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INDIAN TRACTOR INDUSTRY

GST rationalisation boosted volumes to record levels in FY2026; growth expected to moderate amid a weak monsoon outlook and a high base

JUNE 2026

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Agenda

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2 Agricultural Production Update

3 Key Takeaways from ICRA's Channel Check

4 Financing Environment

5 Industry Volume Trends

6 Tractor Sales – Region-wise Trends

Agenda

7 Domestic Market Share of OEMs

8 Peer Comparison

Highlights

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Tractor wholesale volumes recorded 22.6% YoY growth in 2M FY2027, supported by healthy farm cash flows and GST rate reduction-led decline in tractor prices apart from base effects.

Following a robust 23.5% YoY growth in FY2026, wholesale volume expansion is expected to moderate to 1-4% in FY2027, constrained by a high base and the expectation of weaker demand in H2 amidst adverse monsoon estimates.

- **Tractor demand remained strong in 2M FY2027:** Tractor wholesale volumes grew by 22.6% YoY[1], while retail volumes increased by 19.0% YoY in 2M FY2027, supported by positive rural sentiment and the Goods and Services Tax (GST) rate cut from 12% to 5%, which reduced tractor prices between Rs. 40,000 and Rs. 1,00,000 across horsepower (HP) ranges.
- **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 90% +/- 4% of the Long Period Average (LPA) with the expected El Niño conditions during the monsoon season. The resultant deficiency in precipitation could weigh on crop output, farm incomes and consequently, tractor demand and sales.
- **Advance Estimates indicate rise in production:** As per the Second Advance Estimates by the Ministry of Agriculture and Farmers' Welfare (MA&FW) on March 10, 2026, both kharif and rabi foodgrain output for 2025-26 increased by 3% YoY over the final estimates of 2024-2025, supporting the agri-economy and, in turn, tractor demand.
- **Inventory at normal levels:** ICRA's channel checks indicate that inventory levels across dealerships remain at normal levels. Financing availability for the sector continues to be 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 these manufacturers remain strong, supported by low debt and adequate cash and liquid investments.

**AY: Agricultural Year – July to June; [1]YoY: Year over year*

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Thank You!

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