

Growth in tractor sales likely to continue next year

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The runaway growth in tractor sales this year is expected to continue through next financial year, according to senior executives from leading farm equipment and tractor manufacturers.

The executives are placing their expectations on strong fundamentals such as robust kharif crop sowing which will likely result in ample harvest, generating good cash flows for farmers. Government support in the form of procurement and spending on agriculture and rural economy along with high groundwater levels following abundant rains this year will also likely drive tractor demand.

In addition to agriculture, the rural economy also received a significant boost following the Centre's increased spending under the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) during



The tractor industry reported over 40% growth from the year earlier in the fiscal first half ended 30 September, M&M said. MINT

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Riding on the tailwinds, the tractor industry reported a more than 40% growth from the year earlier in the fiscal first half ended 30 September, according to market leader Mahindra and Mahindra Ltd (M&M).

"We continue to witness unprecedented retail demand for tractors on the back of several positive factors. Successive bumper rabi and kharif crop

harvest, coupled with timely procurement of crops, ensured seamless circulation of money in the rural economy," said Hemant Sikka, president, farm equipment sector, M&M.

He said that while the government continues to spend on boosting the farm sector and rural development, good monsoons this year led to higher reservoir levels and, as a result, rabi sowing is expected to be good as well.

"Farmers are a lot more confident as compared to last year which has led to positive rural sentiments," Sikka added.

Echoing similar sentiments, Bharat Madan, group chief financial officer at Faridabad-based tractor manufacturer Escorts Ltd, said; "Water levels in Maharashtra and southern markets are good due to strong rainfall this year. Therefore, the demand momentum for tractors should continue at least over the next 2-3 crop cycles. There should be no slowdown on demand."

Madan said, however, that the growth during the next fiscal year may not be as strong as the 40%

increase seen during the June and September quarters.

"We saw a robust pent-up demand for tractors this year as the market bounced back from a down cycle. Despite the fact that pent-up demand will be over, we are expecting tractors

to grow 10-15% YoY through the next year," Madan said in a recent interview.

Shamsher Dewan, vice president, corporate sector ratings, Icri Ltd, said initial kharif harvest and procurement data, primarily coming from Punjab and Haryana, was encouraging. "Procurement of kharif crop begins from October with Punjab and Haryana harvesting early. About 12 million tonnes of paddy is procured. This

Robust crop harvest, timely procurement will support demand momentum for tractors, say company execs

marks 13% YoY growth and minimum support price (MSP) is up 3%. This would translate in a 17% increase in farmers' income in October alone."

Dewan said that as on 20

November, kharif procurement stood at 29 million tonnes of paddy comprising 20 million tonnes from Punjab, 5.5 million tonnes from Haryana and 1.3 million tonnes and 900,000 tonnes from Uttar Pradesh and Uttarakhand, respectively.