

INDIAN TRACTOR INDUSTRY

**Industry volumes moderate on a
sequential basis in April**

MAY 2023



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Industry wholesales moderated in April, post a preponement of demand towards the end of the previous fiscal.

The IMD forecast a normal monsoon in its first forecast for the South-west Monsoons; however, it indicated that the occurrence of El Nino is likely to dampen precipitation during the second half of the monsoon season.



Industry wholesales moderate in April: The industry volumes had remained at healthy levels in FY2023, reaching an all-time high of ~9.4 lakh units. The wholesales in March 2023 had been aided by a preponement of festive season. Even as retail sales towards the end of the fiscal remained healthy, wholesale volumes in April 2023 represented a decline (11%) on a sequential basis.



Monsoon forecast: Four consecutive years of normal monsoon aided farm cash flows over the past few years. Even as the Indian Meteorological Department (IMD) forecast a 'normal' monsoon in its first estimate, Skymet, a private weather forecaster, predicted a 'below-normal' monsoon. An El Nino occurrence could materially impact monsoon precipitation and dampen farm sentiments.



Industry volumes to remain at healthy levels: Domestic tractor industry growth is expected to moderate in FY2024 (0-2% YoY growth on a high base). Industry volumes represented a 12% YoY growth in FY2023, touching an all-time high of 9.45 lakh units. The downside risk to estimates may arise upon crop damage on account of unseasonal rainfall 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 heightened commodity costs, which are likely to constrain margins to an extent, 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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Analytical Contact Details

Name	Designation	Email	Contact Number
Shamsher Dewan	Group Head	shamsherd@icraindia.com	0124 – 4545 328
K. Srikumar	Co-Group Head	ksrikumar@icraindia.com	044 – 4596 4318
Rohan Gupta	Sector Head	rohan.kanwar@icraindia.com	0124 – 4545 808
Astha Bansal	Senior Analyst	astha.bansal@icraindia.com	0124 – 4545 342





ICRA

Business Development/Media Contact Details

Name	Designation	Email	Contact Number
L Shivakumar	Chief Business Officer	shivakumar@icraindia.com	022-61693304
Neha Agarwal	Head – Research Sales	neha.agarwal@icraindia.com	022-61693377
Rohit Gupta	Head Business Development - Infrastructure Sector	rohitg@icraindia.com	0124-4545340
Vivek Bhalla	Head Business Development - Financial Sector	vivek.bhalla@icraindia.com	022-61693372
Vipin Saboo	Head Business Development – Corporate Sector - West & East	vipin.saboo@icraindia.com	022-61693348
Shivam Bhatia	Head Business Development – Corporate Sector - North & South	shivam.bhatia@icraindia.com	0124-4545803
Naznin Prodhani	Head – Media & Communications	communications@icraindia.com	0124-4545860





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