November 28, 2025

International Tractors Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Short-term – Fund-based - Overdraft	1.10	1.10	[ICRA]A1+; reaffirmed
Short-term – Non-fund based facilities	40.00	40.00	[ICRA]A1+; reaffirmed
Long-term/Short-term – Fund based limits	50.00	50.00	[ICRA]AAA (Stable)/ [ICRA]A1+; reaffirmed
Long-term/ Short-term – Fund based/ Non-fund based	102.00	102.00	[ICRA]AAA (Stable)/ [ICRA]A1+; reaffirmed
Total	**193.10**	**193.10**	

**Instrument details are provided in Annexure I*

Rationale

The ratings reaffirmation for International Tractors Limited (ITL) continues to factor in its steady market position as a leading tractor manufacturer in India, its strong product mix, robust balance sheet and liquidity profile. The company is the third-largest player in the domestic tractor industry (a market share of 13.2% in FY2025) and the leading tractor exporter (a 30% share in the overall industry exports in FY2025). The company's performance is aided by an established dealership network, financing tie-ups, regular product launches and targeted marketing efforts. ITL's steady market position provides comfort that it would continue to generate healthy cash flows, going forward, helping it maintain a robust credit profile.

Its domestic volumes grew by 7% in FY2025 and 18% in 7M FY2026, in line with the industry volumes, aided by above-normal monsoons. Its consolidated revenues improved by 5.7% on a YoY basis to Rs 10,021.8 crore, however, the operating profit margin (OPM) moderated to 18.8% (previous year [PY]: 19.8%) due to a decline in exports volumes (which is a higher-margin segment). Nevertheless, the company is likely to report a strong revenue growth of 10-12% on a YoY basis in FY2026 with steady margins, aided by adequate rainfall and the recent GST rate cut, which is likely to boost demand. ITL maintains a strong financial profile with healthy operating margin of 16-21% over the last five fiscals, negligible reliance on external borrowings (total debt of around Rs. 300 crore as of March 31, 2025, which is in the form of lease obligations) and strong liquidity (Rs. 7,700-7,800 crore as of September 30, 2025). ITL's cash flows from operations have been more than sufficient for incurring capex plans and the company has been able to accumulate significant cash and liquid investments.

Further, an enhanced equity participation of Yanmar Co. Ltd. (Yanmar; a leading Japanese tractor manufacturer) has strengthened ITL's product development capabilities and aided in diversifying its product profile. ICRA notes that the company has material capex plans of Rs. 800-1,000 crore primarily over FY2027-FY2029, towards setting up a second manufacturing plant (opposite to the existing plant) with a capacity of around 1 lakh tractors/annum, which is planned to cater to exports. The company also has plans to set up a research and development (R&D) centre in Uttar Pradesh to further strengthen its technological capabilities. Additionally, the company continues to look for acquisitions to enhance its presence across the international markets. In this regard, the company acquired a 50% stake in Burder Industries, Australia in FY2025 at a consideration of Rs. 58 crore. Despite the cash outgo to be incurred towards these plans, ICRA expects the company to maintain a negative net debt position, and strong credit metrics, aided by expectation of healthy cash accruals, going forward.

ICRA, however, notes the company's relatively lower market share in South and West India, which hinders its overall position. Further, the domestic tractor industry remains inherently cyclical, with demand influenced by monsoons and farmer sentiments. This could impact ITL's earnings and cash accruals during periods of unfavourable macroeconomic factors. Nonetheless, the Government's focus on rural development and agri-mechanisation (through higher allocations to various farmer welfare and rural infrastructure development schemes) remains a positive for the industry's volume growth. ITL's leadership position in the export market also provides geographical diversification and partly mitigates the exposure to domestic cyclicality. However, the company's overseas volumes have declined over the last two fiscals due to higher tariffs, geopolitical volatility and economic uncertainties across key destinations. Hence, the near-term prospects are likely to remain subdued and constrain export volume growth.

The Stable outlook on the long-term rating reflects ICRA's opinion that ITL would continue to maintain a moderate revenue growth and robust credit profile over the medium term, benefitting from its established market position in the domestic as well as export segments, collaboration with Yanmar Corporation and the Government's support for agri-mechanisation.

