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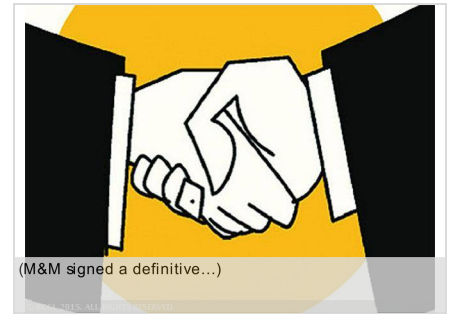
M&M to acquire 33% stake in Mitsubishi Agricultural Machinery Company for Rs 159.24 crore

Ketan Thakkar, ET Bureau May 22, 2015, 01:40AM IST

Tags: Tractors | Rajesh Jejurikar | Mitsubishi Heavy Industries | Mitsubishi Agricultural Machinery Co. | Mitsubishi Agricultural Machinery | Mitsubishi | Mahindra & Mahindra | Kazuaki Kimura | agri business

MUMBAI: Mahindra & Mahindra (M&M) on Thursday signed a definitive agreement to acquire 33 per cent in Mitsubishi Agricultural Machinery Co (MAM) for \$25 million or Rs 160 crore.

The world's largest tractor maker by volumes will gain a significant voting stake in the subsidiary of Mitsubishi Heavy Industries through fresh issue of common shares and Class A (nonvoting) shares of Mitsubishi Agri Machinery. The deal is to be closed by October 1, with funds infused by Mahindra going into expanding the capital base of the Japanese company.



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The acquisition will help the Mahindras work closely to devise an appropriate product portfolio strategy for the overseas markets. Apart from penetrating deeper into the US market, this tie-up will help M&M reach out more effectively to markets of China, South East Asia and eastern Europe.

It will also provide a platform for both to leverage technology and product development synergies. Both partners will work towards common sourcing to bring down expenditure.

The Mahindras have an old association with Mitsubishi Agricultural Machinery. The latter has been supplying tractors to M&M's US subsidiary, in addition to sharing technical licence for walk-behind rice transplanters and a tractor. "From a buyer-seller relationship, we now have a deeper bond with MAM. It will help in leveraging our future in markets like the US," Pawan Goenka, executive director of M&M, told ET.

Mitsubishi Agricultural Machinery had revenues of \$408 million in 2014-15 and with M&M's equity infusion, it will mostly be debt free. MAM makes losses at the net level, but a higher capacity utilisation of the plant will help the company make it profitable. The Japanese firm has a roster base of 1,700 employees. Goenka said the company needs to get a better balance in terms of its volumes spread, with 90 per cent of its business coming from India. Acquisition of stake will help it increase its presence in overseas markets.

Goenka also pointed out that despite being the largest selling tractor company in the world, M&M was at number 5 in terms of revenues. A push on farm machinery business globally is the key to climb up the revenue ladder.

"Tractors only make up for onethird of global farm machinery business while implements and machineries like rice-planters make for a big business. In case of Mahindra, almost 95 per cent of business comes from selling tractors. With this tie-up with Mitsubishi, we would like correct that position by focusing more on farm mechanisation," he said.

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Mahindra is also likely to launch a lighter tractor in India with the help of Mitsubishi next year, which will help the company cater to a 20,000-units per annum market for orchards.

The agreement was signed between [Rajesh Jejurikar](#), president & chief executive of farm equipment and two-wheeler division at Mahindra & Mahindra; [Kazuaki Kimura](#), president and chief executive of Mitsubishi Heavy Industries and [Katsumi Tottori](#), president of Mitsubishi Agricultural Machinery, in Japan.

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Virendra Pratap Singh (Republic of India)

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I find the acquisitions done by Mahindra in automobile and related sectors are done very smartly. They don't pick the most glamorous names but the ones which can give them access to great technology at best price. Ssangyong and this - both great deals for them.

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