

Quippo Energizing Energy Rental Business in India

After scripting a success story in construction equipment rental business, Quippo now offers unique business proposition in Indian energy rental market, offering solution in excess of 70% thermal efficiencies vis-a-vis conventional solutions. With success at hand in the new venture, Quippo Energy Rental plans to take business from 20 MWe–500 MWe in next 2-3 years over a rental platform, says **Mr. Hemant Pincha**, CEO, Quippo Energy & Equipment Rental, in his interview with **SKK**.

Congratulations on the success of newly constituted business unit, Energy Rental, under your stewardship, achieving an asset base for 22 MWe of power generation in a short span. What have been the important initiatives? Quippo offers unique business proposition in Indian energy market comprising gas based complete Power, Heating and Cooling (CHPC) solutions over a rental platform. We are offering this in order to capture part of growing power demand while offering customers with a unique service—an alternative to “buy.”

We derive competitive advantage from this fact that

Quippo plant works in excess of 70% thermal efficiencies when compared with traditional coal based plant levels of 40-48%. On account of being localized captive units, there is minor T & D losses again when compared with grid T & D losses of 15-25%. This at the back of reliable services of plant uptime of 98%, we are operating like a reliable grid with consistent quality of power and added advantage of flexible contract terms. Our solution has been designed to provide quick fix solutions which are containerized for easy mobility and fast operations. These Power Packs are padlocked containers with the

complete control in our hands. We give the client the scope of expanding. While customer concentrates on his core competencies, we take all his risks of CAPEX, technology, O&M and complete project management.

The motive behind such solutions is the benefit of masses as our solutions are quicker and easier on expenditure along with providing lot of scope for energy conservation and clean energy. The only limitation of our solution is that it is based on natural gas which is not available everywhere. We are at the moment catering power needs from 500kWe to 20MWe of power.

What prompted Quippo to constitute this new business area, what is the market like for this segment, and your plans to garner a greater share in this new business area?

India will have stable natural gas market on a long term. In developed economies like the USA, UK and Japan, the rental penetration is as high as 60-80%. I had happened to attend a conference in Las Vegas where rental revenues were stated to be in excess of \$ 37b in 2007. India offers a trend in reverse with penetration of lower than 5% and hence offers an opportunity in this space.

We are now approaching the medium scale industries with



revenues upto Rs.150 crores in areas like paper, engineering, chemical, pharmaceuticals, and textiles. We have been successful in convincing corporate like Raymond and Philips for their new expansion plans to go in for a concept of power rental.

The focus will remain in Gujarat for this year as the gas availability is the highest here. For next couple of years, we plan to explore:

- ◆ Delhi and NCR Region
- ◆ Andhra Pradesh & Tamilnadu
- ◆ Area covered by Reliance Pipeline which will be ready by then and will pass through states like Andhra Pradesh, Madhya Pradesh, and Maharashtra.

We as a company have plans to take our business from 20MWe to 500 MWe in next 2-3 years by entering foreign markets as well. India itself can generate around 400 MWe in 4 years time so a CAPEX of 1000 crores will be required.

Tell us something about your existing installations in Energy Rental sector.

Quippo Energy Rental Solutions are offered throughout India with efficient products and ever growing team of skilled technicians, highly knowledgeable energy experts exclusively committed to deliver the right solution to the client. Quippo Power Packs are remotely monitored around the clock via web-base connectivity from its full-fledged Ahmedabad based Centre of Excellence.

High-value continuous manufacturing processes depend on reliable electricity to maintain throughput and protect product integrity. On-site electric power systems help manufacturers maintain production efficiency, meet competitive challenges by driving down energy costs by

co-generation to achieve financial objectives. Quippo Power Packs are at work in manufacturing-related applications such as :

Industries powered up by Quippo Energy Rental include, Paper, Chemicals, Textile, Electronics, Steel, and Packaging etc.

