



## *Message from President*



It gives me immense pleasure to release the first issue of the ICEMA Newsletter in 2018, mainly covering the major activities and initiatives of ICEMA during the last few months. ICEMA was actively involved in partnering with CII in organising EXCON 2017 and the Conference on Next Gen Infrastructure in December 2017. ICEMA, in association with CII and Feedback Business Consulting, brought out the Industry Report : Building India@75 which covers the growth trends of ECE Industry and the Business Outlook in the next 4-5 years.

During the course of the last few months, the Industry has shown good growth mainly due to demand from roads and highway sectors. Demand from other segments such as mining, railways, real estate, urban infrastructure, etc., is yet to mature significantly. Various initiatives are being taken by the Government for overall infrastructure development in the country which would generate business opportunities for the equipment manufacturers and our customers. Indian ECE industry has the potential to grow at 18 per cent CAGR to reach USD 7.5 billion by 2020, with expected sales volume to increase from over 48,000 units in 2014 to around 1,00,000 + units in 2020.

I hope you would find this Newsletter useful and informative, and forward your views / suggestions.

Best Regards,

**Arvind K. Garg**  
President

## PARTICIPATION OF ICEMA IN EXCON 2017



# EXCON 2017 Inaugural Ceremony



9th edition of EXCON 2017- the largest construction equipment exhibition in South Asia was held in Bangalore during 12-16 December 2017 with the theme 'Smart Technologies Fueling Next Gen Infra'. The exhibition was organised by Confederation of Indian Industry (CII). ICEMA was actively involved as Sector Partner.

Mr. Anant G. Geete, Hon'ble Union Minister for Heavy Industries and Public Enterprises, Government of India inaugurated the exhibition. In his inaugural address he mentioned that the construction equipment industry has good opportunities as there is phenomenal investment being experienced in infrastructure sector in the recent years and around INR 7-8 lakh crore is expected to be spent for infra development in the country.

The inaugural ceremony was also addressed by Mr. Amitabh Kant, CEO, Niti Aayog. He said "with the growing urbanization in the country there is a need to accelerate growth rate by 9-10% year after year for three decades or more to be able to move above the poverty line. The Government has not only

provided impetus to 100 smart cities, 50 metros etc. but we also see a significant impetus to the railway and irrigation sector. If India's ambition is to grow 9-10%, the construction sector must grow at nearly 50% each year."

Ms Shobana Kamineni, President, CII said, "Construction industry remains the fundamental strength of the economy with important multiplier impact. Under the Make in India matrix, construction machinery as a key component of the capital goods sector contributes to India's manufacturing prowess and is set to witness strong expansion".

Mr Vipin Sondhi, Chairman, CII EXCON 2017 said, the construction industry is headed for better days of a projected stable growth of 10% CAGR over the next 5 years compared to 7% in the previous decade.

Mr Arvind K. Garg, President, ICEMA; Mr Hari Sankaran, Chairman, CII National Committee on Infrastructure and PPP and Mr Kamal Bali, Chairman, CII Karnataka State Council also spoke at the Inaugural Ceremony.



## ICEMA Conference on Next Gen Infrastructure



**E**XCON 2017 - the 9th International Construction Equipment and Construction Technology Trade Fair was held in Bangalore during 12-16 December 2017. Coinciding with the exhibition, ICEMA organised a Conference on Next Gen Infrastructure at the same venue on 13th December 2017. The Conference mainly focused on the challenges in accelerating infrastructure in the country and exploring impact of future technologies on Indian Construction Equipment Industry. The Conference deliberated in detail on (a) Government Projects - Key Enabler (b) Infra Development - Voice of Customers and (c) Future Technologies - its impact on construction equipment industry.

The Conference was jointly inaugurated by Mr. R V Deshpande, Hon'ble Minister for Large & Medium Industries and Infrastructure Development and Mr. K T Rama Rao, Hon'ble

Minister of IT, Municipal Admn & Urban Development, Industries & Commerce, Public Enterprises, Sugar, Mines & Geology as well as NRI Affairs.

Mr. K. T. Rama Rao, in his address, highlighted the policy initiatives of Telangana Government for the infrastructure development in the State as a measure towards economic and social advancement. He mentioned that several steps have been taken by the State Government inviting investments and to encourage industries setting up manufacturing units in the State. He further added that the State Government has moved away from red tape to red carpet to attract investors. As part of Telangana Government's industrial policy, the entrepreneurs seeking to set up their manufacturing facilities do not require Government permission. If the land is approved



and the project is ready to take off, the certification process would not take more than 15 days. Telangana today is ranked number one in the Central Government's index of ease of doing business.

