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INDIAN TRACTOR INDUSTRY

Tractor wholesale and retail volumes grew by 37% and 16% YoY, respectively, in December 2025

JANUARY 2026

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Highlights

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Wholesale volumes reported a strong growth of 37.1% YoY in December 2025 and 20.4% YoY in 9M FY2026.

The industry is expected to grow 15-17% in FY2026 driven by the above-normal monsoons, along with the GST reduction implemented in September, which is likely to support demand levels. Inventory build-up ahead of the implementation of TREM-V norms is estimated to further aid volume growth.

- **Tractor demand remained strong in December 2025:** Tractor wholesale volumes rose by 37.1% YoY, while retail volumes increased by 15.8% YoY in December 2025, driven by positive rural sentiment and improved affordability following the Goods and Services Tax (GST) rate cut. Pre-buying ahead of the TREM-V emission norms proposed to take effect from April 1, 2026, which is expected to result in 15-20% price hike in the key <50 HP segment, is likely to further aid growth.

- **Favourable monsoon supports agricultural activities and industry volumes:** India received above-normal rainfall at 108% of the long-period average during the 2025 Southwest Monsoon, though distribution was uneven. As per the first advance estimates by MA&FW^ dated November 27, 2025, kharif food grain output rose 2% YoY over final estimates, while rabi sowing rose by 3% YoY by January 09, 2026, supporting the agri-economy and tractor demand.

- **Tractor volumes likely to report strong growth in FY2026:** The industry is expected to report a growth of 15-17% in FY2026 (7% in FY2025), supported by favourable monsoons and the GST cut on tractors from 12% to 5%, which reduced prices by Rs. 40,000 to Rs. 1,00,000 depending on the horsepower (HP) range. Financing availability for the industry remains adequate, with moderate delinquency levels.

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

^MA&FW: Ministry of Agriculture and Farmers' Welfare; HP: horsepower

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