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### See Apr-Jun domestic tractor ind growth at 10%: M&M's Jejurikar

The domestic tractor industry may end the first quarter of FY17 with 10 percent growth year-on-year (YoY), feels Rajesh Jejurikar, President & CE, Farm Division & 2-Wheelers, [M&M](#).

April domestic tractor sales for M&M grew 22 percent YoY at 17,006 units, the highest since September 2015. For the industry, however, the growth was around 14 percent.

Jejurikar says there is improvement in sentiment but whether it translates into real demand depends on the way monsoon pans out. "Rural demand is ultimately based on cash flows," he adds.

On the recent acquisition of Sampo Rosenlew in Finland, Jejurikar says, it is part of the plan to use Sampo's excellence to expand its presence in the combined harvesters' space in India. Although the market for combined harvesters is currently limited, Jejurikar expects increased mechanisation to aid growth in the segment.

He says the company's new product Yuvo has reached dealerships and has seen healthy response.

***Below is the verbatim transcript of Rajesh Jejurikar's interview with Latha Venkatesh and Sonia Shenoy on CNBC-TV18.***

**Sonia: It has been a really strong run that you have seen over the last six months in tractor sales. Is there a sustainable pickup that you are noticing in demand and what do you think the run rate could be going ahead?**

A: April has been very good. We have had a 21 percent growth in our volumes and that has been higher than the industry growth though even the industry has had a fairly decent growth of around 14 percent. So, we are happy with the way April has gone for us.

Just a point that the start of a trend, like we said last month, we see about a 10 percent growth for the industry in this quarter which is good given that the last two years have seen many months and quarters of de-growth. So, if we do 10 percent growth this quarter, I think that is a good sign and a good upwards sign of improvement in the market.

**Sonia: When you say 10 percent growth in this quarter, you are referring to Q1 of FY 17?**

A: Yes I mean April to June.

**Latha: Why are you so restrained in your forecast? Even last month I tried to get this number out of you in terms of a guidance, you didn't give any. Now you have at least progressed to a 10 percent for May and June as well, aren't there any signs of sustainable and sustained demand, your stockists or your retailers aren't asking?**

A: Firstly, last month I did say that we expect the industry to be around 10 percent growth for the quarter. No reason for us to change that at this point of time. What we are seeing right now is an improvement in sentiment. We have to understand that rural demand is really based ultimately on cash flow and cash flow is not yet in.

So, what we are seeing now is hope of good rains, what we are seeing now is hope of good sentiment in the future.

**Latha: When you do 22 percent in April and then you say April-May-June I will do 10 percent, you are actually guiding for a lower sale in May and June. Why that?**

A: I am talking about industry. Industry was 14 percent in April and we don't give guidance on our own numbers. So, what I am talking about is industry and industry was 14 percent in April and we expect industry to be 10 percent in the quarter and that is because June last year was high. So, one has to see how June will be on the back of a high June last year.

**Sonia: You also spoke about the FY17 growth being at 10 percent for the industry the last time when we chatted and there was a comment that perhaps there could be a scope for a positive surprise given that there is a lot of pent up demand in the industry. Would you stick to that 10 percent forecast for the industry for the entire fiscal or**

**now given that April numbers are so strong do you think that there could be a positive surprise there?**

A: It is too early to say whether the industry will be anything different than 10 percent right now for the year. We all know by now what is really going to count is what happens in July-August as the rains come in. We are all very happy and positive about the fact that both the forecasting reports have been very positive this time, both in the range of 105-106 kind of band above the normal averages which will be a very good sign.

The other good thing about the forecast report this time is the fact that there is a good month spread; that means it is evenly spread across July, August and September. There is also good state spread so more states are going to get good rain. So, it is not just the national number but the spread across months and across states which makes the difference.

So, if there is a good monsoon as we see through July-August, it will improve cash flows and outputs by September-October and certainly we would see a better second half. However, it is too early to jump the gun and reach a conclusion that the year would be anything better than 10 percent.

**Latha: Are exports doing better, you tied up with Mitsubishi about a year ago, is it showing any results?**

A: Mitsubishi is a different thing and we don't report Mitsubishi numbers here. However, if I were to talk about our exports, yes, they have been constrained because of the financial and macroeconomic situation in Africa. As you know, many African countries are struggling with availability of cash, credit lines, all of that. So, that has impacted exports in the short run to African markets which are important for tractors. Mitsubishi Agricultural Machinery is a separate company and we don't report those numbers. We are not exporting any tractors from here to them at this point of time.

**Sonia: You recently launched the Yuvo tractor brand, wanted to know what the update is over there, what kind of sales run rate have you been clocking in and what is the expectation now?**

A: We launched Yuvo in the early part of April. The stock has just got into dealership, we are feeding the pipeline. We have launched in more states. Feedback has been very positive in the market. In this market product feedback is based on how well customers react to the demos that we do and that feedback has been very good.

Anecdotally when you do a demo if a farmer tells to leave this tractor and go that means you know you are on the right track. So, we are hoping for a very good positive outcome out of the Yuvo launch. Too early to share numbers because it has been pipeline feeding this month.

**Sonia: You recently acquired a finished company as well in the farm equipment space. Will you be looking to make more acquisitions globally in this particular segment and from this Sampo itself that you acquired, what kind of up moves are you expecting in terms of revenues, profits, etc.**

A: Basically a new area of thrust for the farm equipment business is what we call the Farm Machinery segment. It is different from the tractor segment. It is a very large segment globally. We have two areas of focus and emphasis here, one is what we call the rice value chain and that will be lead out of the Mitsubishi Mahindra Agri Machinery business in Japan which is really rice transplanters, rice harvesters and so on.

The other area of growth that we have identified is the combined harvester business. The combined harvester globally is a very large business; it is about USD 95 billion, industry size globally. Sampo is a specialised combined harvester company. Sampo Finland company is about 95 million euro revenue plus they have a joint venture in Algeria which is about 45 million euro. So, we are going to use Sampo Finland to build a combined harvester business which will include looking at markets like India and China which are emerging markets to drive the growth of harvesters.

India is still small for harvesters but our outlook is that over the next three to five years, mechanisation and larger scale farming will become more prominent in India and there will be like in many global markets a very big opportunity for harvesters. So, we really look at Sampo to build a global combined harvester business. Sampo is a profitable, almost no debt company. So, it does not really require any turnaround. It is really how do we grow from there.