Key rating drivers and their description

Credit strengths

Third-largest tractor manufacturer in India with established track record, strong brand franchise and wide dealer network – ITL is a leading tractor manufacturer in the country, with a domestic market share of 13.2% in FY2025. The company has cemented its position as the third-largest tractor manufacturer in the country over the past few years, benefitting from healthy acceptability of its models, wide coverage across all horsepower (HP) segments (i.e., 20-120 HP), expanding dealership presence, increased financing tie-ups and targeted marketing efforts. The company's tractors are sold under three different brands — 'Sonalika', 'Solis' and 'Yanmar'. While the Yanmar brand is primarily meant for exports, Sonalika has been positioned as a mass-market product and Solis as a premium product in the domestic market (Solis tractors continue to be exported as well).

Leading exporter of tractors from India – In addition to its established presence in the domestic market, ITL is the leader in tractor exports from India with a market share of around 30% in FY2025. ITL saw a decline of ~11% in export volumes to 30,000 units in FY2025, owing to weak demand. Despite the same, its presence in the export markets provides geographical diversification benefits and helps reduce the company's dependence on the domestic market, which remains inherently cyclical in nature.

In-house R&D and technological support from Yanmar aid in product development capabilities – Over the years, ITL has consistently refreshed its product portfolio and launched application-specific products on the back of its in-house product development capabilities. ITL also enjoys technological support from its strategic partner, Yanmar, a leading Japanese manufacturer of tractors and engines. The OEMs tied up to jointly develop a new range of tractors, which were initially launched in the Indian market under the 'Solis Yanmar' brand. The company introduced two new tractors under this brand in February 2022, powered by the supernova engine of Yanmar. Both the companies have plans to jointly develop more products, catering to both domestic and export markets, which would also see ITL acting as an export hub for Yanmar's requirements.

Strong financial risk profile, characterised by superior profitability indicators, negligible debt and sizeable liquidity – ITL has a strong financial profile, characterised by healthy profitability with an operating margin of 16-21% over the last five fiscals. ITL's profitability is superior to that of its peers on account of high degree of backward integration, lower labour costs, competitive component sourcing, single-plant location, and higher proportion of exports. This led to healthy cash flows from operations over the years, which have been more than sufficient for incurring investments in plant and machinery. Hence, reliance on external borrowings has remained low (total debt of Rs. 300 crore as of March 31, 2025, in the form of lease obligations) and the company has been able to accumulate cash and liquid investments (Rs. 7,700-7,800 crore as of September 30, 2025).

Credit challenges

Tractor industry remains cyclical, given strong linkages with agricultural production and monsoons – The tractor industry's cyclicality exposes it to fluctuations in demand with sensitivity to monsoons and farmer sentiments. This could impact ITL's earnings and cash accruals during periods of unfavourable monsoons. Though ITL is likely to remain exposed to such vagaries in demand, the Government's commitment to rural development and agri-mechanisation, while focussing on improving the country's infrastructure with enhanced budgetary allocations, is likely to aid in volume growth over the medium-to-long term. ITL's higher contribution from exports also mitigates the risk of volatility in demand in the domestic tractor market to an extent.

Market share in southern and western India remains relatively lower, hindering overall domestic position – ITL has a healthy market share across all regions, barring southern and western India, where it had a relatively lower market share of 11-11.5% in FY2025. Over the past few years, the company's focus on improving its presence and enhancing its dealership network in the southern region led to some improvement in market share. The company's ability to gain further market share in these regions remains critical in helping it achieve its overall market position in the country.

Liquidity position: Superior

ITL has a Superior liquidity profile, characterised by cash and liquid investments of Rs. 7,700-7,800 crore as of September 30, 2025. Additionally, the company is expected to generate healthy cash accruals of Rs. 1,500-1,600 crore per annum, going forward, which would further strengthen its liquidity profile. The company has capex plans towards enhancing its capacity (Rs. 800-1000 crore over FY2027-FY2029) and investment requirements (primarily linked to the funding support for the financing arm), even though it does not have any repayment obligation. The company is expected to continue to give a healthy dividend outflow and yet be left with abundant liquid funds.

Rating sensitivities

Positive factors – Not applicable.

Negative factors – Any sizeable fund outflow towards new acquisitions or financial support to group companies in the form of loans, which could result in a significant reduction in surplus liquidity and weakening in credit metrics, may lead to a negative rating action. Further, a material loss of market share on a sustained basis could also result in ratings downgrade.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Tractors
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of International Tractors Limited, excluding its financial services business, Autotrac Finance Limited. However, the analysis considers ordinary and extraordinary funding support likely to be extended to Autotrac Finance Limited. The list of entities consolidated has been mentioned in Annexure-II.

