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## CE revival shall depend on the government spending

**H**ow do you see Atmanirbhar Bharat to impact your sector?

The Construction Equipment Industry in India evolved quite well post-independence. Both the private and public sectors have started offering construction equipment and users steadily embraced mechanization. While BEML was the public sector enterprise, several Indian business houses like Hindustan Motors, L&T, Tata and Escorts started manufacturing in India with the support of various global business partners in the 1970s and early 80s.

India is already one of the largest markets for construction equipment and it is expected to grow further. It contributes to about 12 per cent of the global demand for CE. Therefore, almost every global construction equipment company has a manufacturing presence in India. Some of the Indian-manufactured CE are also exported, which demonstrates high quality and reliability. Most of

the high volume CE already has more than 50 per cent indigenous content.

With the clarion call of 'Atmanirbhar Bharat' by Prime Minister Narendra Modi, the industry will work towards increasing this indigenous content with a focus on hydraulic components which requires high precision manufacturing. Many component manufacturers have already started setting up facilities in India and we are confident we will move faster in the direction of Atmanirbhar Bharat.

**In terms of your equipment range market dynamics, what will be the new state of affairs after 2020?**

The CE industry had a healthy average of CAGR 12 per cent over the last six years. However, Covid-19 severely impacted activities at all construction sites. Most of the projects were affected on account of the lockdown and the migrant workforce returning homes. With phased opening up of the lockdown, construction projects are gradually resuming. The stimulus package announced by the Central





Government too will revive the resumption of construction activities.

We have seen sales of CE picking up in July and August, which could be due to the pent-up demand. Though there are continued challenges and uncertainties, we do expect a real revival in demand from Q3, but the overall demand during FY2020-21 may contract by 20 per cent over FY2019-20. Hence, this year will be challenging and will be a year of survival.

The construction sector is the second largest employer in India after agriculture. It also contributes a large portion of the GDP – roughly about seven per cent. Govt is also focused on infra development. Hence, infra development is expected to be one of the prime beneficiaries of the revival plan by the government. We have already seen a positive flow of contract awards in the road sector by MoRTH. Hence, the key to CE revival shall depend on the Government spending on infrastructure development.

The savings from the crude prices are expected to be used for the road and urban infra development through the CRIF (Central Road and Infrastructure Fund). Also, the government is exploring several options to raise funds to make up for the lower tax collections. Hence,



we are confident that the government will take all steps to revive the Infra development which will restore normalcy in 2021.

L&T offers a comprehensive range of CE which includes excavators, dozers, motor graders from Komatsu and road machinery like compactors, wheel loaders, skid steer loader, asphalt pavers which have been developed fully in house. We also offer a variety of special attachments like rock breakers, piling attachments, slope compactors and crusher buckets.

**How the pandemic will catalyse the R&D for the development of future machines for this industry?**

The CE industry has come a long way globally. Most construction activities are now mechanized. But, with the difficulties faced during the lockdown and even now, we expect the pace of mechanization to increase significantly. While many CE are now equipped with onboard telematics and offer advanced health monitoring systems, we expect further developments from now on. Users are now keen to ensure visibility of their workspaces and monitor their worksites from their respective office spaces. The future is certainly going to be digital and we will see many technological solutions coming in.

**What kind of infrastructure upgrade initiatives should the government focus on to ensure the construction sector remains in robust health?**

The Government of India has already announced Rs 20 lakh crore economic stimulus package which will aid the revival. MoRTH has also achieved a higher pace of road construction activities under various agencies like NHAI, NHIDCL, PWDs under schemes like Bharatamala, Sagarmala, PMGSY, Chardham etc. over the previous year. Further, there is a huge National Infra Pipeline opportunity worth Rs 100 lakh crore to be completed by 2025. Hence, we are confident that if all these projects are implemented as assured, construction equipment demand will soon rebound and start growing.





### What are some of the products driving growth for your business in the current economic cycle?

Hydraulic excavators are the most sought after equipment in our stable, followed by vibratory compactors, wheel loaders, dozers and motor graders. Komatsu and L&T launched its latest generation 20-Ton class Hydraulic Excavator model PC210-10M0 during Excon in December 2019, which is a 'Truly Efficient' machine. It has been received very well by the customers who value high quality, long term reliability, durability and cost optimization. PC210-10M0 consumes up to 20 per cent lower fuel.

It also comes with a longer power train warranty, unmatched in the industry. This is a user-friendly machine with advanced telematics, digital features, strengthened undercarriage and reinforced structures. It also offers a high degree of safety for the operator.

Despite almost negligible sales in March to June due to lockdown, more than 500 numbers of PC210-10M0s have been delivered. We expect a strong pull for this model in the coming months. With increasing mechanization, we are also seeing robust demand for special attachments. We offer rock breakers from Komatsu and Rammer, piling hammers from Movax. We have indigenously developed slope compactors and crusher buckets.

Further, with the utilisation of machines going up, we see robust growth of sales of spare parts. Many customers are also looking at overhauling their existing machines to ensure that the new CAPEX can be temporarily deferred.



### What are the equipment financing options and technology support you have made available for your customers during Covid-19 period?

More than 95 per cent of CE customers need finance. Post IL&FS financial crisis, most NBFCs and banks have been extremely cautious in lending, this tendency has been aggravated further by Covid-19. Hence, finance continues to be a key challenge. We have tied up with major banks and NBFCs who are in CE Finance space, to support our customers with easy finance options during these challenging times, under 'Suvidha Finance Scheme'.

As the name suggests, this scheme is aimed at the convenience of our customers, including repayment holidays, longer tenure, higher funding and lower interest rates. All these are aimed at encouraging customers to come forth and procure machinery to meet their project execution needs.

On the technology front, as mentioned earlier, the construction equipment industry has embraced telematics and digitalization with full vigour. Today,

most CE models incorporate digital tools in some form. Premium class equipment like Komatsu and L&T have a sophisticated and advanced health monitoring system that allows both the manufacturers and users track almost all performance parameters remotely online.

For example, Komatsu Hydraulic Excavators have their patented machine tracking system called KOMTRAX. It provides maintenance cautions, periodic alerts, self-diagnostic abilities, eco guidance and idle/working load measurement, utilization and fuel consumption data to help improve operator efficiency, automatic record-keeping and daily reports all of which help customers plan parts inventory, service requirement, optimize fleet management and enhance machine efficiency. Preventive repairs and maintenance based on diagnostics help take appropriate action to reduce downtime. Overall, ICT and digital technologies help reduce the operating cost and increase the productivity of CE.

Similarly, machines like motor graders are being digitalized using 3D levelling and grading systems which make the machines completely autonomous, reduce waste, improve quality and productivity. L&T is rapidly adopting newer technology-integrated equipment and digitalizing the entire process end to end. ■

