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INDIAN TRACTOR INDUSTRY

Wholesale and retail volumes up by 23% and 19% YoY, respectively, in FY2026

APRIL 2026

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Highlights

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Wholesale volumes reported strong growth of 29.1% YoY in March 2026 and 23.5% YoY in FY2026, supported by steady farm cash flows driven by above-normal rainfall and improved affordability following the GST reduction on tractors from 12% to 5%.

The wholesale volume growth rate is expected to soften to 1-4% in FY2027 owing to a high base effect and the IMD's forecast of a below-normal monsoon.

- **Tractor demand remained strong in March 2026:** Wholesale volumes rose sharply by 29.1% YoY, while retail volumes increased by 10.9% YoY in the month of March 2026, driven by positive rural sentiment and improved affordability following the GST rate cut. However, pre-buying ahead of TREM V norms, which supported volumes in H2 FY2026, is expected to slow down, as the Government has deferred and staggered the implementation for the key 30-50 HP segment to April 2028 from April 2026.

- **IMD forecasts below-normal rainfall in FY2027:** The IMD's first-stage Long Range Forecast (LRF) for the 2026 Southwest (SW) monsoon reflects a below-normal rainfall at 92% +/- 5% of the Long Period Average (LPA), driven by likely development of El Niño conditions during the monsoon season. Such deficient precipitation is expected to have adverse implications on agricultural output and, consequently, tractor sales.

- **Domestic wholesale volumes likely to record modest growth in FY2027:** As per the second advance estimates released by MA&FW* in March 2026, both kharif and rabi foodgrain output for AY2025-26 increased by 3% YoY, supported by healthy rainfall in CY2025. While strong crop output in AY2025-26, MSP support and Government subsidies continue to underpin farm cashflows and tractor volumes, the risk of El Niño conditions could weigh on industry growth, with it expected to moderate to 1-4% in FY2027 given an elevated base.

- **Tractor original equipment manufacturers (OEM) maintain strong credit profiles:** The margins of tractor manufacturers are likely to remain healthy, aided by operating leverage and stable raw material costs. Credit profile of the manufacturers is expected to remain comfortable supported by healthy profitability, low leverage and adequate liquidity.

**MA&FW: Ministry of Agriculture and Farmers' Welfare; GST: Goods and Services Tax; HP: Horsepower; IMD: India Meteorological Department; MSP: Minimal Support Price*

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