Mr. R V Deshpande, in his address, said "creation of human resources is the biggest challenge today. Government of Karnataka has urged the infrastructure industry captains to create good jobs. Over 13 lakh jobs have already been created by September 2017 and 5 lakh more jobs are in the pipeline. He invited industries to invest and promote ease of doing business in the State. Commenting on Central Government's 'Make in India' programme, he mentioned that

the Karnataka Government already started Make in Karnataka initiative back in 1950s since Bosch came to India. A large number of major companies have set their manufacturing units long time back.

Mr. Arvind K Garg, President, ICEMA in his welcome address spoke about the Conference focus areas and topics and mentioned that the







State of Karnataka has been driving towards Next Gen infrastructure. He also said that the State of Telangana provides lot of opportunity for setting up manufacturing units in the State, with the change in industry friendly policy initiatives of the Government. ICEMA would be happy to work with the States of Karnataka and Telangana for infrastructure

development and growth in construction equipment industry.

Distinguished speakers from the Government and Industry took part in the deliberations at the various sessions of the Conference and submitted their view points on specific subjects. The Conference was attended by over 300 participants.

## ICEMA stall at EXCON 2017



# ICEMA Annual General Meeting



Mr. Arvind K Garg, Executive Vice President & Head, Construction & Mining Machinery Business, Larsen & Toubro Limited has taken over as President, ICEMA for the period 2017-19 at the Annual General Meeting of the Association held on 1st August 2017 at New Delhi. Mr. K Vijay, Director, Ajax Fiori India was elected as Vice President.

Mr. Anand Sundaresan briefed members on the activities of the Association during the year 2015-17 in his tenure.

Some of the major initiatives of the Association during the period were:

- (a) Interaction with the Department of Heavy Industry on a regular basis with regard to setting up of Test & Certification Centre and the proposed CEMM Equipment Act.
- (b) Interaction with the Ministry of Road Transport & Highways to present Industry's concerns on technical related matters and also to take up

the issues relating to registration of construction equipment vehicles. ICEMA also interacted with the Ministry in providing various information required by the Mechanisation Committee of Indian Road Congress.

- (c) ICEMA actively involved in EXCON 2015 as Sector Partner and organised a two-day Conference on Rebooting Infrastructure. During EXCON, a series of meetings with Indian counterpart Associations were organised. Also organised an interactive session with Border Roads Organisations.
- (d) Submitted proposals for the Union Budget highlighting the issues of concern of the industry and recommendations.
- (e) A 56-member ICEMA delegation visited Bauma Munich in April 2016. The delegation had a series of meetings during their stay in Munich. ICEMA took part actively in India Symposium organised during the show. ICEMA also took a





15-member delegation to CONEXPO, Las Vegas and participated in a Roundtable on India.

- (f) ICEMA took part actively in the Seminar on Construction Equipment organised by the Department of Heavy Industry during Make in India Week at Mumbai 2016.
- (g) ICEMA represented at the Joint Liaison Technical Committee meetings held in Germany in April 2016 and in Las Vegas in March 2017.
- (h) ICEMA, in collaboration with Feedback Business Consulting, brought out a report on Indian Construction Equipment Industry which was released by the Hon'ble Minister of Road Transport & Highways, Shri Nitin Gadkari in

November 2015.

- (i) Coinciding with Bauma Conexpo India Show 2016, ICEMA organised a Conference on Infra Redux on 13th December 2016 at Gurgaon.
- (j) ICEMA brought out a Report on Infrastructure Development in North East India. The report was released by the Hon'ble Chief Minister of Assam Shri Saradananda Sonowal at the Conmac 2017, Guwahati.

Mr. Sundaresan thanked the Convenors and Co-convenors of the various Panels for their initiatives and the work done in their respective areas during the period 2015-17.



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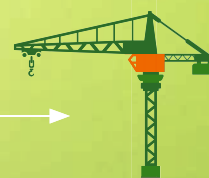
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## Meeting with CCMA



ICEMA members had a meeting with the members of the Chinese Construction Machinery Manufacturers' Association (CCMA) on 13th December 2017 at Bangalore. A 9-member Chinese delegation was led by Mr. Su, Zimeng, Executive Vice Chairman & Secretary General. Mr. Arvind K Garg, President and 8 senior members attended the meeting on behalf of ICEMA.

