



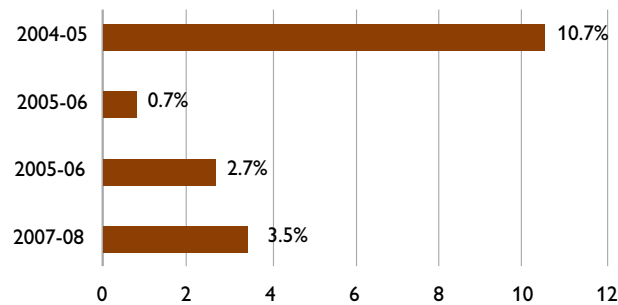
# AGRICULTURAL EQUIPMENT

December 2008

## The share of Agriculture in India's GDP has been diminishing

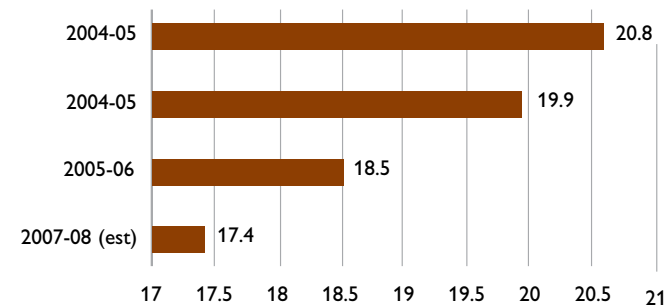
The agriculture sector has shown a mild recovery in growth over the past 3 years...

Agriculture Growth rate (%)



...and the share of the sector in overall GDP is declining

Agriculture share of GDP (%)

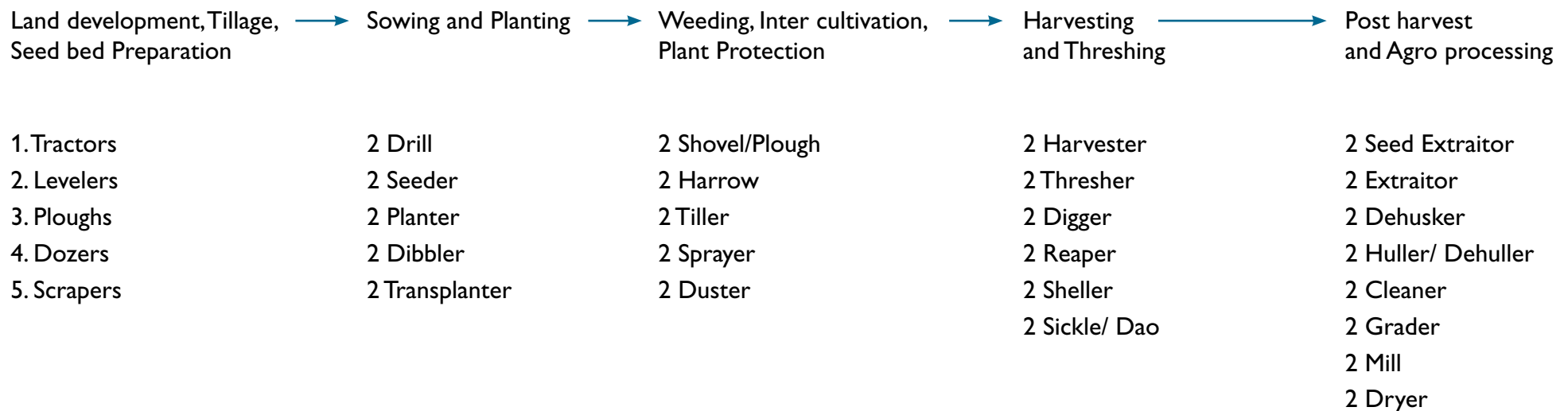


However, it continues to be of high significance, as more than 60 per cent of the population are involved in it

The Agricultural Equipment Industry is a key sector that contributes to Agricultural growth and productivity

# The Agricultural Equipment Industry spans all activities across the value chain

**India’s agricultural equipment industry has a diverse product portfolio catering to activities across the value chain**



**However, the organized market largely revolves around tractors, tractor driven devices and tillers.**

# The Agricultural Equipment market is driven by several factors

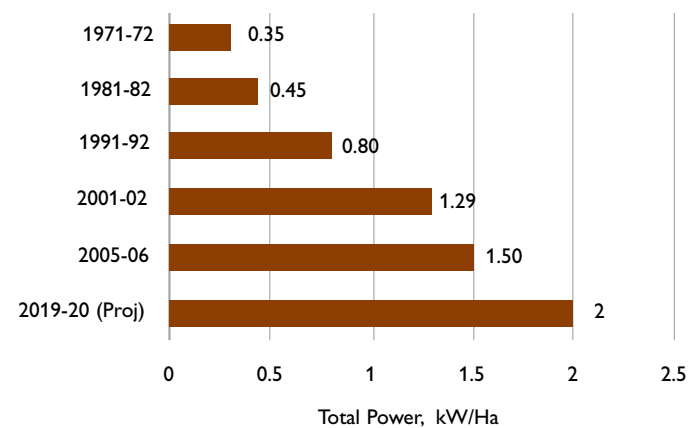
## Key Drivers for the Agricultural Equipment Industry:

