

The equipment rental industry holds huge potential....

Quipo Infrastructure Equipment Ltd (QIEL) is the country's largest infrastructure equipment rental company, servicing the high growth verticals of Construction, Mining, Oil & Gas, Telecom and Energy. It has been promoted by SREI, one of the leading non-banking financial institutions in India. Established in early 2002 the firm in addition to having a state-of-the-art equipment/asset bank for construction and other infrastructure sectors has a large pool of fully trained operations and maintenance personnel spread across various sites in India. Presently the total assets of Quipo are approximately Rs 500 crore and revenues generated are Rs 130 crore. The company has deployed around Rs 350 crore worth of equipment and intends to double it to Rs 700 crore by the next year. It has more than 150 clients including L&T, Afcons, Aditya Birla Group, Gammon, Komatsu, Ashok Leyland, Volvo, DMRC, and Punj Lloyd. Sunil Kanoria Vice Chairman & Managing Director is naturally gung ho about the future.

Excerpts from an e-mail interview with JUHI SHRIVASTAVA



What is your assessment of the equipment rental market as of now?

The Indian infrastructure sector is booming. Over the next five years investment in the infrastructure sector is likely to touch \$ 350 billion. At present India's market is estimated to be around \$ 3.5 billion. The increasing inflows in the infrastructure market will double the equipment market size to reach \$ 7-7.5 billion by 2009-10. Industry is expected to grow at the approximately 25 per cent for the coming years. While auto components, mining, logistics and process industry are the main drivers; government and defence are also buying in bulk. Many renowned logistics companies are spreading base. Another potential market is the SEZs, which is slated to grow exponentially.

With India going on a construction spree to catch up the rest of the world what are the challenges before construction equipment rental company such as yours?

While there is a boom in the infrastructure business there are certain regulatory issues for the equipment rental companies, which have to be addressed. The most important being logistics. Different states adopt different rules governing RTO, taxes and octroi. Smooth operations of pan-Indian equipment rental are possible only when the rules are uniform and there is no roadblocks for inter state movement of the equipment. Also the equipment rental industry does not get any custom duty benefits by importing the equipment even though it may be the latest and most viable solution on the block for the capital-intensive infrastructure industry. Another problem affecting the use of equipment is availability of trained manpower. Equipment is as efficient as the operator. The equipment rental companies need to join hands with vendors and also large construction companies in creating training centres for operators. Unless such facilities come up, Indian infrastructure sector will continue to lag behind advanced economies. Quipo on its part has filled up the much-needed void to an extent. It has set up major hubs and yards for storing equipment across the country to ease the transport of equipment to the clients' sites much faster. This way it has been able to not only save the client's considerable time,



but the interstate transport expenses are also reduced to a major extent.

How is India as a market for rental equipment?

In India, Quipo has come up with the equipment rental solution for country's growing infrastructure sector. The growth prospect is significant. But if we look at the rental market size elsewhere in the world the nascent stage of the Indian market will be clear. The rental market in USA is 40-45 per cent and 80 per cent in Japan of the total equipment market.

What are the reasons for this state of affairs?

There are several factors behind the small scale and unorganised business model of rental equipment. Firstly, the market is not matured and new machines are often not available on rent. The contractors are reluctant to pay higher rentals for the latest equipment and there is dearth of trained operators with licenses. Entry of organised players into the segment is expected to significantly increase penetration of rentals in the coming years. The equipment rental industry holds huge potential, specifically for smaller equipment and also for small to medium size contractors.

With global equipment manufacturers eyeing India as a major business destination what is in store?

In the short run, the Indian manufacturers may see their share reducing, but this will only be short lived and the market dynamics,

which are swung towards increasing demand, will always outpace the supply side. Hence the domestic companies will not face the heat for long. They will however have to upgrade their offering to match the technological up gradations, which are only challenges of an open economy. Availability of international standard equipment in the country will considerably bring down the cost of equipment, which can subsequently be passed on to the clients.

Quipo's Equipment Bank

- Road Construction consisting of Hot Mix Plant, Stone Crusher, Soil Compactors
- Earth Moving including Excavators, Backhoe Loader, Motor Grader
- Concreting including Batching Plant, Concrete Pumps, Transit Mixers and Concrete lacer Booms
- Soil Improvement including Hydraulic Piling Rig and Hydraulic Extractor
- Materials Handlers including Scissor & Boom lifts, Telescopic Handlers, RT/AT/Crawler Cranes and Tower Cranes and
- General Construction including Diesel Generator, Air Compressor, Dump Trucks and Walk Behind Rollers

Ongoing Projects

- Reliance Thermal Power at ROSA, Shahajanpur - Hydraulic Cranes, Transit Mixers, Graders, Excavators, Pavers etc
- IVRCL, All India - Dozers, Excavators, Graders
- L&T DIAL Project - Graders, Soil Compactors, PTRs, Excavators
- IOC expansion at Panipat - Piling Rigs
- Tantia - Various Road Projects in North East India - Hydraulic Cranes, Transit Mixers, Graders, and Excavators
- GMR at Ambala - Sensor Pavers
- Maytas - Road Projects in Tamil Nadu - Soil Compactors, PTRs, Graders

Entry of organised players into the segment is expected to significantly increase penetration of rentals in the coming years. Immature market, non-availability of new machines and lack of trained operators clearly outlines that the rental industry holds huge potential, specifically for smaller equipment and also for small to medium size contractors.

Will their presence of overseas players affect your margins?

India is indeed on a growth trajectory and with easing of policies many international companies are entering the Indian business scenario. This gives an opportunity for newer

technology to float into the country at a much faster pace. The existing set of companies is barely fulfilling this demand and hence the influx of more companies will not pose a threat to the Indian ventures. In the short run, the Indian manufacturers may see their share reducing. But the market dynamics, which are swung towards increasing demand, will always outpace the supply side. Hence the domestic companies will not face the heat for long. They will have to upgrade their offering to match the technological up gradations, which are only challenges of an open economy.

What are the strategies that companies such as yours have put in place to combat the invasion?

Quipo is committed to quality and timely deliverance. In fact our USP remains offering equipment and services to match the latest industry standards and tailor made to the requirement of each client. This no compromise of the essential offerings will always set the company apart from any competitor. The most significant feature of Quipo is the addition of new and modern equipment to the asset base.

How has your business been this year and the outlook for the immediate future?

The business has grown at the rate of 25 per cent and we are looking forward to a growth of another 25 per cent by the end of this fiscal.

What steps have you taken for improvement?

Quipo on its part has filled up the much-needed void to an extent. We have set up

major hubs and yards for storing equipment. These are situated at Ahmedabad, Neemrana, Hyderabad, Mumbai, Kolkata, Bangalore, Chennai, Guwahati and Gurgaon. These yards provide wide range of latest technology and equipment to other companies. Being strategically located across the length and breadth of the country makes equipment easily accessible to the companies and can be transported to sites at much lesser time. This way we have been able to not only save the client's considerable time, but the interstate transport expenses are also reduced to a major extent.