

Old Brand: New Vistas

The Tata Agrico story

Sarvesh Kumar



FOR EFFICIENT MINING OPERATIONS you can depend on

SHOVELS:
Made from high-carbon steel and designed to carry bigger loads — perfectly balanced. Available in both patterns, square and round-nosed shapes.

AGRICO
the right tool for the right job!

CROWBARS:
In standard length of 5'-5" and sections from 7/8" to 1 1/2". Made from high-carbon steel.

PICKS:
Specially ground and sharpened to dig deeper and to do a tough job — perfectly balanced.

Today Agrico implements are proving themselves on difficult, rugged jobs in India's collieries, mines and quarries. Superior strength, balanced construction and efficient performance are the reasons why miners make Agrico their first choice!

TATA AGRICO IMPLEMENTS

THE TATA IRON & STEEL COMPANY LIMITED
4142 5th St. Calcutta-1
25 B, Nivati Saha Road, Calcutta-1
P.O. BOXES: BOMBAY, MADRAS, RAIPUR,
AHMEDABAD, SECUNDERABAD, KANPUR,
VIZIANAGRAM, LUCKNOW, & JULLUNDER, CALCTA.

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Tata Agrico has a unique place in the history of Tata Steel. It was the first brand to be launched by the company way back in the year 1927 with the acquisition of a small company called 'Indian Agriculture Company'. The brand is into the business of Agriculture and General Purpose Tools, both in the

Mechanized and Hand Tools segments.

Soon after the launch of the brand, Tata Agrico, with its professionalized production system, became a dominant player in the Agriculture Hand Tools business. This was, however, soon to change with the

on the cost and the distribution fronts. The following significant steps were taken to tackle the issues:

1. In FY'02, about 100 dealers (primarily wholesalers) were appointed to sell the products across the country.
2. In FY'03, the production was



entry of small-scale, unorganized players in the business. Their products, though inferior in quality, was priced very competitively. The scenario got further aggravated in 1994 with the imposition of Excise Duty by the Government on Agriculture Implements, which the smaller players were able to avoid.

To make the business viable, the Company had to quickly act both

completely outsourced to several External Process Agencies (EPAs) spread across the country.

3. In FY'04, the Retailer system was changed to a Distributor model with the appointment of 20 distributors in the country.

These measures brought down fixed costs significantly. However, it had little effect on Tata Agrico's market share. The turnover continued to

The division has identified an opportunity to enter the Mechanised implements market, the size of which is estimated to be Rs 1,900 crores and growing at 22 per cent annually.

hover between Rs 50 crore and Rs 55 crores, with the Company accounting for a market share of about 24 per cent.

Drawing the Second Curve for the Business

There were a number of new challenges faced by the division during the time, which were sapping the energy of the brand. These included:

- i. Inadequate distribution reach of the product.
- ii. A skewed pricing system
- iii. The need for a more professional distribution system
- iv. Poor brand visibility

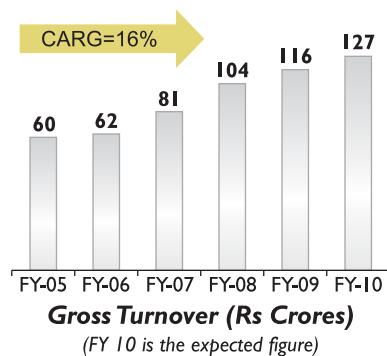
A complete revamp of the distribution system was carried out which resulted in the appointment of 43 exclusive Tata Agrico Distributors servicing clearly demarcated geographical areas.

To cater to markets not reachable through the distributors' network, the brand got into tie-ups with ITC (association with Chaupal Sagars), Godrej Agrovat, Tata Chemicals, etc. to use their outlets to service catchment areas where they were dominant. Today, Tata Agrico has its footprint spanning more than 95 per cent of the districts of the country.

The steps undertaken enabled the division to reach the Rs 100-crore turnover mark in the year 2008 from a level of Rs 50 crores, at which it was stuck for more than 70 years.

Differential Pricing System

To overcome the problems on the pricing front, the brand, taking a cue from the practices of the Fast Moving Consumer Goods (FMCG) industry, adopted a uniform retailer and consumer pricing strategy across the country. This was a landmark initiative in the Company. The effect of this was also instantaneous. While sales in Bihar between April and June 2006 showed an increase of 47 per cent, sales in the North East also showed an increase of 19 per cent over the same period. These states were previously badly hit by cross flow of materials from Bengal.