The meeting mainly deliberated on the possible areas of cooperation between the Associations for mutual benefits and sharing of information. ICEMA made a presentation highlighting the key initiatives with regard to setting up of Test & Certification Centre and creating CEMM Equipment Act. Both the Associations agreed to collaborate on sharing information on technical matters and sending delegations to respective countries during major international exhibitions.



CCMA briefed on the structure of their Association and working of their various Committees on specific subjects.

## Interaction with **Mr. K. T. Rama Rao** Minister of Telangana State



ICEMA organised an interactive session with Mr. K. T. Rama Rao, Hon'ble Minister of IT, Municipal Admn & Urban Development, Industries & Commerce, Public Enterprises, Sugar, Mines & Geology as well as NRI Affairs on 13th December 2017 at Bangalore. CEOs and Senior Executives of Construction Equipment Industry attended the meeting.

Mr. Rama Rao briefed on several policy initiatives taken by the Government of Telangana for inviting investments in setting up manufacturing units and overall infrastructure development in the State. The State Government would like to discuss on one-to-one basis with the captains of the construction equipment industry and provide all the support and cooperation in finalising the deal across the table. He invited ICEMA members to visit Telangana

State for a discussion and assured that Mr. Rama Rao and his colleagues would always be available for the discussion. Technology is the key for development. In the infrastructure sector, innovation, disruption, etc. are the only way forward solutions.

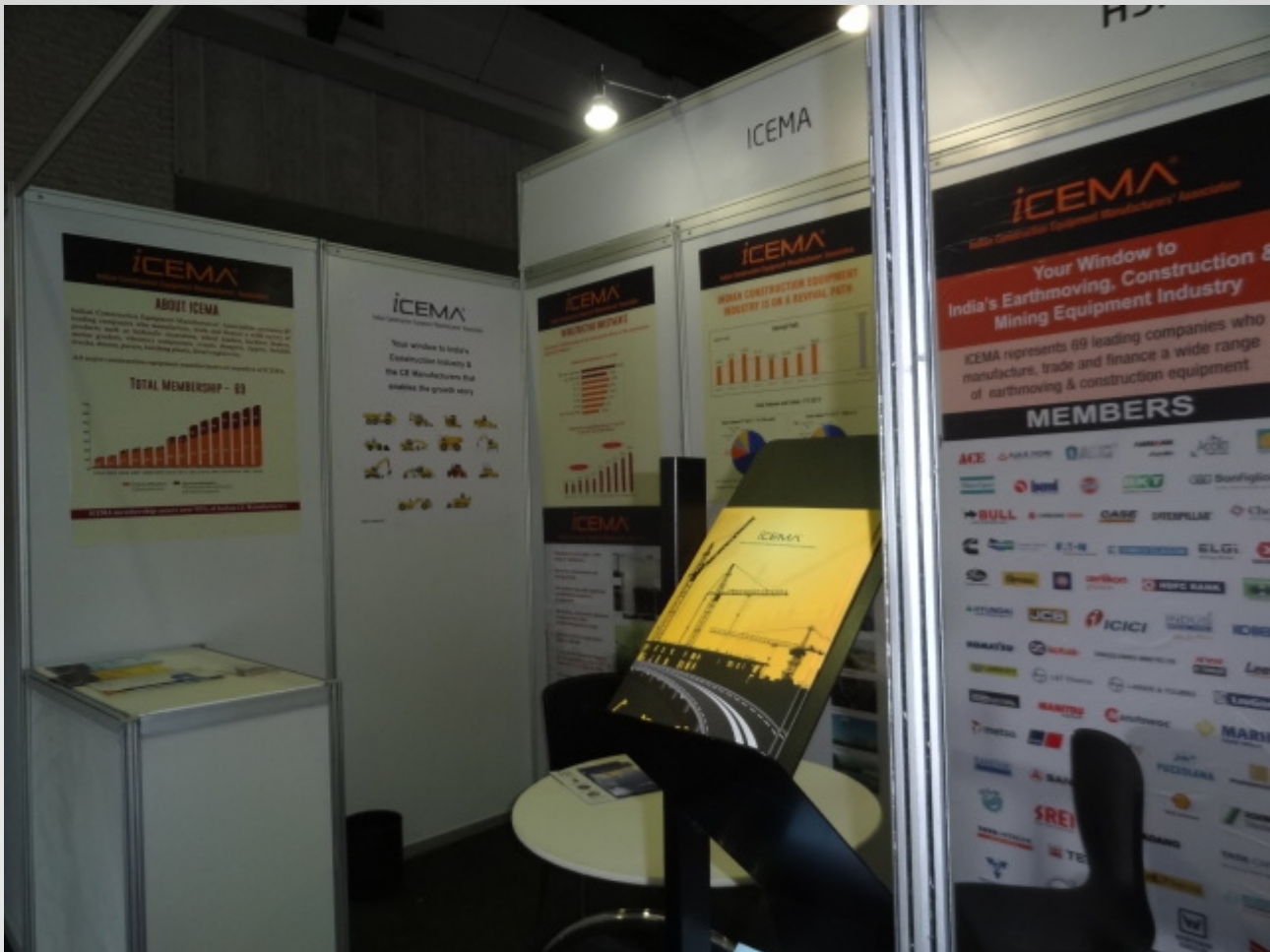
Telangana being a start-up State and the newest, youngest State is always highly receptive to new ideas. The Government would be happy to work out a model for closely working with the industry and even create customised incentive packages for senior investors

