

M&M acquires majority 3rd largest tractor company in China, forms JV with Yancheng Tractor Company

Farm

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Mumbai: Mahindra's Farm Equipment Sector, one of the world's top tractor brands and the market leader in India, today signed an agreement to form a Joint Venture (JV) in China with Jiangsu Yueda Yancheng Tractor Manufacturing Co. Ltd. (Yancheng Tractor), a leading Chinese tractor manufacturer. The tractor related assets & current liabilities of Yancheng Tractors will be transferred to this JV. The value of net assets transferred to this JV will be RMB 335 million (USD 50 million approx.). Mahindra will hold 51 per cent (outlay approx. USD 26 million) in the JV through its subsidiary, Mahindra Overseas Investment Company (Mauritius) Ltd. (MOICML). The transaction is subject to receipt of necessary approvals.

This would be the second tractor venture of Mahindra in China, in addition to Mahindra's current tractor business namely, Mahindra China Tractor Company Ltd. (MCTCL). Yancheng Tractor's Huanghai Jinma brand is the no. 3 tractor brand in China in terms of tractor volumes in 2007.

Mr. Anand Mahindra, Vice Chairman & Managing Director, Mahindra Group said, "I have always believed that India and China have unique and complementary strengths, which, when pooled together, can take on the world. We already have a successful Joint Venture with Jiangling Tractor Company. The JV between M&M and Yancheng Tractor will further combine

Indian entrepreneurial and managerial skills with Chinese competitiveness and efficiency. I am sure this formidable combination will contribute substantially towards realising our ambition to be the leading tractor manufacturer in the global market'.

Mr. Shao Yong, President of Yueda Group said, "We are delighted to partner with Mahindra and look forward to a successful joint venture. The JV stands to gain by the operational excellence, international sales and distribution network and R&D capabilities of Mahindra and will eventually lead to the creation of China's leading tractor company'.

Anjanikumar Choudhari, President, Farm Equipment Sector, Mahindra & Mahindra Ltd. added, 'The formation of this joint venture with Yancheng Tractor Company is a significant step in our plans for the China market. The Huanghai Jinma brand is extremely strong in the domestic China market and the company is also one of the biggest exporters of tractors. Along with our current operation at Nanchang, we will have a much larger scale on which we plan to build up our business in China.

We will have a product range going up to 125HP. We will also have a large manufacturing base which will be used to not only produce for the domestic market but also for low cost manufacture for exports. The combined distribution network of both our operations will give us a much larger presence in the market. Overall, this is an extremely important development for our overseas tractor business operations'.

The tractor industry (domestic and export) in China has grown from about 56,000 tractors in calendar year 2003 to 2,20,000 tractors in 2007, a CAGR of 40 per cent. The new agriculture policy introduced by the government in 2004 has played a major role in this growth as it includes a number of positive measures such as abolition of tax on agriculture, introduction of subsidy for tractor purchase to support farmers and enhance per capita

income of peasants.

The government has also reiterated its commitment to support agriculture and increase fund allocation for development of the rural economy. This has led to a continuous rise in the income level of farmers, increasing their ability to buy tractors and related machinery.

Yancheng Tractor, located in Yancheng city, Jiangsu Province, is a State Owned Enterprise (SOE). It sells tractors under the brand name of Huanghai Jinma which is the third largest tractor brand in China in terms of volumes sold in 2007. The company's product portfolio comprises tractors ranging from 16 HP to 125 HP. Yancheng has a strong distribution network covering over 25 provinces in China. The company is also a leading exporter of tractors from China, with a footprint in more than 60 countries including the USA, South America, Russia, Europe and Africa.

The Yueda Group is one of the top 100 business groups in the People's Republic of China. The group has a turnover of 5.8 Billion USD and has a presence in various sectors of the Chinese economy including automobiles & tractors, coal & mining, infrastructure & real estate, textiles & garments, hotels & supermarkets. Over the last 28 years Yueda has established itself as an International Group with partnerships & joint ventures with reputed international companies like Kia Motors from Korea, French supermarket major Carrefour, Triumph from Germany, and Fuji, a heavy construction machinery giant from Japan. The group employs more than 20,000 people.

Mahindra's Farm Equipment Sector is one of the world's top tractor brands and has been the undisputed market leader in India for 25 years. It is also the only tractor company to win the Deming Application Prize and the Japan Quality Medal, two of the highest quality accolades that can be won by any organization.

The Sector has also found significant success in the international market. Mahindra (China) Tractor Co. Ltd. manufactures tractors for the growing Chinese market and exports tractors to the USA and other western nations. M&M has a 100% subsidiary, Mahindra USA, with 3 assembly plants catering to the American market. Today, the 'Mahindra' tractor has come to be recognised as a powerful symbol of productivity and performance.

In 2006, the Sector achieved a new milestone with the launch of the Shaan, India's first multi-utility tractor. In 2007, the company won the AE50 Outstanding Innovation Award 2007 from the American Society for Engineering in Agricultural, Food, and Biological Systems, for the Shaan.

In 2008, Mahindra USA was rated highest in Overall Satisfaction amongst tractor manufacturers in a survey conducted by the North American Equipment Dealers Association (NAEDA) – the apex dealer association in the USA.

Mahindra Tractors also recently featured in the top 10 list of most innovative Indian companies compiled by the Wall Street Journal as part of its survey to determine Asia's 200 most-admired and innovative companies.

Kotak Investment Banking, Mumbai was the financial advisor to Mahindra in the transaction, while King & Wood, Shanghai was the legal advisor.

About The Mahindra Group

The US \$6 billion Mahindra Group is among the top 10 industrial houses in India. Mahindra & Mahindra is the only Indian company among the top tractor brands in the world. Mahindra's Farm Equipment Sector has recently won the Japan Quality Medal, the only tractor company worldwide to be bestowed this honour. It also holds the distinction of being the only tractor company worldwide to win the Deming Prize. Mahindra is the market leader in multi-utility vehicles in India. It made a milestone entry into the passenger

car segment with the Logan.

The Group has a leading presence in key sectors of the Indian economy, including the financial services, trade and logistics, automotive components, information technology, and infrastructure development.

Mahindra's Farm Equipment Sector has recently won the Japan Quality Medal, the only tractor company world-wide to be bestowed this honour. It also holds the distinction of being the only tractor company world-wide to win the Deming Prize. The US based Reputation Institute recently ranked Mahindra among the top 10 Indian companies in its Global 200: The World's Best Corporate Reputation list.

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