The Equipment Rental Industry in India

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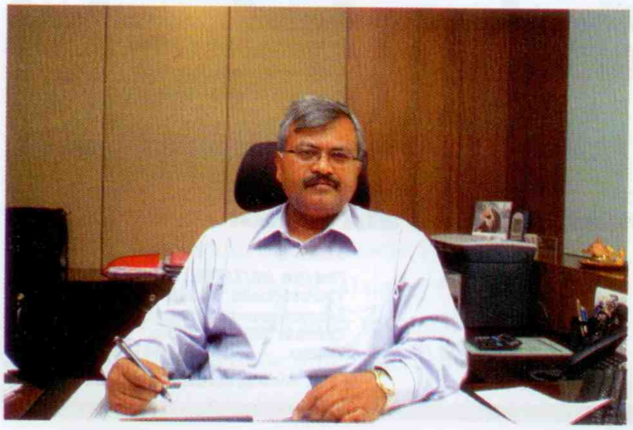
The Equipment Rental Industry in India is still nascent and unorganized with the Construction Equipment Rental Industry space catering to just 7% of the complete construction equipment industry as compared to 35% in China, 65 % in USA and 80 % in Japan.

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 USD 3.5 Billion and expected to double at approx US$ 7.0-7.5 Billion by FY 2009-10. Out of this, rental equipment share %age (2006-07) is just 7 % at USD 245 Million but it is expected to get tripled at 21 % by FY 2009-10. Of the total investment requirement of Rs 14,560 billion, 44% is expected from Public-Private-Partnership. Both, public and private sectors, working in partnership and collaboration with development agencies, are expected to bring about significant and sustainable improvements in India's infrastructure.

QUIPPO was the first to introduce the concept of equipment bank in India to promote equipment



renting rather than ownership. There are also few other regional rental companies, apart from over thousands of unorganized small players spread across the country. There are a very few national level players like Quippo.

Entry of organized players into the segment is expected to significantly increase penetration of rentals in the coming years. Equipment majors in India strongly believe that the renting industry holds huge potential, specifically for smaller equipment and also for small to medium size contractors.

Rentals have always remained a small scale, unorganized business in India due to several factors.

- Market is not matured and new machines are often not available on rent.
- Contractors are reluctant to pay higher rentals for the latest equipment, even if available
- Lack of operator training / licensing
- Another factor that impedes growth of rentals is that rental players are not assured of proper usage of the equipment

In the Telecom Tower Rental Space, for the next few years, the focus is on an accelerated roll-out of services in rural and semi-urban areas, where the network design is different due to lower population density. With spectrum allocation being a constraint, there is a need for a much denser tower location to ensure minimum service standards.

The Rationale for Infrastructure Sharing in Telecom Equipment Space is driven by:

- Lower purchasing power coupled with low population density implies higher capex for every incremental ARPU-dilutive customer in these

marginal towns

- Higher capex per subscriber is a direct result of the basic infrastructure cost which an operator has to incur to commence operations
- Operators resorting to infrastructure sharing would reduce their payback time significantly by reducing both their opex and capex.
- It is estimated that infrastructure sharing would lead to at least 20% gain in subscriber value in these marginal regions. Thus, operators which were to adopt co-operative strategies like infrastructure sharing would have an advantage in penetrating rural India.

Service providers are sharing infrastructure at their own initiative selectively. The available information suggests that about 25% tower sites are already shared for passive infrastructure only. This too is predominantly in rural areas and small towns.

The Other market segments are coming up in the form of Oil and Gas, Manufacturing, Utilities, and Retail with specific segment equipments being offered by rental industry players. □