

INDIAN TRACTOR INDUSTRY

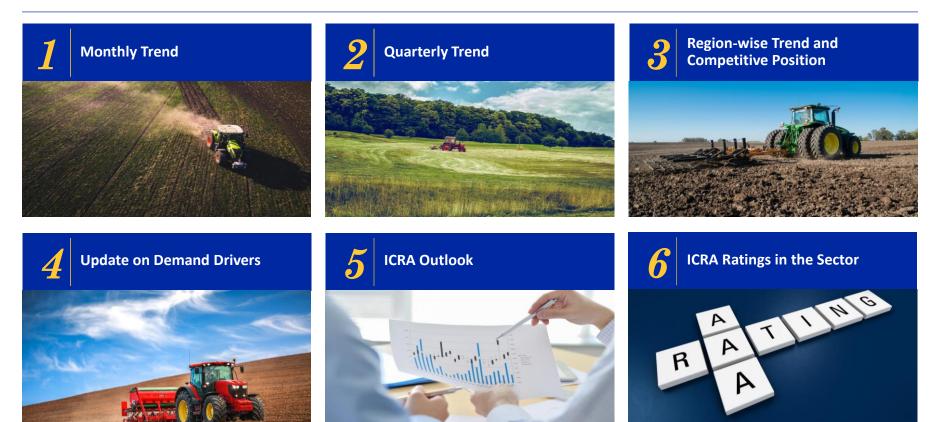
Industry demand remains stable

MARCH 2023



What's Inside...







Industry demand continues to remain stable; retail sales at healthy levels.

Even as kharif harvest was delayed by late precipitation during the monsoon season, the healthy precipitation and resultant reservoir levels aided the rabi sowing acreage and farm sentiments.



Industry wholesales remain at healthy levels: The wholesale volumes over September-November represented a healthy growth, with the OEMs building up dealer inventory to cater to strong demand during the festive season. With retail sales during the festive period continuing to remain healthy, wholesale volumes in February 2023 represented healthy growth (20% YoY) over the past fiscal.



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 led to a delayed harvest for the kharif crop, the healthy reservoir levels aided the rabi sowing acreage.

Industry volumes to remain at healthy levels: Industry volumes are estimated to remain at healthy levels in FY2023 (7-9% YoY growth) and FY2024 (0-2% YoY growth on a high base), aided by favourable underlying drivers for rural cash flows. The downside risk to estimates may arise upon crop damage or deficient monsoon precipitation.

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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