

OPPORTUNITIES IN THE CONSTRUCTION EQUIPMENT MARKET IN INDIA

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The construction industry in India is one of the sectors which has been resilient to COVID impact, maintaining a steady growth despite a decline in the construction activity due to lockdowns with some key industry drivers. India's infrastructure push with the National Infrastructure Pipeline (NIP) includes investments of 1.1 trln EUR until 2025/2026 in 34 sectors of the economy:

- 70% of the investments allotted for energy, roads, railways and urban infrastructure
- ~7.7 thsd social & economic projects classified under NIP
- ~1.7 thsd projects are under various phases of development

With the influx of projects in infrastructure, the construction equipment industry is expected to grow at 4% in the period during 2019-2026 with the equipment sales expected to reach 122 thsd units.

In addition, **India is poised to become one of the key export hubs** on account of **reforms in the emission and safety standards** for equipment manufactured in India.

Furthermore, **cordial relations between India and EU, ASEAN and Americas** are a complementing factor to make India an export hub for construction equipment.



INDIAN CONSTRUCTION EQUIPMENT – GROWING POTENTIAL

Government push for infrastructure development through National infrastructure pipeline (NIP) to drive demand for construction equipment

ROAD

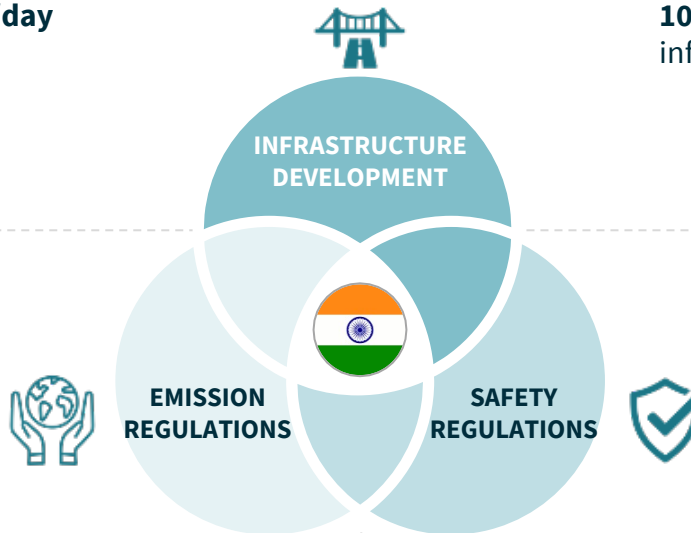
- **Investment in 4,479** approved/ ongoing Roads and Bridges development **projects** – target to build **~80 thsd kms road by 2024**
- **Highway construction rate (Jan-May'21): 33km/day**

REAL ESTATE

- **Smart Cities Mission:** 4,700 projects worth ~21 bln EUR have been tendered
- **Affordable housing:** PMAY¹⁾ - initiative with target of 20 mio affordable houses

OTHERS

- **19.6 bln EUR investment across 222 projects** in port infrastructure, shipyard modernization and inland waterways development
- **16.3 bln EUR investment in 109 projects** for airport infrastructure development



- **Change in emission norms (CEV IV)** to make Indian equipment comparable to European standards
- Potential increase in exports with access to developed markets of EU and North America; **exports expected to rise upto 20% by 2025**

- **Improved safety norms leading to enhanced quality of equipment** suitable for European and American markets
- Focus on equipment features like machine-mounted audible travel alarms, non-metallic fuel tank and wider operator visibility

Construction equipment demand is expected to grow on account of construction projects and government push for infrastructure development wherein despite COVID induced nationwide lockdowns, construction activity in India continued to grow

1) Pradhan Mantri Awas Yojana



CONSTRUCTION EQUIPMENT MARKET INDIA – STATUS QUO AND OUTLOOK

Sales Development and Forecast

FY'19
95 thsd units



FY'26E
122 thsd units

Exports:

8%



20%

11% CAGR growth expected during FY21-26

Key Players

Earthmoving



TATA HITACHI
Reliable solutions



Material Handling



Road Construction



Concrete Equipment



BEST PRACTICES

- Earthmoving and road equipment OEMs **prefer mid-large exclusive dealers** with penetrated network
- Long-standing association and minimizing equipment downtime** essential to build customer confidence



OPPORTUNITY

- Increase localization levels** to achieve cost competitiveness
 - Adoption of technologies** to improve efficiency
 - Rental business** to grow
 - Exports as buffer** to volatile local demand

LOCALIZATION LEVELS

- Localization level stands at ~50%** for more than 90% of the volume of machines manufactured in India

CHALLENGES

- Price volatility on account of supply chain disruption
- Underutilized capacities on account of manpower and productivity constraints

Construction Equipment market has potential to increase localization levels for OEMs along with exploring rental business and exports opportunities

1) Construction equipment



KEY QUESTIONS FACED BY CLIENTS & EAC SUPPORT OPTIONS

KEY QUESTIONS

Opportunity Assessment

- How should our India strategy evolve?
- What is the potential for rental business models in India?
- In the post COVID scenario can India serve as the export hub for construction equipment?

Local Value Chain Feasibility

- How can we develop a resilient, agile supply chain in the post COVID environment?
- Where are material and supplier clusters located (India, SEA) that meet our quality and commercial requirements?

Manufacturing (Re)Location

- Which are the most relevant industrial zones for setting up operations?
- What are the government policies, incentive structures for setting up operations?

