Off-Highway Research

The Construction Equipment Industry in INDIA

MARKET REPORT

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Market Report

India

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CONSTRUCTION EQUIPMENT SALES REACH HISTORIC HIGH POINT IN 2010

After a period of steep sales growth between 2003 and 2007, demand for construction equipment declined in 2008 and 2009 as a reaction to the global downturn. However, signs of recovery were visible by the end of 2009 and construction activity started to pick up at that point. Off-Highway Research forecast a strong recovery for the construction equipment industry in 2010 in both its Annual and Mid-Year Reviews. In August 2010 the Mid-Year Review predicted sales for the year at 56,375 units, representing a growth of 37 per cent over total sales of 41,409 units in 2009.

Now, a revised estimate based on a quick survey of the industry carried out by Off-Highway Research in December 2010 is presented in the table below. A detailed analysis of the year will be presented as usual in our Annual Review in April 2011.

Table 1. India: Sales of Construction Equipment, 2006-2010
(Units)

	2006	2007	2008	2009	2010*	% Change 2009-2010*
Asphalt Finishers	687	954	879	920	890	-3
Backhoe Loaders	13,797	21,769	16,673	15,731	25,000	+59
Compaction Equipment	2,335	3,219	2,905	2,787	2,700	-3
Crawler Dozers	550	599	608	562	700	+25
Crawler Excavators	5,904	9,606	9,897	7,950	11,300	+42
Mobile Compressors	1,906	2,620	2,854	2,999	4,200	+40
Mobile Cranes	5,859	8,115	7,870	7,005	9,500	+36
Motor Graders	360	544	553	342	450	+32
Rigid Dump Trucks	749	594	771	808	700	-13
Skid-Steer Loaders	175	265	480	290	550	+90
Wheeled Loaders	1,877	2,364	2,540	1,902	2,500	+31
Others**	55	57	111	113	225	+99
Total Construction Equipment	**34,254**	**50,706**	**46,141**	**41,409**	**58,715**	**+42**

* Forecast
** Articulated Dump Trucks, Crawler Loaders, Mini Excavators, Rough Terrain Lift Trucks and Wheeled Excavators
Source: Off-Highway Research

The demand for almost all types of construction equipment is expected to have improved substantially in 2010. The fastest growth will have been recorded by the group of equipment which normally sells in small numbers, including articulated dump trucks, crawler loaders, mini excavators, rough terrain lift trucks and wheeled excavators. Combined sales of these machines, categorised as 'others' in the above table, are most likely to have doubled from 113 units in 2009 to 225 units in 2010. The next best group will probably be skid-steer loaders, with 90 per cent growth, mainly on account of purchases by the Indian Army.

Of the largest selling machine types, the backhoe loader, which constitutes nearly 40 per cent of total construction equipment sold in the country, has grown at a remarkable rate of around 59 per cent, while the crawler excavator, the second largest selling equipment category, is likely to have registered a growth of 42 per cent. Other equipment expected to grow over 25 per cent includes mobile cranes, mobile compressors, motor graders, crawler dozers and wheeled loaders.

Sales of rigid dump trucks are forecast to have declined by 13 per cent despite strong mining activity. The decline may well be the result of an ongoing shift in this market towards larger machines and the cyclical nature of buying patterns by the major coal companies. Off-Highway Research has reported about this trend in detail in previous reports.

Sales of road construction equipment are also expected to have registered a decline, a clear indication that the government's frequently repeated claims of building 20 kilometres of highway every day are not being put into practice. Sales of compaction equipment and asphalt finishers may therefore have declined by nearly three per cent, despite the enormous potential in the market.

The construction equipment business is very sensitive to the government's decision making process; the major impediments to its growth are the slow speed of awarding contracts, the time taken to start projects and obstructions to completing them within the set time frame originating from the current socio-political environment.

The Central government is currently bogged down with several controversies, which may well further retard its decision making process. However, a major political development, which may favour the growth of the infrastructure sector in future, is the outcome of the recently held elections in the state of Bihar where the incumbent government won by an unprecedented margin.

This election was fought on the basis of good governance, which to a great extent also included the development of the state's infrastructure. This victory has sent a strong signal across the country that the issue of development has now moved centre stage, replacing the traditional political perception that elections can only be won on social issues. Now, both central and state governments are likely to make increased political commitments towards the development of infrastructure through policy initiatives and procedural efficiencies.

Elsewhere, global economic conditions are yet to turn favourable but, on a positive note, the country's growth estimates for the current fiscal year are now being revised upwards from 8.5 per cent to 9.0 per cent. This is certain to send a strong signal about the economy's inherent strength, which will attract increased overseas attention and investment.

The scale of investment in infrastructure for the next five years is now being projected at US$1 trillion. Clearly, India will continue to be one of the most important markets for suppliers of construction equipment on account of its high infrastructure deficit and ever expanding demand for infrastructure related services.

