

Tractor sales may see fertile H2

Industry expects low single-digit growth in the second half of FY24 following normal rainfall in September helping rabi sowing

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Tractor wholesales in the first half (H1) of 2023–24 (FY24) amounted to 469,383 units, representing a 3.7 per cent year-on-year (Y-o-Y) decline. This decrease is attributed to the effects of El Niño, fluctuations in rural cash flow, and the high base set in the previous year.

The industry remains optimistic, anticipating that normal rains in September have positively impacted rabi sowing in the central, northern, and western regions of the country. As a result, the second half (H2) may witness growth, leading to the financial year concluding with low single-digit growth.

Rating agency ICRA highlighted that domestic tractor industry volumes remained robust, showing a 12 per cent Y-o-Y growth in 2022–23 (FY23), reaching an all-time high of 945,000 units. This growth was supported by healthy rural cash flows due to four consecutive normal monsoons. ICRA anticipates a moderation in growth in FY24 (0–2 per cent Y-o-Y growth, given the high base).

Hemant Sikka, president of the farm equipment sector at Mahindra & Mahindra (M&M), informed *Business Standard* that the effects of El Niño had already been factored into their tractor sales projections for the year. He expects a smart recovery in kharif sowing, covering more than 110 million hectares, and the festival season's enthusiasm to boost farmer sentiment. "Supported by several key drivers, such as robust government support for agricultural and rural growth, an increase in the minimum support price (MSP), and favourable terms of trade for farmers, we maintain an outlook of low single-digit

Raman Mittal of International Tractors anticipates that demand will rise in the lead-up to Diwali, Chhath Puja, Pongal, and the harvest season

SALES REPORT		Tractor industry: H1FY24 wholesale performance					
Month	H1FY23		H1FY24		Y-o-Y change (%)		
	Exports	Domestic sales	Exports	Domestic sales	Exports	Domestic sales	
April	10,715	89,201	7,652	79,288	-28.59	-11.11	
May	11,582	81,940	8,356	82,907	-27.85	1.18	
June	12,849	94,477	8,198	98,422	-36.20	4.18	
July	11,836	55,211	8,460	58,583	-28.52	6.11	
Aug	12,118	52,691	8,874	53,249	-26.77	1.06	
Sep	11,320	113,686	8,523	96,934	-24.71	-14.74	
TOTAL	70,420	487,206	50,063	469,383	-28.91	-3.66	

Source: Tractor and Mechanization Association

growth for FY24," Sikka added.

Raman Mittal, joint managing director of International Tractors (ITL), which sells the Sonalika brand of tractors, believes that H2 shows promise, with kharif crop acreage estimated to be 1-2 per cent higher, and the aggregate field crop price index increasing by 6 per cent Y-o-Y.

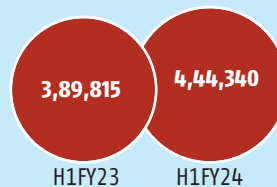
He explained that the tractor industry's growth in India, the world's largest tractor market, is cyclical in nature, with growth patterns changing each year. In 2020-21, the domestic industry witnessed robust growth at 26.9 per cent, followed by a 6.4 per cent decline in 2021–22. Yet again, in FY23, it rebounded with 12.2 per cent growth, establishing a high base year.

Mittal added that various factors in H1FY24, such as erratic monsoons, low crop yields, and a delayed festival season, resulted in inconsistent buying patterns, impacting overall tractor demand. He noted that Sonalika Tractors is the only brand in the domestic market to register growth in H1FY24, while the overall industry experienced a decline.

As of September, ITL held a 12.95 per cent retail market share, according to data from the Federation of Automobile Dealers Associations of India.

In the first half of this year, M&M introduced a series of tractors and farm machinery from both the Mahindra and Swaraj brands. These

RETAIL SALES



1. The above numbers do not have figures from Telangana & Lakshadweep.
 2. Vehicle Retail Data has been collated as on October 6, in collaboration with Ministry of Road Transport & Highways, Government of India and has been gathered from 1,352 out of 1,440 RTOs.
- Source: Fada

launches included the Swaraj Target lightweight tractor, the new OJA range of lightweight tractors for India and key global markets, and an all-new range of Swaraj tractors in September. Additionally, M&M unveiled a new Swaraj Combine Harvester during H1. Sikka stressed that the tractor industry has seen significant investments and technological innovations in recent decades. However, there is still considerable ground to cover in terms of comprehensive farm mechanisation.

"Just to put this into perspective, while the overall level of farm mechanisation in India stands at about 40–45 per cent, it is still low compared to the US (95 per cent), Brazil (75 per cent), and China (57 per cent)," Sikka explained.

Mittal expects increased demand for tractor purchases with higher kharif acreage, an increase in the aggregate crop price index, and the ongoing festival season. He anticipates

that demand will rise in the lead-up to Diwali, Chhath Puja, Pongal, and the harvest season.

However, Shamsheer Dewan, senior vice-president and group head of corporate ratings at ICRA, expressed concern, stating, "After four consecutive normal monsoons, the monsoon precipitation in the current financial year has remained weak (a 6 per cent deviation from the long-period average until September 24, 2023). The temporal and spatial distribution of precipitation has also been uneven. A sub-par monsoon could impact kharif yields, and it remains a concern."

Meanwhile, YES Securities analyst Deep Shah, in a September report, noted that the "tractor industry would continue to witness healthy retail momentum in H2FY24E, given the healthy subsidy flow ahead of elections in multiple states in FY24E (such as Rajasthan, Madhya Pradesh, and Chhattisgarh; Karnataka — recently concluded; and Telangana)".

Sharekhan analysts also believed that tractor demand remained healthy, but they expected mid-single-digit growth in FY2024E due to the high base.

They stated, "We expect tractor sales volumes to remain healthy over the next couple of years, aided by healthy rural cash flows. Growth might moderate in the medium term due to a high base. We anticipate the rural economy to recover at a healthy rate due to the government's grounded initiatives for the agriculture and farming sectors, higher prices in mandis than MSP, and healthy reservoir levels."