PRESS RELEASE

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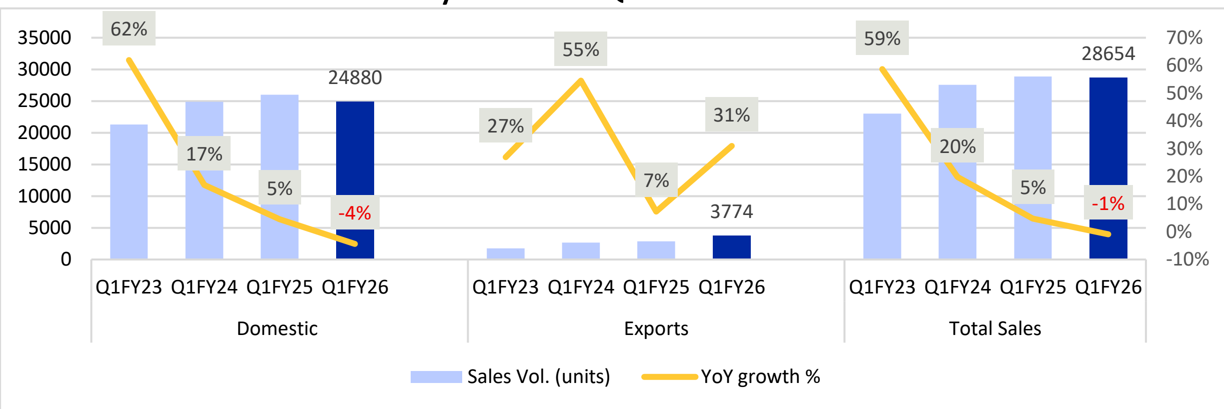
Indian mining and construction equipment industry to report 2-5% volume growth in FY2026: ICRA

Rating agency ICRA projects the Indian mining and construction industry (MCE) industry to display a muted year-on-year (YoY) volume growth of 2–5% in FY2026, corresponding to volumes of 1.43-1.47 lakh units. Following the decline witnessed in Q1 FY2026, ICRA anticipates an acceleration of new award activity in H2 FY2026, especially by the Government. Further, several industries are set to witness continued industrial and warehousing construction demand because of domestic market focus, thereby supporting volumes. Simultaneously, higher costs engendered by the construction equipment vehicles (CEV)-V norms[1], are likely to dampen demand and squeeze OEM margins.

Providing insights, **Ritu Goswami, Sector Head, Corporate Ratings, ICRA,** said: "*Early onset of monsoons and unseasonal rains in some regions of the country disrupted the construction and mining activities in Q1 FY2026, which is also reflected in the flattish production data reported by Coal India Limited (the India's largest miner) during this period vis-à-vis a year ago. The tepid new award activity and slowdown in road construction and Jal Jeevan Mission (JJM) projects has also hampered demand for the earthmover segment, which constitutes a bulk of the Indian MCE sector demand. Given the observed weakness in domestic demand during Q1 FY2026—which is expected to persist into Q2 as monsoon conditions impact the construction sector—industry recovery hinges on the improved traction in H2 FY2026.*"

The Indian MCE industry reported a marginal volume decline (1% YoY) in Q1 FY2026 as per the initial data released by the Indian Construction Equipment Manufacturers Association (ICEMA). While the domestic volumes contracted by 4% YoY, a strong 31% YoY growth in exports supported the overall sales during this period.

Exhibit: Trend in Indian MCE Industry Volumes in Q1



Source: ICEMA, ICRA Research

"The Government of India has allocated Rs. 11.2 lakh crore for capital expenditure in FY2025-26, with major initiatives such as the JJM, PM Gram Sadak Yojna (PMGSY), and PM Awas Yojna-Gramin (PMAY-G) receiving renewed focus. Continued emphasis on sectors including transportation, water supply and sanitation, and irrigation is anticipated to result in an increase in new project awards and execution, thereby supporting domestic MCE demand. While certain private sector capital expenditure decisions

[1] *The CEV emission norms in India are applicable for diesel powered engines used in non-road equipment and define emission limits on particulate matter, particulate number (CEV-V only), nitrogen oxide, hydrocarbon, and carbon monoxide.*

may be deferred due to global headwinds, most industries are expected to experience continued industrial and warehousing construction demand because of domestic market focus. Additionally, MCE export potential remains strong. ICRA, therefore, maintains its volume forecast for FY2026 at 2-5% year-on-year growth, corresponding to volumes of 1.43-1.47 lakh units," said **Goswami.**

In Q1 FY2026, the growth of 31% in exports was led by backhoe loaders, excavators and skid steer loaders, which cumulatively accounted for 76% of the total exported volumes and saw a 34% YoY growth. The United States is one of the top two MCE markets globally and ranks among the top five export destinations for India-manufactured MCEs and related components. Although uncertainty surrounds the imposition of a 26% reciprocal tariff by the US on Indian exports, which could impact demand for select OEMs, opportunities in alternate markets continue to offer significant diversification potential. Hence the tariff impact is not expected to be material for the industry.

"*From January 1, 2025, regulatory changes viz. CEV stage V emission norm transition and mandatory safety features became effective for wheeled construction equipment in India. It has led to increased prices for compliant machines[2], which are likely to be passed on to the customer (partly or fully) over the next few quarters. This, coupled with seasonality in sales (generally slow during rainy season) and subdued awarding activity for infrastructure projects, will weigh on the domestic demand sentiments for the MCE industry during H1,"* **Goswami** added.

In terms of financial metrices, the aggregate revenue for the Indian MCE industry is expected to have moderated to single digit YoY growth in Q1 FY2026, given the flat volumes. On the cost front, the higher cost of CEV-V compliance, coupled with increased steel cost (due to safeguard duty imposed by the Government of India on non-alloy and alloy steel flat products in April 2025) is likely to have impacted the YoY profit margins during the quarter, as price hikes to offset the impact are generally taken in a staggered manner. Notably, the large players in this segment are all unlisted.

Despite the moderation, ICRA expects the credit profile of the OEMs to remain stable in FY2026, in the backdrop of low leverage and comfortable liquidity with most players.

[2] *For details, refer ICRA's report on the subject at https://www.icra.in/Research/ViewResearchReport/6104*

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