

# INDIAN TRACTOR INDUSTRY

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Industry demand remains steady

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*Industry wholesales remained at steady levels in August, reporting a marginal growth of 1% on a YoY basis.*

*Temporal and spatial distribution of precipitation has been uneven so far; monsoon performance during September remains monitorable.*



**Industry wholesales remained at steady levels in August:** The industry volumes, after reaching an all-time high of ~9.4 lakh units, continue to remain stable. Wholesale volumes in August remained flattish on YoY basis aided by steady agri cash flows, even as they were lower on a sequential basis on account of seasonality.



**Monsoon precipitation has remained weaker than the forecast:** The overall monsoon precipitation has remained weak till date (-9% deviation from Long Period Average till August 31, 2023); additionally, the temporal and spatial distribution of precipitation has been uneven. Monsoon performance during September remains monitorable with El Nino conditions prevailing; a healthy precipitation remains critical for replenishing reservoir levels and boosting kharif sowing/yield.



**Industry volumes to remain at healthy levels:** Domestic tractor industry growth is expected to moderate in FY2024 (0-2% YoY growth on a high base); industry volumes represented a 12% YoY growth in FY2023, touching an all-time high of 9.45 lakh units. The downside risk to estimates may arise upon crop damage on account of unseasonal rainfall or deficient monsoon precipitation.



**Tractor OEMs continue to maintain strong credit profiles:** ICRA continues to maintain a Stable outlook for the industry. Despite concerns of heightened commodity costs, which are likely to constrain margins to an extent, credit profiles of the OEMs are expected to remain robust, aided by low debt, healthy cash & liquid investments and limited investment plans.



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