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INDIAN TRACTOR INDUSTRY

Wholesale dispatches continued to decline in October 2026 amid subdued demand

NOVEMBER 2026

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Highlights

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Wholesale volumes declined by 16.6% YoY in October 2026, while retail volumes grew by 3.1% YoY. The wholesale volumes were impacted by high base of the last year along with lower sowing and uneven monsoons.

During April-October 2026, wholesale volumes grew 2.1% YoY, while the retail volumes grew 16.3% YoY.

Following a robust increase of 23.5% YoY in FY2026, wholesale volume growth is likely to soften to 1-4% in FY2027 owing to a high base and deficient rainfall in monsoon.

- **Tractor demand moderated in October 2026:** Wholesale volumes declined by 16.6% YoY in October 2026 owing to a high base of the corresponding period last year and the shift in the festive season to October this year from September in the previous year. Concerns over an uneven monsoon and lower kharif acreage, and their potential impact on farm incomes, also weighed on demand. During April-October 2026, wholesale volumes grew 2.1% YoY, while the retail volumes grew 16.3% YoY.

- **India received deficient rainfall in SW Monsoon season:** Cumulative rainfall during June-September 2026 Southwest Monsoon stood at 87% of the Long Period Average (LPA), the weakest since 2015 (86%). Rainfall was uneven through the season: June saw a sharp shortfall (65% of LPA), July was near-normal (101%), August was deficient (84%) and September stayed below normal (92%). On a spatial basis, rainfall was particularly weak in East and Northeast regions (74% of LPA) and the South Peninsula (76% of LPA), while the Northwest region recorded marginally below-normal rainfall (94% of LPA). Reservoir storage was 61.6% of capacity as on November 19, 2026, well below last year (88.9%) and the normal level (77.5%)

- **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* and Government subsidies continue to underpin farm cash flows and tractor volumes, the risks of lower kharif acreage and a below-normal monsoon are expected to weigh on the industry growth. ICRA expects the wholesale volume growth to soften to 1-4% in FY2027.

- **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: Minimum Support Price*

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