MATERIAL HANDLING EQUIPMENT INDUSTRY IN INDIA

June 2010

Report by the Indo-Italian Chamber of Commerce & Industry
Introduction

According to *Construction World* update, it has been projected that the present € 1.6 billion construction equipment industry in India is expected to touch about € 10.3 billion. While the current size is just a fraction of the world market, it has been growing between 10-15 % compared to the global growth of around 5%. India is one among the top 10 markets for construction equipment and is one of the key international markets. The prospects of the construction equipment industry look attractive with a projected investment of **€ 212.5 billion** in the infrastructure sector over the next few years. The Indian market is catered by about 200 domestic manufacturers (small, medium & large).

Material Handling Equipments Sector

The demand of construction and material equipment is correlated with the growth of Infrastructure sector. India still needs to develop it in a big way. There is substantial scope for the growth of the infrastructure sector viz., Roads, Steel, Coal, Cement, Power etc. The continuing investments in these sectors will support demand of these products. Also, with increased need of mechanisation and shrinking timelines of infrastructures projects, the demand for equipments should see a definitive upward trend. The demand is largely from F&B, retail and automobile sectors. Palletisation and containerisation are also expected to increase demand. Although, it may be worthwhile to note that the global recession and slowdown in India as well as the rise in input prices may act as major threat to this sector.

Market Size and Segmentation

The present market size is estimated to be around € 300 million. The table below explains the different material handling equipment and their market share. The material handling equipment is dominated by cranes and forklifts. Pick and carry cranes is the largest segment with 27 % share of the material handling equipment market. Slew cranes, crawler cranes and tower cranes together account for another 24 percent. Forklifts have 12 percent share.

<table>
<thead>
<tr>
<th>Material Handling Equipment Market Share/Total Market Size ~ € 300 million</th>
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<tbody>
<tr>
<td>Pick-n-Carry Cranes                        27%</td>
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<tr>
<td>Forklifts                                   12%</td>
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<tr>
<td>Slew Cranes                                 11%</td>
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<tr>
<td>Crawler Cranes                              8%</td>
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<tr>
<td>Tower Cranes                                5%</td>
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<td>Others                                      37%</td>
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Source: IBEF
Major Players in the Material Handling Equipment Sector:

- Godrej & Boyce Mfg. Co.
- Mcnally Bharat Energy Co.
- Mukand Ltd.
- Escorts Ltd.
- Ahluwalia Contracts [India] Ltd.
- Saico Engineers & Fabricators Ltd.
- Elecon Engineering Co.
- ElectroMech
- ACE
- OMEGA
- Voltas
- TIL
- TELCON

Pick & Carry Cranes

Some of the typical uses include loading, unloading, moving, shifting and erecting material. The pick-n-carry crane segment in India has an estimated market size of € 57.76 million (3698 units), and these cranes comprise 27 % of the overall material handling market and over 50 % of the cranes market. The market has grown at a CAGR of 72 % in volume terms in the last 3 years. Going forward, the growth rate is expected to be in the range of 15-20 % over the next few years. The key drivers are the construction and industrial sectors. Within the construction sector the key demand driver is urban infrastructure (expected investment growth of 13 % annually).

Within industrial applications, the key demand drivers are steel and power industries (growing at around 9 % annually). The major players in this segment are ECEL and Actions Construction Equipment (ACE). While ECEL has been the traditional leader in this segment, ACE has been gaining share. A third player – Omega – has been able to capture 2.5 % of the market within one year of commencing production. The barriers of entry in this segment are low. The first movers have the added advantage of established sales, service and distribution network along with an existing component supplier.

Other Cranes

Other cranes consist of slew cranes, crawler cranes and tower cranes. These are higher value, more sophisticated cranes than pick-n-carry cranes and are typically used for heavier duty work. The market for slew cranes is about € 23.24 million (300 numbers) with about € 8.6 million (180 numbers) of this being accounted for by imported used equipment.

Within slew cranes, yard cranes are the most prominent, comprising 65 % of all new slew cranes. The crawler cranes market is about € 16.6 million (210 numbers) with imported used cranes comprising about € 6.3 million (110 numbers). Tower cranes are about € 10.35 million (175 numbers). In volume terms other cranes comprise about 16 % of the overall cranes.
market in India, but in value terms these cranes account for almost 47 % of the market. While slew cranes have witnessed a CAGR of 34 % over the last 2 years, tower cranes have grown at 71 % CAGR in the same period. Industry sources indicate a growth rate of between 15-20 % over the next few years.

Demand for other cranes is driven primarily by the construction and industrial sectors. Within industrial applications, the key demand drivers going forward are likely to be the power, refinery and mining sectors. With increasing average scale of infrastructure and construction projects, the growth rate of slew (specifically yard/rough terrain) and tower cranes is likely to surpass the average growth rate of the overall cranes segment. With improved road networks by 2010, demand for truck mounted cranes may also witness a spike. In the slew cranes segment, used imports dominate the market, with Tractors India Limited (TIL) being the market largest domestic player. TIL and ECEL have a market share of around 32 % and 6 % in terms of volumes. Telcon is the sole player in the crawler cranes segment with a share of approximately 50 % by volume (balance is accounted for by used imports). Shirke Potain is the market leader in the Tower crane category with 50 % market share followed by ACE at 25 % market share.

ACE plans to widen its product portfolio in the cranes segment through manufacture of Truck Mounted and Tower cranes. Electromech will ramp up the production of cranes at its Pune plant in order to increase its market share from 10% to 25% in the next three years.

