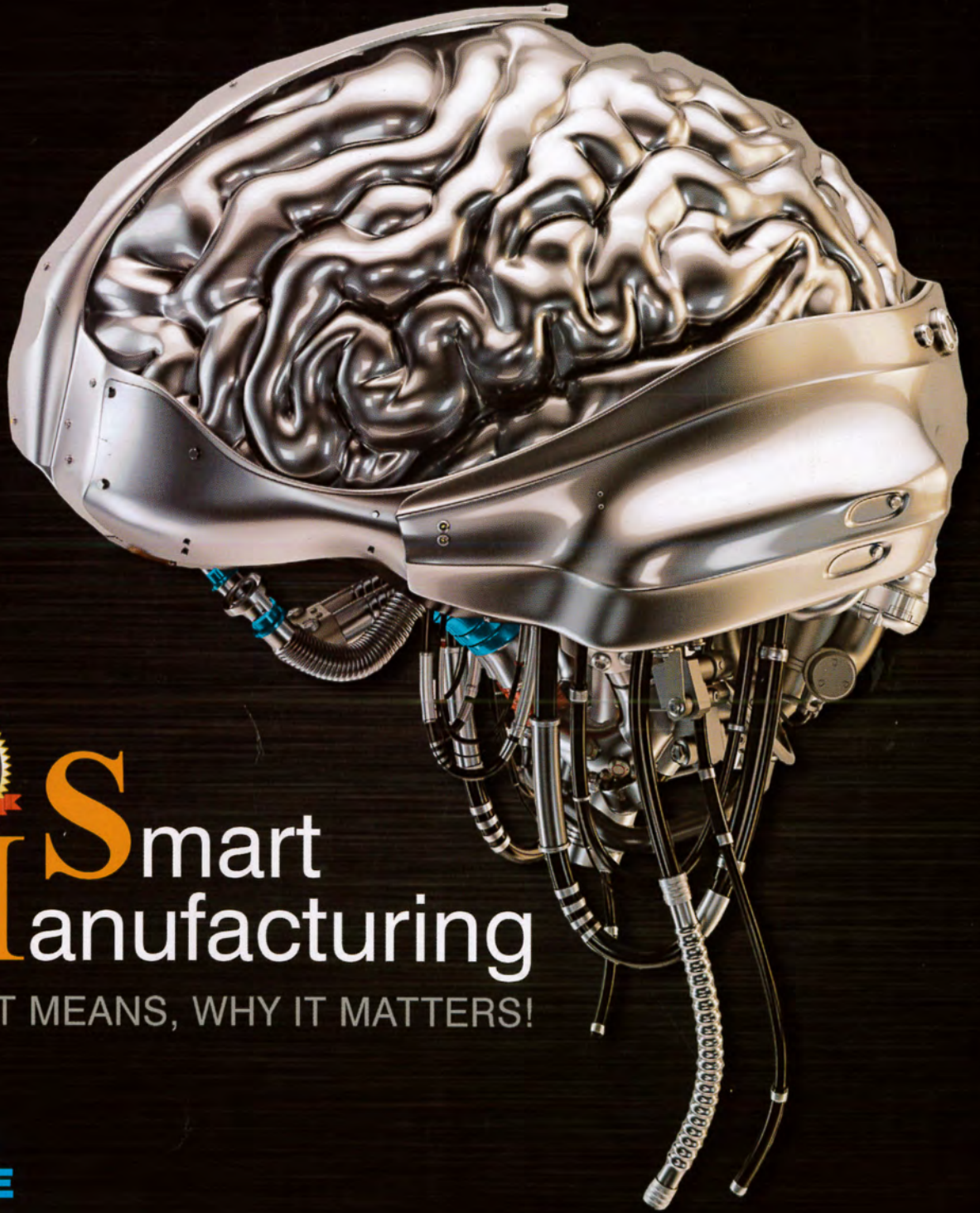


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MS Smart Manufacturing

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INSIDE

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Indian Construction Equipment Manufacturers' Association





India is now one of the largest markets globally for CE and manufacturing in India comes with a distinct cost advantage.

VIVEK HAJELA

Vice-President & Head, Construction Equipment Business, Larsen & Toubro

How do you assess the growth prospects of the CE industry as a whole, in terms of finance and investments?

The Government of India's focus on Infra development has led to a strong demand growth for Construction Equipment.

