

'Compared to buy and sell, rental is a very different model'



Hemant Pincha

Hemant Pincha, CEO, Quippo Infrastructure Equipment Ltd spoke to *Power Stream* about the status of equipment rental segment in India, its scope and his company's roadmap. Excerpts

Q. How Quippo got into the rental segment?

A. Quippo started as a solution to equipment rentals private business. We acquired assets like transit mixer in concreting business section; excavator, douser or dumper in the earth moving section. Many other types of equipment are down the line. To start with, these assets were deployed to the contractors from our various branches around the country, for a period of few weeks to many months, according to their requirements. Then we migrated into telecom, oil & gas, energy, and then had a joint venture with Go Industries. Looking at the financial side of the business promoted by Srei, like package financing, project financing, these businesses start from the renting of these equipments, upto the disposals of the used equipments. Quippo is present in the entire life cycle of the equipment.

Q. Where do you stand in this business?

A. We are presently the only Indian professionally managed company, to have

pioneered all the ideas. Compared to buy and sell, rental is a very different model. The key parameters are utilisation of assets and time. There are also other financial parameters and the free cash flow at the end of the tenure. It's a highly acid centric business, which needs crores of rupees involved in it, and along side creates the competence to manage things. Today there are players at five verticals, which are either entities or different divisions of the company, with the combined accessories, in excess of about Rs 1500 crore.

Q. Which sector of the business is getting into the rental part?

A. Looking at the product life cycle (PLC), we are still at the bottom. There is a space for further development. Every product in the market has a PLC. For e.g. looking at the Hindustan Unilever soaps, they are at the maturity phase. And at this stage, you can not expect to have margins even at the expense of pushing huge advertisement programmes. Where as, in the development phase, the most important need is investment. So as we are investing in these businesses, we know that they are at the development phase, and will mature over the next 15 years. If we look at the marketing aspect, IT was one sector that really brought into the minds of the people about outsourcing, thereby changing their thinking pattern. As most equipment companies are globalizing, it is driving the renting or outsourcing.

Q. According to you, what needs to be done immediately, to boost the segment?

A. There should be more players in the competition. Today if more companies join the market, then it will only expand the market, and will help the business grow. There are cases where owning makes sense, and there are cases where renting makes sense, and especially with the risk management and globalization, where lot of players are thinking about its treatment in strategy, renting is becoming a front runner model, which is well accepted by the so-called conventional mindsets. When we positioned our energy business in Gujarat, people had no concept at all that there is a company, which can put

together a container giving 5-10 MW of power, steam and refrigeration, on a rental basis. Being in the business, we know how the oil and gas scenario would eventually shape up, but the other industry owners have no idea. We approach them and make them understand that we are going to make the investment. We give them reliable services, which are being well worked out. There are a lot of factors that will help the industry move faster. Firstly, it is the awareness within the people. Gradually as more globalization takes place, it will be a stronger case for renting. At the end of the day, it is the rationalization of policies within the government that will help the industry move. Also, financial resources play a major role in it.

Q. What are your plans for the company?

A. Talking about the energy business, our short term goal will be that reliability of our solution must continue at a certain level. We are a company which works on 24X7 basis, as our customers do not want any interruption in power. Secondly, we must continue to build a robust organisation, where everyone has a thrilling experience. Finally, we plan to grow this business into a world market. This is how we de-risk the business. In the next three years time, we are considering Bangladesh, Indonesia as our targets. Just few days back we had an opening of our vision 'Lead to 500 MW'. Within next three years time, we should be a 500 MW company.

Q. Is it a two-year or a five-year plan?

A. It is a five-year plan. And within this plan, we will become a truly Asian company to be able to acquire businesses overseas. We want atleast 3 or 4 foreign territories meaningfully working for us. We should be able to manage the resource correctly, having our assembly plant in the special economic zone, making use of both, the domestic as well as the foreign territory areas, so that we can manage the entire business very well. All these relationships help us in getting the right technology and the support. These are just the resourcing partnerships. For the next five years we would continue to buy assets from these companies, on a preferential basis. ■■