

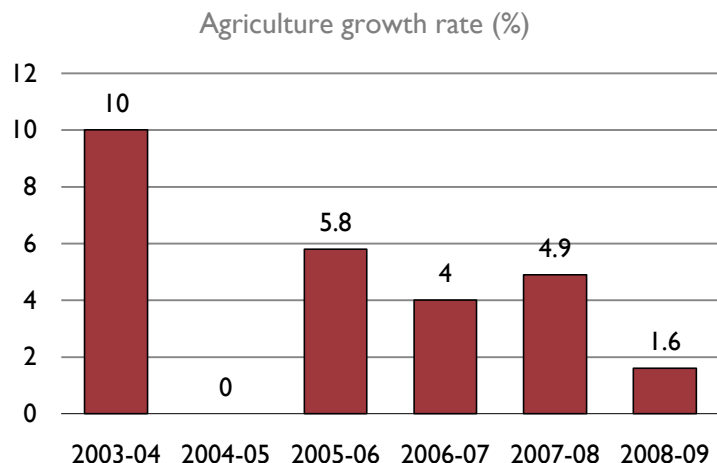


AGRICULTURAL EQUIPMENT SECTOR IN INDIA

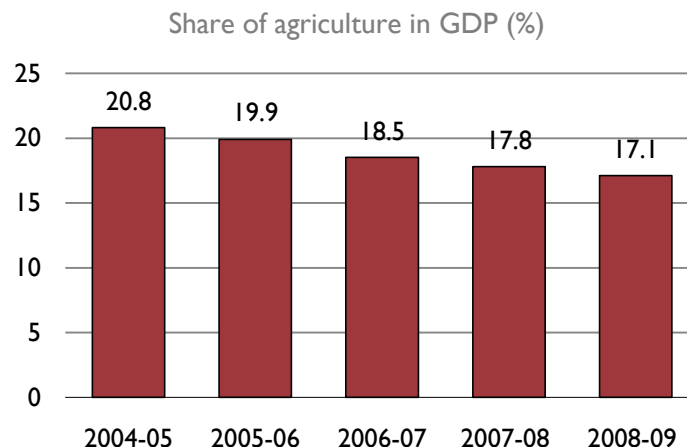
September 2009

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



Source: Advance Estimates of National Income 2007-08, www.mospi.nic.in Economic Survey 2008-09

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

Land development, tillage, seed bed preparation	Sowing and planting	Weeding, inter cultivation, plant protection	Harvesting and threshing	Post harvest and agro processing
<ol style="list-style-type: none"> 1. Tractors 2. Levelers 3. Ploughs 4. Dozers 5. Scrapers 	<ol style="list-style-type: none"> 1. Drill 2. Seeder 3. Planter 4. Dibbler 5. Transplanter 	<ol style="list-style-type: none"> 1. Shovel /Plough 2. Harrow 3. Tiller 4. Sprayer 5. Duster 	<ol style="list-style-type: none"> 1. Harvester 2. Thresher 3. Digger 4. Reaper 5. Sheller 6. Sickle/ Dao 	<ol style="list-style-type: none"> 1. Seed extractor 2. Dehusker 3. Huller/ Dehuller 4. Cleaner 5. Grader 6. Mill 7. Dryer

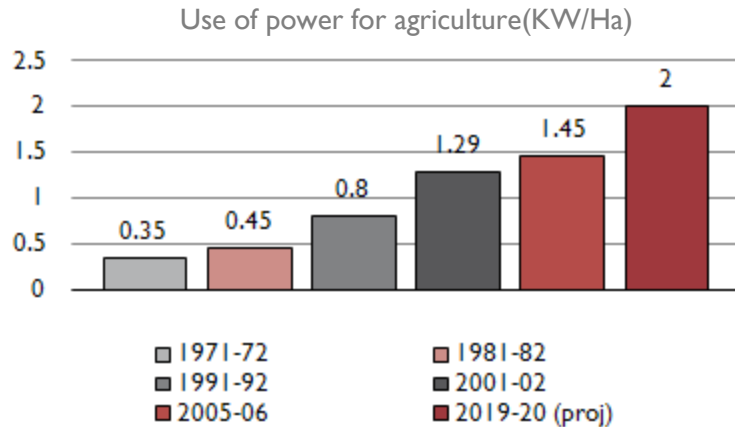
However, tractors, tractor-driven devices and tillers are the main products of the organized market.

