

# Tractor sales harvest early monsoon benefits

## Retail tractor sales in May up 24% over April

SOHINI DAS  
Mumbai, 12 June

With the timely arrival of the southwest monsoon and forecast of above-normal rainfall, tractor sales are showing signs of revival. Early indications in 2024-25 (FY25) are positive.

In May, retail tractor sales reached 70,065 units, a 1 per cent decrease year-on-year (Y-o-Y). However, compared to April, retail sales rose by 23.74 per cent, according to data from the Federation of Automobile Dealers Associations (Fada).

Last financial year, tractor sales were impacted by El Niño and deficit monsoons, causing a 7 per cent drop in wholesales to 874,504 units. Despite this, retail sales increased by 7.5 per cent to 892,313 units.

Hemant Sikka, president of the farm equipment sector at Mahindra & Mahindra (M&M), told Business Standard that they sold 35,327 tractors in the domestic market in May 2024, marking a 6 per cent growth over the previous year.

In April and May combined, M&M sold 71,042 tractors, achieving a 4 per cent Y-o-Y growth with a market share exceeding 44 per cent, according to Sikka.

He added that the tractor

industry sold 82,944 units in the domestic market in May, maintaining flat growth for the month.

Meanwhile, International Tractors (ITL), which sells the Sonalika brand and holds a 13.4 per cent market share in the domestic market, posted a 5.2 per cent growth in domestic sales in May, reaching 11,130 units.

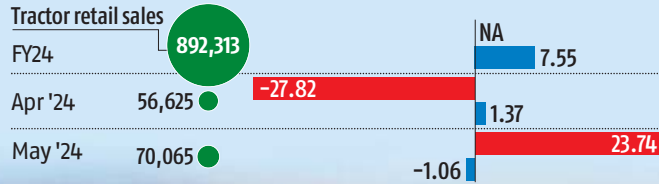
Raman Mittal, joint managing director of ITL, told Business Standard, "The Indian market, dominated by the agriculture sector, relies heavily on rainfall for increased output and cash flow. With predictions of an above-average monsoon this year, the overall industry should rebound in India, the world's largest tractor market."

Mittal added that the timely monsoon arrival should boost the industry, especially in South India, and help normalise deficient reservoir levels.

Companies report a buoyant sentiment among farmers with the onset of the monsoon.

Sikka said, "The timely arrival of the southwest monsoon and the forecast of an above-normal monsoon have improved farmers' sentiment. Positive terms of trade, good cash flows from the rabi harvest, and the start of land

### SIGNS OF REVIVAL



preparation for kharif crops bode well for increased tractor demand in the coming months."

Rating agency ICRA forecasts modest growth for tractor wholesales in FY25. "ICRA expects industry volumes to grow at a modest pace in FY25, aided by expectations of an above-normal monsoon and its favourable impact on farm cash flows," it noted. ICRA added that tractor industry volume growth has largely tracked monsoon performance over the years, with some exceptions. A healthy monsoon precipitation is likely to improve agricultural production, thus boosting

tractor demand.

The domestic tractor industry's volumes remained steady in the first half of 2023-24. However, weak precipitation affected farm sentiment, causing a moderation in sales in the second half, resulting in an overall 7 per cent contraction in industry volumes.

Mittal highlighted that the onset of the kharif season has led to some positive signs in tractor sales, with overall agricultural production expected to increase by 2-3 per cent Y-o-Y due to a rise in acreage.

"Additionally, moderation in raw material prices should help control costs, and improved credit facilities

should also foster healthy demand for advanced agricultural machinery in the coming year," he added.

Tractor dealers are optimistic, given the India Meteorological Department's forecast of above-normal rainfall at 106 per cent of the long period average this year, which is expected to enhance rural demand and support economic activities.

Fada cautioned, however, that extreme weather events like heatwaves and heavy rains, along with the reopening of schools in July, might delay purchase decisions.

"Uneven monsoon rains have previously affected farm sector growth. While this year's above-normal forecast is promising, it raises the risk of possible floods in some regions, potentially disrupting the market," it added.

ICRA also noted that coastal states, which account for around 40 per cent of the overall tractor market, face a higher risk of floods and droughts due to global climate events like El Niño or La Niña. Consequently, tractor demand in these regions remains particularly sensitive to precipitation levels.

▶ NORMAL MONSOON TO DRIVE TRACTOR SALES; TIME TO BUY RELATED STOCKS?