ICRA

INDIAN TRACTOR INDUSTRY

Healthy crop production to support industry demand

DECEMBER 2024

Agenda

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Agenda

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Highlights

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Industry volumes are estimated to grow at a moderate pace of 3-6% in FY2025. Retails have improved after healthy monsoon precipitation; while demand is expected to sustain over the near term aided by healthy crop production.

- **Tractor volumes expected to report moderate growth in FY2025:** Industry volumes have grown by ~4% in April-November FY2025 on a YoY basis, after dipping by ~7% YoY in FY2024 (on account of a high base effect as well as uneven monsoons). ICRA expects the domestic tractor industry's volumes to grow at a moderate pace of 3-6% in FY2025 (revised upwards from 1-4% earlier).
- **Reservoir levels across most regions higher than decadal average:** Aided by healthy precipitation across most regions, the reservoir levels remain healthy. Across most regions (barring the North) reservoir levels are higher than that for last year as well as the decadal average. Such healthy reservoir storage levels and the ensuing La Nina conditions are likely to be favourable for rabi sowing and crop yields.
- **Kharif Advance Estimates indicate rise in production:** The first advance estimates for kharif crop for AY2024-25* released by the Ministry of Agriculture and Farmers' Welfare indicate a healthy YoY growth in the output of rice, oilseeds and coarse cereals over the final estimates for AY2023-24. Overall, the kharif foodgrain output is anticipated to rise by ~6% YoY to a record-high of 164.7 MT in AY2024-25.
- **Inventory at normal levels:** 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 Original Equipment Manufacturers (OEMs) 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 remain robust.

**AY: Agricultural Year – July to June*

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Thank You!