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INDIAN TRACTOR INDUSTRY

Demand growth moderates in August 2026; monsoon outlook a key monitorable

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Highlights

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Wholesale volumes reported moderate growth of 6.5% YoY in August 2026, while retail volumes rose by 0.8% YoY, as the base effect shows the first signs of catching up following around a year-and-a-half of strong double-digit volume growth.

Following a robust rise of 23.5% YoY in FY2026, wholesale volume growth is likely to soften to 1-4% in FY2027 owing to a high base effect and the IMD's forecast of a below-normal monsoon.

- **Tractor demand remained moderate in August 2026:** Despite wholesale volume growth of 6.5% YoY, retail volume growth remained muted at 0.8% YoY in August 2026, primarily due to monsoon-related stress and a high base effect. Amidst expectation of unfavourable monsoon outlook and its impact on rural output, which may weigh on farm incomes and replacement demand, in addition to the high base of the previous year, to keep the growth momentum relatively subdued over the remainder of FY2027.
- **Below-normal rainfall forecasts in FY2027: :** The south-west monsoon has been deficient and uneven, fueled by the development of El Niño conditions, with cumulative rainfall deficit at 85% of LPA so far (till September 14, 2026). The IMD's first-stage Long Range Forecast (LRF) for the SW Monsoon in 2026 projects below-normal rainfall at 90% ± 4% of the Long Period Average (LPA), due to expected El Niño conditions. Recent IMD rainfall data also points to precipitation deficits across parts of South Peninsula, eastern India and northeastern India. Prolonged rainfall shortfalls could affect kharif crop production and farm incomes, thereby posing downside risks to tractor demand and sales.
- **Domestic wholesale volumes likely to record modest growth in FY2027:** As per the Third Advance Estimates released by MA&FW* in May 2026, total foodgrain production in AY2025-26 is estimated at a record 376.6 million tonnes, up 5.3% YoY, supported by higher output across key crops. While MSP* support and Government subsidies continue to underpin farm cash flows and tractor volumes, the risk of lower kharif acreage and a below-normal monsoon could weigh on industry growth with likely moderation to 1-4% in FY2027, given an elevated base.
- **Tractor original equipment manufacturers (OEMs) maintain strong credit profiles:** The margins of tractor manufacturers are likely to remain healthy, aided by operating leverage and stable raw material costs. Credit profiles of the manufacturers are expected to remain comfortable, supported by healthy profitability, low leverage and adequate liquidity.

**GST: Goods and Services Tax; IMD: India Meteorological Department; MA&FW: Ministry of Agriculture and Farmers' Welfare; MSP: Minimal Support Price*

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