



INDIAN TRACTOR INDUSTRY

**Sub-par monsoon stalls tractor
industry's growth momentum**

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Industry volumes remain steady, even as concerns emerge on the impact of a sub-par and uneven monsoon on rural cash flows.

Temporal and spatial distribution of precipitation was uneven and is estimated to have impacted kharif yields; low reservoir levels also do not augur well for rabi sowing.



- **Industry volumes have been steady so far, however, there are concerns on the impact of a sub-par and uneven monsoon on rural cash flows and demand:** Wholesale volumes in October represented a decline of about ~4% YoY, attributable to last year's high base as well as uneven monsoon precipitation in the current fiscal, which moderated farm sentiments to an extent.



- **Monsoon precipitation remained weak; advance estimates indicate moderation in crop production:** The overall monsoon precipitation remained weak (6% deviation from Long Period Average); additionally, the temporal and spatial distribution of precipitation was uneven. The first Advance Estimates for kharif for FY2023-24, released by the Ministry of Agriculture & Farmers Welfare, indicate a muted production across most crops.



- **Tractor industry volume growth expected to remain at modest levels:** Domestic tractor industry growth is expected to moderate in FY2024 (0-2% YoY growth on an enlarged and healthy base); ICRA sees downside risks emerging to its forecast, even as the Government's rural welfare schemes remain supportive.



- **Tractor OEMs continue to maintain strong credit profiles:** ICRA continues to maintain a Stable outlook for the industry. The margins for tractor manufacturers continue to remain healthy and are expected to report an improvement in FY2024 (~100 bps), aided by stable volumes and easing raw material costs.



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