Sales Network Establishment

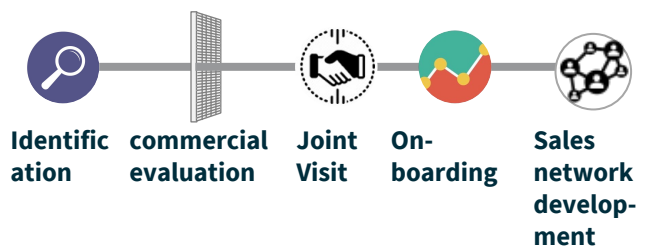
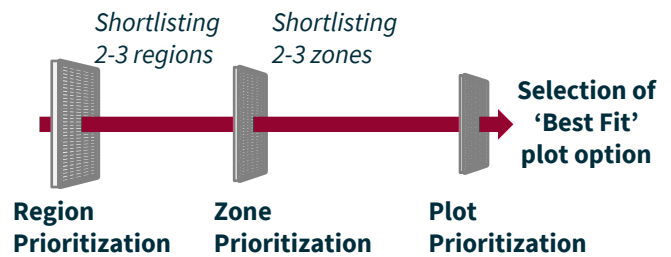
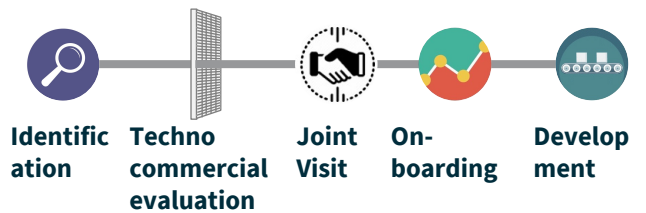
- How do we expand our sales and service network in the country?
- Which are the key demand centers in India and what are the key customer requirements?

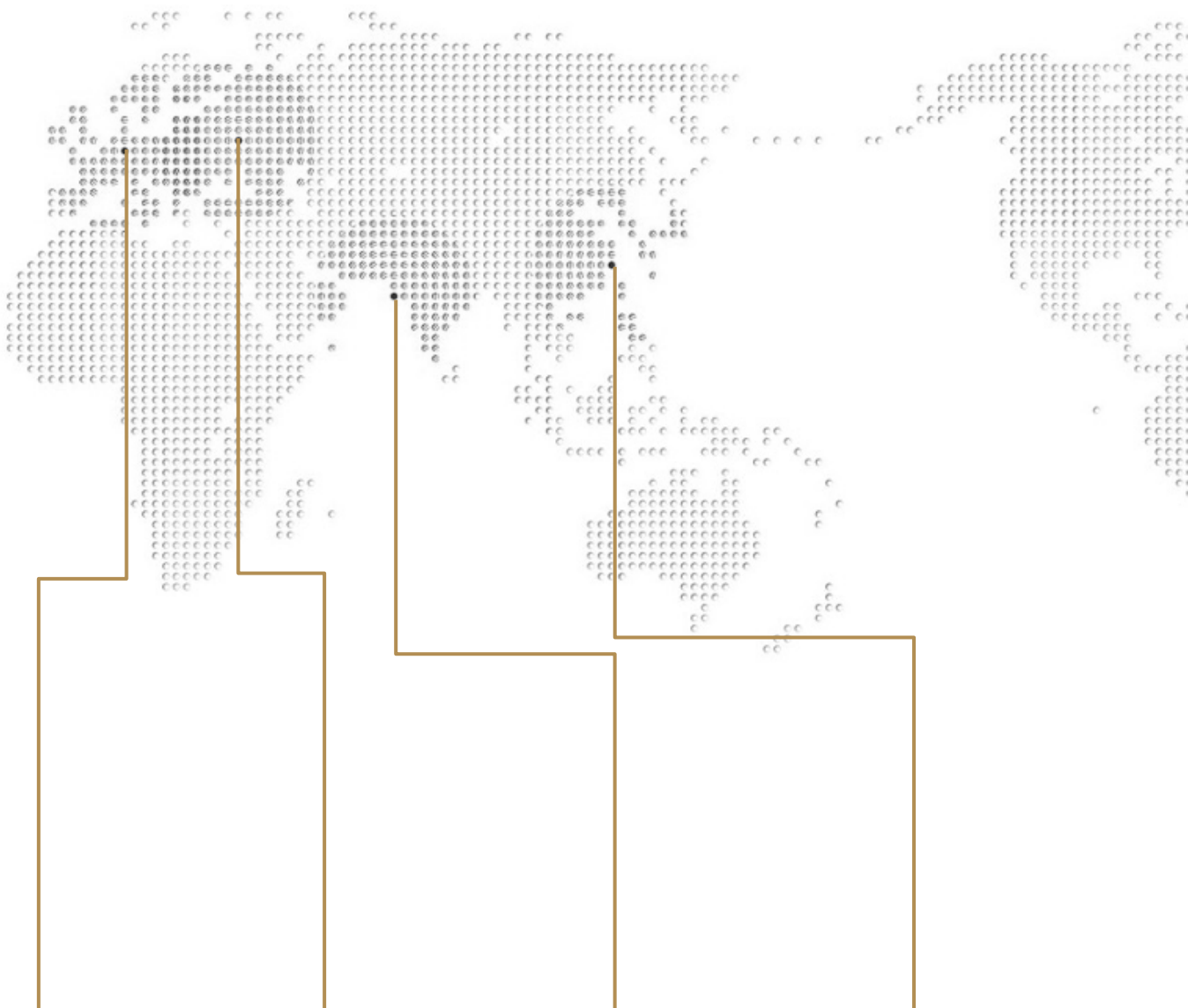
EAC SUPPORT OPTIONS

Modular approach to evaluate post COVID opportunity in India



Process based approach with RFI, techno commercial feasibility and risk evaluation to finalize suppliers





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