

Plant Visit note

Action Construction Equipment

Policy tailwinds to drive recovery from FY27

We visited the plant of Action Construction Equipment (ACCE) and met with director Mr Sorab Agarwal, CFO Mr Ranjan Luthra, and President Mr Vyom Agarwal. ACCE is one of India's leading construction equipment companies with a 63% market share in pick and carry cranes. The management is upbeat on FY26 and has guided at high single digit revenue growth thanks to a price hike of ~5% post-implementation of the new emission norms. We are sceptical as near-term demand is seen as weak due to lower capex and a higher base effect on account of pre-buying before the new emission norms kicked in from April.

We expect a sequential improvement in volume growth in H2, but a 3% dip for the construction equipment and material handling (CCEM) segment in FY26. Though reported EBITDA margin is seen stable at 16–17% levels, we don't expect the company to achieve Q4FY25 margin of 17.6% in the mid-term. Though policy tailwinds in the form of construction equipment incentives and anti-dumping duties on Chinese cranes will help ACCE, we expect the benefits to accrue from FY27. Based on our estimates, the stock is trading at 26x FY27E P/E. The stock is not rated.

Construction Equipment segment to remain weak in FY26

The construction equipment industry remained weak in H1FY26. Unit sales sank 21% YoY for cranes and CCEM but rose 19% for agricultural equipment. Demand in July and August was weak, but September is expected to see some recovery. We expect a weak Q2FY26 for the CCEM business but a sequential recovery from Q3 as consumption growth from GST and IR cuts revive capex and thus boost sales growth. We forecast mid-single digit growth in Q3FY26. We expect sequential growth in Q4FY26 but see a 3% YoY dip on a higher base due to prebuying in Q4FY25. Our forecast implies H2FY26 CCEM sales of 7,400 units, 40% higher than H1 sales.

Policy tailwind benefits to accrue from FY27

While FY26 is seen as weak, we expect a strong FY27 on policy tailwinds. Various news reports suggest that the Centre is finalising a PLI scheme worth INR16,000cr for the construction equipment industry. ACCE being the market leader will gain from this incentive, but this benefit will only accrue from FY27. The Directorate General of Trade Remedies (DGTR) has imposed anti-dumping duties of 25–52% on Chinese imports of heavy duty cranes (refer page 04). While this should level the playing field for ACCE, higher prices may weigh on demand. Despite delays, the management is hopeful that its JV with Kato Works Company will turn operational in Q3FY26, with a production ramp up in FY27. Ramp up in this JV, along with anti-dumping duty on Chinese players, may drive growth in FY27.

No clarity on the agricultural business

ACCE has a miniscule presence in the agricultural business, with tractors accounting for just 1% of market share and 7% of group sales. Earlier, this business was necessary to maintain economies of scale as ACCE used to produce engines and axles in-house. However, it will not be manufacturing BS V compatible engines for tractors, which come into effect from April 2026, due to a lack of scale. The management is unclear about its future plans for the agricultural business as it stops manufacturing engines.

Lack of near-term catalyst will limit upside

On a 12-month forward P/E, ACCE has de-rated by ~20% since April, with the stock correcting by ~12%. It is trading at 27.6x (on a 12-month forward P/E), in line with its long-term average and 8% below its last two-years' average. Though valuations are relatively cheap, industry dynamics will limit re-rating of the stock. Any potential re-rating will depend upon finalisation and announcement of new PLI scheme for construction equipment. One near term catalyst is start of business operation of KATO JV, which management expects to start in Q3FY26. The stock is not rated.

Key financials

Year to March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenue (INR cr)	1,630	2,160	2,914	3,327	3,445	4,004	4,431
Revenue growth (%)	32.8	32.5	34.9	14.2	3.6	16.2	10.7
EBITDA (INR cr)	155	243	418	516	510	613	682
EBITDA margin (%)	9.5	11.2	14.4	15.5	14.8	15.3	15.4
PAT (INR cr)	105	173	328	409	418	499	546
PAT margin (%)	6.4	8.0	11.3	12.3	12.1	12.5	12.3
Adjusted EPS (INR)	9.34	16.25	28.84	35.21	35.17	41.89	45.88
P/E ratio (x)	23.2x	23.1x	46.6x	29.8x	33.2x	25.8x	23.6x

CMP: INR1,073

Date: October 1, 2025

Bloomberg:	ACCE:IN
52-week range (INR):	917 / 1,600
M-cap (INR cr):	12,755
Promoter holding (%)	65.4

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Key takeaways from the management meeting

FY26 guidance

- **Volume growth** in July and August was weak after a 15% YoY decline in Q1FY26. The management expects a recovery in September and guides at a flat to low single-digit growth in Q2FY26. We expect a strong Q3, with H2 much better than H1FY26. The management guided at mid-single digit growth in volumes.
- **Revenue growth:** The company raised prices by 5–6% in FY26 due to the new emission norms. The management has guided at high single-to-double digit growth in FY26. There will be small positive price additions from January 2026, but their extent will be smaller than historical levels.
- **EBITDA margin** (including other income) is pegged at 16–17% levels.

