

INDIAN TRACTOR INDUSTRY

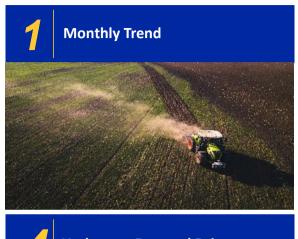
Monthly Update

SEPTEMBER 2021



What's Inside...















Highlights



Industry volumes remain healthy, despite some moderation over past few months; patchy monsoon performance till date a concern

Government focus on enhanced procurement expected to continue to aid rural cash flows



Volumes post a decline on YoY basis in August; however, continue to remain healthy: The industry, however, recorded a decline of ~17% in wholesales volumes in August 2021, partly on account of a higher base last year (aided by pent up demand from the enforced lockdown in March-April 2020). The recovery in volumes since the second wave has been, however, largely healthy.



Agri Production: Advance estimates indicate a healthy crop output and kharif sowing acreage has remained in line with the previous year; Government's agri-focused initiatives (including enhanced procurement) may help sustain demand. Even as the Indian Met Department had forecast above normal rains for the third consecutive year, the monsoon performance till date has been uneven.



Industry volumes expected to be healthy in FY2022: Industry domestic volumes touched an all-time high of ~9 Lakh in FY2021. Even as spread of pandemic to rural area and rainfall imbalance remains a concern, industry volumes are expected to remain healthy, aided by stable rural cash flows. However, given the high base, growth is expected to, however, remain modest (1-4% forecast for FY2022).



Tractor OEMs continue to maintain strong credit profiles: ICRA continues to maintain a Stable outlook for the industry. Despite concerns of hardening commodity costs likely to exert pressure on margins, credit profiles of OEMs are expected to remain robust aided by low debt, healthy cash & liquid investments and limited investment plans.





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