Action Construction Equipment (ACTCON)

ICICI Direct

CMP: ₹1004 | Target: ₹1274 (27%) | Target Period: 6-12 months | **BUY**

FY26E to be a consolidating year…

November 10, 2025

About the stock: Action Construction Equipment (ACE), established in 1995, is India's leading Material Handling and Construction Equipment manufacturing company and are market leaders in Mobile Cranes & Tower Cranes segment.

- Cranes, material handling and construction equipment (CMCE) segment contributes ~94% to total revenue while agri-equipment (AE) contributes ~6% to total revenue.

Q2FY26 performance: Revenue declined by 1.6% YoY (+14% QoQ) to ₹744 crore as the revenue of cranes, construction equipment & material handling segment (94% of total revenue) was flat YoY (+15% QoQ). Agri equipments revenue (~6% of total) stood at ₹49 crore (-20% YoY, +6% QoQ). EBIDTA margin improved to 14.6% (+30 bps YoY, +41 bps QoQ). EBITDA was flat (+0.4% YoY) at ₹109 crore. However, PAT declined 5% YoY (8% QoQ) to ₹90 crore as other income declined by 14% to ₹29 crore. PAT Margins declined 35 bps YoY to 11.6%. Company saw 18% decline in volumes in cranes, construction equipment segment to 2348 units vs 2863 units last year. The agriculture segment saw decline in volumes by 27% to 526 units. Agriculture segment reported EBIT loss of ₹1.27 crore as against ₹2.4 crore profit last year. Cranes, construction equipment saw margin decline of 24 bps YoY to 18.1%.

Investment Rationale:

- **H1FY26 marred by emission norms, growth to pick-up in FY27E:** ACE faced some decline in H1FY26 on account of rise in prices on adoption of stage 5 emission norms and pre-buying in H2FY25. The market is expected to normalise by FY26E and growth is expected to pick up in FY27E. In terms of exports, company intends to increase its exports share to 15% of revenues in medium term (from ~8% at present). Margins are expected to improve gradually to 15.6% in FY27E, led by operational efficiencies, favourable product mix and positive operating leverage.
- **Robust capex scenario augurs well for company's products:** We believe that buoyant capex prospects (public & private) across the manufacturing & infrastructure segments, presents substantial opportunity for the company's products in cranes, construction equipments, material handling etc. Also, India's emergence as one of the best choices in manufacturing capital goods equipments provides a sizable opportunity to company to increase its exports.
- **Focus on increasing capacities and improving product portfolio:** ACE is focused on improving its market shares in both domestic and export markets in its key segments like cranes and construction equipments through capacity additions & improving product portfolio (like medium to large cranes, electric cranes, backhoe loaders, telehandlers etc) and exploring JVs and acquisitions.

Rating and Target Price

- With strong focus on increasing competitive strength through augmenting capacities and improving product ranges, we believe company's operational performance to remain strong in the coming period too.
- Valuation at 25x P/E on FY27E basis looks attractive given the strong industry tailwinds and healthy visibility on earnings growth in the coming period. We recommend **BUY** on ACE with a revised target price of ₹1274 per share (based on 30x FY27E EPS)

Result Update

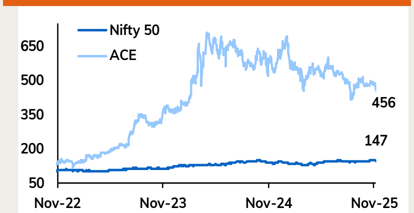
Market data

Particular	Rs. (in crore)
Market Capitalisation	12215
Total Debt (H1FY26)	134
Cash and Inv (H1FY26)	34
Enterprise Value	12315
52 week H/L (Rs.)	1599/917
Equity capital	23.82
Face value (Rs.)	2

Shareholding pattern

%	Dec-24	Mar-25	Jun-25	Sep-25
Promoter	65.41	65.41	65.41	65.42
FII	11.9	11.57	11.44	10.36
DII	1.76	1.97	2.05	1.83
Others	20.93	21.04	21.08	22.39

Price chart



Key risks

(i) Slowdown in domestic & global capex

ii) increase in commodity prices

iii) Increase in competition

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ICICI Securities – Retail Equity Research

Key Financial Summary

Rs. in crore	FY23	FY24	FY25	4 Year CAGR (FY21-FY25)	FY26E	FY27E	2 Year CAGR (FY25-FY27E)
Revenue	2,159.7	2,913.8	3,327.1	28.3	3,414.5	3,951.3	9.0
EBITDA	220.9	403.3	505.8	43.5	507.0	596.7	8.6
EBITDA margin (%)	10.2	13.8	15.2		14.8	15.1	
Net Profit	173.0	328.2	409.2	50.3	424.6	505.8	11.2
EPS (Rs)	14.5	27.6	34.4		35.7	42.5	
P/E (x)	73.1	38.5	30.9		29.8	25.0	
EV/EBITDA (x)	56.1	30.2	24.2		23.6	19.4	
RoCE (%)	30.6	44.2	43.8		36.3	33.7	
RoE (%)	18.8	26.7	25.3		21.0	20.4	

Source: Company, ICICI Direct Research

Key result and call highlights

- Revenue for Q2FY26 was ₹744 crore, down 1.65% YoY. The Cranes, Material handling and construction equipment (CMCE) business (94% of revenue mix) remained flat at ₹697 crore despite volumes declining 18% YoY to 2,348 units from 2,866 units last year due to higher realisation. The Agri Equipment (AE) business generated ₹49 crore (6% revenue mix) during the quarter.

