

E&E Industry:

Current Slowdown – A welcome Pit Stop?

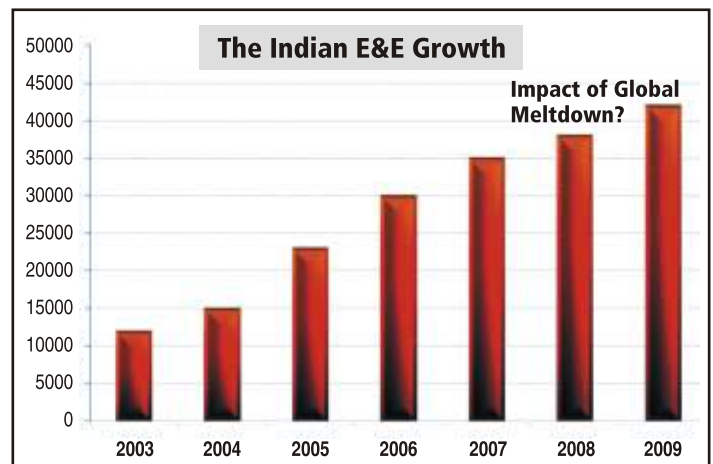
Elevator consultant **TAK Mathews** feels that the current slowdown is a preparatory period for the next growth phase ...



Let me start by confessing that I am not an economist and not really qualified to comment on the economical situation. To me, the current economical pessimism, now bordering on hysteria, just does not make sense. Admittedly, the unrealistic optimism felt six months back also did not make much sense. So when Suresh Tendulkar, Chairman of the Economic Advisory Council to the Prime Minister, assures that the current gloom and doom is not justified, I feel I am not totally off track. And there are numerous neutral experts who share his view point.

Three months back I was at the Lift 2008 exhibition in Milan to present a paper at the conference “National and International markets, situation and trends”. The panel of experts included representatives from the Chinese, Turkish, Italian and other European elevator markets. The gloom was obvious with countries projecting negative growth in 2008. In contrast, the Indian Elevator and Escalator (E&E) industry has still continued to report growth over previous years. The only debatable matter is the quantum of growth which definitely is lower than the previous years. This has many companies lamenting the state of the industry. The E&E sales staff in particular has felt the pinch as orders just do not land on their tables any more.

Moving away from the debate of the magnitude of the downturn, the current slowdown is probably the best thing to have happened to the E&E industry both in terms of occurrence and timing. Before I am proved wrong, let me elaborate. Over the last five years, the Indian E&E industry has witnessed exponential growth (refer figure).



Note: The market figures are the author's estimate. The Indian E&E market size is a matter of debate with opinions varying from an annual low of the 20000 units to high of over 40000 units. As per definition of the Bombay Lift Act which

forms the base for most standards and state legislations, a lift is defined as a device that transports people, goods or both in a substantially vertical direction. As per this definition simple (unlicensed) platform lifts to car lifts to fully automatic lifts fall into the category of lifts and forms part of the author's estimate.

Many companies have had their annual sales units increasing in multiples. The statistics I would prefer to quote to highlight the exponential growth is that of escalators – in 1998 India had just 125 installed escalators. In comparison the Delhi Metro on its own had over 125 escalators installed in its first two phases while the last order placed by the Corporation on Johnson Lifts was for 193 escalators. While this is good for the E&E industry, it also raises a few real concerns.

The first is related to the requirement of skilled and experienced technical personnel to handle the installation and servicing of all the units coming out of this growth. It is undeniable that almost all Indian E&E companies have struggled to find adequate resources and have had to compromise on minimum requirements. Along with the exponential growth two other factors have contributed the shortfall. The Middle East boom of the preceding years has seen a major exodus of skilled personnel. The other aspect is that a good number of the original veterans have retired.

With the exponential growth of the market, many new E&E companies have mushroomed overnight. In many cases, the companies are being owned/managed by people with very little understanding of the design nuances connected to elevators and escalators. And with limited knowledge, their products are reverse engineered copies of other established players. Combined with buyers who are willing to cut costs, this is a very dangerous situation.

The next concern is that with an intention of making the best of the current scenario, many products (including of some majors) have been introduced on a fast track basis without adequate testing. In some cases, the products do not even meet the Indian standards.

The last concern is that a significantly larger cross section of the Indian population is now exposed to elevators and escalators as a part of daily life. Yet, most of the users do not know the basic dos and don'ts related to using elevators and escalator safely.

The Indian E&E industry was not all geared to handle the fast growth in the recent years. The current slowdown is a well timed pit stop for the Indian E&E industry to set things right in preparation for the next growth phase. Andrew Grove of Intel fame stated Bad companies are destroyed by crisis. Good companies survive them. Great companies are improved by them. While this would apply to E&E companies, I would expand it to include the overall E&E industry.

TAK Mathews is a Chartered Engineer, a member of the International Association of Elevator Engineers, of the National Association of Vertical Transportation Professionals (USA) and of the National Association of Elevator Safety Authorities International.



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