

# We are Transiting from a Domestic to a Global Player, says Tafe CEO

ET Q&A

**Mallika Srinivasan,**  
CEO of Tractor and  
Farm Equipment

(Tafe), part of the conservative Amalgamations Group, is looking aggressively at the future. She reckons the tide is in favour of Tafe, with global acceptance of Indian tractors and a structural change propping up the domestic market. Tafe is now working on a world tractor platform with partner AGCO. The 51-year-old tells ET's Sriram Srinivasan & V Balasubramanian that a structure will be put in place to tap the potential of many of the group companies as also bringing in Gen-Next. Edited excerpts:

## Can we have a broad picture of where Tafe stands now?

In the last 4-5 years, the industry has been growing. And we have been growing. We have seen schemes such as NREGA being introduced. We have seen food prices change dramatically. The product mix and the trends we see in mechanisation have undergone a fair amount of change.

We are also seeing a growing acceptance of Indian tractors in international markets. Our own performance has been an extraordinary piece of our growth. We are today in 67 countries and adding more. The export strategy has clicked for us. We have been able to derisk our growth in more ways than one. As a result, we are not that open to the vagaries of an individual market though India continues to be our dominant market. In 2010-11, Tafe and its subsidiaries were around Rs 5,800 crore. This year, we hope to do around Rs 7,500 crore. All the work that we did in the last few years is beginning to pay off. Our first goal post was that we needed to do a 100,000 tractors. We did a 117,000 tractors last year. We said we want to be a \$2-billion company by next year. I think we will get there. We are looking much more aggressively into the future. We are in exciting times because we are transiting, with the export success that we have had, from being a strong domestic player with a fair amount of exports into being an international player. That's where we stand and it's very exciting for us.

## What are the changes in the market-place?

Domestic growth looks good to continue into the second half of this year. There are a lot of structural changes that are contributing to this. Yes, we are talking about farm inflation on one side. But, on the other hand, the purchasing power of the farmer today is better. That's one thing. The other thing is that crops in many parts of India have been very good. Prices have been good. Labour costs have gone up in every area but one can't attribute it completely to NREGA. In the farm sector, to some extent, when labour costs go up, combined with better retained earnings by farmers, there is a drive toward mechanisation in order to increase productivity. That's a fairly important structural change because that's going to change both the requirements for farm equipment and other accessories. Often we have been asked how mechanisation can happen in a big way in a country of small farm sizes. The challenge in the years ahead is to offer some relevant technology. We are not seeing a great consolidation happening in land holdings. Also, farm credit has also grown in the last few years. So, it has supported these changes in the market place. We are optimistic about the domestic market.

## What about the market for other implements and accessories. Is there a way to quantify the growth in this sub-segment?

I wouldn't be able to quantify the growth in the sub-segment because while there are organised players there are also a fair number of unorganised players in the implements space. But what we are picking up strongly are the trends. Hitherto, it's been about primary cultivation, little bit of secondary cultivation. We are now slowly seeing trends in favour of harvesting and post-harvesting areas (not yet in storage, though). That's a fairly big shift. In the future, we need to look at environmental issues that are affecting our soil. We need to come out with equipment that will also protect the soil.

## As the land holdings are small, are we seeing joint ownership options available for farmers?

There is some informal consolidation of land that has perhaps happened. No one wants to give up land in India. But there's a unique model in our country for owners of small farms, where the equipment -- a high-ticket item -- is managed through contract hiring. In very specialised equipment like combine harvesters, an entrepreneur buys the combine and then rents it out.

## So are you seeing these people becoming a predominant customer market?

They will be, for certain equipment. Certain things the farmer will buy directly, like tractors. And tractors are being used by some contractors. But we do see definitely that in specialised equipment like

combines, contractors playing a role. That's how the market is responding to tackle small holdings. The holdings themselves may not be getting consolidated. But the services being offered to these holdings are getting consolidated.

## What are the R&D activities being conducted here in order to meet the emerging challenges?

One of the critical factors as to why we have been able to grow faster than the industry is the emphasis on R&D. Today, we are the third-largest tractor manufacturer in the world, in terms of number of tractors sold. And we are in a segment that's predominantly 100 horse-power and below. This has been possible because our products cater specifically to smaller farmers in terms of acreage and also to the international market to the hobby segment. We are an unlisted company and we don't take a short-term view. So we continued to invest in both product technology and process technology. We have been doing this for two decades now. We also invest fairly heavily in the marketplace and the brand.

## Are there any products that you are currently working on?

We have a partnership with AGCO, which is one of the longest partnerships in the industry. We are working with them jointly on a world tractor. So some of these products will be launched a year-and-a-half down the road. These will be launched both in India and overseas. It's an AGCO product that would be marketed around the world and we are partnering them and supporting them in a joint product development programme.