All types of construction equipment will therefore witness growth in the long term, though the market will continue to be dominated by the six most popular products: backhoe loaders; crawler excavators; mobile cranes; compaction equipment; wheeled loaders; and mobile compressors.

India is currently the fourth largest construction equipment market in the world, and is likely to grow at a quicker pace than most of them over the next few years. Off-Highway Research is very bullish indeed about the prospects of the Indian construction equipment industry and believes that growth will be sustained in the coming years, albeit probably at lower levels than those witnessed in 2010.

ST KINETICS ESTABLISHES A SUBSIDIARY COMPANY

Singapore Technologies Kinetics Ltd (ST Kinetics) has established its first subsidiary company in India. The new company, named **LeeBoy India Construction Equipment Pvt Ltd (LeeBoy India)**, will be located in Bangalore.

ST Kinetics is the land systems and specialty vehicles arm of **Singapore Technologies Engineering Ltd**, one of the largest companies listed on the Singapore Exchange. It has over 100 subsidiaries and employs over 21,000 personnel in 44 cities worldwide. Its products and services are sold through a marketing network spread over 80 countries. The group's total revenues in the financial year 2009 stood at SG$5.55 billion with net profits of SG$444 million.

The group's activities are divided in to four strategic business areas, namely Aerospace, Electronics, Marine and Land Systems. Each of these provides products and services for both commercial and defence purposes. ST Kinetics comprises three strategic business groupings:

The Land Systems & Solutions Group provides a range of integrated solutions for defence and homeland security applications.
The Specialty Vehicles & Services Group produces specialty vehicles and equipment for the construction industry, urban services and goods distribution.
The Total Support & Services Group provides maintenance and lifecycle services for land systems, specialty vehicles, automotives and related equipment.

LeeBoy India is being set up with an investment of SG$50 million, which will be made in two phases. It is structured with a debt equity ratio of 2:1. Nearly SG$16.7 million of this investment will be through equity, in which the management of the company will also participate with a share of around three per cent. The remaining two-thirds of the investment, amounting to SG$33.4 million, will be in the form of shareholders' loans. The company hopes that the establishment of this subsidiary will not have any impact on the earnings per share of ST Engineering for the current financial year.

Currently, LeeBoy India imports all its products; however, it plans to start local manufacturing for some equipment types to offer a differentiated value proposition to its customers. Locally produced equipment will be marketed under the LeeBoy brand, while products sourced from its associates will be sold under the TRXBUILD brand.

Table 2. LeeBoy India: Product Range, 2011

	Model	HP	Manufacturer	Operating Weight/Size	Brand	Product Source
Construction Equipment						
Asphalt Finishers (Tracked)	SPSE90V	188	Volvo	3-9 m paving width	TRXBUILD	China
Asphalt Finishers (Wheeled)	LeeBoy 9000	173	Caterpillar	2.4-4.9 m paving width	LeeBoy	USA
Motor Graders	785	127	Caterpillar	12 MT	LeeBoy	USA
	TBD*	150	Cummins	15 MT	LeeBoy	USA
Rigid Dump Trucks	D32	330	Cummins	32 MT Payload	TRXBUILD	China
Batching Plants						
Asphalt Hot Mix Plants	LJB 1200	-	-	72-96 TPH	TRXBUILD	China
	LJB 1500	-	-	90-120 TPH	TRXBUILD	China
Concrete Batching Plants	MODU 60	-	-	45-55 m^3/hr	TRXBUILD	China
	MODU 120	-	-	90-109 m^3/hr	TRXBUILD	China
	MODU 150	-	-	120-150 m^3/hr	TRXBUILD	China

* To be decided

Source: Company Information

Local production of motor graders is expected to start by mid 2011 in Bangalore, which has been selected as a manufacturing location because it offers an extensive network of high quality suppliers and a favourable ecosystem for manufacturers of construction equipment.

The company plans to add 23 tonne and 30 tonne class excavators to its portfolio in 2012, and eventually its product range in the country will include crawler excavators across the 8-40 tonne range. In addition to the above, it plans to introduce 60 tonne rigid dump trucks, and expand its asphalt hot mix plant range up to 240 TPH.

The establishment of LeeBoy India is part of ST Kinetics' strategy to participate in the rapidly expanding construction equipment market in the country. It hopes to become a significant player in the road construction equipment, hydraulic excavators, off-highway dump trucks and batching plants markets. The company has been well known in western markets for over five decades but is yet to establish its name in India.

Previously, in 2008, LeeBoy had appointed Escorts (ECEL), the country's leading manufacturer of construction equipment, as its sole distributor, but now the company has decided to have a direct presence in the market through its Indian subsidiary, and hopes to compete more favourably as a result.