ICEMA members were invited to visit Telangana for exploring huge opportunities that are waiting for them for the infrastructure growth.





## ICEMA's Participation in BC Africa



Bauma Conexpo 2018 - an exhibition on construction equipment & technology was held in Johannesburg, South Africa during 13-16 March 2018. Over 40 Indian companies took part in the show. Some of the ICEMA members such as Puzzolana Fabricator, Escorts Construction Equipment and Ajax Fiori participated in the exhibition. Most of the other participants from India are component / spare parts manufacturers.

ICEMA also had a stall in the exhibition. ICEMA stall mainly displayed posters and brochures highlighting the strong membership base of the Association, growth trend of Indian ECE industry and market for construction equipment in India. Consul General of India, Johannesburg inaugurated the India Pavillion and specially visited ICEMA stall to know more about the Indian construction equipment industry and demand of equipment for various infrastructure projects in India.



ICEMA stall also received many visitors from neighbouring countries in Africa. The presence of ICEMA at Bauma Conexpo Africa 2018 helped in promoting Indian construction equipment industry and also establishing contacts with companies who are looking for joint venture projects in India.





## Agreement between ICEMA and Bauma Conexpo India



ICEMA and Bauma Conexpo India (BCI) have signed a Cooperation Agreement on 2nd August 2017 at New Delhi. ICEMA has agreed to support Bauma Conexpo India to promote the show to ICEMA members mainly to participate in the trade show and to organise a Conference.

As per the Agreement, the status of ICEMA would be the Partner Association in BC India 2018. ICEMA will be given a complementary booth of 12 sqmt shell scheme at BC India show. ICEMA has also been offered complimentary stalls at all the cluster shows of Bauma and CONEXPO CON/AGG of

AEM. BC India would also provide speaking opportunity for ICEMA if there is a relevant topic. Select ICEMA members would be given VIP benefits in BC India show and all its cluster shows. For participating in the cluster shows in China, South Africa, Bauma Munich, CONEXPO, etc., ICEMA would sign barter agreement with the organisers of the shows.

ICEMA is also supposed to get some commission on the rental of stall / space booked by ICEMA members at BC India Show 2018, Gurgaon.

## ICEMA represented at Joint Technical Liaison Meeting held in Seoul, South Korea

28th Joint Technical Liaison Meeting (JTLM) was held during 18 – 20 March 2018 at Seoul, South Korea. The meeting was hosted by Korean Construction Equipment Manufacturers Association (KOCEMA). Mr. Karthik Kaliappan of John Deere and Mr. Reji Josh of Caterpillar India represented ICEMA at this meeting.

JTLM is a forum which is comprised of representatives and technical personnel from Global Associations AEM, ICEMA, CCMA, CECE, KOCEMA & CEMA. This meeting provides an opportunity for interaction on product safety and compliance, standards professionals from around the world to communicate and influence global standards, regulations and technical issues of mutual concern impacting the free trade of Off Road Mobile construction machinery and reduction of technical barriers to trade.

