

M&M to buy out Swaraj Engines in ₹296-crore deal

FE BUREAU
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MAHINDRA & MAHINDRA, the country's largest tractor manufacturer, on Tuesday said it proposes to buy the entire 17.41% stake in engine maker Swaraj Engines from Kirloskar Industries for ₹296 crore in an all-cash deal. After the acquisition, M&M's stake in Swaraj Engines (SEL) would increase to 52.13%, while Kirloskar Industries would make an exit.

M&M proposes to acquire 2.11 million equity shares of SEL at a price of ₹1,400 per share, a 17.39% discount to SEL's closing price of ₹1,694.85 on the BSE on Tuesday.

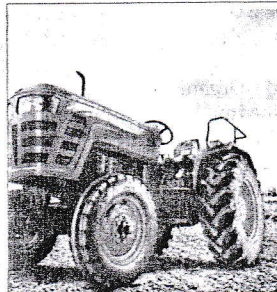
The proposed acquisition, which is expected to be completed by the end of this month, is viewed as M&M's attempt to ring fence engine supplies for its tractor segment, where it has a market share of around 42% through its namesake brand and Swaraj tractors.

SEL is into manufacturing and supplying of diesel engines in the range of 22 hp to above 65 hp, used in tractors made by M&M.

"SEL is core to operations of the farm equipment sector of the company. The proposed transaction will fortify this core," M&M said in a filing with the stock exchanges. Consequent to the transaction, SEL which is currently an associate of the company would become a subsidiary.

Based in Mohali, Punjab and incorporated in September 1985, SEL was promoted by erstwhile Punjab Tractors (since merged with Mahindra and Mahindra) and Kirloskar Oil Engines (name subsequently changed to Kirloskar Industries).

M&M's initial stake of 33.2% in Swaraj Engines was a result of the buyout of Punjab Tractors in 2007. It



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■ M&M proposes to acquire 2.11 million equity shares of Swaraj Engines from Kirloskar Industries at a price of ₹1,400 per share

■ Proposed acquisition likely to be completed by end of this month

■ With the purchase, M&M is looking to ring fence engine supplies for its tractor segment

eventually raised its stake further to 34.72%. On completion of the current transaction, M&M will be the sole promoter of SEL.

In 2021, the domestic tractor market saw Japan's Kubota assuming control of Escorts and thus becoming the fourth-largest tractor player in the country. Kubota has announced its intention of becoming the largest tractor brand in India, which would mean an increase in competitive intensity.