DOOSAN LAUNCES DX-SERIES EXCAVATORS

Doosan Infracore India Pvt Ltd has launched two new excavators in the popular 20 tonne segment from its DX Series of crawler excavators. The models DX210 and DX225LCB now replace the 21.5 tonne Solar 225LC-7A model. With this introduction, the company's range of excavators has now gone up to seven, ranging from 8 tonne to 50 tonne operating weight.

The hydraulic excavator is one of the most competitive product segments in the construction equipment market. In volume terms, it constituted over 19 per cent of all construction equipment sold in 2009. It is the largest market by value, and the second largest in terms of number of units sold after backhoe loaders.

Currently, demand covers very different levels of technical sophistication, from the relatively old to the very modern. In spite of the market decline in 2009, over 80 different models of excavators were sold in the country. This fact underlines the huge potential for the long term development of the market.

The market is currently serviced by 14 supplies and this list is expected to grow to match demand. Though sales of these machines have grown during the last decade, they are still small when compared to sales in other major markets such as China, Europe, Japan and the USA. However, what differentiates the Indian market from the other major markets is its future growth potential.

The expanding economy will most certainly generate increased demand for these machines that are enormously versatile and find applications in all kinds of infrastructure projects. Sensing this growth potential, all suppliers are formulating long term plans to enhance their presence in this market.

Table 3. Doosan: Hydraulic Excavators Available, 2011

Model	HP	Model	Operating Weight (Tonnes)	Source
Solar 80 Gold	56	Yanmar	8.1	China
Solar 150LC-7A	95	Doosan	13.9	China
DX210	148	Doosan	20.2	Korea
DX225LCB	148	Doosan	21.5	Korea
Solar 300LC-7	197	Doosan	29.6	China
Solar 340LC-V	247	Doosan	33.9	Korea
Solar 500LC-V Giant	312	Doosan	49.9	Korea

Source: Off-Highway Research

Doosan has been in this market for over five years, and sold between 50 and 88 units from 2005 to 2008. Its market share during this period remained at around one per cent, which increased to two per cent in 2009 with sales of 158 units. All its machines are currently imported from China and Korea.

Table 4. Doosan: Sales and Market Shares of Excavators, 2005-2009

	2005	2006	2007	2008	2009
Units	50	88	62	59	158
Market Share (%)	1	1	1	1	2

Source: Off-Highway Research

The company accounted for a six per cent market share in the 33.6-50.0 tonne class in 2009, where it is was represented by the Solar 300LC-7 and Solar 500LC-V Giant. It accounted for around four per cent of the 22.1-33.5 tonne segment and a three per cent share in the most popular 18.1-22.0 tonne segment.

The 20 tonne class excavators are the mainstay of all construction activity, and they are invariably found working on all major infrastructure projects in the country. This size offers the best compromise between price, machine size and overall productivity, as well as being a good match for the loading capacity of locally made on-off highway trucks. The buyers of this category of machines constitute the largest and the most diverse group with the most varied needs.

With sales of 105 units, the Solar 225LC-7, sourced from China, accounted for over 66 per cent of the company's sales in 2009. The stakes in this segment are therefore high for Doosan, as it constitutes nearly half of the country's excavator market in volume terms. In the last five years the company has gained sufficient insight into the buying preferences of its customers in different segments, and the current repositioning with these new models reflects this better understanding of local market needs.

The new models, sourced from Korea, will largely address the needs of the contractors' market and, in line with local working conditions, are more robust. The company has focused on delivering greater fuel efficiency, which after the transaction price is the most critical determining factor in achieving a sale. Electronics and hydraulics have been improved, and the structural components have been strengthened in the updated models for enhanced machine performance. Greater reliability and ease of maintenance while operating at remote sites are the other parameters where special emphasis has been laid.

The model DX210 is targeted towards the hire sector, where the company also now plans to improve its presence. The machine has a standard undercarriage and a 0.93 m^3 bucket, while some features, including the air-conditioning system, are optional. It will be positioned at the lower price end of the segment to meet the needs of price sensitive customers. The DX225LCB, on the other hand, has a long undercarriage with air-conditioning as standard and a 1.0 m^3 bucket. With the introduction of these two machines, the company feels that it is now in a better position in this segment by offering a wider choice to its customers.

India remains an important market for Doosan and, despite the challenging environment, the company plans to grow strongly in the near future. Though the company has sold fewer than 500 units in the last five years, it has demonstrated its resolve to grow in this market with the launch of these machines. It now not only aspires to retain its existing customer base, but also improve its market share beyond the two per cent that it achieved in 2009.

BEML PLANS FOR MAJOR EXPANSIONS IN CORE INFRASTRUCTURE SECTORS

BEML is planning to diversify its products and services to have a wider presence in the infrastructure sector. Established by the Indian Government in 1964 to create a technological base for the production of equipment for the construction and mining, railways and defence sectors, the company has also been instrumental in importing technology from several global suppliers.

BEML's current product range is tabulated below to provide an idea of its diversity. A unique feature of this company is its ability to produce in-house a large number of components used for the manufacture of these products.

