

HEAVY



Make agile the
heaviness of
Heavy industries

Shining Perspective

- Mining & Construction Equipment (MCE) manufacturing companies are targeting emerging market due to high growth potential and maturing developed markets
- Stringent environmental law is making products costlier due to high technology involvement
- The critical factor would be to bring affordable, environment friendly product to achieve scale
- Manufacturers need to get into micro details of product planning with diverse customer segments to evaluate the mass potential for designing a low-cost, high application, low maintenance product
- Besides, focusing on strong dealership network support, sales service, availability of low cost spare parts would play vital role

As recession has curtailed construction activity in much of developed world, fresh wave of consolidation will be witnessed in such markets. Around the same time, emerging markets like China and India, riding on their domestic economic buoyancy will see best growth opportunities. North America will be second fastest growing markets through 2013.

The industry will see technological innovation under pressure by stringent environmental norms.

There will be spurt in demand for spares and allied services as also the used and rental equipment market will witness high growth.

Mixers, pavers and related equipments will be fastest growing product segment in the construction business.

Industry Growth Drivers

- Strong economic development
- Rising Global demand
 - The global Mining & Construction equipment (MCE) industry has been on an upswing since 2003-04 and has grown by over 15% annually until Q3, 2008-09
- Growth in emerging market
 - Low levels of mechanization
 - Low penetration of equipment in the construction industry
 - Proposed heavy investment in infrastructure by govt
 - Increasing population and urbanization
- Growing levels of mechanization
- Growth in Infrastructure, mining, real estate industry
- Govt.'s policies, including more fiscal investments and increased construction activities

- Industrialization
- Timely availability of credit at favorable terms and interest rates
- High growth potential for used and rental equipment markets in developing nation
In India, it is in nascent stage

The Marke

- Worldwide construction machinery/ equipment market was ~110bn in 2008
 - It is expected to grow at a CAGR of 5.3%; to reac \$140bn (2008-13)
- The Asia/Pacific region, Western Europe and North America are the top producers of construction equipment
- These countries account for more than nine-tenths of global output in 2008

Market Drivers

- The industry is dependent on macro-economic factors like
 - Strong economic development
 - Government and private investments in infrastructure
 - Large government projects like road building
 - Commodity prices
 - Booming real estate industry
- Growing levels of mechanization

Industry Competitive Scenario

- Increasing competition among global and national players
- Global companies are improving value through greater customization to meet local needs
 - Besides, strong service and spares support to beat competition
 - Dealership tie-ups

- Setting up of a viable and efficient aftermarket network
- Training of manpower to operate the equipment
- Players from emerging countries seeking to expand into mature markets
 - Through improving their technology and product quality and begin to build sales and service networks
- The threat from low-cost players entering mature markets will likely come in two waves
 - In the first, low-cost South Korean players will further expand their mature-market presence
 - In the second, beginning around 2012, Chinese players will begin entering mature markets in the low-cost-product segment
- Mature market players are focusing on improving cost efficiency and further exploiting the existing advantages in technology, distribution networks, and brand positioning

Industry Complexity

- Cyclical nature of industry
 - The industry is cyclical, with the long term demand strongly correlated to the health of the underlying economy and infrastructure investments
- Stringent environmental norms
 - Emission/ noise control norms

- Capital intensive industry
- Equipment Financing
 - Timely availability of credit at favorable terms and interest rates
- Managing economies of scale
- Managing concerns related to quality and availability of long-term after-sales service
- Managing raw material costs through effective sourcing
 - Especially for imported content
- Govt. regulation & taxation policies
 - Lack of synchronization of interstate tax policies (on movement of equipment between states) and logistics of the equipment

Industry Pain Areas

- Economic recession
 - It led to weak sentiments across user industries and tight liquidity conditions in 2008-09
- Volatility in the commodity prices like steel
- Foreign exchange volatility
- Low resale value of equipment
- High cost of R&D
- High level of inventory/ Inventory optimization
- Over capacity/underutilization
- High lead time in importing component



Delivering extra benefit

Shining Consulting Pvt., Ltd.
17, Visveswariya Industrial Area,
Mahadevapura 2nd Stage,
Bengaluru - 560 048, India.

Tel : 91-80-4127 6999 / 81
Fax : 91-80-4127 6990
Email: shining@shiningconsulting.com

www.shiningconsulting.com