'Fuel efficient, superior productivity and intelligent systems'

S. S. Gill, Sr. Vice President Sales, Marketing & Aftermarket HD Trucks, VE Commercial Vehicles Limited; discusses the key challenges the Indian construction equipment industry during an interview with **Pratima Agrawal.**

What are the key demand trends in the global and Indian construction equipment market?

Investment in infrastructure is the main growth driver of the construction equipment industry. The Planning Commission estimates total infrastructure spending to be about of 10 per cent of GDP during the 12th Five-Year Plan (2012-17), up from 7.6 per cent during the previous plan (2007-12). India's investment in infrastructure is estimated to double to about USD1 trillion during the 12th plan (2012-17) compared to the previous plan. Also, road activity has gradually increased over the years with the improvement in connectivity between cities, towns and villages in the country.

With automobiles and freight movement also growing at a rapid rate, the necessity for a road network good enough to carry the traffic is paramount. Understanding this need, the Government of India has set aside 20 per cent of the investment of US$ 1 trillion reserved for infrastructure during the 12th Five-Year Plan (2012-17) to develop the country's roads.

The Indian real estate market size is expected to touch US$ 180 billion by 2020. The housing sector alone contributes 5-6 per cent to the country's gross domestic product (GDP). Also, in the period FY08-20, the market size of this sector is expected to increase at a compound annual growth rate (CAGR) of 11.2 per cent.

Please suggest measures to boost private investments in the Indian infrastructure sector.

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The main challenge is to remove the bottlenecks which come in the timely execution of the projects and keeping the cost in control. The delays in the past which have happened due to the Lack of clearances from Forest and Environmental Ministries and issues faced in Land Acquisition. These have demotivated the private parties involved in the process.

Going forward the Government should take steps to streamline the processes involved in infrastructure projects and ensure the delays in execution avoided through better co-ordination amongst the different Governmental Agencies.

Which equipment segment will see highest growth potential?

In any construction project, there is a requirement for all machineries, the requirements for which are usually interlinked. Thus all the earth moving, material handling, concrete, and road building equipment in the construction industry will witness growth.

How do you assess the scenario in the road sector?

NHAI has an ambitious plan of building 20KM of national highways daily in coming years. To meet this target, superior project execution capabilities will be needed which will result in greater demand for sophisticated road construction equipment. Road construction equipment market is expected to grow at a CAGR of approximately 20% over the next five years.

Your views on the challenges in the construction equipment market. What is your wish-list from the government?

The equipment industry is at a policy or governance level under the Ministry of Heavy Industries and Capital Goods. There are 16 to 18 industry associations, as a result of which, there is no one voice. There has to be a way to improve this as this industry stands at the value creation root of the whole economy. Taxes and duties should be reduced to make it more lucrative for people to invest in equipment, which builds infrastructure and in turn will result in value creation. Good and Sales Tax, will be a welcome step not only for the construction equipment industry but for every industry in the country.

What are the initiatives taken by you to sustain the growth?

We have invested tremendously over the last three years during the downturn, when some of our competitors were not able to invest because they had major cash flow issues. We had our entire new product development of Pro 6000, Pro 8000 and our entire distribution development, entire engine capacity to build out. During the entire downturn, when most companies had cash flow problems, we spent the entire capex that was required to meet our futuristic requirements.

We believe that we are well poised with all the investments we put in last three years. Since the start of the joint venture we invested around Rs 2,500 Crore plus from 2008, till now in VECV. And that is going to help us tremendously to continue to gain shares.

So we are continuing to gain shares from last many years and that was more in the light and medium duty. In heavy duty, our new products have come out. We have unveiled them in early 2014 and now they are available in the market in 2015 and they are doing really well. Modernization in Indian trucking is going to happen and we are going to lead that.

Please highlight your expectations for the Indian infrastructure sector in the near term & your vision for Indian construction equipment industry?

Looking at the way the government is taking strong initiatives in infrastructure developments, we are absolutely sure that the results of the same will be actually visible in the coming months. This will definitely boost to the economic activities involve in construction, thereby increasing the demands of construction equipment across India. Looking at the growth potential in this segment, we have started putting special impetus on the segment. Our aim is to deeply understand each and every activity involves in construction panorama where we, with our current product line of 16T-31T Tippers and RMC chassis, will provide best solutions with the promise of best in class Fuel Efficient, Superior Productivity and Intelligent systems.

How do you assess the future potential by 2020?

Construction equipment forms around 7 per cent to 8 per cent of GDP and gives employment to more than 30 million people in the country. It also accounts for more than 60 per cent in total infrastructural investment. The construction equipment industry's revenues are estimated to reach USD22.7 billion by 2020 from USD5.1 billion in FY12.

The Planning Commission estimates total infrastructure spending to be about 10 per cent of GDP during the 12th Five-Year Plan (2012–17), up from 7.6 per cent during the previous plan (2007–12). Private sector is emerging as a key player across various infrastructure segments, ranging from roads and communications to power and airports. The real estate market is estimated to grow to USD180 billion by 2020 from USD66.8 billion in 2011, driven by demand mainly from residential sector.

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