Table 5. BEML: Product Range, 2011

Construction and Mining	Rail and Metro	Defence	Others
Backhoe Loaders	AC EMUs	Low Deck Trailers	Tyre Handlers
C-Cranes	OHE Inspection Cars	Rail Wagons	Spoil Disposal Units
Crawler Dozers	DC EMUs	Crash Fire Tenders	Aircraft Towing Tractors
Crawler Excavators	Track Laying Equipment	Tank Transportation Trailers	Diesel Engines
Load Haul Dumpers	Utility Track Vehicles	High Mobility Vehicles	Diesel Generating Sets
Mine Locomotives	Rail Coaches	Heavy Recovery Vehicles	
Rigid Dump Trucks	Metro Coaches	Pontoon Bridge Sets	
Motor Graders	Rail Buses	MIL Rail Coaches	
Pipe Layers	Rail Wagons	Aircraft Weapon Loaders	
Side Discharge Loaders		Wagons	
Walking Draglines		Armoured Recovery Vehicles	
Water Sprinklers			
Wheeled Dozers			
Wheeled Loaders			

Source: Company Information

The company has a presence in over 55 countries but its export business has remained at around 10 per cent of its total turnover. Its current activities in export markets include the assembly of mining equipment in Brazil and Indonesia, and it aims to increase its share in the Indonesian, Australian and Latin American markets.

The construction equipment industry in India has undergone rapid changes during the past decade as it was gradually deregulated and its growth has attracted a large number of global suppliers. Many of them have established local production facilities and have started to offer new generation machines at competitive prices, and customers are now more willing than ever before to try them out.

Though BEML has established a huge in-house research and development base, of late it has found it increasingly difficult to launch new products and retain the loyalty of its customers, especially in the private sector. As a result, the company has decided to explore new avenues of growth in the domestic market.

The development of metro rail services in the country has provided the company with a unique opportunity to expand in this sector and the contribution from this business segment is likely to increase from the traditional 15-20 per cent to nearly 40 per cent during the current financial year. BEML is also planning to participate in the upcoming dedicated freight corridors between Delhi and Mumbai, and Ludhiana and Kolkata. It already manufactures products for rail laying and, capitalising on this expertise, it now plans to enter the business of track laying.

However, the mining sector remains the mainstay of the company and it is now leveraging its expertise in this area to offer consultancy services to its existing customers to augment its manufacturing business. The company is collaborating with Mineral Exploration Corporation Limited, a public sector company established in 1972, which offers a wide range of services in this sector, and BEML will begin by establishing its mine consultancy business as a business division and will start with the production of drilling rigs.

Table 6. BEML: Business Turnover, Fiscal 2000-2009

	Rs (Mn)	% Growth
2000	13,474	2
2001	14,242	6
2002	16,812	18
2003	17,658	5
2004	18,560	5
2005	22,058	19
2006	26,018	18
2007	27,133	4
2008	30,130	11
2009	35,577	18

Source: Company Information

The company is also maintaining its focus on the rapidly growing high-end excavator and dump truck markets, where it still maintains a significant presence despite stiff competition from several multinational suppliers. It is in consultation with its key customers to assess their future demand and has made plans to invest Rs3 billion over the next two years to develop these products and also to enhance its production capacity, if required.

The turnover has grown every year during the last 10 years, and now it is setting further ambitious growth targets. Being part of the public sector, it is well aware of the government's investment plans in the infrastructure sector, and has already made a road map to benefit from them. The company expects to achieve a turnover of Rs40 billion in the current financial year and pass Rs50 billion mark next year. It is now working towards doubling this turnover to Rs100 billion in the next five years.

CHETRA INDIA CARVES OUT A NICHE MARKET

Historically, construction equipment manufacturers from Russia and the Commonwealth of Independent States (CIS) countries have had a very limited presence in the Indian market despite the fact that the former USSR played a pivotal role in creating the industrial infrastructure in the country immediately after independence. However, as the market has expanded during the past decade and become more open to foreign products, the leading Russian construction equipment manufacturer **Machinery & Industrial Group NV (M&IG)** has quietly made its presence felt by carving out a niche market for its products.

M&IG has 17 manufacturing units across Russia and Europe as well as four research and development centres. Its products and services are offered through five trading companies and a network of around 300 dealers spread over 40 countries. The group employs nearly 30,000 people and has a major presence in Asian and European markets.

M&IG has a diversified product portfolio to meet the needs of the oil, gas, coal, mining, construction, defence, railways, industrial, and agricultural sectors. Currently its global business is structured across five groups:

- Industrial products
- Agricultural equipment
- Railway wagons
- Special crawler machinery & defence products
- Spare parts and OEM components

Though the company was incorporated in 2008, it traces its history back to 1996 when its founder, Mikhail Bolotin, took control of the JSC Cheboksary industrial tractor plant, which was renamed as JSC Promtractor. The company is presently registered in Holland and is listed on the Frankfurt International Exchange.

