INDIAN TRACTOR INDUSTRY

Stable yet stalled: Healthy monsoon precipitation to support industry demand

SEPTEMBER 2024

Agenda

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Agenda

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Highlights

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The monsoon precipitation has remained healthy, in line with the India Meteorological Department (IMD) forecast.

Industry volumes are estimated to grow at a modest pace of 1-4% in FY2025. Even as retails have remained weak in the fiscal till date, the demand is expected to improve in H2 FY2025, aided by healthy precipitation.

- **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. The sales volumes have been largely flattish during 5M FY2025. ICRA expects the domestic tractor industry's volumes to grow at a modest pace of 1-4% in FY2025.
- **Healthy monsoon progression supported by development of La Nina conditions:** After a deficient performance in June, the monsoon gained momentum in July and August, with cumulative rainfall at ~106% of the long period average (LPA) till September 20, 2024. While 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.
- **Kharif sowing crosses normal sown area:** Aided by healthy precipitation across most regions, the kharif sowing has been healthy. As of September 17, 2024, the sown area has exceeded the normal sown area for the kharif season. Even as the sown area for jute & mesta as well as cotton remains lower than the previous fiscal, that for pulses has grown at a healthy pace.
- **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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Thank You!