Pick and carry cranes

- **Market share:** The industry is highly consolidated. ACCE is the market leader with 63% share while Escorts commands ~35% share. Chinese players have a very limited presence in P&C cranes.
- **Hydra and next gen cranes** are the two widely used P&C cranes. Next gen cranes account for ~40% of sales but prices are almost double that of P&C cranes. ACCE is the market leader in hydra cranes with a 70–75% share. In new gen cranes, Escorts and ACCE command almost equal market share.
- **New emission norms** from April led to a 5–6% price hike in cranes. In hydra cranes, where ACCE is the market leader, prices rose 12–13%. Hydra crane sales have been the most impacted by changes in emission norms, resulting in a weak H1FY26. These cranes are used by the retail segment in industrial areas, rental companies and transporters, and handlers in industrial areas and in the manufacturing sector.

Heavy duty cranes

- **Market share:** The management classifies rough terrain, crawler, and truck cranes as heavy duty cranes. These cranes can lift loads of over 200t. P&C/crawler/truck cranes can lift loads of 9–35t/25–180t/25–60t. ACCE is the market leader in crawler cranes up to 75t. In truck cranes, it is the third-largest player after Sany Automobile Hoisting Machinery Company and Xuzhou Construction Machinery Group Company. Heavy duty cranes account for just 3% of group sales.
- **Market size:** Current market size of heavy cranes market in India is pegged at 800–900 units, with an average selling price of INR1–1.5cr depending upon the lift capacity. With rising capex and growing industrial needs, the management expects this market to rise to 1,200–1,400 units by FY30.
- **Anti-dumping duty:** Chinese players dominate this market due to their aggressive pricing (~40% lower than ACCE). After ACCE's petition last year, DGTR has recommended anti-dumping duties of 25–52% on certain Chinese manufactured cranes for a five-year period. This duty will level the playing field for ACCE. It has only been imposed on trucks/ crawler cranes (with a lift capacity of 25–160mt/40–260mt) but not on rough terrain cranes. While the management is optimistic about incremental revenue opportunities (~INR500cr) from the anti-dumping duty, we are sceptical as industry growth may be impacted after the price hike.
- **JV with Kato Works Company:** ACCE has set up a JV with Japan's Kato Works Company to manufacture heavy duty cranes, including rough terrain cranes. The JV produces 40 units per month, but production can be raised to ~600 units annually depending upon demand. Initial progress on the JV has been slow. However, the management expects the JV to turn operational by Q3FY26. Benefits should start accruing from FY27 as it ramps up production, coupled with the levy of anti-dumping duties on Chinese players.

Agricultural segment

- ACCE has a miniscule presence in tractors, with sales of ~3,000 units. It commands just 0.3% share in the agricultural equipment business, which contributes ~7% to group sales.
- Though the tractor business is not a key focus area, it has been retained within the group as it offers advantages of scale when it comes to the manufacture of components like axles and engines.
- It is unclear what the management plans to do with this business as BS V emission norms for tractors kick in from April 2026. ACCE will not manufacture BS V compatible engines due to the lack of economies of scale. It will procure BS V compatible engines from third parties as it currently does for cranes.

PLI scheme for the construction equipment industry

- Various news reports suggest that the Centre is finalising incentives worth INR16,000cr for the construction equipment industry. This scheme, which will come into effect from FY27, will promote the local manufacturing of construction equipment, including tunnel boring machines, cranes, and specialised rigs.
- Around 50% of India's construction and mining equipment is imported from China, Japan, South Korea, and Germany.
- The scheme, which is in draft mode, is expected to benefit 50% of ACCE's portfolio.

Orders

- ACCE secured orders worth INR420cr from the Ministry of Defence for ~1,121 rough terrain forklifts (telehandlers) for a three-year period starting from Q3FY26. The management expects sales of INR50–60cr/INR200cr/INR150cr in FY26/FY27/FY28.
- It is in talks with the Indian Army for the supply of ~600 model cranes.
- The company supplied backhoe loaders and motor graders to the Border Roads Organisation (BRO). This is one of BRO's largest single tender requirements till date.
- It is in talks with Ashok Leyland for orders worth more than INR100cr.

Capacity

- Annual production capacity for cranes/construction equipment/material handling/agricultural equipment stood at 13,200/1,800/2,700/9,000 units.
- It manufactures axles in-house and 70% of transmissions.