M&IG's association with the Indian market began in 2004 with the sale of 19 units of 100 ton side boom pipe layers under the Promtractor brand. Subsequently, the company decided to bring all its industrial products under the 'Chetra' brand (derived from **Che**boksary, the place from where the group traces its origin, and **Tra**ctor, the group's core product line). Currently it offers over 40 types of heavy crawler machine under this brand name.

During the past six years M&IG has maintained its strategic focus on the niche market segment of coal mining and pipe laying through which to promote its crawler dozers and pipe layers. Alongside these machines, the company has also sold some specialised machines for pipeline repair and maintenance.

These products represent the company's core strength and there are a relatively smaller number of other suppliers in the Indian market. M&IG decided to make the most of these strengths and, as a result, the machines have found a receptive customer base that has helped them establish themselves firmly in this niche segment. Nearly 70 per cent of the company's customer base is from the private sector.

Table 7. Chetra India: Machine Sales, 2006-2010 (Units)

	2006	2007	2008	2009	2010
Crawler Dozers	1	3	-	1	9
Pipe Layers	31	57	14	74	32
Track Shifters	-	-	-	-	4
Total	**32**	**60**	**14**	**75**	**45**

Source: Off-Highway Research

The current population of M&IG's machines in the country, which includes crawler dozers, pipe layers and track shifters, is now nearing 270 units owned by 20 customers. Over 90 per cent of these are pipe layers, followed distantly by crawler dozers.

The company measures its success from the fact it has received a number of repeat orders from most of its customers, which stands testimony to their acceptability in this market. It appears quite optimistic about future sales, and hopes to sell over 100 units in 2011.

Table 8. Chetra India: Marketing and Distribution Network, 2011

Company Owned	
Corporate Office	Delhi
Regional Offices	Mumbai, Kolkata, Chennai
Service Stations	Delhi, Mumbai, Kolkata
Independent Distribution	
Dealer	SBM Agencies Pvt Ltd, Chennai
Business Associates	Empire Industrial Equipment, Delhi
	Pioneer Intertrade, Mumbai
	Sumeru India Pvt Ltd, Kolkata

Source: Company Information

Chetra Machinery India Pvt Ltd (Chetra India) was incorporated in 2008 as a trading company and a wholly owned subsidiary of M&IG. It is currently being managed by a team of eight. It has headquarters in Delhi with offices in Mumbai, Chennai and Kolkata. As sales are mostly handled directly, it has appointed only one dealer in Chennai and three business associates based in Delhi, Mumbai and Kolkata.

The company has formulated ambitious expansion plans for 2011 and beyond. While consolidating its existing business of crawler dozers and pipe layers, henceforth it will also promote its other product lines that include wheeled loaders, skid-steer loaders and hydraulic excavators. As these products will be directed towards the retail market, the company is now planning to expand its marketing and dealer network across the country.

Chetra India plans to have exclusive sales and service dealers for all metropolitan cities for its dozers and pipe layers. As well as this, it plans to appoint at least five more dealers in 2011 in the states of Rajasthan, Gujarat, Maharashtra, Orissa and Andhra Pradesh to promote its new products such as wheeled loaders, hydraulic excavators and skid-steer loaders. Once the distribution and product support network for Industrial Products is established, the company may also introduce its range of agricultural equipment, which is now being sold worldwide under the 'Agromash' brand.

Table 9. Chetra India: Product Range, 2011

Product	Model	HP	Manufacturer	Weight (Tonnes)	Product Source
Crawler Dozers	T9	150	Cummins	15.2	Russia
	T11	187	Cummins	16.5	Russia
	T15	245	Cummins	21.9	Russia
	T20	310	Cummins	22.1	Russia
	T25	419	Cummins	33.5	Russia
	T35	480	Cummins	43.0	Russia
	T40	590	Cummins	46.1	Russia
Pipe Layers	TG122	150	Cummins	24.5	Russia
	TG222	245	Cummins	32.5	Russia
	TG302	315	Cummins	44.0	Russia
	TG503	480	Cummins	69.0	Russia
	TG511	476	Cummins	67.3	Russia
Track Shifters	TP20	303	Cummins	44.6	Russia
Wheeled Loaders	PK40	173	Cummins	14.5	Russia
	PK60	238	Cummins	22.0	Russia
	PK12	480	Cummins	48.0	Russia
Wheeled Dozers	TK11	238	Cummins	21.0	Russia
	TK25	480	Cummins	37.5	Russia
Hydraulic Excavators	EGP230	175	SISU	23.6	Russia
Skid-Steer Loaders	VM400	36	Hatz	2.4	Russia
	VM600	36	Hatz	2.4	Russia
	VM800	50-44	Hatz, Cummins	2.8	Russia
	VM1000	50	Hatz	3.4	Russia
	VM1200/1400	70	Hatz	4.0/4.5	Russia

Source: Company Information

After making a long term assessment of the local market, M&IG has also decided to establish a production facility in the country. This will not only enable it to be more flexible on the price and delivery of its products in the domestic market, but it also augurs well for its long term plans to convert this facility into an export base for South East Asia, Australia, the Middle East and African markets.

