

Equipment sharing anyone?

The construction equipment rental market can achieve greater heights if only the regulators and the government clear the bottlenecks the industry is facing.

The booming Indian economy today is indicating a remarkable impact on the world map, creating an aura of being called as a developed nation in the times to come. This boom in economy has resulted in opportunities for makeover of many such industries which are prominently mobilizing country's growth and among them stands the construction equipment rental industry.

Though the industry is at a nascent stage and unorganized with a total space of meager seven percent of the complete construction equipment industry as compared to 35 percent in China, 65 percent in USA and 80 percent in Japan, the sector is now experiencing a facelift and eyes a significant stand in the capital intensive infrastructure industry.

If we take a look at the statistics, we realize that the coming five years will witness investment in Indian infrastructure sector to the tune of US\$350-billion. Presently, construction equipment industry in India (2006-07) is \$3.5-billion and expected to double at approximately \$7.0-7.5-billion by FY 2009-10. Out of this, the rental equipment share percentage is expected to get tripled to 21 percent by FY 2009-10. This growth prospect is significant.

In fact both, public and private sectors, working in partnership and collaboration with development agencies, are expected to bring about this significant and sustainable improvements in India's infrastructure. Of the total investment requirement of

Rs14,560-billion, 44 percent is expected from public-private-partnership.

The sector has received major impetus from the government ever since liberalization has swept the country. The government has eased on various policy regulations thereby giving enough leverage to the private players. The government has recognized the significant role of the private partnership and this is very encouraging for the equipment rental industry. However, there are various policy issues and lacunae, which are hindering the growth of the sector.

While this boom in the business of infrastructure growth, realty expansion including, is here to stay, there are certain issues which have to be addressed to ease the operations of this new business segment. One big problem is the logistics. Unfortunately even after initiation of globalization, Indian economy remains fragmented largely due to different states adopting different rules governing RTO, taxes and Octroi. There is a variation in the manner in which equipment is classified. Some of the rules are almost ancient. Smooth operation of pan-Indian equipment rental is possible only when the rules are uniform and there is no roadblock for inter-state movement of the equipment. The result is a special requirement for equipment bank in every state. The state governments are taking active participation to push for uniformity of taxes and octroi especially for the rural road works. But, this is taking time and



SUNIL KANORIA

VICE CHAIRMAN AND MANAGING DIRECTOR
QUIPPO INFRASTRUCTURE EQUIPMENT LTD.

inter-state movement is becoming an issue.

The equipment rental company does not get any custom duty benefits by importing the equipment even though they are assisting in the infrastructure development of the nation. Import duty exemption on 21 types of road construction equipment as listed in List 18 (Sec. 230 of the table) under custom notification No.21/2002 dated 1st March 2002, is allowed on payment of NIL import duty/ additional duty/ countervailing duty, provided the goods are imported by:

- a) the ministry of surface transport; or
- b) (i) a person who has been awarded a contract; Or
(ii) a person who has been named as a sub-contractor in the contract, for the purpose of construction of roads in India by or on behalf of the ministry of surface transport, by the National Highway Authority of India, by the public works department of a state government or by a road construction corporation under the control of the government of a state or union territory.

If this facility to import road construction equipment as mentioned in the notification is also extended to the IEBs, there will not be any loss of revenue to the government. Rather, the long-term benefits to the economy will only increase. Thus, the government should not discriminate among parties regarding exemption of import duty for import of road construction equipment.

The TDS of 10 percent on the rental of plant and machinery is hitting the cash flow of equipment rental companies. Keeping in view the competitive margins that the industry is operating on, this will further impact the business negatively. The government needs to address the issue in favour of the benefits accrued by the renting opportunities.

Similarly, the proposed service tax (in Budget 2008) on the supply of tangible goods, including machinery, equipment and appliances for use where there is no transfer of right of possession and effective control will result in an increased outgo for equipment rental companies. The infrastructure projects will have to bear the brunt of any additional taxes. These would eventually be passed on to end users, jacking up project costs thereby impacting the markets negatively. In many cases, the client doesn't agree to take these costs thereby leaving the equipment rental company to bear it. Hence, this will result in lower revenues and reduced business.

Availability of trained manpower is also of utmost importance. Equipment is only efficient with an efficient operator. Once the rental business is taken seriously, equipment rental companies can join hands with vendors and also large construction companies in creating training centers for operators. Unless such facilities come up, Indian infrastructure sector will continue to lag behind advanced economies.

While some more companies are trying their best to fill up a much needed void, it is up to the regulators and government to remove the hurdles and help the equipment rental business to grow. One must realize the key issue is sharing of infrastructure for optimum use. Sharing of equipment through rental is just the other side of the same coin and needs to be viewed as such. ●

Bar Cutting-Bending

REINFORCING STEEL CUTTING MACHINE

To suit multiple bar cutting (V series)

General Features:

- Facilities Feeding Multiple Bars for Cutting
- Low Operating Height
- Compact construction
- Multiple Edged Cutting Tool
- Basic Electro - Hydraulic Easy to maintain

Models: V32 / V40



REBAR CUTTING MACHINE (C SERIES)



General Features:

- Low Operating Height
- Compact construction
- Multiple Edged Cutting Tool
- Basic Electro - Hydraulic Easy to maintain

Models: C32 / C40 / C50

REINFORCING STEEL CUTTING MACHINE

To Suit Multiple Bar Cutting (VC Series)

General Features:

- Facilities Feeding Multiple Bars for Cutting
- Eye level Operating Height
- Automatic Bar Clamping
- Multiple Edged Cutting Tool
- Basic Electro - Hydraulic Easy to maintain

Model: VC32



REINFORCING STEEL, BAR BENDING MACHINE

(B Series)



General Features:

- Bi-directional Bending, CW & CCW
- Automatic Bend Angle Control
- Max Bend Angle 180 deg U Bend
- Tooling and Table to Suit Bend Radius 2XD (approx)
- **A set of Bending Rollers to suit different Bar Sizes.

Models: B32 / B40 / B50

STIRRUP FORMING RING MAKING MACHINES

General Features:

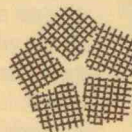
- Automatic Bend Angle Control
- Stopper Flags for Length Control between Bends
- Multiple Bar Bending
- Two to four thousand stirrups per shift.

Model: STP16



OTHER PRODUCTS

- High Pressure compact Jacks
- Post Tension Equipment
- Custom Built Hydraulic Systems



CONSOLIDATED MACHINES

HYDRAULICS • HYDRO-PNEUMATICS
CONSTRUCTION EQUIPMENT

H - 137 Ansa Indl. Estate, Saki Vihar Road, Mumbai 400 072. India.
Tel : +91 22 2847 0036. Fax: +91 22 2847 2658 Mob: 98200 77035
Email: jhabvala@vsnl.com www.consolidatedmachines.net