

Key To Growth Of Infrastructure



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With increasing pressure to meet project deadlines amidst realty boom, equipment rental is emerging as a prime contributor to real estate and infrastructure growth.

Since infrastructure is the mother of all development, its equipments that provide the critical life support system for economic growth. Those developing infrastructure, be it in any country, region, zone or in and around any factory premises, depend on the availability of equipments and also trained personnel for their utilization. If the developer has to spend time and money on creating such facilities, the time and cost overruns will adversely affect growth prospects. Therefore, economies, where development of infrastructure is a priority, have gone in for equipment rentals.

The Indian infrastructure sector is booming. Over the next five years, the investment is likely to touch \$350 billion. At present, the size of the construction equipment market in the country is estimated to be around \$3.5 billion annually. The increasing inflows in the market will double its size to \$7-7.5 billion by 2009-10. Clearly the growth prospect

is immense.

As of now, however, the rental market is small, a mere 7% or \$245 million. But with increasing pressure to meet project deadlines, this market is expected to gain momentum, representing 21% of the total equipment market by 2009-10. The growth prospect is significant. But if we look at the global rental market size, the nascent stage of the Indian market will be clear. In the United States, for example, the rentals form 65% of the total equipment market.

The advantages of equipment rental are many. A builder does not require all the specialised and expensive equipments for long. It is cost-effective to hire equipments for the duration of the work. Even for large con-



struction companies, who normally procure specialized equipments, additional work pressure necessitates use of additional equipments. They prefer hiring in such cases, as the equipment rental companies also offer trained manpower.

Energy rental is another innovative business. Here the manufacturing companies, with availability of natural gas, have the option of hiring power equipments. Telecom sector is yet another area where different operators can share the infrastructure. This will be possible if a neutral entity offers such infrastructure to operators on rent. In fact, taking a cue, the existing telecom operators are demerging their tower businesses.

While the boom in infrastructure growth is here to stay, certain regulatory issues have to be addressed to facilitate the operations. One big problem is logistics. Unfortunately, the Indian economy remains fragmented largely because different states adopt different rules that govern RTO, taxes and octroi. Smooth operation of pan-Indian equipment rental is possible only when the rules are uniform and there is no roadblock for interstate movement. Another problem is availability of trained manpower. Equipment is as efficient as the operator. Once the rental business takes a firm root, equipment rental companies can join hands with vendors and large construction companies in creating training centres for operators. Unless such facilities come up, the Indian infrastructure sector will continue to lag behind advanced economies.

One must realize the key issue is sharing of infrastructure for its optimum use. Sharing of equipments through rental is just the other side of the same coin and needs to be viewed as such. ■