The search is now on for a suitable site for the establishment of the plant, construction of which is scheduled to commence in the first half of 2011. It will be a satellite facility of the group's 'Promtractor' production unit based in Russia. The choice of location has been narrowed down to somewhere in the vicinity of Chennai, which not only offers a reliable supply network for Chetra India's product line, but also provides a port facility. This location is also geographically favourable for the company's intended future export markets. To initiate local production, the status of Chetra India may soon be changed from a trading to a manufacturing company.

TEREX TO RENEW FOCUS ON INDIAN MARKET

After making major changes in its global business structure, Terex Corporation is now taking a fresh look at the Indian market. The company has been traditionally strong in the US market, which still contributes nearly one quarter of its revenues, but its operations are steadily shifting towards the other emerging markets which constitute nearly 35 per cent of its current turnover. These include Asia, Africa, Latin America and CIS countries.

Table 10. Terex: Business from Emerging Markets, 2010

Markets	% Share
Asia	35
Middle-East/Africa	31
Latin America	25
CIS Countries	9
Total	**100**

Source: Company Information

Terex has had a long presence in India, and it is without doubt a well recognised brand. However, despite the popularity of its products in the market in the 1980s and 1990s, it did not make enough headway in capitalising upon the growth of the construction equipment industry that took place during the past decade. The company is well aware of the future opportunities this market has to offer, and is now busy formulating long term expansion plans.

The company's current product range in India includes backhoe loaders, skid-steer loaders, mobile and tower cranes, crushing and screening equipment, and lighting towers. These are produced locally at its plants located at Noida, on the outskirts of Delhi, and at Hosur, near Bangalore.

The Noida plant manufactures backhoe loaders and skid-steer loaders. It was established in 2003 as a joint venture with Vectra but, in early 2010, Terex took control of this unit by acquiring a 99 per cent stake. The company plans to double production from this unit by 2015, and compaction equipment is expected to be added to the manufacturing portfolio in the near future.

The 18 hectare Hosur plant produces crushing and screening equipment. The company is planning to invest US$30 million there to expand its product lines, which may include tower cranes. The overall production capacity is likely to be doubled by 2012.

Elaborating upon the company's future plans in India, its chairman, who was in Delhi in the first week of December 2010, stated that the company plans to triple its sales from nearly US$100 million to US$300 million in the next five years. This will be achieved through fresh investments in the company's existing facilities, people and technology.

FINANCIAL RESULTS

SECOND QUARTER

ASHOK LEYLAND

Table 11. Ashok Leyland: Financial Highlights, Second Quarter, 2009-2010 (Rs Million)

	3 Months Ended September		6 Months Ended September	
	2009	2010	2009	2010
Net Sales	15,776.85	27,139.55	24,901.36	50,619.33
Other Income	55.60	48.14	661.84	95.44
Total Income	**15,832.45**	**27,187.69**	**25,563.20**	**50,714.77**
Operating Profit	1,707.42	3,110.73	2,424.97	5,512.04
Operating Profit Margin (%)	10.82	11.46	9.74	10.89
Net Profit	886.06	1,670.59	963.78	2,897.03
Net Profit Margin (%)	5.62	6.16	3.87	5.72

Source: Company Information

Ashok Leyland registered a 72 per cent growth in sales in the second quarter ended September 2010 compared to the same quarter in the previous year. The company is experiencing unprecedented growth in its commercial vehicle business, both in the domestic and overseas markets. Its exports in the quarter also increased from 1,695 units to 2,350 units, up a healthy 39 per cent.

Operating profits during this period improved from Rs1, 707.42 million to Rs3, 110.73 million and net profit increased by 89 per cent from Rs886.06 million to Rs1, 670.59 million. The operating profit margin was up from 10.82 per cent to 11.46 per cent while the net profit margin improved from 5.62 per cent to 6.16 per cent.

The company's sales in the first six months of the current financial year stood at Rs50, 619 million, up 103 per cent from the Rs24, 901 million recorded during the same period of previous year. Operating profits during this period increased by over 127 per cent to Rs5, 512.04 million while net profit tripled from Rs963.78 million to Rs2, 897.03 million.

This flagship company of the Hinduja Group manufactures buses, haulage vehicles, special application vehicles and diesel engines for industrial, marine and generating set applications. Its joint venture with the US-based Deere and Company established a production facility in the southern state of Tamil Nadu for the manufacture of construction equipment, which is expected to be operational in early 2011.