## Have you toyed with the idea of listing?

I talked about ambitious growth. Certainly, we have very ambitious growth targets. But we are a company today that has no debt, have a fair degree of cash reserves and headroom. We would look at both organic and inorganic opportunities for growth. So at the moment the answer is no. At this moment, we have no debt. Equity is the most expensive of our financing. We have cash. We will be able to grow impressively the way we are.

## What is your sense of how businesses from the south are performing?

I sense an increase in dynamism. We have a lot of things going for us, whether it's financial conservatism or a strong orientation toward quality and focus on delivery. Now, people are becoming more ambitious in wanting to grow faster. I hope some of us can deliver on that. We are thinking bigger, getting more ambitious, want to grow faster and looking at what we need to change to do all that. If a few groups lead the way, there will be a ripple effect. There are a lot of small and medium enterprises that are doing very well and want to move faster. We also have a lot of the next generation coming in, especially in Tamil Nadu. That's also driving change. Every family business seems to have a generational change.

## Both your daughter and son opted for the TVS group...

We would like them to first put their anchor in some place. And then they can spread their wings. You have to start somewhere to get a grip of things. We don't want to deny anybody the opportunity, whichever side of the family. But they have to get started no. They are young. And we would like them to work together also, for a bit, before they spread. One place, work together, learn and then spread your wings. That's the model. And we have been perhaps faster in giving them the opportunity that what would be very traditionally south. Generally, the next generation is very happy to work in India. They think it's very exciting to be here. They are not going to go slowly. They are very competitive. So,

**I talked about ambitious growth. Certainly, we have very ambitious growth targets. But we are a company today that has no debt, have a fair degree of cash reserves and headroom. We would look at both organic and inorganic opportunities for growth.**

**MALLIKA SRINIVASAN**  
CEO of Tractor and Farm Equipment



there's a change happening and we are all feeling that.

## Do they have a say in the matters of what they should try?

This generation is very different. And you must encourage a kind of a debate or a discussion. Because very fresh ideas come and enthusiasm is high. We can bring experience and some wisdom to the table. When I started I was told to put my feet on the ground. I can say the same. But you can't curb the enthusiasm.

**One of the critical factors as to why we have been able to grow faster than the industry is the emphasis on R&D. Today, we are the third-largest tractor manufacturer in the world, in terms of number of tractors sold. And we are in a segment that's predominantly 100 horse-power and below**

You must give working environment and a discussion environment that's going to encourage the whole thing.

## Within the family itself, how do you see this transition being managed?

It's outside my purview to comment on the group. So I would like to restrict it only to Tafe. But I can say this much. That I enjoy and I have enjoyed the trust of the family. We have in this company only two shareholders - family and AGCO. I continue to enjoy the trust and support from them. Essentially, we only play the role of a trustee for our shareholders.

## The Amalgamations group is a huge thicket of companies. Is there any idea that you need to consolidate?

There are many businesses in our group that have great potential. And our challenge going forward will be about how to unleash this potential. How do we structure ourselves and I have other cousins as well - each of them handling other businesses. And I think we can put together a structure and a framework that will have the participation of all and unleash the growth potential. That's our challenge. We are a very united small family. That's the strength we have. We would like to keep that unity and strength and leverage the competencies

in order to unleash the potential. We have a very strong financial foundation, to a large extent because we have my father heading the group for a substantial period of time. We have a good set of core values that cuts across all our businesses and the family. That's what holds us all together. That's the legacy we have inherited. That's what we should maintain and strengthen while simultaneously putting a structure.

## Is there a plan that's taking shape now?

It will. It has to, going forward in the next generation.

## Do you see a desire on the part of the younger generation to don operational roles or board roles?

In a typical family business, you have different set of competencies. The challenge in any family business is to position people correctly, in terms of their skills. And that's where sometimes things go wrong. I see some playing a more hands-on role and others playing a more strategic role.

## How are you formalising it in your family?

We will be able to put together a framework for how to participate, what do to, who will drive what internally itself. I think we should be able to do it as we go into the next generation. I can't comment on anything further.

## In Tamil Nadu, there are businesses like yours built over many decades. But the levels of ambition, at an all-India level, have been limited. Do you see that changing now?

It is changing in all the major groups. With the generational change, it will change even faster. My personal philosophy is that if you don't grow in today's environment, then it's only downhill. You have to grow. And as market becomes more and more competitive, I believe scale is very critical.

## Is there something on the horizon to build scale quickly? The inorganic route?

We are looking. We have done it in the past also, and we have developed a good ability to integrate the businesses together.

# Solve your e-waste with India's recycling

## We Guarantee:

- Safe collection and transportation of e-waste
- Secure Data Destruction
- Environmental responsibility and sustainability
- Regulatory Compliance

Eco Recycling Limited (Ecoreco), India's leading e-waste and data destruction services company is trusted by corporate houses across sectors.

India's first CPCB and MPCB approved & only E-waste