS (Rs.)	BV per share (Rs.)	P/E (X)	P/BV (X)	M. Cap / Sales
Escorts Kuboto	10.00	3283.90	32.37	879.25	101.4	3.7	3.8
Schaeffler India	2.00	3341.55	58.51	311.33	57.1	10.7	6.6
Sona BLW Precision	10.00	609.60	9.26	84.17	65.8	7.2	10.9
Ramkrishna forgings	2.00	906.10	20.33	162.58	44.6	5.6	4.0
Happy Forgings	2.00	1020.90	27.48	181.62	37.2	5.6	6.9
Action Construction	2.00	1518.05	30.71	116.19	49.4	13.1	5.9
<b>Carraro India</b>	<b>10.00</b>	<b>704.00</b>	<b>17.50</b>	<b>73.79</b>	<b>40.2</b>	<b>9.5</b>	<b>2.2</b>

(\*\*On upper price band and on FY 2025 annualised EPS)

## RECOMMENDATION

At the upper band of offer price of Rs 704, the issue has been priced at P/BV of 9.5 times and P/E of 40.2 times on enhanced equity. Compared to peer group, average P/BV of 7.7 times and P/E of 59.3 times, CARRARO INDIA LTD is reasonably valued.

Investors - **SUBSCRIBE to CARRARO INDIA LTD - IPO** considering leading tier 1 suppliers of transmission systems, longstanding OEM customer base, marquee local and international supplier base, Technologically advanced manufacturing plants, stable financials.

## PROFIT & LOSS A/C

(In Rs. Crore.)

	FY 2022	FY 2023	FY 2024	6 MONTHS SEP FY 2024	6 MONTHS SEP FY 2025
Income					
Revenue from operations	1,497.54	1,713.15	1,788.97	961.03	914.62
Other income	22.51	20.15	17.58	10.16	8.12
Total income	1,520.05	1,733.30	1,806.55	971.18	922.74
Expenses					
Cost of materials consumed	1,140.86	1,290.51	1,337.24	735.97	664.58
Changes in inventories of stock-in-trade	-18.78	-14.78	-24.09	-15.95	2.73
Employee benefits expense	117.33	130.46	143.47	72.25	75.30
Finance costs	16.22	19.79	22.49	11.13	11.89
Depreciation and amortisation expense	35.91	39.44	43.14	21.05	22.29
Other expenses	197.78	202.30	199.93	112.78	79.03
Total expenses	1,489.32	1,667.71	1,722.18	937.22	855.82
Restated Profit before tax	30.73	65.59	84.37	33.96	66.92
Tax expenses					
Current tax	9.20	18.94	24.36	13.23	17.31
Deferred tax (credit)	-0.89	-1.81	-2.55	-4.20	-0.13
Total tax expense	8.31	17.13	21.81	9.03	17.18
Restated Profit for the period/year	22.43	48.46	62.56	24.94	49.73

**BALANCE SHEET**
**(In Rs. Crore.)**

	FY 2022	FY 2023	FY 2024	6 MONTHS SEP FY 2024	6 MONTHS SEP FY 2025
<b>ASSETS</b>					
Property, plant and equipment	259.88	287.47	311.72	306.27	305.54
Right-of-use assets	16.03	14.97	13.74	14.35	27.18
Capital work-in-progress	10.12	9.06	0.00	0.00	0.31
Intangible assets	5.41	4.15	28.97	3.37	27.39
Other non-current assets	46.32	40.28	47.52	42.20	54.38
Total non-current assets	337.75	355.92	401.95	366.19	414.81
Inventories	236.64	255.30	286.45	271.83	290.99
Investments	0.00	0.00	0.00	6.03	0.00
Trade receivables	257.04	303.39	242.72	327.99	255.62
Cash and cash equivalents	103.96	104.99	103.60	59.22	97.00
Other current assets	77.04	52.79	38.18	38.13	34.99
Total current assets	674.69	716.47	670.94	703.20	678.60
<b>TOTAL ASSETS</b>	<b>1,012.44</b>	<b>1,072.39</b>	<b>1,072.89</b>	<b>1,069.39</b>	<b>1,093.41</b>
<b>EQUITY &amp; LIABILITIES</b>					
Equity share capital	56.85	56.85	56.85	56.85	56.85
Other equity	235.64	280.52	312.97	306.11	362.59
Total equity attributable to the owners	292.49	337.38	369.82	362.96	419.44
Non controlling interest	0.14	0.16	0.09	0.17	0.10
Total equity	292.63	337.53	369.91	363.13	419.54
Borrowings	85.72	130.82	122.32	109.13	151.01
Lease liabilities	3.29	2.42	1.30	1.87	14.27
Provisions	39.14	46.30	47.38	43.35	47.56
Deferred tax liabilities (net)	0.76	0.00	0.00	0.00	0.00
Total non-current liabilities	128.91	179.54	171.00	154.35	212.83
Borrowings	92.41	57.52	90.23	87.67	44.77
Lease liabilities	0.85	1.00	1.13	1.06	1.73
Trade payables	428.66	428.09	365.49	388.67	356.54
Other current liabilities	68.98	68.71	75.13	74.51	58.01
Total current liabilities	590.90	555.32	531.98	551.91	461.04
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,012.44</b>	<b>1,072.39</b>	<b>1,072.89</b>	<b>1,069.39</b>	<b>1,093.41</b>

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**Eureka Stock & Share Broking Services Ltd.** CIN No.: **U70109WB1992PLC055782**  
Regd. Office and Corporate Office - 1101, Merlin Infinite, DN - 51, Salt Lake City, Sector - 5, Kolkata - 700 091 (West Bengal, India)  
Tel: 033 6628 0000 | E-mail: [compliance@eurekasec.com](mailto:compliance@eurekasec.com) | Website: [www.eurekasec.com](http://www.eurekasec.com)

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