Forklifts

Forklifts are low tonnage vehicles used to transport materials stored in pallets, within limited spaces. Most forklifts are in the 1 tonne–5 tonnes range, though equipment up to 20 tonnes are available. The flexibility and speed these equipment offer make them ideal for repetitive material handling tasks especially in restricted areas like warehouses and yards.

There are 3 types of forklifts based on fuel input - Diesel, Liquefied Petroleum Gas (LPG) and Battery. Each variant finds application in different industries based on the load factor determined by the power inputs, pollution etc.
The current market is approximately of 2150 units per annum for forklifts with a market size of approximately € 25.23 million. The segment has been on a 20 % growth trajectory year-on-year and is estimated to grow at a CAGR between 10-20 %. Diesel powered forklifts comprise a bulk of the market size at 83 % and are likely to drive growth going forward. Demand for forklifts will be driven primarily by new capacity creation and increased automation in the manufacturing and logistics (warehousing) sectors. Forklifts contribute to making the end user industry organised and less labour intensive (in material handling). It has also increased the levels of palletisation and containerisation. Godrej and Voltas are the two major players having around 80 % market share, with Godrej having 48 % share. The forklifts market is highly price sensitive. Technology is presently not seen as a differentiator, but with the end user industries becoming more organised and competitive, it would become increasingly important.

### Key Material Handling Equipments

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<tr>
<td>Exports Quantity</td>
<td>3,885 units</td>
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<tr>
<td>Export Value</td>
<td>15.27 million</td>
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<tr>
<td>Imports Quantity</td>
<td>1.8 billion</td>
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<tr>
<td>Imports Value</td>
<td>136 million</td>
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<tr>
<td>Sales Value</td>
<td>214 million</td>
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<tr>
<td>Market Size (Value)</td>
<td>350 million</td>
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<tr>
<td>Domestic Consumption (Value)</td>
<td>335 million</td>
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Source: CMIE (Centre for monitoring indian economy pvt ltd)

**Opportunities in the Sector:**

The construction equipment industry is primarily driven by two key sectors: Construction and Manufacturing

**CONSTRUCTION INVESTMENT**

As of 2009, the Indian construction industry, at current prices, contributed more than US$ 91 billion to the country’s gross domestic product (GDP). It employs more than 18 million people. Construction investments accounted for 11 % of GDP and 50 per cent of gross fixed capital formation. Construction activity has grown at 11 % over the period 2006 to 2009. Construction equipment accounts for around 5–24 % of the total cost incurred in any construction project. Increasing mechanisation of industry and construction facilitates greater penetration of construction equipment. Recent Government policies around tax benefits for infrastructure ventures have boosted equipment usage.

- **Ports:** the projected investment for improving major and minor ports in India is around € 11.95 billion over the next four to six years. A major portion of the investment for improving the major ports is expected to come from private players. Privatisation has been regarded
as one of the key avenues for increasing investments in this segment. Another pertinent factor is the expected growth in the cargo handled at all Indian ports, which is expected to grow at a **CAGR of 8 %**. These developments would drive demand for **material handling equipment** such as cranes for handling cargo and construction equipment for infrastructure development in the ports.

- **Railways**: the investment in this segment is expected to be focused on relaying of tracks and improving the existing network. The **Government has awarded € 544.4 billion of projects to private firms.**

**MANUFACTURING SECTOR INVESTMENT**

The index of industrial production has displayed healthy growth trend. India’s industrial GDP has grown at a **CAGR of 12.6 %** over the last five years. The industrial sector is a primary demand driver for material handling equipment.

- **Steel**: Steel majors in India have undertaken large capacity expansion projects with an expected outlay of € 10.22 billion. The industry is estimated to grow at 9-10 % over the next 5 years. The production and consumption have experienced steady growth over the period considered.

- **Power**: Investment to the tune of about € 64 billion is expected in India’s power sector in the next 10 years, for adding generation capacity. The installed capacity in India is projected to grow to 212,000 MW by 2012 as against current level of 115,000 MW. This translates to a growth of 86 % over a period of 7 years, or a CAGR of 9.3 %.

- **Refineries**: India’s refining throughput as also oil consumption is expected to chart out a steady growth path. It is expected to reach approximately **187 million tonnes by 2010.** The estimated throughput growth is at **10 % over 2006-10.**

- **Engineering /Automobiles /Food & Beverages**: An estimated € 45.14 billion is projected for capital investment for the engineering industry in India, over key manufacturing sectors such as automobiles and food & beverages. In turn, this would drive demand for material handling equipment in the new capacities coming up. Diesel forklifts find particular application in the automobile industry which has been growing at close to 15 %. The total automobile production is set to cross 10 million units. Estimated CAGR for key segments is 15-18 % with an overall outlook for the future pegged at 16 %. LPG forklifts find particular application in food & beverages industry. Led by processed foods, wine, ice cream and edible oil, the € 53.12 billion food and beverages industry registered an 8.5 % growth during the 2005-06 fiscal.
- **Retail**: Exponential growth and emerging competition in organized retail in India is expected to **drive the organised logistics and warehousing industries**. India’s organised chain store retail is at the inflection point. The estimated potential market size is **€ 39.83 billion by 2015** implying a CAGR of 32% over next 10 years. This would drive the construction of new stores, in turn leading to demand for construction equipment.