



INDIAN TRACTOR INDUSTRY

**Domestic tractor volumes likely to
grow at a modest pace in FY2025**

JUNE 2024



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The India Meteorological Department (IMD) forecast predicts 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. The demand is expected to remain sombre in Q1 FY2025 and then improve in the subsequent quarters.



- **Tractor volumes expected to report modest growth in FY2025:** The industry volumes, after reaching an all-time high of 9.4 lakh units in FY2023, dipped in FY2024 by ~7% YoY on account of a high base effect as well as uneven monsoons. ICRA expects the domestic tractor industry's volumes to grow at a modest pace of 1-4% in FY2025.



- **IMD expects above normal monsoons and La Nina conditions to develop during the second half of the monsoons:** El Nino conditions began to weaken from the beginning of 2024 and have largely ended as on date; La Nina conditions are likely to develop during the second half of the monsoons (July to September 2024). The latter supports a healthy precipitation and, thus, would aid farm cash flows and boost the prospects of the tractor industry.



- **Advance Estimates indicate flattish crop production in 2023-2024:** As per the third Advance Estimate by the Ministry of Agriculture and Farmers Welfare, released on June 4, 2024, overall crop production in 2023-24 remained flattish on a YoY basis, largely due to a deficit monsoon. A modest increase in MSP for kharif crops in 2024-2025 marketing season is likely to boost farm prospects.



- **ICRA's channel check indicates that inventory levels across dealerships remain normal:** Financing availability for the industry continues to remain healthy, with delinquency at moderate levels.



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



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