

# New Building Materials<sup>©</sup> & Construction World

# NBM & CW

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# Anniversary

## Construction Industry in Revival Mode

### Economic Disruptions, Growth Prospects, and the Way Forward

**MANITOU** Performance, Versatility, Safety... Be Manitou!



## Larsen & Toubro

### Arvind K. Garg, Executive Vice-President & Head - Construction & Mining Machinery

L&T Construction Machinery has taken a significant step towards 'Make in India' mission. Our range of wheel loaders and vibratory compactors are fully designed, developed and manufactured in-house with over 80% localisation of parts and components. These machines are contemporary in design and compare very well with global models. About 3000 units of these indigenous loaders and compactors are working in India today, besides exports to neighbouring countries - Nepal and Bhutan.

**Covid-19 has brought many challenges for the CE Industry in addition to the sluggish demand experienced in the last fiscal year. A revival will depend on many factors such as workers and operators returning to work post-lockdown, lending from financiers, construction activities gaining pace, and release of payments by the authorities to infrastructure firms.**

The Government has already announced a ₹100 lakh crore National Infrastructure Pipeline to be completed by 2025. MoRTH and NHA have assured award of 4500 km highway construction contracts during the year. RBI too has intervened with various monetary policy measures – these should translate into demand pick-up through the year. While demand

for Construction Equipment may remain subdued in the next 2-3 quarters, in my opinion, the Government's focus on infrastructure development, providing employment opportunities and other steps to boost economic activities will result in a gradual recovery. However, there would be contraction in the overall annual demand for CE during this fiscal as well, and we will have to prepare for that eventuality.

**If the Government could accelerate award of contracts and also take steps for early release of payments that are due to contractors, it would help rebuild confidence in the sector.**

The economic stimulus package announced by the Government of India is largely focussed on providing adequate capital at lower cost and higher liquidity

to the Industry. It also includes six months moratorium on EMIs. These are welcome steps and will help in restarting the economy post-lockdown. Many vendors and dealers, who form an important link in the supply chain, would have faced difficulties without these initiatives.

However, it would be helpful if the Government could also accelerate award of contracts to boost the infra construction activity and also take steps for the early release of payments that are due to contractors – this would help rebuild confidence in the sector. While the Government of India has already announced the National Infrastructure Pipeline Project, we do hope that these infra projects will receive funding in time from the Government. Earlier, there have been issues relating to land acquisition and environment clearances which have delayed project execution and escalated the project cost. These need to be addressed to ensure that the projects are moving ahead as planned.

**There is a need to overcome the challenge of institutional risk aversion in lending.**

More than 95% of Construction Equipment is financed by banks and NBFCs; hence, availability of finance to customers will be the key to revival of CE demand. We are working closely with our finance partners and customers in order to address their concerns on an ongoing basis. Credit appraisal by finance companies has become stringent, which is good, since money will



flow to disciplined and capable customers. However, there is a need to overcome the challenge of institutional risk aversion in lending. While Government of India has taken measures to ease credit availability, we continue to witness a great amount of caution among financial institutions, which is the biggest challenge being faced by the CE industry. Transmission of lower rate of interest to the end-customers will help to ease the situation. Another issue facing the Industry will be the availability of skilled workers. This could be addressed by close coordination between Government and employers to ensure that the workers regain confidence and feel safe to return to the worksites.

**With the new equipment demand likely to be subdued for some time, we expect utilization of the existing machine population to be stepped up. As machines are becoming operational, our teams at L&T are ensuring prompt supply of parts and service.**

Along with our principals, Komatsu and Scania, we are committed to customer care 24/7. We remain focused on after-sales support by extending service and supplying parts across India wherever machines are operational. Our dealers too have been fully supportive and committed in the field. All our service centres are operational pan-India. We are also focusing on skill development amongst our customer staff as well as society. Our service centres are accredited by NSDC and conduct regular training programmes under PMKVY. We will scale this up to meet the shortage of skilled personnel in the industry, post Covid.

As machines are becoming operational, our teams are extending all possible support to ensure prompt supply of parts and service.



We are also relying on digital solutions to share visibility of machine operations with the finance companies to help them in taking quicker and well-informed decisions on funding.

**Since the last few years, almost 40% of the demand for new equipment is stemming from the Road Sector. Increased mechanization and using best-in-class equipment will help deliver safe, serviceable, and sustainable roads.**

Roads and Highway construction is a major driver in the infrastructure link, and it brings together a spectrum of technologies, equipment and skilled labour to revive the economy. The Government considers the road network as critical to the country's development, social integration, and security needs of the country. Their vision to increase the construction of highways from 30 km per day to 60 km road per day can only be realized by accelerating mechanization and using the best-in-class equipment to deliver safe, serviceable, and sustainable roads.

The rebooting of the road sector post-lockdown is expected to generate employment, revive demand for material and equipment; it will open up employment for migrant workers in a big way and absorb equipment lying idle in various projects across the country.

**Telematics and other intelligent technologies enable higher efficiency and productivity of equipment as well as reducing lifecycle cost. These digital initiatives are being welcomed by Infra companies and contractors too are keen on these models.**

Increased pace of highway construction is expected to give a boost to the contracting demand for construction equipment.

MoRTH has been promoting the use of advanced technologies in road construction. For example, use of telematics is visible in various spheres of the road construction activity. Almost all models of excavators come with remote monitoring systems. Komatsu has its own patented system called Komtrax, which facilitates on-line performance analysis and machine health monitoring.

Similarly, L&T compactors come with DigiEye and the option of being fitted with Intelligent Compaction System (ICS). This helps the operator to determine when the required density has been achieved and compaction is complete. ICS also increases speed and reduces time required for supervising and inspecting the compacted areas. Telematics and other intelligent technologies enable increase efficiency and productivity of equipment as well as reduce lifecycle cost. These digital initiatives are being welcomed by Infra companies and we have several contractors keen to procure these models.

**With the Government of India now maintaining a sustained pace in infrastructure projects, we expect the demand for construction equipment to stabilise and grow year-on-year.**

Almost all global brands in Construction Equipment have manufacturing plants in India. Their indigenous content in high-volume products viz., Backhoe Loaders, Hydraulic Excavators, Wheel Loaders, and Vibratory Compactors is well above 50%. Some critical components of Power Train continue to be imported. I am sure, as the demand grows and volumes increase, these components would also be indigenised.

CE demand growth in India has often been compared with that of China's, where the CE industry grew exponentially by riding on the relentless spend on Construction and Infrastructure building activities promoted by the People's Republic of China for over two decades and continuing even now.

The Government is also promoting export worthiness and competitiveness in a big way. Sustained demand in India, coupled with export opportunities should help the component industry to attract technological partnerships, enhance capabilities, and build scale for high-quality import substitution.