The agricultural equipment market is driven by several factors

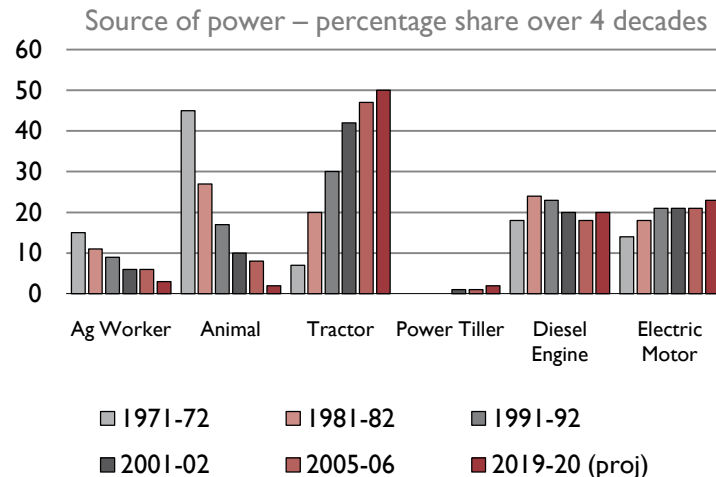
Key factors and their impact on the agricultural equipment industry

Factors	Impact on agricultural equipment industry
Improved availability of credit	↑
Emergence of contract farming and dedicated sourcing with corporate partnership	↑
Focus on productivity to maximize return on investment (RoI) in agriculture	↑
Opportunity for employment in urban areas pressurizing agricultural wages upwards	↓
Increased competition driven by WTO norms	↔

