

Tractor sales likely to witness fertile H2

Analysts expect 10–11% growth in H2FY25 after flat H1

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The domestic tractor industry is set for a rebound in the second half of the current financial year (H2FY25), riding on robust reservoir levels after a good monsoon and higher minimum support price (MSP) for key rabi crops.

Analysts expect 10-11 per cent growth in H2FY25, partly led by low base (as FY24 had seen sales fall in H2), as well as positive agriculture sentiments.

The first half of the current financial has been flat in terms of wholesales – 472,079 units sold against 469,383 in H1FY24. Tractor sales in India for FY24 totalled 874,504 units, a 7 per cent decrease from the previous year's 940,985 units. The decline was primarily due to the poor monsoon, which affected kharif crop production and agricultural activities.

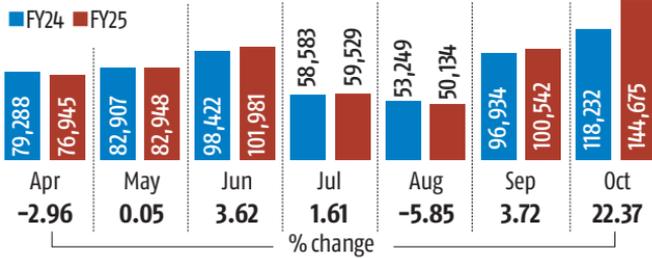
Raman Mittal, Joint Managing Director, International Tractors Limited (ITL) told *Business Standard* that the tractor industry had witnessed a "robust resurgence" during this festive season, fueled by a combination of factors that uplifted farmer sentiment.

"Despite a slow start to the monsoon, an exceptional 108 per cent precipitation during June-September 2024 significantly boosted reservoir levels, surpassing the 10-year average by 14 per cent, subsequently leading to significant growth across the Southern market," Mittal said.



GAINING TRACTION

Tractor wholesales (Domestic)



Source: Tractor and Mechanisation Association

This, coupled with a record kharif harvest and a promising rabi sowing season, has set the stage for growth, supported by the favorable La Niña effect that stabilised temperatures, he added. "These factors have prompted an upward revision of industry projections, with H2FY25 now expected to see growth rather than being flat as previously anticipated," Mittal said, adding that

ITL saw the best-ever monthly sales during October, selling 20,056 units. Market leader Mahindra and Mahindra (M&M) also feels that the industry is expected to rebound with a 13-15 per cent growth in H2.

Rajesh Jejurikar, executive director and CEO (auto and farm sector), M&M, had noted during M&M's second-quarter results that "green shoots" were emerging in the tractor industry. Contributing factors include an 8 per cent surplus in rainfall, reservoir levels at 87 per cent,

and a rise in kharif output.

"With very good reservoir levels and higher MSP for key rabi crops, farmer sentiments are positive and cash flows healthy. Good progress in rabi sowing and a good rabi crop are expected to further boost demand for tractors in coming months," said Hemant Sikka, President – Farm Equipment Sector, M&M.

M&M has seen 9 per cent Y-o-Y growth for the April-October period, selling 248,060 units in the domestic market. In October, the company saw a 30 per cent jump in domestic wholesales.

Yes Securities said in a November report they expect the tractor industry's retail cumulative for H2FY25 to grow 10-11 per cent. "We expect tractor volumes to have an upside led by positive terms of trade, and improved subsidy announcements (though not broad-based).