

Title:

Making Capital Investments In Heavy Construction Equipment

Word Count:

512

Summary:

Heavy construction equipment requires a lot of capital investments. When the companies opt to buy these types of heavy construction equipments then they look out for the used equipments that may be on sale in the local market. This helps them in various manners. Companies sometime get used heavy construction equipment which are as good as new but the cost is much lesser than that offered in the showroom. Moreover, buying heavy construction equipment from the local market redu...

Keywords:

construction equipment,used construction equipment,heavy equipment,used heavy equipment

Article Body:

Heavy construction equipment requires a lot of capital investments. When the companies opt to buy these types of heavy construction equipments then they look out for the used equipments that may be on sale in the local market. This helps them in various manners. Companies sometime get used heavy construction equipment which are as good as new but the cost is much lesser than that offered in the showroom. Moreover, buying heavy construction equipment from the local market reduces the transportation cost as well. These overheads not look good in the balance sheet as they lead to increase in the project costs.

Financing is a major concern while buying heavy construction equipment. Most of the companies look out for times when the interest rates are low and they can strike a good bargain. In developing countries the rate of economic growth determines the external investments. A healthy growing economy attracts heavy foreign investments. Thus since the financial inflows are more the interest rates are much low. Thus buying heavy construction equipments or taking them as rentals is much more economical.

After the opening up to the markets and signing of the GATT agreement by most of the countries there has been increase in the competition and reduction in cost of equipments. Moreover, the heavy construction equipments have been manufactured at more locations than before. This trend has been on increase to

serve the global market and cross-country support for infrastructure development. Moreover, there has also been increase in the duty-free import structure in the economies. But in case of the growing economies, increase in exports and development of local markets is still required to support the imports in the countries.

Demand for heavy construction equipment is more region-specific. In US markets and Western Europe, requirement for up-gradation of the locations is more required rather than developing new projects. These countries require maintenance and upgrading of the existing projects, which is more crucial for the existing infrastructure for long time sustenance.

In case of developing countries, building up of rail, roads, flyovers, high-rise, airports, and urban development is more crucial. All this requires lot of construction work, which requires use of heavy construction equipment. The largest producers of heavy construction equipment are located in the U.S., Japan, Germany, the U.K. and France, followed by Italy, South Korea, Canada, Sweden and Belgium. There are manufacturing units located at other locations also like China, Russia and Latin America. More manufacturing units for heavy construction equipments are expected to crop up at locations, which offer low material costs and cheap labor.

Heavy construction equipment is also available on rent. These can be leased out easily from the domestic market. It is much more beneficial to take the heavy construction equipment on rent or on lease for a day or few days rather than purchase them and then sell them at lower cost or carry overheads like transportation, maintenance, etc. Buying heavy construction equipment is not much preferred option. Mostly in the US, long-term leasing is much more preferred over purchasing due to tax structure.