The last few years have seen the Tata Agrico brand face new business challenges from the changing market requirements. These are:

- a) The traditional Agriculture Hand Tools market, estimated to be around Rs 300 crores, is growing only at the rate of between three and four per cent per annum. Tata Agrico already has a market share of 33 per cent in the Agriculture Hand Tools market and, thus, any increase in turnover from this segment would only be incremental.
- b) Mechanisation of agriculture and construction activity is rapidly gaining pace across the country today wherein mechanised implements are replacing traditional Agriculture and Construction Hand Tools.
- c) There is an big market of General Purpose Hand Tools (GPHT) and Files valued at Rs 400 crores, where our presence is limited.

Team Agrico sees a big opportunity of growth in the above segments wherein it is either not present or has very little presence as on date.

Tata Agrico has developed a four-pronged strategy for achieving its growth plans. They are:

Market Penetration Strategy

The size of the domestic market for Agriculture and Garden Tools is pegged to go up to around Rs 440 crores by 2012. To cater to all segments of the market, the Division has launched more than 30 new variants of existing products, and has also ventured into the Garden Tools segment with products such as Secateurs, Trowel, Hedge Shear, Garden Rake, etc.

Market Development

The Division has extended its market to neighboring countries like Nepal,

Sri Lanka, Bhutan and Gulf Countries like Oman, UAE, etc. Today, 2.5 per cent of the Agrico brand's turnover is accounted for by exports to these countries. And this is set to grow manifold in the years ahead.

Product Development

The division has identified a big opportunity in the Mechanised Agriculture implements market, the size of which is estimated to be around Rs 1,900 crores and is growing at 20-22 per cent annually.

The Division has entered this segment with products like Harrow Disc, Tiller Shoe, Rotary Tyne, etc.

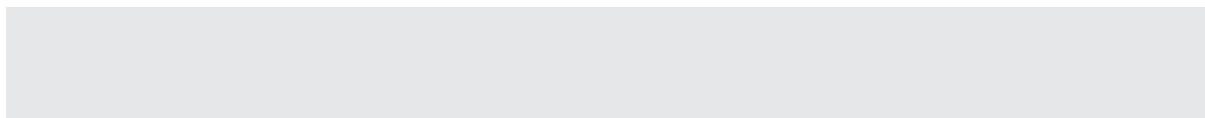
It will soon be launching Rotary Tillers in the market, catering to the mechanized farming segment. This

will be the first instance wherein Tata Agrico will leapfrog from selling a product with an average unit price of Rs 145 to a level of Rs 85,000 per equipment. The skills set required in both production and marketing will be different for this series of products, which the brand is trying to master.

Diversification strategy

Product diversification has also seen Tata Agrico entering into the Files business in January 2009. The Division hopes to garner a market share of 20 per cent by FY '12 in this segment.

FY'09 has also been a landmark year for the division as it entered the General Purpose Hand Tools market



Harrow Disk

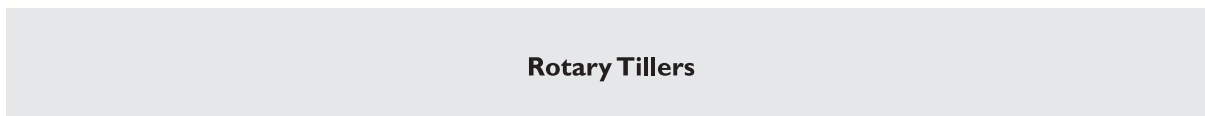


Rotary tyne



Rotavator Blade

Rotary Tillers





with products like pliers, spanner, wrench, carpenter hammer, etc. The size of this market is Rs 190 crores per annum and it is growing at five per cent annually.

Being the oldest brand of Tata Steel, Tata Agrico is undergoing a metamorphosis in the face of changing consumer requirements. Having a Brand Equity of 8.3 on a scale of 10 - according to a brand health study conducted by AC Neilson -- it already has a jump-start

in Agriculture Hand Tools segments. How well it leverages its name to the new requirements of its existing customers and new customers in new product categories will determine the growth trajectory of the brand in the months to come. The Tata Agrico story is a true example of what the marketing gurus say: "Products die but Brands, if they keep abreast of changing realities, may live for ever".

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Tata Steel