Quippo construction equipment rental model has been a success story serving the needs of construction sector. What further fine-tuning is at hand in view of chronic shortage of new generation equipment of higher tonnage at one hand and heterogeneous nature of construction equipment required for complex on going and new infrastructure projects at the other hand, requiring long term financing and technical services?

Equipment rental business has been a relatively new area in the Indian scenario. Quippo has indeed woven a success story. Although market is completely fragmented, we believe that market needs professional and national level renting company which has right infrastructure to support this massive construction work. Thrust is changing to higher productivity, mechanization, safe working practices and quality of work.

This business is asset centric and hence financial and technical asset competencies are important elements to be successful. Quippo offers a wholesome product range to offer one stop solution to customers while focusing on big ticket, high productivity and state-of-art-machines.

There are internal challenges that Quippo has identified and working head on in order to improve service delivery and customer satisfaction. We are working on following initiatives.

- ◆ Create spokes and hubs across

India in a meaningful manner so that they work as easy access centres for our customers while making available spare parts workshop facilities, washing and other support to our assets on rent. Spokes will be empowered.

- ◆ To bring operators on our payrolls as key Quippo resource with clear focus on asset management with constant training and orientation. Crew base is going to swell to in excess of 4000 in next 3 years.
- ◆ We will be strategic buyers of machines with clear eye over its deployment at other overseas market as we move on. We will develop an internal cell which will identify and study applications to benefit our customers towards more of a solution driven approach.
- ◆ Processes are being revisited to be able to manage business effectively. ISO 9000 is next thing. We are also going to take a view over software, tracking system and IT back bone to be able to integrate our business keeping men and machine in optimum usage.

Despite pioneering efforts by Srei and Quippo, construction equipment rental business is at very infant stage and it should set to grow commensurate with total equipment market in the country. What policy provisions are needed to give it a boost? Also, your suggestions for hassle-free inter-state movement of equipment, rationalization of import and tax regime, enabling measures for infrastructure financing and related aspects?

With the booming Indian Infrastructure sector, the infrastructure equipment market is expected to reach US\$ 7-7.5 billion by 2009-10. This is a very good indication for the successful

growth of companies like Quippo as this boom will definitely lead to a growth of the demand of rental equipment. However, there are certain regulatory issues for the equipment rental companies which need to be addressed.

- ◆ Logistics: There is no uniformity in the RTO, Octroi and entry tax regulations in various states of India. There are different interpretations with respect to classification of vehicles. Some of the rules are almost ancient. Smooth operation of pan-Indian equipment rental is possible only when the rules are uniform, clear and there is no roadblock for inter state movement of equipment.
- ◆ Custom Duty: As part of equipment rental industry, we do not get any custom duty benefits while importing equipment although we play an important role

in development of infrastructure of the nation. Some of these exemptions are available to other categories of business for similar applications.

We are working with many state governments over development of "Equipment Banks" to push especially rural road works. Quippo on its part is working hard to fill up the much needed void by making state-of-art equipment available with operators. Financing will be a challenge especially in a growth led asset build up mode where your revenues do not catch up with assets. It must be kept in mind that this is relatively a new area of business and will take some years before it matures up.

What is your assessment on the growth of rental equipment business in the next 4-5 years and Quippo's projected share?

Infrastructure is the buzzword in India these days. The major focus is on construction of roads, highways,

bridges, airports, power plants and mining along with commercial and residential establishments.

Over the next five years, investment in the infrastructure sector is likely to touch US \$ 350 billion. This will open floodgates. Equipment rental market is small, a mere 7 per cent or just US \$ 250 million. This is at the bottom of product life cycle.

As we globalize and pressure of quality work, safety and deadlines increases, concept of Rental Equipment will begin to show its benefits. Companies will move from the Owning mindset to Rental Mindset.

In next five years, a market penetration of 15%-18% is expected in India. Internally, we are also preparing ourselves to match Global Service Standards in the coming years. We have earmarked closer to Rs 1500 crores Capex in next 3 years in this business.



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