

KK Vij, ED & CEO, Escorts Construction Equipment talks on the material handling equipment sector and key challenges faced by the industry.

In your opinion, how will this sector move in the next 6-8 months? What will be its key drivers?

The material handling and construction equipment market in India is estimated to be roughly 55,000 units and has grown exponentially over the years. Though we saw a drop in sales volume this year over 2007-08, we strongly feel there will be a growth both in the long term and the short term of 6-8 month's time.

Infrastructure development has been high on the agenda for the Indian Government since the past few years and now more so as a measure of bringing the economy of the country back on track, the government is looking at pumping money in Infrastructure sector. Construction spending as a percentage of GDP has been increasing steadily over last 4-5 years. India still needs to develop its industrial, urban and rural infrastructure in a big way for a sustainable development of the country. With huge investments envisaged in infrastructure, we should see robust demand for construction and material handling equipment.

Also, with increased need of mechanisation and shrinking timelines of infrastructure projects, the demand for equipment should see a definitive upward trend.

Where does your greatest demand come from?

The demand for construction and material handling equipment is correlated with the growth of infrastructure development. The development of modern roads, residential and commercial infrastructures, mining, ports, railways, power generation, and others including airports, urban infrastructure all contribute to fuelling the demand for these equipment.

Government's focus on development of infrastructure in the country to fuel overall economic growth has had a huge positive impact on the sector. Escorts Construction Equipment Ltd is geared to tap this opportunity that currently exists by introducing a slew of product offerings for the diverse set of verticals in the industry.

Is the Indian industry per se, now served by an entire range of handling equipment?

Today a lot of multinationals have entered the Indian market in construction and material handling



equipment sphere. This has led to enhancement of features in equipment and we now have almost a complete range of handling/lifting equipment available. However, the penetration of equipment still has miles to go as India still depends upon foreign players for high end products, making the cost prohibitive for many project sites.

How do the prices/ features/ after-sales service of overseas equipment compare with indigenous equipment?

The customer always looks for an overall value proposition, features, price and service support. Some international players have set up the infrastructure to support the equipment sold, but it is not adequate to cover the country. We, for instance, have built up a strong service support network, which over a period has grown to 104 locations with the company's trained manpower of around 350 based at these locations. This is where the competitive advantage lies with indigenous equipment manufacturers.

What are the key challenges faced by such equipment vendors?

Key challenges faced by equipment manufacturers like us, who believe in India-specific solutions, is that there is no adequate protection available on account of poor patent laws and their enforcement.

Also, unlike China, India has allowed the import of huge cranes at normal custom tariffs. This has led to great influx of very old used cranes (much beyond their service lives), through under invoicing route and has made India a virtual dumping ground for such junk. More of rental market demand for slewing cranes is being met by the import of such used machines. China banned the import of huge cranes 10 years ago, which led to a surge in the sales of new equipment .

Another bottleneck is the non-uniform tax regime (VAT, Sales Tax, Entry Tax) across the country.

The skill gaps and shortage of trained manpower are major issues which the industry is facing today. Although, the upscaling of projects and shrinking timelines, has resulted in higher levels of mechanisation, upgradation and development of the talent pool required for the operation and maintenance of latest equipment has not kept pace with the demand. As a result, the industry is facing an acute shortage of skilled manpower.