



INDIAN TRACTOR INDUSTRY

**Tractor volumes report modest YoY
growth in July 2024**

AUGUST 2024





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The India Meteorological Department (IMD) has forecast above-normal rainfall for the second half of the ongoing Southwest Monsoon.

Industry volumes are estimated to grow at a modest pace of 1-4% YoY in FY2025. The volumes have grown by ~1% YoY in April-July FY2025 and are expected to be supported by healthy rainfall.



- **Tractor wholesale volumes report marginal growth in July:** Industry wholesale volumes improved by a marginal 2% YoY in July 2024; the sentiments were supported by a pick-up in monsoon precipitation and progress in kharif sowing. Even as the wholesales remained at flattish levels, the retail volumes reported a decline of ~12% on a YoY basis; a pick-up in retail volumes, going forward, remains a monitorable.



- **Healthy monsoon progress supported by development of La Nina conditions:** After a deficient performance in June, the monsoon gained momentum in July, with cumulative rainfall at ~103% of the long period average (LPA) till August 22, 2024. Even as the precipitation has been healthy, the spatial distribution has been uneven with above-normal rainfall received over the Southern Peninsula and Central India, and below normal across Northwest and Northeast India.



- **Tractor volumes likely to report modest growth in FY2025:** ICRA expects the domestic tractor industry's volumes to grow at a modest pace of 1-4% in FY2025 supported by the forecast of above-normal monsoons. At 8.8 lakh units, industry volumes reported a decline of ~7% YoY in FY2024, on account of a high base effect as well as weak precipitation and uneven monsoons.



- **Tractor OEMs continue to maintain strong credit profiles:** The margins of tractor manufacturers are likely to remain 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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