

# Tractor sales may hit record 9.75 lakh units in FY26; ₹4,000 cr capex cycle on the horizon

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Domestic tractor sales are projected to hit 9.75 lakh units this fiscal, rising 3-5 per cent year-on-year and surpassing the previous record of 9.45 lakh units in FY23.

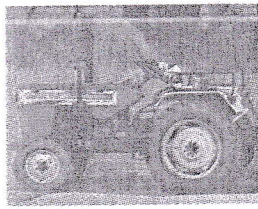
The momentum comes as the sector enters a fresh capital expenditure (capex) cycle worth about ₹4,000 crore, spurred by the rollout of new emission norms and strong financial footing of leading manufacturers, ac-

cording to a CRISIL Ratings analysis. Domestic tractor sales grew by 8 per cent at about 9.40 lakh units in FY25, data from the Tractor & Mechanization Association (TMA) show.

## MONSOON BOOST

Growth in FY26 is expected to be fuelled by an above-normal monsoon, higher minimum support prices (MSPs) for key crops, improving rural sentiment and increased replacement and construction demand. Pre-buying ahead of the TREM V emission norms, set to take effect from April 1, 2026, could further lift volumes. The new norms are expected to raise tractor prices by 10-20 per cent, depending on engine size.

"The Indian Meteorological Department's forecast of above-normal monsoon should lift rural sentiment and reinforce farmer confidence, crucial for driving farm



investments such as tractors," said Anuj Sethi, Senior Director, CRISIL Ratings. "The expected rise in MSPs and continued infrastructure push, especially in roads, will further support sales."

CRISIL's analysis of five leading OEMs, representing over 90 per cent of industry volumes, shows the sector's strong financial health. Stable margins of 13-13.5 per cent amid easing input costs, low debt and healthy liquidity are enabling strategic investments in emission control and capacity expansions.

"Tractor manufacturers have entered FY26 on a strong footing," said Poonam Upadhyay, Director, CRISIL Ratings. "With capacity utilisation nearing 75-80 per cent and TREM V norms prompting cleaner technologies, the sector is poised for a strategic capex cycle of around ₹4,000 crore. Yet, capex-to-EBITDA will remain lean at below 0.25 times, reflecting strong financial discipline."

The TREM V norms across all horsepower (HP) segments is expected to increase tractor prices 10-20 per cent, depending on engine capacity, and could trigger pre-buying. A similar trend played out post TREM IV2 rollout, when above-50 HP tractor sales dropped, and farmers pivoted to 41-50 HP models — the dominant segment with 64 per cent share — highlighting their sensitivity to price hikes, the rating agency noted.