

Mahindra & Mahindra to enter the two-wheeler industry

Auto

Author : mahindraadmin Category : Auto Published : 7/30/2008

Mumbai: Mahindra & Mahindra Ltd. (M&M), one of India's leading automotive companies, today announced that its Board of Directors has approved the acquisition of business assets of Pune-based Kinetic Motor Company Ltd. (KMCL). The acquisition will be done through a New Company to be formed. (New Co.). The consideration for the acquisition is a sum of Rs. 110 crores (subject to closing due diligence) plus 20 percent stake to KMCL in the New Co. M&M will hold the balance 80 per cent of the equity.

The deal will enable Mahindra to design and market a range of scooters, value engineered motorcycles and high-end motorcycles for the Indian and global markets, helping it establish a robust, end-to-end two-wheeler business in every segment of the industry.

"The acquisition of business assets of KMCL is a defining moment in the history of Mahindra as it will give us an opportunity to emerge as a full range player with a presence in almost every segment of the automobile industry. KMCL is a strategic fit with our overall two-wheeler strategy. The strong in-house design and development competencies provided by Mahindra Engineering Services (MES) and the recent acquisition of Italy-based design house, Engines Engineering, coupled with KMCL's expertise will enable us

to assume a significant position in the rapidly growing Indian and global two-wheeler market. I am also delighted to announce that Mr. Anoop Mathur, President Designate, Two-Wheeler Sector, will spearhead this new venture" said Mr. Anand Mahindra, Vice Chairman and Managing Director, Mahindra Group.

"KMCL is a company with a rich heritage spanning more than three decades. Over the years, we have introduced several new concepts such as the Luna and India's first gearless scooter which have revolutionized the two-wheeler industry. Hence, we are delighted to associate with Mahindra, another pioneering automobile company with a rich legacy which will add long term value to the business and take it to greater heights,' said Ms. Sulajja Firodia Motwani, Managing Director, Kinetic Motor.

Ms. Sulajja Firodia Motwani will be a Non-Executive Director in the new company.

Within the overall two-wheeler strategy, scooters will form M&M's entry point into the Indian market and will be an important part of the company's overall two-wheeler product portfolio. There are several macro environmental trends which make the scooter market especially attractive to Mahindra. These include a younger, more affluent customer base with a significant number of empowered women and increased scooter demand in tier-2 cities and small towns. M&M is strongly positioned to cater to this demand, given the company's significant presence and brand equity in these markets.

For Mahindra, two-wheelers are an additional touch-point for consumers to interact and bond with the ever expanding universe of Mahindra products and services. Within the automotive space, it allows M&M to engage and build relationships with customers at a relatively early stage of the 'personal transport solutions' value chain. This will give an opportunity to place Mahindra in every household, given M&M's dominant presence in the rural

and semi-urban segments and Mahindra Finance's extensive reach in these markets.

Moreover, the focus on more inclusive growth and improvement in rural transport infrastructure will only expand the demand footprint and increase two-wheeler penetration in semi-urban and rural areas as well.

India is the second largest producer of two-wheelers in the world. The two-wheeler industry has grown from 3 million in the Financial Year 1998 to 8 million in the Financial Year 2008. Domestic sales, which comprise 93% of total two-wheeler sales, have grown from 3 million in the Financial Year 1998 to 7.2 million in the Financial Year 2008, a CAGR of 9.2%. Despite recent market turbulence and volume decline due to tight credit situation, fundamental demand drivers for two-wheelers in the country remain strong. With growing GDP, higher disposable household incomes and increased discretionary expenditure on personal transportation, outlook for the two-wheeler business in India remains positive. Also, penetration at 25% of households in the country is still low and augurs well for increased 'consumption'.

With sharply rising environmental concerns and favourable consumer attitudes in the West towards 'green' vehicles, two-wheelers provide cleaner, quieter, more fuel efficient transport solutions. While this presents excellent opportunities in the overseas market, the trend is expected in India and other emerging markets as well.

Founded in 1970, Kinetic has a rich history of innovation and has introduced several new concepts over the years that have revolutionized the two-wheeler industry. Kinetic, in fact, brought the concept of personalized transport to India with the launch of the moped Luna in 1972. In 1984, it launched India's first gearless scooter which has come to symbolize comfort, convenience and universal appeal. Kinetic has also introduced new

technologies to India including four valve engines, electric start on scooters and motorcycles, v- twin engines, USD forks, etc. It is also the only company to offer top-end world class bikes, Comet and Aquila, to Indian bike enthusiasts.

Mahindra is the market leader in Utility Vehicles in India and makes a wide range of vehicles including MUVs, LCVs, passenger vehicles and three wheelers. M&M offers customers over 20 models including new generation utility vehicles like the Scorpio and the Bolero. Over the years, Mahindra has been steadily growing in stature as an international automotive major with a footprint in several countries across the world.

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.

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Tags :

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