

# Construction equipment makers ride on infra growth

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Buoyed by the uptick in road infrastructure, mining and irrigation projects, construction equipment makers in India are planning to ramp up capacities and roll out new products.

A rapid pick up in road construction projects has boded well for the construction equipment market which went through a rough patch in 2015.

In 2017-18, the National Highways Authority of India (NHAI) awarded 7,400 km of road projects, valued at ₹1.2 trillion. This is an all-time high. In fiscal 2018, 28 km of roads were constructed every day. This is more than double of what was

done in 2014.

Take the case of Tata Hitachi Construction Equipment, the largest manufacturer of road excavators. The local arm of the Japanese manufacturer plans to increase its capacity to 12,000 units per annum by year-end from the current 10,000 units per annum at its plants in Karnataka and West Bengal, said Sandeep Singh, managing director, Tata Hitachi. Hitachi, which controls 40 per cent in its joint venture with Tata Motors, is set to buy out the stake of the latter as part of Tata Motors' plan to exit non-core businesses.

Officials at the construction equipment firms expect their industry to expand at a compounded annual rate of 10 per



STEAMROLLING AHEAD

■ India's construction equipment (CE) industry estimated to grow at a CAGR of 10% till 2021-22

■ Sales volumes of CE expected to grow to 120,000 units by 2021-22 from 76,000 units in 2016-17

■ Estimated to reach \$10.5 billion from \$5.8 billion in value terms, respectively

Source: Feedback Business Consulting

cent till 2022. While most companies are expecting a good growth over the next three years, they cautioned that growth

may slow down after the general elections. Binaifer Jehani, director of CRISIL Research, said demand for backhoe load-

ers and excavators which comprise bulk of the construction equipment industry, increased by 20 per cent in calendar year 2017 and is expected to clock higher growth this year. "With an increased focus towards executing projects within stricter deadlines, the excavator segment has reported a higher growth as construction companies are shifting to excavators from backhoe loaders for improved efficiency," she said.

JCB, a market leader in backhoe loaders, sold a record 30,000 machines in 2017, up 10 per cent over last year and remains very optimistic in its outlook. "The momentum has continued with a strong first half of the year," said Vipin Sondhi,

managing director and chief executive at JCB. Sondhi expects industry volumes to grow to 1,20,000 units by 2021-22 from 76,000 units 2016-17 and reach \$10.5 billion from \$5.8 billion in value terms, respectively.

Arvind K Garg, executive vice-president and head of construction and mining machinery business at Larsen & Toubro, who is also president of the industry body Indian Construction Equipment Manufacturer's Association, pointed out that since most projects are awarded under engineering procurement and construction mode (EPC) or hybrid annuity, tenders being floated after land acquisition and construction has gained pace.