



INDIAN TRACTOR INDUSTRY

**Tractor volumes report modest
growth in September 2024**

OCTOBER 2024





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The cumulative rainfall during the Southwest Monsoon was ~108% of the LPA, largely in line with India Meteorological Department's (IMD) forecast.

Industry volumes are estimated to grow at a modest pace of 1-4% YoY in FY2025. The volumes remain at flattish levels in April-September FY2025 and are expected to be supported by healthy monsoon precipitation over the near term.



- **Tractor wholesale volumes report modest growth in September 2024:** After remaining weak over the past few months, industry wholesale volumes reported a growth of ~4% in September 2024, with sentiments supported by a healthy monsoon precipitation and kharif sowing. Retail volumes reported a strong ~15% growth on a YoY basis, aided to an extent by an early festive season in the current fiscal.

- **Healthy monsoon precipitation supported by development of La Nina conditions:** After a deficient performance in June, the monsoon gained momentum over July-September, with cumulative rainfall during the season at ~108% of the Long Period Average (LPA). Even as the precipitation remained healthy, the spatial distribution was 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 profile of Original Equipment Manufacturers (OEM) continues to remain robust.



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