ICRA

INDIAN MINING AND CONSTRUCTION EQUIPMENT INDUSTRY

Subdued awarding and price hikes amid a tight financing scenario to keep YoY volume growth modest in FY2026

MARCH 2025

Highlights

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ICRA expects MCE industry volumes to report another year of optically modest YoY growth of 2-5% in FY2026, given a high base led by three years of over 1 lakh unit sales.*

While price-hikes led by regulatory changes and a tight financing environment may dampen demand, industry's Stable outlook is led by expectations of the Government's continued thrust on infrastructure development and benign commodity prices.

The Indian mining and construction equipment (MCE) industry saw a muted volume growth – at 3% YoY - in 11m FY2025 (compared to 26% each in FY2024 and FY2023), impacted by slowdown in domestic project award activity and execution momentum in H1 due to the General Elections followed by extended monsoon- related impediments. The export momentum also saw a tapering in the same period. While recovery was witnessed starting Q3 FY2025, overall industry volumes are expected to be largely flattish (2-3% growth) in FY2025e.

In the domestic market, the dominant sub-segment of earthmoving equipment saw a 5% YoY growth against the decline in almost all other sub-segments in 11M FY2025. During the same period, in exports, concrete (+133% YoY) and road equipment (+122% YoY) reported over 100% growth, even as overall volume growth moderated to 7% YoY, after a 49% jump seen in FY2024.

Bank credit towards the sector continued to witness a higher increase vis-à-vis NBFCs in 9m FY2025. Given the high financing dependence of the sector (85-90% MCE's sold in India are financed), tight liquidity with the NBFCs may impact disbursements/ lower LTVs for first-time buyers and could pose a challenge for the industry in the near term. This impact can be aggravated as price escalations, driven by emission norm change and incorporation of new safety features, will fully come into play, starting July 2025.

Despite flattish volumes in FY2025, industry performance was better than envisaged compared to previous years with the General elections. Given the inherent cyclicality in the industry and a high base (with over 1 lakh units sold for last three consecutive years; at a compound average growth rate (CAGR) of ~18% over FY2022-FY2025e), FY2026 volumes are expected to grow by a modest 2-5%. An upside potential to the estimates depends on timely pick-up in domestic project awarding activity, faster project execution and jump in exports.

ICRA expects credit metrics of the domestic MCE industry to remain stable in FY2026, with revenue growth of 8-10% YoY, albeit with profitability margins contracting by 50-100 bps. The same will be driven by higher cost (estimated at ranging between 12-15%) due to regulatory changes and staggered pass-through of the same to the customers. The coverage metrics of mid-sized entities, with relatively leveraged balance sheets, may face some pressure due to the same, even as the elevated working capital intensity as of Mar-2025, led by higher inventory holding during emission norms transition, gets moderated.

Domestic + Export volumes; NBFC: Non-Banking Financial Companies, LTV: Loan to Value, EPC: Engineering, Procurement and Construction

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Thank You!