



INDIAN TRACTOR INDUSTRY

Monthly Update

NOVEMBER 2022



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Retail sales during the 42-day festive period grew at a healthy pace of ~30%, aided by stable farm cash flows.

Heavy rainfall towards the end of September 2022 in some states added to the moisture levels of the crops, which led to a delayed harvest and does not portend well for yields. The healthy precipitation and resultant reservoir levels, however, have aided a strong start to the rabi sowing season.



Healthy retail sales during the festive season: The wholesale volumes over the past two months (September and October) have grown at a healthy pace (23% and 7% YoY respectively), with the OEMs building up dealer inventory to cater to strong demand during the festive season. Retail sales during the 42-day festive period grew at a healthy pace of ~30% to 77,602 units, aided by stable farm cash flows.



Monsoon performance and sowing trends: India recorded above-normal rainfall at 106% of Long Period Average (LPA) in the South-west Monsoon season 2022. This was slightly better than the IMD's projection of 103% of LPA; the precipitation remained healthy across the country, barring the East/North-East region. Even as late precipitation has led to a delayed harvest for the kharif crop, the healthy reservoir levels have aided a strong start to the rabi sowing season.



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 the 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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