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## Cautious optimism for Indian rental market

Written by Helen Wright - 10 Feb 2011



**The Indian Earthmoving & Construction Industry Association conference took place on 10 February, 2011, during the bC India exhibition in Mumbai.**

The rental market in India is poised to grow in line with the country's infrastructure boom, but the state tax structure remains a central hurdle to development, according to H Jayaram, CEO of Caterpillar dealer GMMCO.

Speaking at the 10 February Indian Earthmoving & Construction Industry Association (IECIA) conference during the bC India exhibition in Mumbai, Mr Jayaram was cautiously optimistic on the

future growth of the market.

India's rental companies currently buy 3% of the total new construction equipment sold in the country, lagging behind more mature markets in the US and Europe, where rental companies buy around 40% of new equipment, and Japan, where 60% of new equipment is bought for rental.

"The organised rental market in India has been terribly stagnant," Mr Jayaram said, "But there is light at the end of the tunnel and growth in the infrastructure market will be a major driver for rental market growth in the near future".

"Most construction equipment manufacturers are looking in this direction and the market is set to mature. Rental is the ideal option for companies in emerging markets without the capital to afford to own new equipment. As such, the rental market in India is poised to become a major solution for the new infrastructure projects planned around the country," said Mr Jayaram.

There are currently very few organised rental companies in India and the market is dominated by unofficial companies that do not generally comply with regulations on safety or contract law, Mr Jayaram said.

In addition to this problem, the conference heard that the main challenge to rental growth in India the varying tax structure that exists in different states. This can make it very expensive for contractors to move rented equipment across state borders.

"The current rental market is difficult in India because the right structures are not in place yet. But a thriving rental market is in the interests of the end customer, manufacturers and suppliers alike and I am confident that we will see improvements over the coming years," Mr Jayaram concluded.

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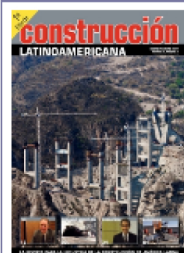
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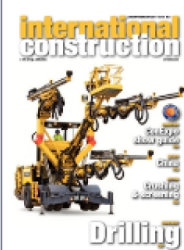
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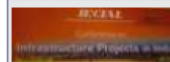


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