Driver	Impact on agricultural equipment industry
Improved availability of credit	↑
Emergence of Contract farming and dedicated sourcing with corporate partnership	↑
Focus on Productivity to maximize ROI from agriculture	↑
Opportunity for employment in urban areas pressurizing agricultural wages	↓
Increased competition driven by WTO Norms	↔

## There has been an increased focus on mechanization of agriculture

**Increased adoption of mechanization in an attempt to ensure greater RoI and sustainability of agriculture**

Use of power for agriculture

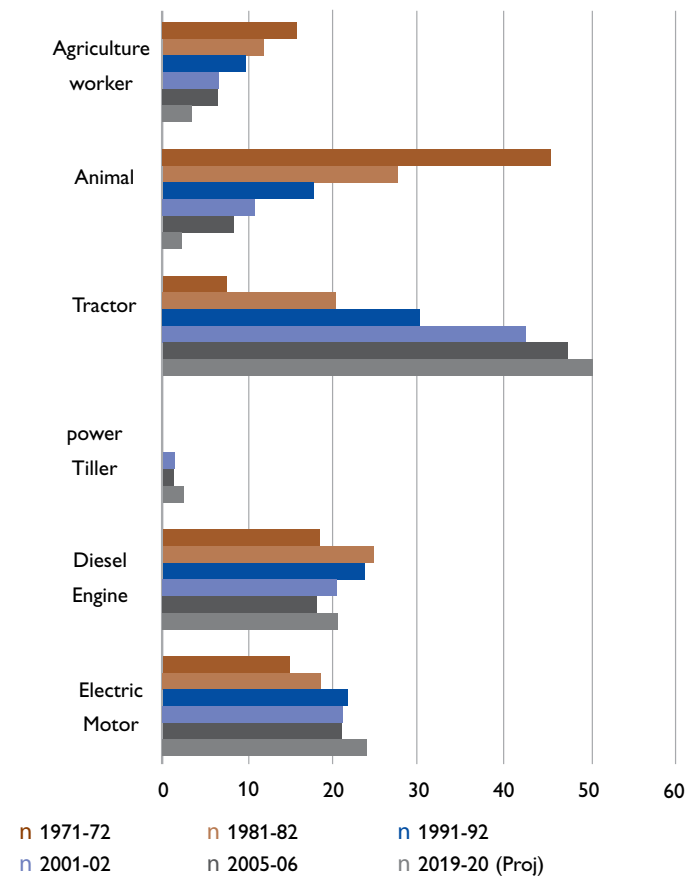


Source: FICCI, [www.indiaagristat.com](http://www.indiaagristat.com)

# There has been an increased focus on mechanization of agriculture

**Mechanisation primarily driven by increased use of tractors, which is replacing manual and animal labour**

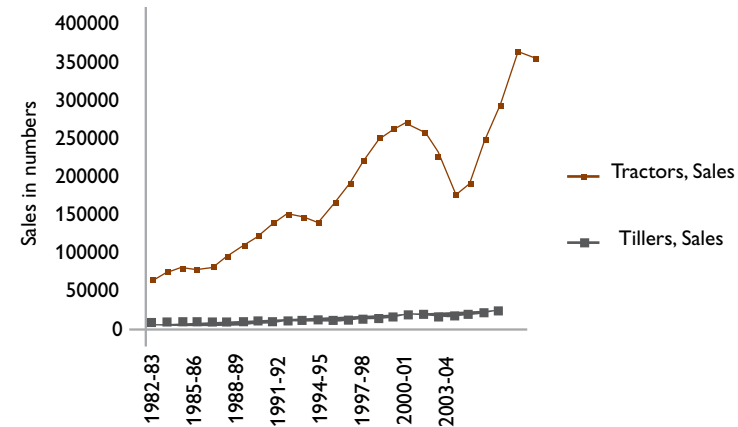
Source of Power-Percentage share over 4 decades



Source: FICCI, [www.indiaagristat.com](http://www.indiaagristat.com)

