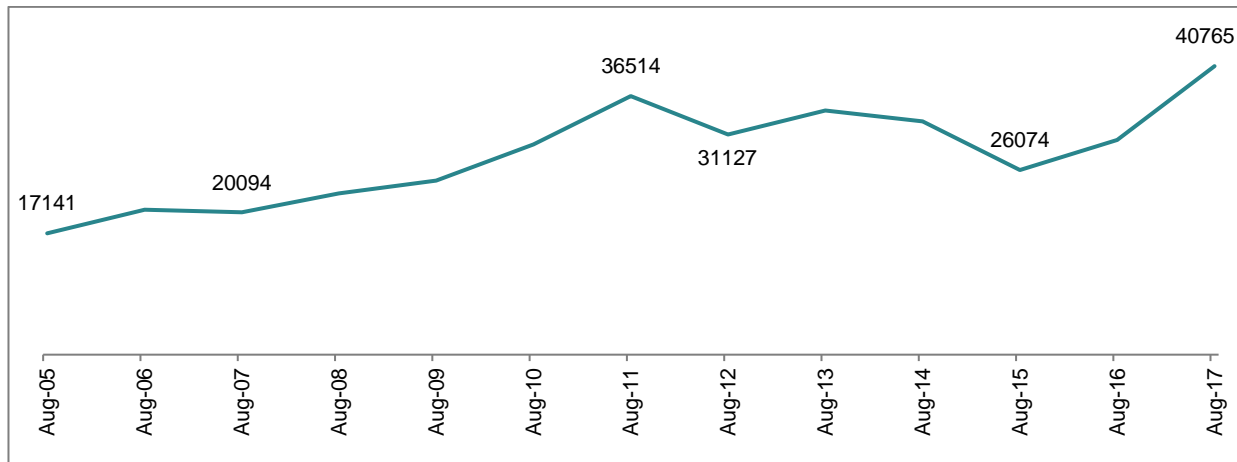


Tractor sales volume for the month of August at lifetime high

September 2017

Tractor sales in August reached 40,765 units, highest recorded numbers for August till date. Near normal monsoon (6% below Long Period Average, as on 13 Sep), and early advent of the festive season, led to a pick-up in the industry sentiments. A favorable start to the Kharif sowing season, on account of surplus rainfall till July, also helped in providing an upward momentum to tractor sales.

Tractor sales for August reaches lifetime high



Note: Numbers represent wholesale sales (OEM to Dealer) Source: CRISIL Research

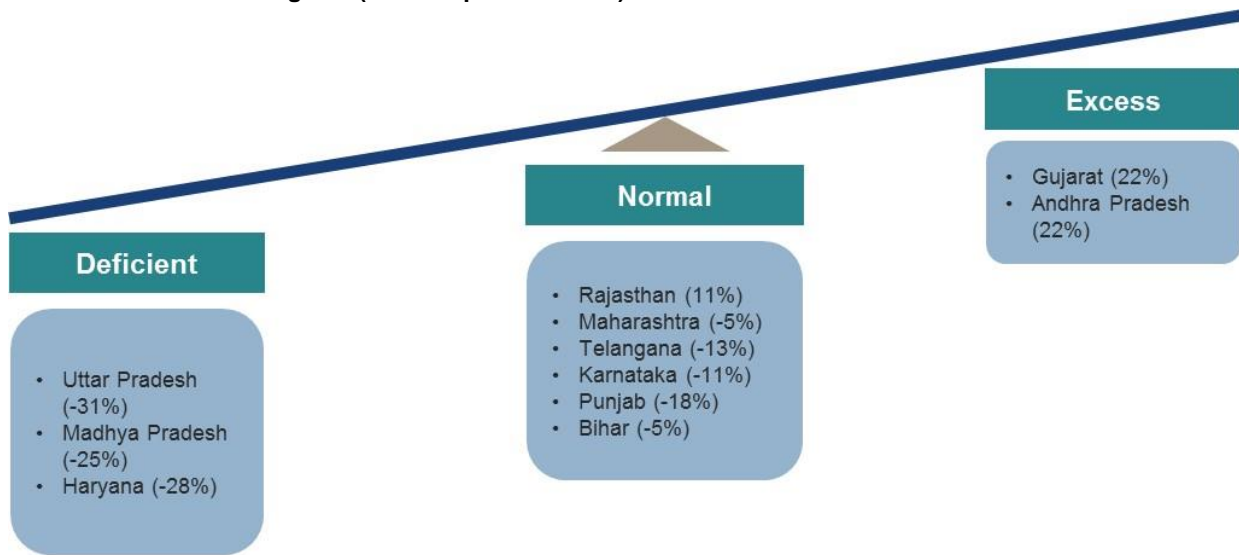
Strong pick-up in the month of August is on the back of positive farm output expectations, and early onset of Dussehra and Diwali, which has prompted OEMs (Original Equipment Manufacturers) to increase channel inventories.

The 2017-18 fiscal began with a consistent growth of 10-15% in tractor sales, mainly on the back of a strong Rabi harvest (8.5% growth over 2016-17) as favorable monsoon filled up the reservoirs, and a quick recovery from demonetization improved farm sentiments. The announcement of farm loan waivers in some key states (Uttar Pradesh, Maharashtra, Punjab, and Karnataka) also helped to push demand for tractors, as agri loan liabilities started reducing. CRISIL Research expects incremental demand from loan waivers to come mainly from UP, Maharashtra and Punjab, while the low monetary benefit in Karnataka would not impact tractor sales to a great extent in the state.

The pan-India growth from Apr-Aug is at 13%, however state-wise increase in sales has been uneven, with states in the southern and eastern region registering decline, mainly on account of a slowdown in commercial demand, and delay in release of subsidy for tractors. The government has clamped down on illegal mining, and there has been strict regulation, which has impacted demand. Some states in the southern region which are dependent on subsidy sales, have witnessed sharp de-growth, however a temporary burst in sales can be expected once subsidy gets released in bulk, and further support is also expected on account of festive season onset.

Despite monsoon slowing down in August, and subsequently pace of sowing also coming down, farm sentiments still remain marginally positive, and CRISIL Research expects a healthy growth of 11-13% in 2017-18 fiscal.

State-wise Monsoon Progress (till 13 September 2017)



The above states account for nearly 85% of tractor demand

Note: The figures in bracket represent state monsoon deviation from Long Period Average

Source: Indian Meteorological Department (IMD), CRISIL Research

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Last updated: April 2016

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