The company changed its accounting policy at the end of its previous financial year to charge depreciation on a pro-rata basis, which is different from the earlier practice of charging depreciation for the full year on additions made in the first half of the year, for six months for additions made in the second half of the year, and not charging depreciation for assets disposed of during the year.

The depreciation in the quarter ended September 2010 was Rs640.6 million as against Rs505.8 million during the same period of 2009. The cost of finance during this period also increased from Rs1, 362.1 million to Rs1, 993 million on account of higher borrowings made during the last 12 months.

CUMMINS INDIA

Cummins India Ltd (CIL), a subsidiary of Cummins Inc USA, is a major supplier of diesel engines for power, construction, mining, railways, automotive and industrial applications. The company is experiencing a resurgence in demand for its engines across all major sectors, and this sales trend reflects the overall rise in the economic activity in the country after absorbing the shockwaves of the global downturn in 2009.

After a weak performance in 2009, sales of CIL improved in the first half of the current financial year by 60 per cent to exceed Rs20 billion. Operating profit during this period was up

69 per cent to Rs4, 448.8 million and net profit registered a 73.7 per cent growth over the first half of 2009.

Table 12. Cummins India: Financial Highlights, 2009-2010 (Rs Million)

	3 Months Ended September		6 Months Ended September	
	2009	2010	2009	2010
Net Sales	6,190.5	10,914.30	12,584.8	20,139.70
Other Income	164.6	205.10	330.7	301.60
Total Income	**6,355.1**	**11,119.40**	**12,915.5**	**20,441.30**
Operating Profit	1,299.3	2,377.50	2,640.2	4,448.80
Operating Profit Margin (%)	21.0	21.78	21.0	22.09
Net Profit	877.4	1,678.90	1,774.0	3,081.20
Net Profit Margin (%)	14.2	15.38	14.1	15.30

Source: Company Information

This rising trend has continued in the second quarter ended September 2010, as net sales were up 18 per cent compared to the preceding quarter ended June 2010, and were substantially higher (up 76.3 per cent) when compared to the same period of 2009. Operating profit during this period improved by 83 per cent and net profit went up by over 91 per cent.

ELGI

Both sales and profits for the second quarter at Elgi increased from the corresponding period a year ago. In its mobile compressor business, which contributes 85 per cent of revenues, the company continued to expand its sales to Rs2, 137.6 million, up 55 per cent from the corresponding period a year ago. Revenues from the Automotive Equipment segment were also up by 25 per cent to Rs279.6 million. The total segment result registered an improvement of 29.1 per cent from the corresponding period a year ago. Operating profit was up by 58 per cent, and net profit improved by 65 per cent to reach Rs269.94 million.

For the first half of the current financial year the company's total revenues increased by 56 per cent to reach Rs4,577.4 million. The compressor business grew by 55.8 per cent whereas the Automotive Equipment business recorded a 32.5 per cent growth. Total segment results during this period improved 18 per cent over the previous year. Profits before tax rose 63 per cent to reach Rs740.6 million. Operating profit and net profit also increased 51 per cent and 67 per cent respectively.

Table 13. Elgi Equipments: Financial Highlights, Second Quarter, Fiscal 2009-2010 (Rs Million)

	3 Months Ended September		6 Months Ended September	
	2009	2010	2009	2010
Segment Revenue				
– Compressors	1,377.50	2,137.61	2,503.70	3,901.94
– Automotive Equipment	223.20	279.58	396.80	525.90
– Others	14.60	83.50	24.00	149.53
Total	**1,615.30**	**2,500.69**	**2,924.50**	**4,577.37**
Less: Inter Segment Revenue	-	-	-	-
Net Sales (Income from Operations)	**1,615.30**	**2,500.69**	**2,924.50**	**4,577.37**
Segment Results				
– Compressors	316.60	401.51	565.60	643.85
– Automotive Equipment	29.40	36.71	46.40	61.56
– Others	-11.30	-6.06	-23.20	-12.39
Total	**334.70**	**432.16**	**588.80**	**693.02**
Interest (Net)	-10.01	-18.70	-16.00	-35.48
Net Off Un-Allocable Income	74.50	-7.34	149.80	-12.09
Profit Before Tax	**270.30**	**458.20**	**455.00**	**740.59**
Operating Profit	263.92	416.24	457.45	690.78
Operating Profit Margin (%)	19.06	20.02	18.15	18.18
Net Profit	163.88	269.94	273.23	455.45
Net Profit Margin (%)	11.83	12.98	10.84	11.98

Source: Company Information

MAHINDRA & MAHINDRA

Mahindra & Mahindra registered a 20 per cent revenue growth in the first half of the current financial year with cumulative net sales exceeding Rs106 billion in September 2010. The company has been the undisputed market leader in the agricultural tractors business, but in 2010 its automotive sector has benefited immensely from the ongoing surge in the domestic automobile industry.

The Automotive sector, by far the largest contributor towards the group's turnover, grew by over 25 per cent over the first half of 2009, whilst the Farm Equipment sector registered a growth of 14 per cent over the same period.