As a result, the domestic Construction Equipment industry is likely to cross the 1 lakh mark next year. This would translate into a 9% CAGR over the past 10 years. India is now one of the largest markets globally for Construction Equipment and contributes to about 14% of the global demand for CE in volumes. Also manufacturing in India comes with a distinct cost advantage. This means that there is a huge potential for enhancing exports of CE from India. Today, more than 10% of the domestic production is exported mostly to the neighboring countries. But there is still a large scope for exports.

A focused approach and a supportive ecosystem should help in expanding exports to make India an export hub not only for Construction Equipment, but for high-quality CE components as well.

What do you think is the current status of the industry in terms of investments for training and up-skilling of talents?

The Infrastructure Equipment Skill Council (IESC) promoted by ICEMA-CII and funded by the NSDC operates under the aegis of the Ministry of Skill Development & Entrepreneurship (MSDE), Government of India, and is the apex body for spearheading the skilling of workforce in the Infrastructure Equipment Sector.

The Council has developed 39 job roles covering over 80% of the workforce involved in CE operations. It has nurtured 63 Training Partners, a majority, of who are OEMs and trained over 50,000 persons. IESC also helps in support services such as curriculum, faculty training, academic standards, quality assurance, technology platforms and student placement.

The industry has proposed to the Government to bring in regulation to make use of certified operators mandatory for operating Construction Equipment. This will ensure the equipment are operated with safety & maintained as per standards. It can be done in a phased manner so that training infrastructure can be developed to meet the demand of certified skilled operators.

What are your expectations from the government in terms of investment, policy changes for Construction Equipment sector?

The Govt of India and various State Governments must continue their focus on Infrastructure development. The National Infrastructure Pipeline with over 7400 Projects valued at over Rs. 111 L Cr is seen as a key growth driver. Several new tenders and work awards were seen even during the tough situation across sectors namely- Roads & Highways, Irrigation,





Railways, Water management, Smart cities etc. NABFID Bill 2021 will pave the way for setting up of a government-owned DFI to fund infra projects. The tax benefits proposed will be a great enabler for fund raising. This is to be set up with a corpus of Rs 20,000 crore which will ease financing issues.

The Central Government has awarded 140% higher road projects in FY 2021 and ensured several large contract awards during the pandemic. NHRCL has awarded the largest-ever EPC contract in India valued at Rs 25,000 Crore for one of the packages for construction of infrastructure for the High Speed Rail network. The work orders and contracts are being signed quickly after opening of bids. These factors have helped in healthy growth of the demand for Construction Equipment. This portends to an overall growth of the Construction Equipment industry anywhere between 10-15% in the medium term.

How can investment be boosted from the private sector and how it can be pooled together?

In FY21, infrastructure development activities accounted for 13% share of the total FDI inflows of US\$ 81.72 billion. This is gradually improving after a slow down. Infrastructure projects have long-duration profitability cycles. The Govt needs to provide stable revenue flow assurances and provide long terms policy stability assurances, possibly secured by law. Private investments should also have a contingency plan to provide for mid-course corrections /support considering several aspects like risk and revenue sharing. Given the complexity surrounding the creation of infra projects, and the difficulty in predicting the stability of revenue flows over long

periods of time, government should have a proper assurance mechanism to support the investor in case things go wrong not because of the investor's mistakes.

Such assurances on returns will encourage the private investors to go aggressive on investments for infra development.

What are the challenges related to investment scenario for Construction Equipment sector?

The CE industry has had several swings in demand over the past 10 years. There have been downturns in 2013, 2014, 2019, 2020 and also sharp upturns in the other years. If such uncertainty didn't exist, probably there would be a higher investment in CE sector in India.

Also, the Construction Equipment industry still has a fair amount of dependence on the import of components, spare parts and even completely built units (CBU). Supply chain issues during pandemic, specially related to imports has exposed industry's vulnerability.

Imported components present three key challenges -

- Higher lead times
- Import cost fluctuations due to exchange rate parity
- Lower ease of service

Hence, in line with the Atmanirbhar Bharat mission, indigenization and local manufacturing need to be given a boost.

The challenge lies in attracting hydraulics and electronics component manufacturers to set up factories in India. Government needs to ensure there is clear visibility of domestic CE demand growth and should also develop ecosystem to attract global component manufacturers set up manufacturing base in India. **EI**

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