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INDIAN MINING AND CONSTRUCTION EQUIPMENT INDUSTRY

Industry to witness a degrowth in FY2025 after a two-year upcycle

MARCH 2024

Highlights

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While volumes are expected to decline on a YoY basis in FY2025e, the outlook for the industry remains stable, led by expectation of a pick-up in infrastructure activity post the General Elections and pre-buying before the emission norm transition in January 2025.

- The volumes in Indian mining and construction equipment industry (MCE) registered a 25% YoY growth in 11M FY2024 as the Government accelerated infrastructure spending ahead of the Union Elections in early FY2025. However, volumes in January and February 2024 saw a sequential slowdown. Nonetheless, FY2024 volumes are expected to close at 128-130 thousand units, when compared to 107 thousand units in FY2023.

- Almost all product segments reported strong (20% or over) YoY growth in 11m FY2024. The dominant sub-segment – earthmoving equipment - saw a 22% YoY growth in 11m FY2023 vis-à-vis 23% in FY2023. Material handling (increase by 53% YoY) and road construction (increase by 40% YoY) equipment were the two fastest growing sub-segments.

- Bank credit towards the sector continued to witness a higher increase vis-à-vis the NBFCs in the recent quarters.
- Healthy order books of EPC players and thrust on execution will keep supporting equipment utilisation levels and keep rental yields stable on a YoY basis in FY2025.

- ICRA expects a 12-15% YoY decline in MCE volumes in FY2025. They are likely to remain muted in H1, in Q1 due to the general elections and in Q2 due to the monsoon-related impact on construction activities and are likely to ramp-up up in H2 FY2025. The emission norm transition in January 2025 could also support pre-buying in Q3FY2025.

- The industry revenues are expected to contract by 9-12% and profitability margins by 100-150 bps in FY2025, driven by the decline in volumes resulting in under-absorption of overheads. Any material increase in commodity prices (mainly steel) and freight rates (given the import dependence) remain key monitorable. The coverage metrics of mid-size entities with relatively leveraged balance sheets may face some pressure due to the moderation in profitability.

*Domestic + Export volumes

What's Inside…

1 ICRA's Outlook on the Sector

2 Domestic and Export Sales Trends

3 Trend In Economic Indicators & Industry Demand Drivers

4 Input Price Trends

5 Financing Environment

6 MCE OEMs I Operational and Financial Comparison

What's Inside...

7 ICRA Ratings in the Sector

8 Annexures

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Thank You!