

# Derisking technology obsolescence

**Sunil Kanoria**, vice-chairman and managing director, Quipo Infrastructure Equipment, and director, SREI Infrastructure Finance, speaks about the concept of construction and infrastructure equipment rentals

**Your company has pioneered the business of equipment renting in the country. What are the advantages of renting?**

Renting of construction and infrastructure equipment is a relatively new concept in India. In our country, there is a tendency to own assets. It was somehow imbedded in our psyche that owning an asset is a mark of prestige. However, that mindset is changing slowly. People are waking up to the economics of renting and realising how cost-effective renting as a practice could be. Developers, contractors, sub-contractors who are taking up infrastructure projects are gradually realising that owning equipment for the period of the project-life makes more sense than owning it for the entire life of the equipment. Renting also mitigates the risk of technology obsolescence.

Quipo as an equipment bank has played a vital role in promoting the concept of renting of equipment in the country. Small and medium scale infrastructure players can take equipment on rent for limited periods of use from the equipment bank. This also ensures optimal use of the equipment over its life period. Equipment bank also relieves the user from the operation and maintenance aspects of the equipment. Trained personnel with specialised skills are there to handle these tasks.

**Rental business in India is still at an early stage. What is the future of this**

**business in India?**

Yes, the rental business is still at a nascent phase. Globally, the organised equipment rental business has played an important role in the growth of the construction industry. However, with government's focus on infrastructure creation and the immense opportunities that are unfolding in the various infrastructure sectors, I foresee hectic construction activities in India for several years to come. Keeping in mind the inherent advantages of renting, I am sure renting will become immensely popular in India over the next few years. The size of the renting market will certainly multiply manifold.

**What are the changes required to stimulate the rental and financing business further?**

While contractors and developers are waking up to the benefits of renting, our policy makers also need to be educated about the advantages. The rental industry is yet to mature in India. There is lack of awareness. The same holds true for financial instruments like leasing and hire-purchase. Leasing has been the most potent form of capital formation worldwide. But in India lack of awareness about its efficacy has led to multiple taxation and thus hindering the whole process.

Equipment need to be re-deployed at different project sites in different states from time to time. Restrictions on interstate movement of equipment are a major impediment to the growth of the

rental industry. Many a time repossession of assets becomes problematic due to legal issues. For an infrastructure-deficit nation like India, instruments like renting and leasing need to be promoted.

**How do you see rental business shaping up in future?**

Gradually, large players will enter this business. More number of players augurs well for the development of this business. This will expedite the reform process and also lead to healthy competition. The end users will be the ultimate beneficiaries.

**How is SREI as a group doing in rental and financing of equipment?**

The SREI Group started off as a niche player in the infrastructure equipment financing segment. But over the years, we have scaled up our operations and expanded our area of business. While financing equipment, we realised that our customers need value-added services. This prompted us to enter several uncharted territories. We started providing a bouquet of financial services to our customers like insurance broking, venture capital funding, advisory services, capital market, etc.

We noticed that small contractors aspire to grow into big developers one day and started partnering them and, in the process, entered into project financing. The Quipo equipment bank has pioneered the rental business. We also provide plant and machinery valuation services and help in disposal of used equipment through auctions. Today we strive to emerge as a holistic player in the field of infrastructure financing.