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Revised estimates

Our last report on ACCE was published in March just before the announcement of its FY25 results. Since then, the company has posted strong Q4FY25 earnings but weak Q1FY26 numbers. Unit sales/revenue declined by 15%/~11% YoY in Q1FY26. July and August were also weak, but September is seen as strong. We expect a sequential recovery in H2FY26 and forecast more than 40% sales growth from H1 levels. However, YoY growth is seen as weak. Reported EBITDA margin is expected to be maintained at 17–18% in the coming period.

INR cr	New estimates			Old estimates			New versus old (%)		
	FY26	FY27	FY28	FY26	FY27	FY28	FY26	FY27	FY28
Consolidated									
Revenues from operations	3,445	4,004	4,431	3,788	4,273	4,655	(9%)	(6)%	(5)%
Adjusted EBITDA	510	613	682	583	679	744	(13%)	(10%)	(8%)
Margin (%)	14.8%	15.3%	15.4%	15.4%	15.9%	16.0%	(59bp)	(59bp)	(59bp)
Reported EBITDA	620	731	802	683	787	854	(9%)	(7%)	(6%)
Margin (%)	17.4%	17.7%	17.6%	18.0%	18.4%	18.4%	(60bp)	(69bp)	(74bp)
EBIT	582	695	762	649	749	813	(10%)	(7%)	(6%)
Reported PAT	418	499	546	461	537	581	(9%)	(7%)	(6%)
Reported EPS (INR)	35.17	41.89	45.88	38.69	45.06	48.83	(9%)	(7%)	(6%)

Anti-dumping duty

Earlier this month, DGTR recommended anti-dumping duties of 25–52% on certain crawler and truck cranes originating in China for a period of five years. These anti-dumping duties are levied on: i) crawler cranes with a lift capacity of 40–260mt, and ii) truck cranes with a lift capacity of 25–160mt. These duties will level the playing field for heavy cranes and boost ACCE's competitive positioning. However, we expect industry growth to slow down as the price of cranes will rise after the duty implementation.

Customs tariff line	Description of goods	Country of origin	Country of export	Producer	Duty (%)
8426	Certain cranes	China PR	Any country including China PR	Zoomlion Heavy Industry Science & Technology Company	24.87%
8426	Certain cranes	China PR	Any country including China PR	Zoomlion Heavy Industry Science & Technology Company	24.87%
8426	Certain cranes	China PR	Any country including China PR	Any other producer	52.03%
8426	Certain cranes	Any country other than China PR	China PR	Any other producer	52.03%

Financials

Income Statement (INR cr)

Year to March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Income from operations	1,630	2,160	2,914	3,327	3,445	4,004	4,431
Direct cost	1,171	1,536	2,023	2,273	2,300	2,664	2,929
Employee expenses	85	100	121	138	143	166	184
Other expenses	218	282	352	399	491	561	635
EBITDA	155	243	418	516	510	613	682
Depreciation and amortisation	15	18	23	28	38	36	40
EBIT	140	225	395	487	472	577	643
Finance cost	10	10	23	29	29	28	31
Other income	11	41	77	100	111	119	119
Profit before tax (PBT)	137	234	434	549	553	668	731
Tax expense	32	61	106	140	136	169	185
Net profit for the year	105	172	328	409	418	499	546
Diluted EPS	9.02	14.41	27.56	34.37	35.07	41.89	45.88

Common size metrics as a percentage of revenue

Year to March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Direct costs	71.9	71.1	69.4	68.3	66.8	66.5	66.1
Employee expense	5.2	4.6	4.1	4.2	4.2	4.1	4.2
Other expenses	13.4	13.0	12.1	12.0	14.3	14.0	14.3
Depreciation	0.9	0.8	0.8	0.9	1.1	0.9	0.9
Interest expense	0.6	0.5	0.8	0.9	0.8	0.7	0.7
EBITDA margin	9.5	11.2	14.4	15.5	14.8	15.3	15.4
EBIT margin	8.6	10.4	13.6	14.7	13.7	14.4	14.5
Net profit margin	6.4	7.9	11.3	12.3	12.1	12.5	12.3

Growth metrics

Year to March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenue	32.8	32.5	34.9	14.2	3.6	16.2	10.7
EBITDA	30.4	56.5	72.4	23.3	-(1.1)	20.2	11.4
PBT	27.0	70.2	85.6	26.5	0.7	20.7	9.5
Net profit	31.6	63.4	91.2	24.7	2.0	19.4	9.5
EPS	28.3	59.8	91.3	24.7	2.0	19.4	9.5

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RoE calculation (INR cr)

