

# Domestic tractor sales dip 15% in July, exports grow

Reduction in sales due to base effect, uneven monsoon and partial delay in kharif sowing

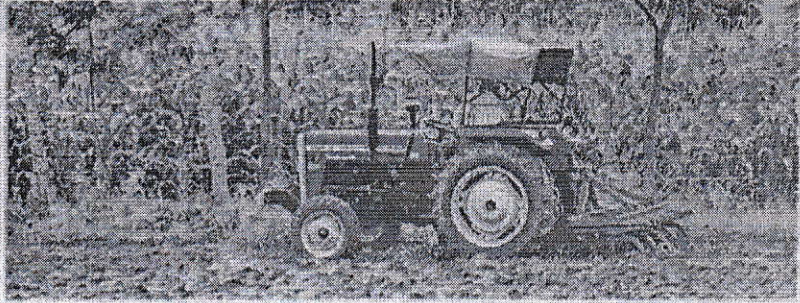
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The month of July proved to be a mixed bag for the tractor industry as production surpassed the one-lakh mark for the second consecutive month and exports stayed robust, but domestic sales reported a year-on-year and month-on-month decline.

Domestic tractor sales stood at 55,211 units last month compared to 65,216 units in July 2021, a decline of 15 per cent. The decline was higher at 42 per cent compared with June volumes, according to data by Tractor & Mechanization Association.

The reduction in sales was due to a combination of base effect, uneven monsoon, as well as partial delay in kharif season. "The rice crop has been affected in the eastern region, and this may impact overall output this fiscal. Besides, high input inflation resulting in higher cost of tractors and increasing cost of ownership (due to higher interest rates) also impacted sales," said Anuj Sethi, Senior Director, Crisil Ratings.



Production, however, surpassed the one-lakh mark for the second consecutive month

"July witnessed normalisation in volumes. It is traditionally a lean month as the land preparation phase gets over and farmers start sowing. However, monsoon has stayed on the course so far," said Hemant Sikka, President-Farm Equipment Sector of Mahindra & Mahindra Ltd.

## Strong production

Export of 'India-built' tractors remained strong as total shipments in July stood at 11,836 units as compared to 11,187 in July 2021 and 12,849 units in June 2022.

Production of tractors during the month was also strong and for the second consecutive month, crossing the one-lakh mark at 101,421 units. In July 2021, production was at 104,308 units, and 103,563 units in June 2022.

Sales may pick up in the remainder of Q2 and Q3 of this fiscal as monsoon gathers pace, added with the approaching festival season and better farm

incomes. Therefore, the inventory build-up seen in July is expected to largely normalise gradually. Some of the inventory is also due to moderation in exports due to geopolitical situation and inflationary trends in overseas markets like Sri Lanka, Turkey and parts of Africa, said Sethi.

## FY23 so far

For the first four-month period of this fiscal, the total domestic tractor sales increased 9 per cent to about 3.21 lakh units compared with 2.95 lakh units in the year-ago period. Exports rose 24 per cent to 46,982 units (37,847 units) and total production stood at 3.86 lakh units (3.53 lakh units).

Analysts say with the timely arrival of the southwest monsoon and normal monsoon in 29 of 36 sub-divisions, the Kharif crop is expected to deliver record production, which will augur well for tractor demand.