For the last 3 years, ICEMA has been actively participating in JTLM and discussing India's regulation changes and challenges. This event provides ICEMA members an opportunity to know what's happening around the world and how ICEMA can work together with global associations and experts to solve common concerns.





# CEMM Equipment Act and Test Centre

## CEMM Act:

- On 11th Sep 2017, ICEMA made a presentation to JS, DHI & PLR regarding pending points proposed for incorporation in the draft CEMM Equipment Act (Version-28).
- Technical points discussed in the meeting were partially incorporated in the revised CEMM Equipment Act (Version-29) received from DHI on 10th Nov. 2017.
- ICEMA had another meeting with DHI and PLR on 15-12-2017 and closed all the loops of the CEMM Equipment Act from ICEMA and DHI's perspective. ICEMA is in constant touch with DHI for obtaining the final updated draft CEMM Act from DHI.

## CEMM Equipment Test Centre:

- On 19th July 2017, ICEMA made presentation to Secretary, DHI regarding the findings of the evaluation team about the feasibility of utilising the existing test facilities at BEML-KGF, HEC-Ranchi, NATRAX- Indore and ARAI-Pune. ICEMA has proposed to go with ARAI as "Partner Organisation" for setting up the CEMM equipment Test Centre.
- On 25th Oct 2017, DHI has sent a letter to ARAI to work with ICEMA and come out with a detailed proposal for establishing the CEMM Equipment Test Centre. In this regard, ICEMA had a meeting with ARAI on 24th Nov. 2017.
- Working groups of ICEMA Members & ARAI representatives were formed. Broad guidelines for working out details of the Test facilities required were circulated among the members. Members of each WG had con-calls among themselves.
- The progress / approach of all WGs was reviewed during the meeting held on 9th March at ARAI. Inputs required for preparation of DPIR was discussed and all the Working Group members were asked to work in that direction and furnish necessary details by end March 2018.

# Indian Construction Equipment Industry is on a Revival Path



## The industry is likely to reach the 2011 level by the end of March 2017 (FY 2017)

Indian Construction equipment industry, traditionally seen as bellwether of economic activity, has seen a strong growth during the first nine months of this financial year, an indication of optimism in business sentiment and a revival of economic activity.

De-growth in the industry started since 2012-13 and went on until September 2015. October to December 2015 was a period of flat growth. In the last 9 months (April to December), the industry has clocked a growth rate of 38%.

56,540 machines were sold in 2015-16, of which ~ 37,200 units (roughly two-thirds) were earthmoving machines. This is largely attributed to the positive movement in industries such as national highway/roads and coal mining, which saw a lot of push from the Government in the past 2 years. The key reforms brought in by the Government for the national highways industry has helped the industry in discussion move beyond what was anticipated.

Earthmoving equipment is a growing segment. Demand for the equipment in the third quarter of 2016-17 was quite significant. First 9 months of FY 2017 saw the segment grew by 44% compared to the same period of previous financial year.



## Trends in the growth of earthmoving equipment

Equipment	Sales during Apr-June 2016 Vol (Units)	% Change from same period 2015	Sales during July-Sep 2016 Vol (Units)	% Change from same period 2015	Sales during Oct-Dec 2016 Vol (Units)	% Change from same period 2015
BHL	7,535	67% ↑	6,287	36% ↑	8,600	34% ↑
HEX	4,097	60% ↑	3,787	45% ↑	4,900	47% ↑
WL	507	21% ↑	426	13% ↑	480	-2% ↓
MG	165	53% ↑	184	86% ↑	235	40% ↑
SSL	134	31% ↑	94	-18% ↓	105	-25% ↓
CD	71	25% ↑	91	52% ↑	165	74% ↑
Dumper	91	-4% ↓	81	-15% ↓	120	30% ↑


However, the industry continues to be sensitive to the demand for backhoe loaders and hydraulic excavators. Backhoe loaders segment, currently contributing to 40% of the overall sales of construction equipment by volume, is an India specific phenomenon. Backhoe loaders in China account for hardly 0.5% of sales, while those of North America record 8.5% of sales of their respective construction equipment. Backhoe loader is the machine of choice as the market shifts from manual labour to mechanization. Hydraulic excavator is usually the next machine which most customers graduate to. The trend seen across most customers is that they buy a hydraulic excavator within the first 5-6 years of a backhoe loader purchase.

