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INDIAN MINING AND CONSTRUCTION EQUIPMENT INDUSTRY

Localisation offers USD 3 billion annual incremental opportunity to vendor ecosystem

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Highlights

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Backed by a strong domestic demand and targeted interventions, industry could increase indigenisation levels to over 70% by FY2030 from 50% currently.

Riding high on India's infrastructure-led growth story, the domestic mining and construction (MCE) industry saw a CAGR of 12% in the last decade (FY2015-FY2024) to touch 1.36 lakh unit sales in FY2024. However, a strong supply chain ecosystem is critical to realise the industry's Vision 2030 viz. to be the world's second largest MCE market as well as a global manufacturing and export hub.

The MCE industry today has high import dependence, with ~50% of its components (by value) being imported from the OEMs based out of China, Japan, South Korea, Germany, among others. Significant variation exists in indigenisation levels across equipment categories. The industry is also dependent on imports for certain key raw materials like specialty steel.

Imported components mainly comprise hydraulics, undercarriages and high-tech electronics like electronic control units (ECUs), sensors, telematics etc. These are either technology-intensive parts or require large scale manufacturing to attain economic viability. In addition, certain high tonnage fully-built machinery, not manufactured in India, is also imported.

Some of the key factors leading to high imports include – insufficient domestic demand to make local production economically viable, availability of key raw materials, technology gap of tier-II/III suppliers compared to developed market vendors due to financial constraints and viability (of scale) considerations and global procurement policies of multinational MCE OEMs.

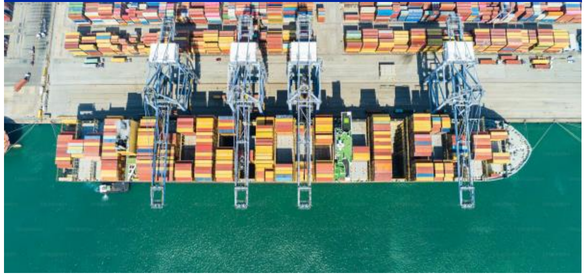
Multiple factors are becoming supportive for increasing MCE localisation levels like – the PLI scheme for complementary sectors - specialty steel, auto component, shifting geo-political dynamics with China+1 policy being adopted by the OEMs etc. At a macro level, the Government of India's (GoI's) is taking initiatives to improve ease of doing business and focusing on creating a robust infrastructure to attract investment and improve overall competitiveness of the domestic manufacturing industry.

The Indian MCE industry's localisation share could increase to 70-80% over the next 5-7 years. With a potential of becoming a USD 25 billion market in annual revenues, this could mean ~USD 3 billion in forex savings annually; improvement in cost competitiveness could also support increase in share of India's exports (from <2% currently).

Outline

1 Primary challenge for domestic MCE supply chain

2 Components imported across MCE segments



3 Localisation constraints

4 Initiatives underway

5 The road ahead

6 ICRA's rating coverage in the sector

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Thank You!