About the company

International Tractors Limited, a part of the Sonalika Group, is a leading tractor manufacturer in India. The Sonalika Group, established in 1969, began by manufacturing farm implements. Subsequently, ITL was incorporated in 1995 to manufacture tractors. The company currently has a manufacturing facility at Hoshiarpur (Punjab), with a manufacturing capacity of 3,00,000 tractors/annum (on a three-shift basis). Its tractors range from 20-120 HP models that are sold under three brands – 'Sonalika', 'Solis' and 'Yanmar'. In FY2025, 80% of ITL's total volumes was sold in the domestic market, while exports accounted for the balance. In India, ITL is the third-largest tractor OEM with a market share of 13.2%. While the company has pan-India presence, nearly 52% of its domestic volumes were concentrated in northern and central region in FY2025. ITL is also the largest exporter of Indian tractors to over 130 countries, with an export market share of 30% in FY2025.

The company is promoted by the Delhi-based Mittal family, who has a 69.6% share in the company. Over the years, the company has entered into technology collaboration with Japan-based Yanmar Corporation, which also owns a 30.36% stake in ITL. The company's board comprises representatives from the Mittal family, Yanmar Corporation and independent directors.

Key financial indicators (audited)

ITL	Standalone		Consolidated	
	FY2024	FY2025	FY2024	FY2025
Operating income	9,352.5	9,789.7	9,485.4	10,021.8
PAT	1,757.2	1,818.8	1,740.3	1,780.9
OPBDIT/OI	20.2%	19.3%	19.8%	18.8%
PAT/OI	18.8%	18.6%	18.3%	17.8%
Total outside liabilities/Tangible net worth (times)	0.2	0.2	0.2	0.2
Total debt/OPBDIT (times)	0.1	0.2	0.1	0.2
Interest coverage (times)	48.8	60.6	45.8	52.6

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore
PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current ratings (FY2026)				Chronology of rating history for the past 3 years					
	Type	Amount Rated (Rs Crore)	FY2026		FY2025		FY2024		FY2023	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund-based Limits – Overdraft	Short-term	1.10	Nov 28, 2025	[ICRA]A1+	Sep 30, 2024	[ICRA]A1+	Jul 26, 2023	[ICRA]A1+	May 31, 2022	[ICRA]A1+
Non-fund Based Facilities	Short-term	40.00	Nov 28, 2025	[ICRA]A1+	Sep 30, 2024	[ICRA]A1+	Jul 26, 2023	[ICRA]A1+	May 31, 2022	[ICRA]A1+
Fund-based Limits	Long-term/ Short-term	50.00	Nov 28, 2025	[ICRA]AAA (Stable)/ [ICRA]A1+	Sep 30, 2024	[ICRA]AAA (Stable)/ [ICRA]A1+	Jul 26, 2023	[ICRA]AAA (Stable)/ [ICRA]A1+	May 31, 2022	[ICRA]AAA (Stable)/ [ICRA]A1+
Fund/Non-fund Based Facilities	Long-term/ Short-term	102.00	Nov 28, 2025	[ICRA]AAA (Stable)/ [ICRA]A1+	Sep 30, 2024	[ICRA]AAA (Stable)/ [ICRA]A1+	Jul 26, 2023	[ICRA]AAA (Stable)/ [ICRA]A1+	-	-
Unallocated	Long-term/ Short-term	-	-	-	-	-	-	-	May 31, 2022	[ICRA]AAA (Stable)/ [ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity indicator
Short-term – Fund-based - Overdraft	Simple
Short-term – Non-fund Based Facilities	Very Simple
Long-term/ Short-term – Fund based limits	Simple
Long-term/ Short-term – Fund based/Non-fund Based	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Fund-based Limits - Overdraft	NA	NA	NA	1.10	[ICRA]A1+
NA	Non Fund-Based Facilities	NA	NA	NA	40.00	[ICRA]A1+
NA	Fund Based Limits	NA	NA	NA	50.00	[ICRA]AAA(Stable)/ [ICRA]A1+
NA	Fund/Non Fund-based Facilities	NA	NA	NA	102.00	[ICRA]AAA(Stable)/ [ICRA]A1+

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company Name	ITL Ownership	Consolidation Approach
International Tractors Limited	100.00% (rated entity)	Full Consolidation
Autotrac Finance Limited	100.00%	Full Consolidation
Solis Tractors & Agricultural Machinery B.V.	100.00%	Full Consolidation
International Tractors USA Corporation	100.00%	Full Consolidation
Solis Tractors Private Limited	100.00%	Full Consolidation
ITL Gulf FZE	100.00%	Full Consolidation
Sonalika FAMAG SPA	29.99%	Equity method

Source: ITL consolidated annual report FY2025

Note: ICRA has considered the consolidated financials of ITL while assigning the ratings.

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