Year to March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Sales	1,630	2,160	2,914	3,327	3,445	4,004	4,431
PAT	109	193	343	419	419	499	546
Assets	1,282	1,600	2,169	2,711	3,106	3,642	4,265
Debt	528	680	938	1,094	1,102	1,174	1,289
Equity	754	920	1,232	1,616	2,005	2,469	2,977
RoE (%)	14.4%	21.0%	27.9%	25.9%	20.9%	20.2%	18.4%
PAT margin (%)	6.7%	9.0%	11.8%	12.6%	12.2%	12.5%	12.3%
<i>Asset turnover (x)</i>	<i>1.3x</i>	<i>1.4x</i>	<i>1.3x</i>	<i>1.2x</i>	<i>1.1x</i>	<i>1.1x</i>	<i>1.0x</i>
<i>Financial leverage (x)</i>	<i>1.7x</i>	<i>1.7x</i>	<i>1.8x</i>	<i>1.7x</i>	<i>1.5x</i>	<i>1.5x</i>	<i>1.4x</i>

RoIC calculation (INR cr)

Year to March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
EBIT	140	225	395	487	472	577	643
<i>Tax rate (%)</i>	<i>24%</i>	<i>26%</i>	<i>24%</i>	<i>25%</i>	<i>25%</i>	<i>25%</i>	<i>25%</i>
NOPAT	107	166	299	363	356	431	480
Property, plant, and equipment	436	472	560	697	765	832	883
Working capital	109	87	30	(29)	(26)	(24)	(26)
Invested capital	545	559	589	668	739	807	858
RoIC (%)	19.6%	29.7%	50.7%	54.4%	48.2%	53.3%	56.0%

Ratios

Year to March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Gross margin (%)	28.1	28.9	30.6	31.7	32.2	32.5	33.0
Current ratio (x)	1.4	1.4	1.4	1.2	1.4	1.7	1.9
Inventory days	103.9	99.5	99.9	82.7	82.7	82.7	82.7
Receivables days	42.3	28.6	20.6	29.0	29.0	29.0	29.0
Payables days	128.6	119.1	124.1	129.8	129.8	129.8	129.8
Cash conversion cycle	28.0	16.8	4.3	(3.4)	(18.1)	(18.1)	(18.1)
Net debt/EBITDA ratio	0.1x	(0.2x)	(0.3x)	(0.1x)	(0.4x)	(0.8x)	(1.2x)

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Balance Sheet (INR cr)

Year to March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
PPE	436	472	560	697	765	832	883
Capital work in progress	24	24	44	28	28	28	28
Investment property	12	12	16	15	15	14	14
Intangible assets	3	2	3	4	6	8	11
Financial investments	80	137	225	543	643	718	768
Other non-current assets	25	41	49	103	103	103	103
Total non-current assets	580	688	896	1,388	1,558	1,702	1,806
Inventories	333	419	553	515	518	562	634
Financial investments	99	212	370	376	476	551	601
Trade receivables	189	169	164	265	269	296	336
Cash and cash equivalents	6	21	48	49	167	413	771
Other current assets	76	90	137	113	113	113	113
Total current assets	703	911	1,273	1,318	1,543	1,935	2,454
Total assets	1,282	1,600	2,169	2,706	3,101	3,637	4,260
Total equities	754	920	1,232	1,616	2,005	2,469	2,977
Long-term borrowings	0	0	0	0	0	0	0
Long-term provisions	2	3	3	4	6	9	12
Deferred tax liabilities	14	13	10	8	8	8	8
Other long-term liabilities	1	1	0	1	1	1	1
Total non-current liabilities	17	17	13	13	15	18	21
Short term borrowings	29	6	4	15	15	15	15
Trade payables	413	501	688	809	813	883	995
Short-term provisions	2	3	4	5	5	5	5
Other current liabilities	67	153	229	253	253	253	253
Total current liabilities	511	663	925	1,082	1,086	1,156	1,268
Total Equity & Liabilities	1,282	1,600	2,169	2,711	3,106	3,643	4,266

Cash Flow (INR cr, unless specified)

Year to March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Profit before tax	137	234	434	549	553	668	731
Add: D&A	15	18	23	28	38	36	40
(Less) other income/(add) financial expenses	18	5	(13)	(34)	(80)	(88)	(86)
Less: Changes in working capital	4	0	28	14	(3)	(2)	1
Other operating cash flow	(71)	17	(39)	(146)	(136)	(169)	(185)
Net cash flow from operating activities	104	274	433	412	373	445	502
Capex PPE and intangible assets	(40)	(74)	(175)	(221)	(108)	(105)	(94)
Free cash flow	55	200	258	191	265	340	408
Other investments	(162)	(144)	(193)	(162)	(89)	(31)	19
Net cash flow from investing activities	(201)	(218)	(368)	(383)	(196)	(136)	(74)
Net cash flow from financing activities	71	(41)	(39)	(29)	(58)	(63)	(69)

Plant Visit note

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