



INDIAN TRACTOR INDUSTRY

Monthly Update

SEPTEMBER 2022



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Industry volumes decline marginally by ~2% on a YoY basis in August 2022, with demand in the industry continuing to remain stable.

The kharif sowing area has lagged previous year levels, dragged down by rice sowing; healthy precipitation received so far and resultant improvement in reservoir levels, however, augur well for rabi sowing.



Industry demand continues to remain stable: The volumes over June-July 2022 had represented a decline over the previous corresponding months, primarily on account of the high base (a result of muted sales in May 2021 as a result of the lockdowns during the second wave). With the high base effect waning off and demand continuing to remain stable, the industry volumes declined marginally by only ~2% on a YoY basis in August 2022.



Monsoon performance: India has recorded rainfall at 106% of Long Period Average (LPA) in the South-west Monsoon season till August 2022; the monsoon is expected to end with above-normal precipitation. Apart from the eastern and north-eastern regions, most districts have recorded either excess or normal rainfall so far. Aided by the healthy precipitation, the reservoir levels are healthier than the previous year and augur well for timely onset of rabi sowing.



Industry volumes to grow at a modest pace in FY2023 : The tractor industry volumes are estimated to remain healthy aided by favourable underlying drivers for farm cash flows. However, given the high base and cost of ownership as a result of price hikes undertaken by the OEMs, industry volumes are likely to represent only a marginal growth over the previous year (0-4% growth YoY in FY2023).



Tractor OEMs continue to maintain strong credit profiles: ICRA continues to maintain a Stable outlook for the industry. Despite concerns of hardening commodity costs which are 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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