### Summary of growth for the month of January 2017

Overall, January sales grew by 15% across all equipment categories, clearly indicating that demonetization had minimal effect on the construction equipment industry. Average order book across equipment categories also saw an improvement over the previous quarter. Equipment sales growth largely came from north, east and west India regions, whereas it remained flat in south.

Significant Government initiatives have put construction industry on a recovery path after almost four years of sustained contraction. Old, stuck projects are getting cleared and new announcements are being made with roads and highways leading the resurgence.

## Demand drivers seen a big flip up with budget's focus on infrastructure and real estate industries

 Rail	<ul style="list-style-type: none"> <li>▪ 8% increase in railway budget to Rs 1,310 billion with 14% jump in metro allocation to Rs 178 billion</li> <li>▪ Maharashtra witnessed 4x increase (Over 5yr avg) to ~ Rs 60 billion</li> <li>▪ Kolkata metro projects to get chunk of metro rail allocation ~ Rs 26 billion</li> <li>▪ 25 new train stations to be awarded with commissioning of 3500 kms of new railway lines</li> </ul>
 Roads	<ul style="list-style-type: none"> <li>▪ Roads and highway spend increase by ~ 12% to Rs 649 billion</li> <li>▪ Rs 270 billion earmarked for rural roads under Pradhan Mantri Gram Sadak Yojana (PMSGY)</li> <li>▪ 2,000 km of coastal connectivity roads identified for construction and development</li> <li>▪ Proposal for multi-modal logistics parks to spur construction activity</li> </ul>
 Energy	<ul style="list-style-type: none"> <li>▪ Rural electrification allocation increased by 35% to Rs 106 billion</li> <li>▪ Renewable energy allocation stepped up by 26% to Rs 55 billion</li> <li>▪ 20GW solar power to be added with a plan to supply 7000 railway stations with sola power</li> <li>▪ Boost to solar with tax reduction on parts, machinery used to manufacture solar project comp</li> </ul>
 Real estate	<ul style="list-style-type: none"> <li>▪ Budget announcements largely positive for real estate sector</li> <li>▪ Affordable housing provided infrastructure status with change in profit linked income tax deduction</li> <li>▪ Allocation to Pradhan Mantri Awas Yojana (PMAY) increased by 45% to Rs 290 billion with a commitment to build 10 million houses by 2019</li> </ul>

## Strategies that will lead to increase in use of construction equipment across segments

Going forward, there could be some disruptions in the construction equipment industry, both from product and service perspective. Some likely developments:

- Growth in pre-fabricated concrete business
  - This could lead to increased use of concrete equipment like transit mixers, concrete pump and boom placers
  - As a result, concrete equipment could see a spurt in sales
- Increase in usage of specialized equipment
  - There could be a movement towards more specialized equipment. This could impact the backhoe loaders business in a small way through competition from excavators and wheel loaders under 14 T capacity
- Rising manual labour costs
  - In spite of considerable mechanization across key infrastructure projects, real estate, rural roads, etc., the need for the manual labour will continue to be considerable. Projects will face inflationary pressures due to the rising labour costs.
  - The stagnant or low volume sales of products like skid steer loader could see increased demand
- Digital drive
  - Higher penetration of e-commerce is increasing the acceptance among customers. This in turn is slowly penetrating to construction industry also
  - There are e-commerce portals providing men and material for the construction industry
  - An exclusive equipment financing institution which caters to the needs of the entire ecosystem could very well emerge



## There is scope for a few innovative disruptions; it would be interesting to see what would set these in motion

The industry is currently in a wait and watch mode. The sentiments are positive and faith is partly restored with the recent push in roads and coal mining industries. There is a hope that more reforms would follow in other industries too, boosting the construction activity and in turn equipment sales.

Following are some of the enabling activities that Government could undertake for the industry.

- One of the major expectations from the Government is speedy implementation of GST Bill. Differential tax rates and rules in different States need to be removed and a uniform structure should be put in place
- Land acquisition role has been shifted to the States and more progressive States could benefit by being proactive here. Ease of doing business at the Central level through DIPP initiatives, and at the State level through regional action could bolster the investment climate
- Like in the case of the coal industry, innovative action is required in Iron ore licensing through transparent processes
- Quarry blocks need to be allotted once they have received the required clearances from the Environment and Pollution Control Boards
- Common emission standards and rules need to be implemented for tyre and chain mounted equipment
- To eliminate financial stress, the construction equipment industry needs a quick and easy access to capital as well as reduction in interest rates for construction equipment.