Table 14. Mahindra & Mahindra: Financial Highlights, Second Quarter, 2009-2010 (Rs Million)

	3 Months Ended September		6 Months Ended September	
	2009	2010	2009	2010
Segment Revenue				
– Automotive	26,869.40	33,238.80	49,444.50	62,037.00
– Farm Equipment	18,566.10	20,849.90	38,316.20	43,588.50
– Other	229.80	348.40	428.10	485.00
Total	**45,655.30**	**54,437.10**	**88,178.80**	**106,110.50**
Less: Inter Segment Revenue	-77.60	-93.50	-175.2	-165.90
Net Sales (Income from Operations)	**45,577.70**	**54,343.60**	**88,003.60**	**105,944.60**
Segment Results				
– Automotive	4,153.70	5,199.00	6,455.50	8,720.00
– Farm Equipment	3,783.60	3,561.30	7,127.80	7,455.60
– Other	52.00	27.60	79.4	29.90
Total	**7,989.30**	**8,787.90**	**13,662.70**	**16,205.50**
Interest	-127.60	90.50	-187.10	317.50
Net Of Un-Allocable Income	1,671.20	1,189.50	1,438.30	756.30
Total Profit Before Tax	**9,532.90**	**10,067.90**	**14,913.90**	**17,279.3**
Operating Profit	10,552.40	10,947.40	15,858.80	18,908.00
Operating Profit Margin (%)	23.15	20.15	18.02	17.85
Net Profit	7,029.40	7,584.90	11,037.90	13,208.80
Net Profit Margin (%)	15.42	13.96	12.54	12.46

Source: Company Information

The total segment result registered an improvement of 18.6 per cent from the corresponding period a year ago. The results of the Automotive sector showed an improvement of over
25 per cent while the results of the Farm Equipment sector showed a modest five per cent growth.

Net sales in the second quarter were the highest quarterly sales the company has ever witnessed. Operating profit increased by nearly four per cent, and net profit increased by nearly eight per cent in the second quarter compared to the corresponding period of 2009.

TIL

TIL registered a growth of over 75 per cent in segment revenue in the second quarter ended September 2010 compared to the same period in 2009. The segment results during this period improved by 5.7 per cent to reach Rs241 million.

Table 15. TIL: Financial Highlights, Second Quarter, 2009-2010 (Rs Million)

	3 Months Ended September		6 Months Ended September	
	2009	2010	2009	2010
Segment Revenue				
– Construction and Mining Solutions	1,126.60	2,016.10	2,120.10	3,783.10
– Material Handling Solutions	404.10	523.40	707.80	908.60
– Power Systems Solutions	494.20	1,005.20	827.60	1,600.00
– Unallocated	-	-	-	2.30
Total	**2,024.90**	**3,544.70**	**3,655.50**	**6,294.00**
Less: Inter Segment Revenue	-	-	-	-
Net Sales (Income from Operations)	**2,024.90**	**3,544.70**	**3,655.50**	**6,294.00**
Segment Results				
– Construction and Mining Solutions	68.90	69.60	140.70	196.90
– Material Handling Solutions	98.80	51.10	158.40	92.50
– Power Systems Solutions	60.30	120.30	122.70	129.20
Total	**228.00**	**241.00**	**421.80**	**416.60**
Interest (Net)	45.40	39.90	95.30	70.30
Net Off Un-Allocable Income	79.70	-	131.10	-
Profit Before Tax	**102.90**	**201.10**	**195.40**	**348.30**

Source: Company Information

Construction and Mining Solutions, the company's largest business group, accounts for nearly 57 per cent of the company's revenue and experienced growth of nearly 79 per cent, while the growth of Material Handling Solutions remained at around 30 per cent. However the Power System Solutions section surged ahead with growth of over 103 per cent and, as a result, its contribution towards the company's total revenues increased from 24 per cent in 2009 to over 28 per cent in 2010.

In the first half of financial year 2010 the company witnessed a growth in its segment revenues of over 72 per cent. However, the cumulative segment results for the first six months of the financial year fell by 1.2 per cent to Rs416.6 million.

The company restructured its operations in the current financial year with the creation of a wholly owned subsidiary, Tractors India Pvt Ltd (TIPL), and by moving its Construction and Mining Solutions and Power System Solutions businesses to this subsidiary. Assets and liabilities amounting to Rs3.08 billion and Rs2.12 billion as on April 1, 2010 were transferred to TIPL on a slump sale basis for a consideration of 44, 89,430 shares amounting to Rs958.4 million (under Indian tax law, 'slump sale' means the transfer of one or more business undertakings as a result of the sale for a lump-sum consideration without assigning values to individual assets and liabilities).

The results for the quarter and the first half ended September 2010, and the assets and liabilities as on September 30, 2010, are therefore not comparable to the corresponding period of 2009.

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