There is greater stress on mechanization of agriculture

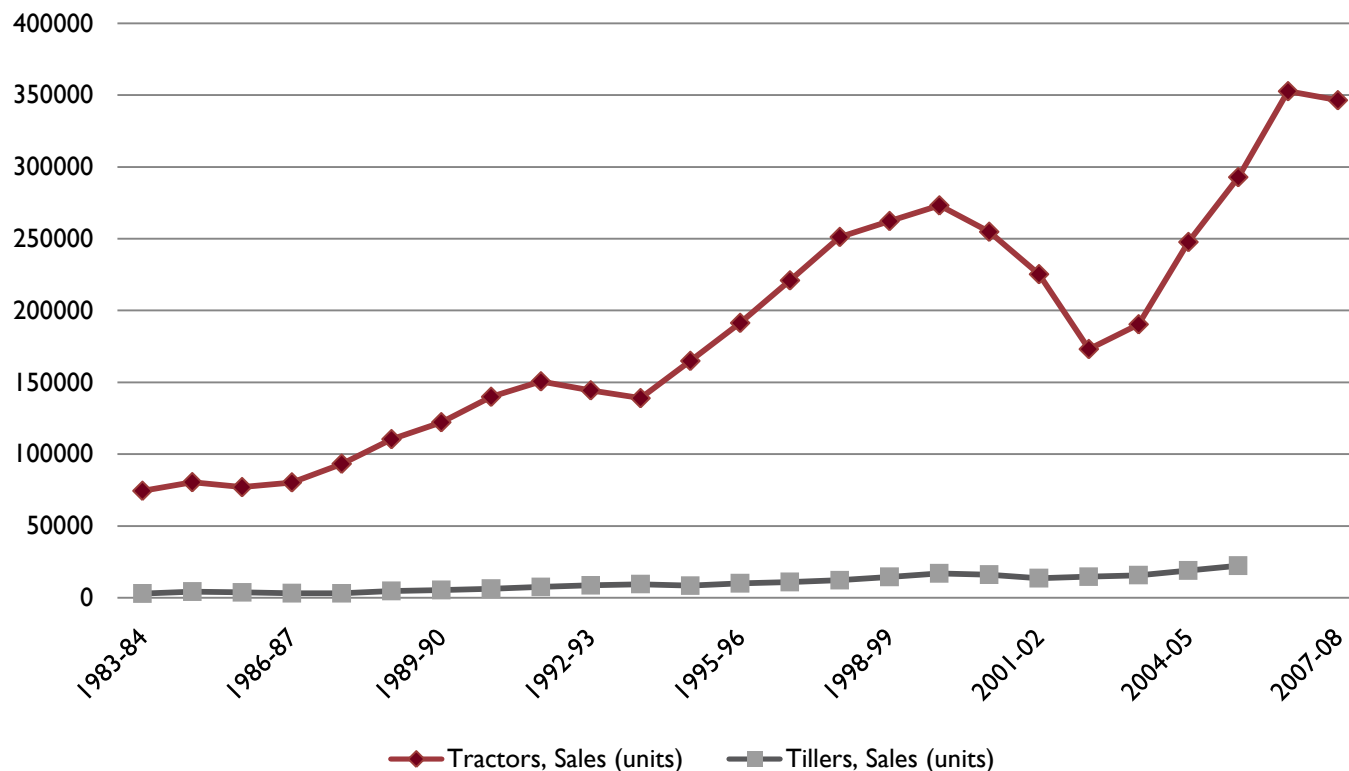


There has been a sustained increase in the adoption of mechanization in an attempt to ensure greater return on investment (RoI) and sustainability of agriculture.



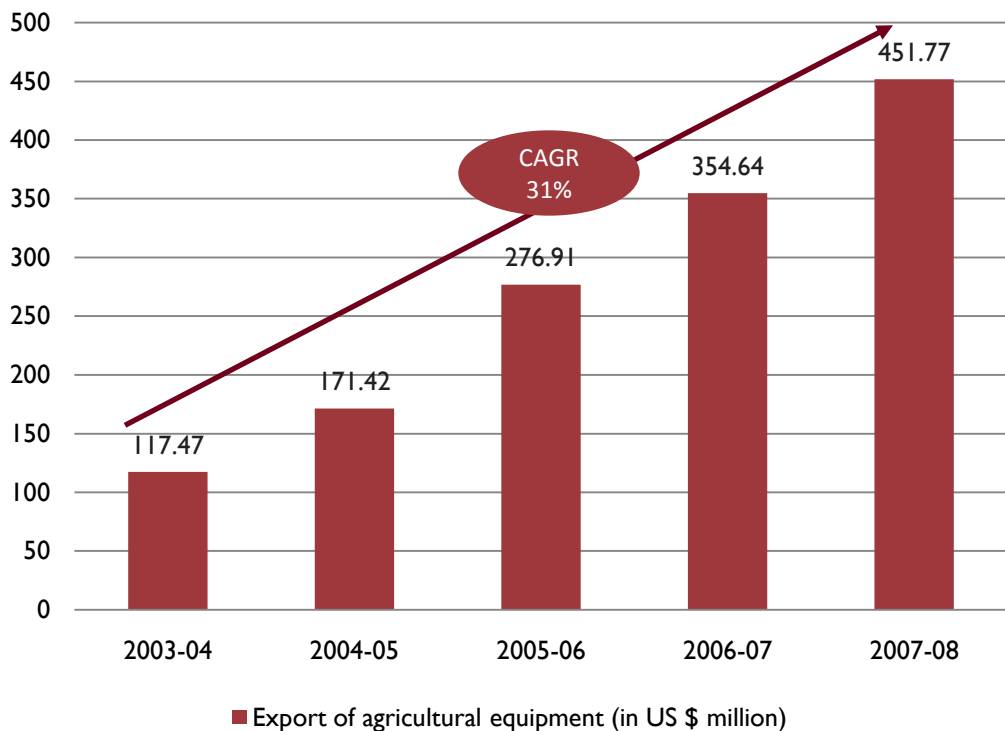
Mechanisation primarily driven by increased use of tractors, which is replacing manual and animal labour.

