

Construction Equipment Rental

But not all companies can afford to invest in construction equipment, or have the time or the wherewithal to do so. In 1999, SREI International Finance Ltd, a leading non-banking financial institution focussing on the financing of construction equipment and infrastructure projects (with the assistance of the Construction Industry Development Council), established the Indian Infrastructure Equipment Ltd (IIEL). IIEL, with its brand, 'Quipo', established the concept of equipment service provider (ESP) in India. Quipo is an end-to-end equipment rental company, providing state-of-the-art equipment to clients, who can focus on their core competence. IIEL's partners include foreign investors like FMO, Netherlands, an institution promoted jointly by the



Dutch government and private banks, and Swedfund International AB, a Swedish government organisation.

Says Sunil Kanoria, chairman and managing director, Quipo Infrastructure Equipment Ltd: "Quipo is a pioneering effort in developing equipment rental businesses in India. The response to Quipo therefore, is decidedly upbeat. A number of key infrastructure development and construction companies have started resorting to hiring a number of heavy-duty equipment to meet their requirements".

Kanoria is bullish about the prospects for the construction equipment sector in India. The \$320 billion likely to be invested in the infrastructure sector over the next five to 10 years - in power, roads, bridges, city infrastructure, ports, airports, telecommunications - would provide a huge boost to the construction industry as a whole, he says. "The huge expansion in infrastructure development activities will undoubtedly foster the need for rapid advancements in

construction technologies, which in turn will drive joint ventures with the more technologically advanced companies in the developed countries", points out Kanoria. All sectors in the infrastructure space are seeing exponential growth rates. While domestic requirement is driving the growth rates in the construction equipment industry, exports today are relatively low, avers Kanoria. "However, factors such as increase in manufacturing outsourcing to low cost countries and improvement in technology and product range are expected to boost exports in the foreseeable future", he adds.

India's construction equipment sector has a market size of \$2 billion, a fraction of the global market of over \$75 billion. But the global industry is growing at a measly 5%, whereas in India growth averages around 30 per cent annually.

Joint Ventures And Tie-Ups

The opening up of the Indian economy and the booming infrastructure and real estate sectors attracted international giants including JCB, Volvo, Terex, Caterpillar and Hitachi. There are about 200 domestic manufacturers (small, medium and large).

Terex Corporation of the US floated a joint venture with the UK's Vectra Ltd, an NRI group, to set up Terex Vectra Equipment. The company has invested about \$12 million in a facility in Greater Noida to produce backhoe loaders, skid steer loaders, vibratory compactors and midi excavators.

Terex and Vectra also acquired the 150-year-old Czech heavy truck maker Tatra, and established Tatra Trucks India Ltd at Hosur in Tamil Nadu, for manufacturing high-capacity mining tipper trucks. R.K. Rishi, who owns the Vectra group, recently acquired full control of Tatra A.S., from Terex, together with some private equity investors.

The Tatas, India's premier industrial group, also have a significant presence in the construction equipment business. Telco Construction Equipment Company (Telcon), the largest manufacturer of hydraulic excavators in India, is a joint venture with Japan's Hitachi Construction Machinery Company. Hitachi last year doubled its stake in the joint venture to 40%, paying Tata Motors \$44 million for the additional 20% stake. Hitachi's move reflects its confidence in the fast-growing market in India. The Japanese giant wants to make Telcon 'a global manufacturing and design hub'. The company has manufacturing facilities in Jamshedpur and Dharwad.