



## "Establishing, Nurturing & Guiding To Bloom: The Construction Rental Market In The Country"

*Mr. Hemant Pincha, CEO, Quippo Energy Rental & Construction Equipment Rental, gives an insight into their journey from birth to bloom of construction equipment, energy, & mining rental business in India.*

Let me begin with an overview of global market and evolution of rental business.

Equipment rental penetration was as low as 5% in 1990 in North America which grew to 40% in 2007. This is expected to grow to about 50% by 2015. There has been significant growth in the revenue from \$ 7 billion to around \$ 37 billion in 2007. Business presents a time utilization to 64.5-72.4% and dollar utilization in excess of 50% for a wide



range of equipment. Most rental companies sell used equipment along with new merchandise too in addition to rental product. Europe is also a matured rental market. Japan has a rental penetration of 80% with China somewhere in excess of 20%. Rental business grew around mom and pop shops. Largest American company United Rentals posted revenue of \$2.63 billion which is about 7% of the total revenue of the US Rental market. Clearly, large market is being served by hundreds of owner driven smaller entities. They bring in ownership and service culture. 2008 will be a difficult year for North America with pressure on rental rates while Asia region will grow.

India will mirror similar trend with 5% rental penetration today. Clearly, market is at the bottom of product life cycle thus offering exciting opportunities over a longer term. Indian infrastructure sector is on a spin with investments to touch \$ 350b in the next five years. At present the infrastructure equipment capital market in the country is

estimated at \$3.5 b. The increasing inflows in the infrastructure market will double the equipment market size to reach US \$7- 7.5 b by 2010. This is also an indicator of growing equipment market while rental market will grow at an accelerated rate.

### Benefits Of A Rental Solution

There are inherent benefits of rental approach. When you work on spreadsheet using financial models, you tend to see buying more attractive over renting with treatment of depreciation. Reality is quite different. Look at the environment and situations.

- (a) Lead times of delivery of equipment are high
- (b) Sites change not merely from one location to other within the country but many construction companies are going overseas
- (c) Mechanization is throwing single biggest challenge with demand for higher productivity machines
- (d) You need to create a full fledged asset department to manage entire cycle starting from procurement of machines to locating parts with well oiled preventive maintenance programme
- (e) You need storage space and skills to preserve assets that are idling
- (f) Manpower is a biggest challenge while skilled manpower is almost scarce today
- (g) Operating gearing is something that cannot be overlooked and it is prudent to be low on fixed assets.



(h) Risks with respect to owning of large assets cannot be undermined from various areas like accident, people issues, insurance, capex, obsolescence, logistic issues and inconsistent tax laws

### Quippo Vision Materialising

Quippo offers to take away most of these discomforts by way of offering rental solution. Right from earth moving equipment, road machinery, concrete pumping, soil improvement, material handling, Quippo offers a one stop solution to meet your project needs over its entire cycle. "To rent or not to rent" has always occupied minds of decision makers. Gradually this "buy" mindset is being replaced by "rent" thinking and more people are recognizing benefits. On a national scale with a professional outlook backed by technology and vision of being a world leader, Quippo started this journey as India's first Equipment rental company few years back.

### Mining Rental - New Focus Area From Quippo

Mining rental is new to India. Essentially driven by demand-supply gap for mining equipment, it is beginning to take shape here. Globally the mining industry is in a boom and major manufacturers are tight on production allocation

leading to specific products touching 15-24 months delivery lead time. Mining equipment rental touches 3 primary areas, namely:

- startup filler (wherein the rental equipment kicks starts the mining operation till the new equipment arrive)
- production boosters (wherein the rental equipment helps to maintain production target in case of shortfalls due to either of productivity mismatch or higher downtime)
- core rental (wherein the contractor or customer has a short contract, up to 2-3 yrs, in an attempt to increase output as sought by their client)

### Roadmap Of A Thriving Rental Business

This is a business where sites assume single most important area where customers, site administration, asset quality and maintenance programme, skills of crew get tested. You need support in the shape of right infrastructure for repair; application orientated sales team, technology back end, dedicated vendors, selection of right asset and ongoing training programme. When all these cylinders fire in a sequential order by a team that has passion, customers begin to see benefit. Quippo, conscious of these facts and certainly with its obligation to market, is steadily taking steps to emerge as a rental powerhouse.

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Bar Cutting Machine

Machine Models	S32	S40	S32
Maximum Rebar Diameter (mm)	32 <sup>2)</sup>	42 <sup>2)</sup>	52 <sup>2)</sup>
Cuts/min (rpm)	40	30	15-20
Motor Rating (hp)	3.00	4.00	12.80
Net Weight (kgs)	400	690	852

1) Depending on bar size

2) 500 kg/cm<sup>2</sup>

Machine Models	B32	B40	B32
Maximum Rebar Diameter (mm)	32 <sup>2)</sup>	42 <sup>2)</sup>	55 <sup>2)</sup>
Turntable Speed (rpm)	8	6	5
Motor Rating (hp)	3.00	5.00	7.5
Net Weight (kgs)	500	550	1245

1) Depending on bar size

2) 500 kg/cm<sup>2</sup>

Bar Bending Machine



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### Awards Achieved...

- Dr. Vikram Sarabhai Young Scientist Award, (11-05-2001) by Honourable Chief Minister Shri Kesubhai Patel, Ahmedabad.
- National Innovation Foundation Award, (29-12-2001) by Honourable Shri K. C. Punt, New Delhi.
- Century International Quality Era Award, (01-07-2002) by President of B.I.D. Geneva, Switzerland.

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