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

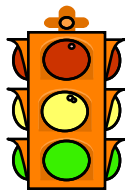


- Consistent growth in exports at CAGR of 31 percent in value terms
- Exports primarily driven by tractors

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



High
Medium
Low

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 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 Substitutes

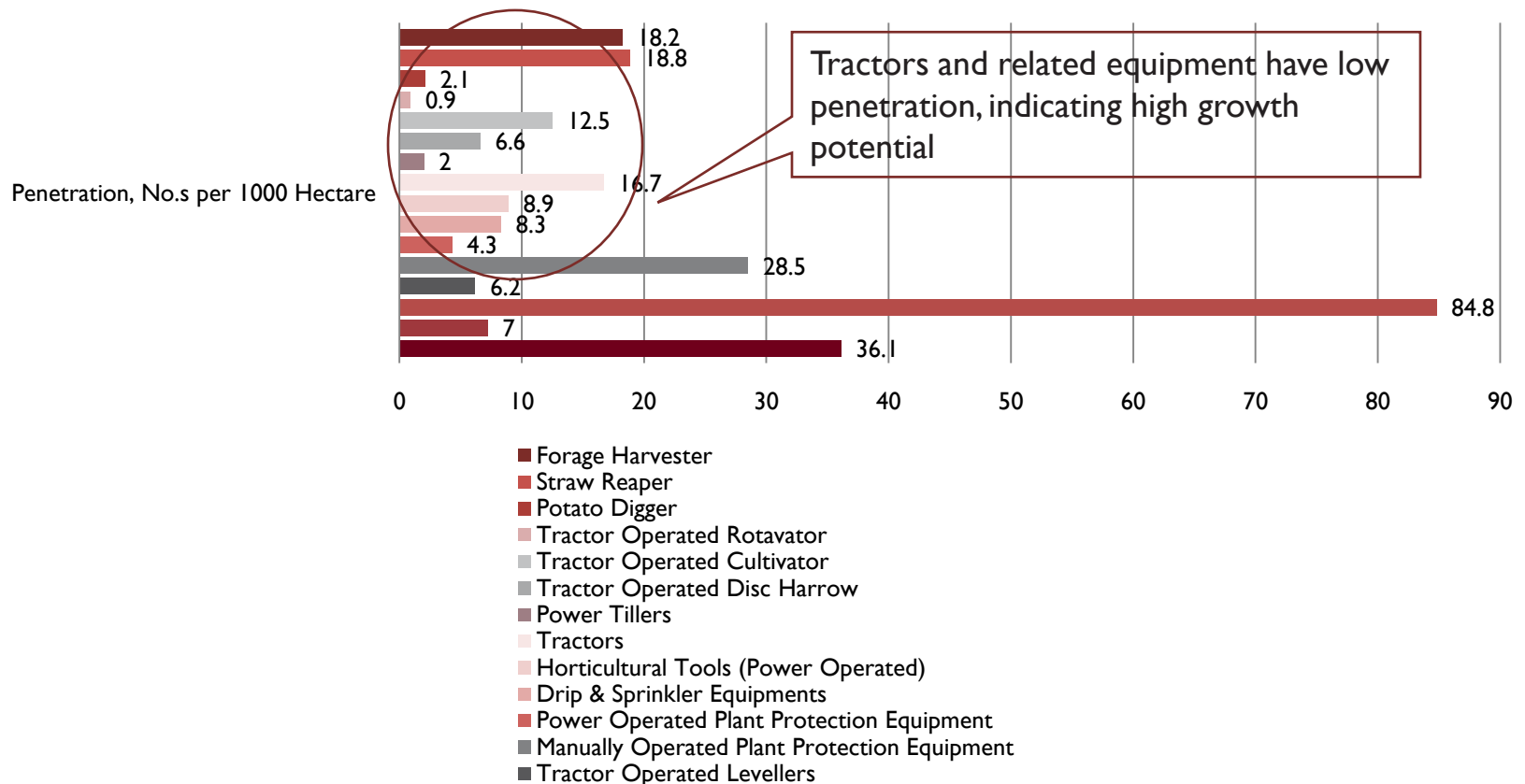
- New innovations in semi-automated mechanisation-in place of capital intensive equipment-taking place



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



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

Mahindra & Mahindra Limited (M&M)	<ul style="list-style-type: none"> • 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)	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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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