

# Tractors

Industry Code (as per Stock Exchange): IN070202001'

November 2023

Overall Industry Risk Score: **14/20 | Favourable**

Sample Size: 16 Companies

Median Rating Value of sample size: A-

## Individual Parameters Contributing to the Score

**Demand & Supply Balance**



**16/20**

Moderate Demand

The Indian tractor industry has shown healthy growth on the back of steady growth in the agriculture sector since FY20, supported by a largely consistent monsoon. Further, the Government's focus on improving agricultural productivity and incomes has provided impetus to the industry. The usage of tractors for non-agricultural purposes (haulage and transportation) has also been on an increase, keeping pace with the growth in construction and infrastructure in the rural areas. Lastly, increasing labour costs in the sector, government policies like subsidy programmes and cost of financing also have a bearing on tractor demand.

FY23 had been a favourable year for the Indian tractor industry with production exceeding one million units for the first time and domestic sales touching a new peak. Total domestic tractor volumes grew by 12% YoY to 945,311 units in FY23 compared with 842,266 units in FY22 (CMIE). Exports moderated during FY23 and reported a marginal decline to 124,542 units compared with 128,636 units in the previous fiscal after a strong performance in FY22.

Domestic demand has been relatively subdued in the current fiscal on account of an irregular monsoon and the risks of El Nino phenomenon. Additionally, exports have continued to be under the weather due to the slowdown in global demand. During April-August 2023, a total of 413,989 tractors were sold which was 4.3 per cent lower compared to a year ago.

## Extent of Competition



12/20

Neutral

The domestic tractor industry is characterised by the presence of a few established players with a fairly long track record of operations - namely - Mahindra & Mahindra Ltd, International Tractors Ltd (Sonalika), Tractors & Farm Equipment Ltd (TAFE) and Escorts Kubota Ltd. Given the demand potential in the domestic market, several multinational players have made an entry over the last two decades such as John Deere and New Holland but their market shares are not yet significant. The risk of imports in this sector remain minimal.

## Regulatory Risk



16/20

Stable Regulatory environment

The large budgetary outlay for the development of the agricultural sector in India indicates strong regulatory support for the farm equipment sector. Subsidies are provided under different Central and State Government schemes for the purchase of tractors. The latest such scheme is the PM Kisan Tractor Scheme 2023 which is a component of the larger Pradhan Mantri Kisan Samman Nidhi (PM-KISAN) programme, which provides financial assistance to small and marginal farmers through subsidies ranging from 20% to 50% to purchase tractors, power tillers, and other agricultural equipment.

## Input Related Risk



12/20

Largely predictable supply of inputs from diversified sources

The farm equipment industry has an established ancillary base in India and the extent of imported components is limited. While the industry is vulnerable to the increase in prices of key raw materials such as steel, the strength of domestic demand and the structure of the domestic industry provides the ability to pass on input cost increases to a large extent. The established tractor players have moderately healthy operating margins.