INDIAN TRACTOR INDUSTRY

Rural tailwinds and GST rationalization lifts industry volumes to record highs

DECEMBER 2025

Agenda

ICRA

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Agenda

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Highlights

ICRA

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Tractor wholesale volumes reported growth of around 19.2% in 8M FY2026. ICRA has revised its wholesale volume growth outlook for the tractor industry to 15-17% for FY2026, up from 8-10% earlier.

The upward revision is driven by an improvement in demand post GST rate cuts (reflected in strong Oct-Nov volumes), an increase in farm cash flows, and pre-buying ahead of the upcoming emission norm transition (effective April 2026).

- **Tractor demand remained strong in YTD FY2026:** Tractor wholesale volumes grew by 19.2% YoY, while retail volumes increased by 17.8% YoY in 8M FY2026, driven by positive rural sentiment and the Goods and Services Tax (GST) rate cut from 12% to 5%, which reduced prices between Rs. 40,000 to Rs. 1,00,000 depending on the horsepower (HP) range. Pre-buying ahead of the TREM V emission norms, proposed to take effect from April 1, 2026, is also expected to aid volume growth.

- **Favourable monsoon supports agricultural activities and industry volumes:** India recorded 108% of the long-period average rainfall during the 2025 Southwest Monsoon, though the distribution was uneven. Aided by healthy precipitation, reservoir levels remain comfortably above last year's levels as well as the decadal average.

- **Advance Estimates indicate rise in production:** As per the first Advance Estimates by the Ministry of Agriculture and Farmers' Welfare as on November 27, 2025, kharif foodgrain output rose by 2% YoY over the final estimates. Rabi sowing has progressed at a good pace, with the sown area increasing slightly by 1% YoY as of December 19, 2025, supporting the agri-economy and tractor demand.

- **Inventory at normal levels:** ICRA's channel checks indicate that inventory levels across dealerships remain normal. Financing availability for the industry remains healthy, with delinquency levels remaining moderate.

- **Tractor original equipment manufacturers (OEMs) maintain strong credit profiles:** The margins of tractor manufacturers are likely to improve, aided by a rise in volumes, operating leverage, and stable raw material costs. The credit profiles of the manufacturers remain strong, supported by low debt and adequate cash and liquid investments.

**AY: Agricultural Year – July to June*

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Thank You!