



INDIAN MINING AND CONSTRUCTION EQUIPMENT INDUSTRY

**Pre-election demand pick-up and
easing commodity inflation to
support industry volumes in FY2024**

MARCH 2023



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ICRA Ratings in the Sector



The outlook for the industry remains stable, led by expectation of healthy volume pick-up in FY2024 amid pre-election demand drive.

Given industry's high import dependence, stabilisation of freight rates and softening in commodity inflation augur well for OEMs' margins in the medium term.



- Domestic MCE volumes registered a healthy growth of 31% on a YoY basis in 11m FY2023 aided by improvement in the overall macroeconomic environment, a strong revival in construction activities and thrust on completion of infrastructure projects in a run-up to the elections in 2024.



- The workhorse, backhoe saw a 31% YoY recovery in 10m FY2023 (-34% in FY2022), while excavators saw a 25% YoY growth (7% in FY2022). Excavators are witnessing increased adoption with improving cost competitiveness (after CEV-IV) and emerging demand in niche applications. Overall excavators are expected to reach their all-time highs in FY2023-2024.



- With 85-90% of the domestic MCE's being financed, the healthy volume growth in 10m FY2023 indicates healthy credit flow towards CE financing. Bank's credit towards the sector witnessed a higher increase vis-à-vis NBFCs in recent quarters. NBFC delinquency levels also remained under control amid conservative LTV standards.



- Export share in industry volumes remains limited on account of technology gaps, limited incentives and lagging emission and safety norms in Europe and the US. CEV-V emission norms, proposed to be implemented w.e.f. April 1, 2024, will bring Indian MCEs at par with global standards. Coupled with measures to increase cost competitiveness, Indian players could boost exports.



- The healthy allocation for capital spending in the Union Budget 2023-24, coupled with ambitious targets set under the National Infrastructure Pipeline (NIP), are expected to lead to ramp-up in infrastructure development in segments like roads, metros, railways, etc. which would in turn drive volumes for the MCE industry.



- ICRA expects the domestic MCE industry volumes to grow by ~10-15% in FY2024e post witnessing a growth of ~28-32% in FY2023e supported by the aforementioned factors. The credit metrics and profitability of MCE OEMs is also expected to witness improvement over the near-to-medium term aided by softening commodity inflation and freight costs.

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