



# INDIAN TRACTOR INDUSTRY

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**Tractor volumes remained flattish  
YoY in May**

**JUNE 2024**





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*The India Meteorological Department (IMD) has forecasted an above normal rainfall for the 2024 Southwest Monsoons at 106% of Long Period Average (LPA), with an error range of +/-5%.*

*Industry volumes are estimated to grow at a modest pace of 1-4% in FY2025. Demand is expected to remain sombre in Q1 FY2025, before improving in the subsequent quarters.*



- **A sub-par and uneven monsoon impacted farm sentiments and constrained tractor demand in FY2024:** The industry volumes, after reaching an all-time high of 9.4 lakh units in FY2023, moderated in FY2024. The volumes declined by ~7% YoY (on a high base) in FY2024 on account of a high base effect as well as weak precipitation and uneven monsoons.



- **IMD expects above normal monsoons and prevailing El Nino conditions over the Pacific region to weaken:** El Nino conditions began to weaken from the beginning of 2024 and have largely ended now. La Nina conditions are likely to develop during the second half of the monsoons. The latter supports a healthy precipitation and, thus, would aid farm cash flows and boost the prospects of the tractor industry.



- **Tractor volumes expected to report modest growth in FY2025:** Tractor wholesale volumes witnessed a marginal YoY increase in May 2024, after YoY contraction over the last few months. Volumes were supported by improved farm sentiments with the forecast of an above-normal monsoon, its timely arrival and start of land preparation for the kharif crop. ICRA expects the domestic tractor industry's volumes to grow at a modest pace of 1-4% in FY2025.



- **Tractor manufacturers continue to maintain strong credit profiles:** The margins of tractor makers are likely to continue to be healthy, aided by expected rise in volumes, operating leverage and easing raw material costs. The credit profiles of the OEMs continue to remain robust.



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