ICRA

INDIAN TRACTOR INDUSTRY

Monthly Update

MAY 2022

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Highlights

Industry volumes rebound in April supported by healthy rural cash flows, on the back of better price realisation during ongoing rabi procurement.

Continuation of healthy procurement by the Government to support rural cash flows and industry demand.

Volumes grew on YoY basis in April: The industry recorded a sharp growth of 41% YoY in wholesale volumes in April (albeit on a low base), supported by healthy progress of rabi procurement and better price realisation of crop. Going forward, rabi procurement is expected to remain robust and this coupled with better crop realisation is likely to bode well for the industry. This will have a positive rub-off on farm sentiments and support industry volumes.

Agri production: Food production in India is estimated to touch an all-time high of 316.1 million tonne in FY2022 (1.7% growth YoY) as per the second advance estimates. Going forward, a continued healthy procurement of rabi crop will lead to healthy cash flows, in turn, aiding tractor demand.

Industry volumes to represent a marginal decline in FY2023: The industry volumes are expected to remain supported to an extent by stable rural cash flows. However, given the high base, hikes in tractor prices necessitated by raw material hardening, and moderation in farm sentiments over the past few months, volumes for FY2023 are expected to decline by -2% to -5%.

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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Thank You!