Firm cuts FY27 tractor industry growth outlook

Rain deficit, drought cloud view

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Mahindra & Mahindra (M&M) has revised its tractor industry growth forecast for financial year 2027 (FY27) from around 5 per cent to broadly flat, citing a worsening rainfall deficit, drought conditions in Maharashtra and Karnataka, and pressure on farm economics. The automaker, however, said strong demand in northern markets and a delayed purchase cycle could provide some support in the coming months.

It is the market leader in the sector with a 41.5 per cent share.

Speaking at the company's second quarter results (Q2FY27) press conference on Thursday, Rajesh Jejurikar, executive director and chief executive officer (auto and farm sector), said drought conditions in Karnataka and Maharashtra had turned out to be more severe than the company anticipated in July, prompting it to reassess its outlook. However, Uttar Pradesh, the largest tractor market, remains strong, while demand in Madhya Pradesh is picking up.

Jejurikar said the revised forecast takes into account the rainfall deficit, reservoir levels and farmers' terms of trade. The company is factoring in rising agricultural input costs and movements in farm produce prices, which could influence purchasing decisions. M&M also believes that tractor purchases have been postponed rather than entirely lost in some markets.

He noted that sowing and harvesting had been delayed, while rabi sowing was also expected to be pushed back. This could extend tractor purchases beyond the usual festival season window. He said it could take until the third week or end of November to assess the underlying demand trend. Tractor industry volumes grew around 25 per cent in the second half of the previous financial year, making the comparison base high, Jejurikar said.