AGRICULTURAL EQUIPMENT
SECTOR IN INDIA
September 2009
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…

…but the share of the sector in overall GDP is declining


However, the sector remains significant as it involves more than 60 percent of the country’s population.

The agricultural equipment sector 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 which caters to requirements across the value chain

1. Tractors
2. Levelers
3. Ploughs
4. Dozers
5. Scrapers

1. Drill
2. Seeder
3. Planter
4. Dibbler
5. Transplanter

1. Shovel /Plough
2. Harrow
3. Tiller
4. Sprayer
5. Duster

1. Harvester
2. Thresher
3. Digger
4. Reaper
5. Sheller
6. Sickle/ Dao

1. Seed extractor
2. Dehusker
3. Huller/ Dehuller
4. Cleaner
5. Grader
6. Mill
7. Dryer

However, tractors, tractor-driven devices and tillers are the main products of the organized market.
The agricultural equipment market is driven by several factors

Key factors and their impact on the agricultural equipment industry

<table>
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<tr>
<th>Factors</th>
<th>Impact on agricultural equipment industry</th>
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<td>Improved availability of credit</td>
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<td>Emergence of contract farming and dedicated sourcing with corporate partnership</td>
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<td>Focus on productivity to maximize return on investment (RoI) in agriculture</td>
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<td>Opportunity for employment in urban areas pressurizing agricultural wages upwards</td>
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<td>Increased competition driven by WTO norms</td>
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There is greater stress on mechanization of agriculture

There has been a sustained increase in the adoption of mechanization in an attempt to ensure greater return on investment (RoI) and sustainability of agriculture.

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

Source: FICCI, www.indiaagristat.com
The sector has grown steadily over the past 25 years

The growth in domestic volumes has been driven by the desire to enhance productivity, fuelled by an imminent threat of low cost imports aided by WTO
Exports, primarily of tractors, have been a key driver for growth

- Consistent growth in exports at CAGR of 31 percent in value terms
- Exports primarily driven by tractors

India is developing into a hub for manufacturing agricultural equipment, primarily tractors

Source: Export Import Data Bank, www.commerce.nic.in
Overall, the sector presents significant opportunities, moderated by increasing competition.

**Supplier Power**
- Well developed supplier industry
- Most suppliers are small and lack scale economies

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

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

**Threat of New Entrants**
- Current players well established
- New entrants will need to invest in brand, distribution, financing and service Network

**Threat of Substitutes**
- New innovations in semi-automated mechanisation in place of capital intensive equipment-taking place
There are, however, a few issues that impact growth in the sector

- Suboptimal irrigation infrastructure
- Many farmers still lack access to financing and depend on unorganised moneylenders
- Increasing fragmentation of land
- High product life, resulting in low rate of replacement and upgradation
Tractors and accessories provide the most significant investment and growth opportunity in the sector

Forage Harvester 18.2 18.8
Straw Reaper 2 2.1
Potato Digger 6.6 12.5
Tractor Operated Rotavator 2 8.9
Tractor Operated Cultivator 4.3 8.3
Tractor Operated Disc Harrow 6.2 16.7
Power Tillers 7 28.5
Tractors 36.1 84.8
Horticultural Tools (Power Operated)
Drip & Sprinkler Equipments
Power Operated Plant Protection Equipment
Manually Operated Plant Protection Equipment
Tractor Operated Levellers
There are several states that provide attractive investment opportunities

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

- 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

Based on the above factors, Punjab and Maharashtra emerge the most attractive destinations for investment in this sector.
### Profiles of key agricultural equipment players in India

<table>
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<tr>
<th>Company Name</th>
<th>Description</th>
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| **Mahindra & Mahindra Limited (M&M)**            | • Is a major player in the distribution and sale of farm equipment and related utility vehicles.  
• It has established market leadership in the sector over the past 24 years.  
• It is one of the top five tractor brands in the world today; the company has its own state-of-the-art plants in India, USA, China and Australia, and a capacity to produce 1,75,000 tractors a year |
| **Tractors and Farm Equipment Limited (TAFE)**    | • A unit company of the Amalgamations Group, one of India's largest Light Engineering Groups  
• Has a collaboration with AGCO Corporation, Georgia, one of the largest manufacturers, designers and distributors of agricultural equipment.  
• Has a network of more than 800 dealers, branches, service outlets as well as its own sales offices and depots all over 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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