## The sector has grown steadily over the past 25 years

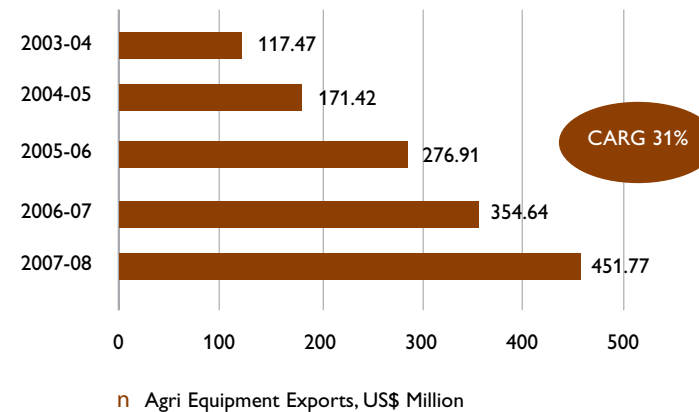
The growth in domestic volumes has been due to an urge for productivity enhancement, aided by imminent threat of low cost imports aided by WTO



## Exports, primarily in Tractors, have been a key driver for growth

### India is developing into a hub for manufacture of Agricultural Equipment, primarily tractors

- Consistent growth in exports at CAGR of 40 per cent in value terms
- Exports primarily driven by Tractors



Source: Export Import Data Bank, [www.commerce.nic.in](http://www.commerce.nic.in)



# Overall, the sector presents significant opportunities, tempered by increasing competition

## Threat of New Entrants




- Current players well established
- New entrants will need to invest in Brand, Distribution, Financing and Service Network

## Supplier Power

- Well developed supplier industry
- Most suppliers are small and lack of economies

## Competitive Rivalry

- Number of well established players, with new players entering
- Good technological capability
- Increased mechanisation presents new growth opportunities

HIGH	
MEDIUM	
LOW	




## Overall, the sector presents significant opportunities, tempered by increasing competition

### Customer Power

- Wide variety of choice for customers
- Many customers do not have access to organised finance

### Threat of Substitutes

- New innovations in semi-automated mechanisation being tried out, in place of capital intensive equipment

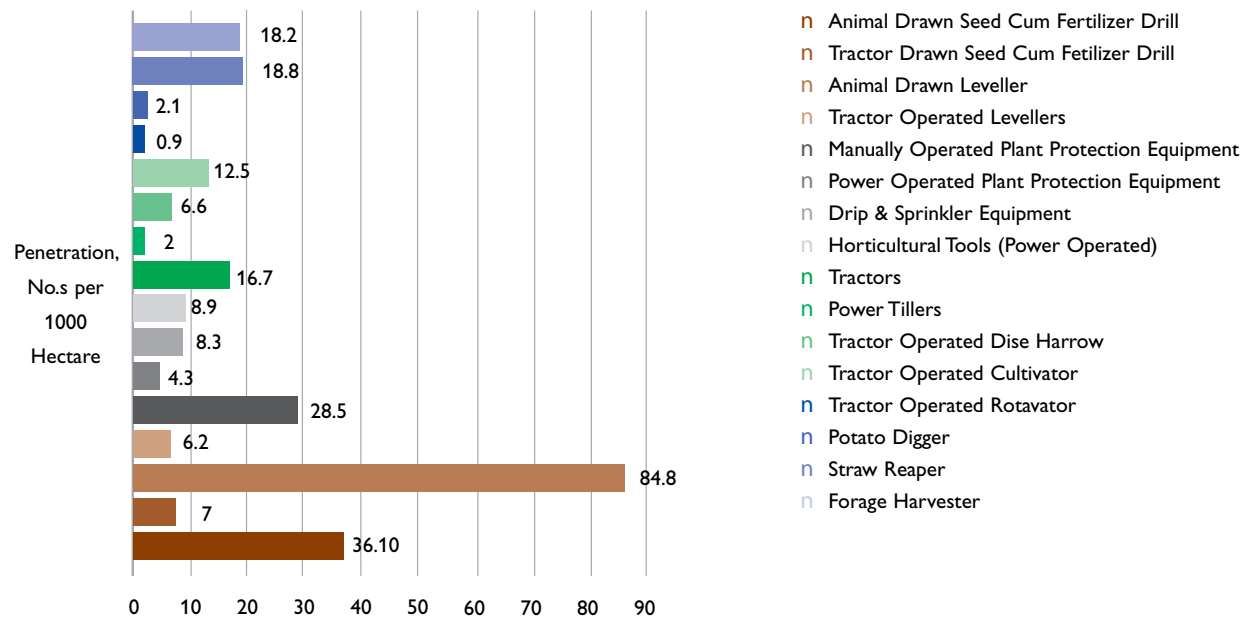
HIGH	
MEDIUM	
LOW	

## There are also a few key issues that impact growth in the sector

### Key Concerns / Dampeners

- Sub-optimal irrigation infrastructure
- Many farmers still lack access to financing and depend on unorganised moneylenders
- Increasing fragmentation of land, skewing cost structure of agriculture against capital investment
- High product life, resulting in low rate of replacement and upgradation
- Increasing prices of fuel leading to greater cost of operations

