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INDIAN TRACTOR INDUSTRY

Sub-par monsoon stalls tractor industry's growth momentum

JANUARY 2024

What’s Inside…

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Highlights

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Temporal and spatial distribution of monsoon precipitation was uneven and impacted kharif yields; rabi sowing till date lags previous-year levels.

Domestic tractor industry's volumes expected to represent a marginal de-growth in FY2024.

- **A sub-par and uneven monsoon has impacted farm sentiments/cash flows and constrained tractor demand:** The industry volumes, after reaching an all-time high of ~9.4 lakh units in FY2023, remained steady in H1 FY2024. With farm sentiments impacted by weak precipitation, however, industry sales have moderated over the past few months; wholesale volumes in December declined by ~20% YoY, partially impacted by the high base in the last fiscal.

- **Advance estimates indicate moderation in crop production; late kharif harvest delayed rabi sowing:** The first Advance Estimates for kharif for FY2024, released by the Ministry of Agriculture and Farmers Welfare, indicate a muted production across most crops. Rabi sowing was delayed by a late kharif harvest in certain states; the progress of the sowing remains monitorable.

- **Tractor industry's volumes expected to marginally decline in current fiscal :** The domestic tractor industry's volumes are expected to represent a marginal de-growth in FY2024 (1–4% YoY decline on an enlarged and healthy base). Downside risks to estimates may arise upon crop damage on account of a bout of unseasonal rainfall, even as the Government's rural welfare schemes remain supportive.

- **Tractor OEMs continue to maintain strong credit profiles:** ICRA continues to maintain a Stable outlook for the industry. The margins for tractor manufacturers continue to be healthy and are expected to improve in FY2024 (~100 bps), aided by stable volumes and easing raw material costs.

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Thank You!