

INDIAN MINING AND CONSTRUCTION EQUIPMENT INDUSTRY

**Pre-election infra push drives strong
volume growth in 5m FY2024;
moderation expected in H2**

SEPTEMBER 2023



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

The softening commodity inflation coupled with operating leverage benefits augur well for OEMs' margins in FY2024.



- The volumes in Indian mining and construction equipment industry (MCE) registered a healthy YoY growth of 26%* in FY2023 and 25%* in 5m FY2024 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 General Elections in 2024.



- Apart from material processing equipment, all product segments reported strong growth in 5m FY2024. The dominant equipment - backhoe loader - saw a strong recovery in domestic market - 29% and 25% YoY in FY2023 and 5m FY2024 respectively – vis-à-vis -34% in FY2022. Material handling (increase by 62% YoY) and road construction (increase by 49% YoY) equipment almost doubled their volumes in 5m FY2024, albeit on a low base.



- With 85-90% of the domestic MCEs being financed, the healthy volume growth in FY2023 and 5m FY2024 indicates healthy credit flow towards CE financing. Bank credit towards the sector witnessed a higher increase vis-à-vis NBFCs in the recent quarters. The NBFC delinquency levels also remained under control amid conservative LTV standards.



- 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 the 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 industry volumes to grow by 10-12% and revenues by 12-14% in FY2024. The profitability of MCE OEMs is also likely to improve by 100-150 bps in FY2024, aided by softening commodity inflation and operating leverage benefits.

*Domestic + Export volumes

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