# Tractors and accessories provide the most significant Investment Growth opportunity in the sector



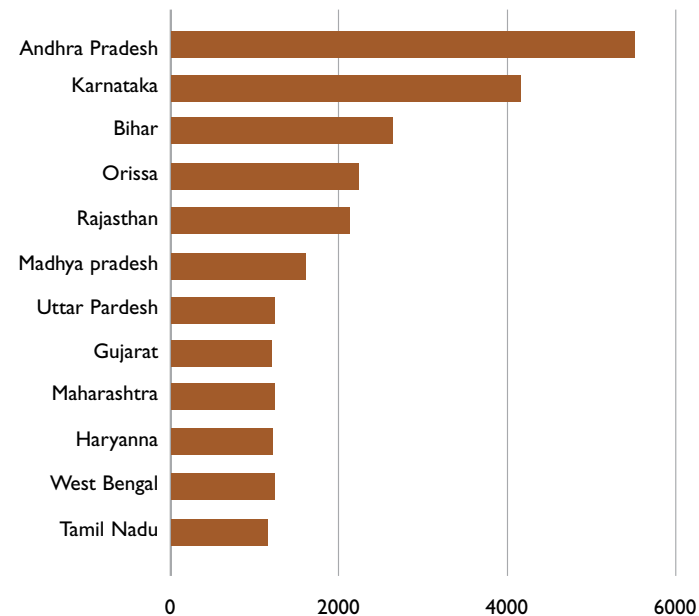
Tractors and related equipment have low penetration indicating high growth potential

## There are several states that provide attractive investment opportunities

Several factors are considered for assessing the attractiveness of a location for investment

- Factor consolidation for manufacturer
- Demand conditions
- Government subsidy to farmers for purchase of agricultural equipment
- Consolidation of farms
- Irrigation Infrastructure
- Current share of industry output
- Proximity to regional markets

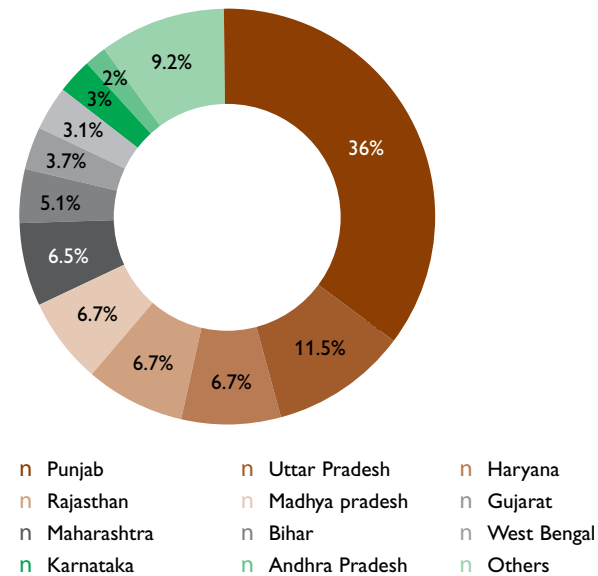
Subsidisation of Agricultural Equipment (US\$ million)



# There are several states that provide attractive investment opportunities

Based on the above factors, **Punjab** and **Maharashtra** emerge the most attractive destinations for investment in this sector.

Share of Agricultural Equipment Output



## Profiles of Key Consumer Durables Players in India

### **Mahindra & Mahindra Limited (M&M)**

- Distribution and sale of farm equipment and related utility vehicles
- Established market leadership in the sector over past 24 years
- One of the top five tractor brands in the world, the company has its own state-of-the-art plants in India, USA, China and Australia and has a capacity to produce 1,50,000 tractors a year

## Profiles of Key Consumer Durables Players in India

### Tractors and Farm Equipment Limited (TAFE)

- A unit company of the Amalgamations Group, one of India's largest Light Engineering Groups
- Collaboration with AGCO Corporation, Georgia, one of the largest manufacturers, designers & distributors of agricultural equipment.
- Has a network of more than 500 dealers, branches, service outlets as well as its own sales offices and depots covering the entire length and breadth of India



## Profiles of Consumer Durables Players in India

### John Deere

- John Deere established a green field project in 1999 under a 50:50 joint venture with Larsen & Toubro Limited (L&T)
- A state of the art tractor manufacturing plant for 5000 series John Deere tractors was set up at Sanaswadi, near Pune, in the state of Maharashtra
- Tractors manufactured in Sanaswadi are also exported to the USA, Mexico, Turkey, North and South Africa, and South East Asia. The company has received awards for export excellence in 2005 and 2006 from the Engineering Export Promotion Council.

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