

INDIAN TRACTOR INDUSTRY

Monthly Update

NOVEMBER 2021



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Industry volumes remain healthy, despite some moderation over the past few months; record monsoon in September and October wiped off rainfall deficit; inflation remains a concern.

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



Volumes remain flat on YoY basis in October, yet healthy: The industry recorded flattish wholesale volumes in October 2021, partly on account of a higher base last year (aided by pent up demand from the enforced lockdown in March-April 2020) and partly due to the above normal rainfall in September and October, delaying harvesting in some parts of the country. Nevertheless, the recovery in volumes, since the second wave, has been largely healthy.



Agri Production: While the monsoon performance had been below normal in July and August 2021, the above normal rainfall in September wiped off the rainfall deficit, leading to normal rainfall for the third consecutive year. Estimates indicate a healthy kharif harvest; rabi sowing acreage (as of Nov 19, 2021) represents a 9% growth compared to the previous year and raises hopes of a healthy crop production; Government's agri-focused initiatives expected to help sustain demand.



Industry volumes expected to be healthy in FY2022: Industry domestic volumes touched an all-time high of ~9 Lakh in FY2021. Even as the impact of the spread of the pandemic to the rural areas remained a concern, industry volumes are expected to remain healthy, aided by stable rural cash flows. However, given the high base, growth is expected to 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 the OEMs are expected to remain robust aided by low debt, healthy cash & liquid investments and limited investment plans.



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