- The transition to BS5/CEV5 emission norms led to significant price increases of 12-14% for machines below 50 HP (BS3 to CEV5) and lower increases for CEV4 to CEV5 transitions, resulting in a blended average price increase of 8-9% across the company. Pick & Carry cranes saw QoQ price increases of 15-20% primarily due to emission norm changes.

- Current capacity utilization stands at ~65% for construction equipment & cranes (supporting ₹5,000+ crore revenue at full utilization) and 30-35% for tractors. Inventory levels were elevated at September-end due to early festive season preparation, expected to normalize by Q3-end.

- Export revenue in H1FY26 was ~5% of total revenue, up 30% YoY in absolute terms. The company received a three-digit tractor export order to be executed in Q3-Q4. ACE aims to grow revenue from exports and defence to form 8-9% and 5-8% of revenue mix.

- The government notified anti-dumping duties of 26% on one Chinese manufacturer and 52% on other Chinese players for crawler cranes and truck-mounted cranes. Implementation expected by mid-to-late December 2025. This is a significant structural positive as Chinese players were selling 15-20% below cost with 1-3 year credit terms, capturing 97-98% market share.

- Company has formed a joint venture with Japanese major KATO WORKS for heavy lifting equipment, gaining access to five decades of Japanese technology. This will combine Japanese technology excellence with Indian cost competitiveness to establish market leadership in the segment.

- Defence order worth ₹420 crore for rough terrain forklifts awaits NOC from Ministry of Defence for emission norm compliance. Execution now likely to spill over to FY27E - a key reason for conservative FY26E guidance. Additionally special pick and place cranes being developed with DRDO in collaboration with Ashok Leyland Defence and Tata Advanced Systems.

- Capital allocation plans include: (1) Acquisition of 86 acres land requiring ~₹100- ₹200 crore, (2) Investments in robotics, mechanization and quality improvement projects for export market readiness, (3) Continued dividend payments with expectations of increased payout going forward.

- Company's medium to long-term guidance remains intact with revenue target of ₹4,000-4,400 crore by FY27 and ₹6,000-6,200 crore by FY29-30. Company believes pent-up demand in the system will help make up for H1FY26 shortfall as market normalizes post emission norm transition.

Financial summary

Exhibit 1: Profit and loss statement ₹ crore

(Year-ended-March)	FY24	FY25	FY26E	FY27E
Revenue	2,914	3,327	3,414	3,951
Total Raw Material Costs	2023	2273	2298	2667
Employee Expenses	121	138	159	183
Other expenses	367	409	450	504
Total Operating Expenditure	2,511	2,821	2,908	3,355
EBITDA	403	506	507	597
EBITDA Margins	13.8%	15.2%	14.8%	15.1%
EBITDA Growth %	82.5%	25.4%	0.2%	17.7%
Other Income	77	100	120	144
Interest	23	29	30	30
PBDT	457	577	597	711
Depreciation	23	28	31	37
PBT before Excep item	434	549	566	674
Total Tax	106	140	142	169
PAT before MI	328	409	425	506
PAT	328	409	425	506
% Growth	89.7	24.7	3.8	19.1
EPS	27.6	34.4	35.7	42.5

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement ₹ crore

(Year-ended-March)	FY24	FY25	FY26E	FY27E
Profit after Tax	328	409	425	506
Add: Depreciation	23	28	31	37
Interest	23	29	30	30
(Inc)/decrease in CA	(142)	(99)	(51)	(148)
(Inc)/decrease in CL and prov	264	148	14	170
CF from Operations	496	514	448	594
(Inc)/decrease in Fixed Assets	(130)	(150)	(178)	(178)
Others	146	417	120	144
CF from Investing	17	268	(57)	(33)
Issue/(Buy back) of Equity	-	-	-	-
Inc/(dec) in loan funds	(2)	11	-	-
Dividend paid & dividend tax	(24)	(24)	(38)	(51)
Others	(425)	(824)	(313)	(480)
CF from Financing	(451)	(837)	(351)	(531)
Net Cash flow	61	(55)	40	30
Opening Cash/Cash Equivalent	49	110	55	95
Closing Cash/ Cash Equivalent	110	55	95	125

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet ₹ crore

(Year-ended-March)	FY24	FY25	FY26E	FY27E
Equity Capital	24	24	24	24
Reserve and Surplus	1206	1591	2002	2457
Total Shareholders funds	1230	1615	2025	2481
Minority Interest	2	2	2	2
Other Non Current Liabilities	13	13	13	13
Total Debt	4	15	15	15
Sources of Funds	1,249	1,644	2,055	2,510
Gross Block	751	917	1095	1272
Acc: Depreciation	192	220	251	288
Net Block	560	697	831	944
Capital WIP	44	28	28	28
Total Fixed Assets	603	724	859	972
Non Current Assets	293	664	664	664
Inventory	553	515	561	650
Debtors	164	265	262	303
Loans and Advances	0	0	0	0
Other Current Assets	75	112	120	138
Cash & Equivalent	110	55	95	125
Investments	370	376	576	976
Total Current Assets	1273	1323	1613	2191
Current Liabilities	921	1067	1081	1251
Net Current Assets	352	256	532	940
Application of Funds	1,249	1,644	2,055	2,510

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios

(Year-ended-March)	FY24	FY25	FY26E	FY27E
Per Share Data				
EPS	27.6	34.4	35.7	42.5
BV	103.3	135.6	170.1	208.3
Dividend per share	2.0	2.0	3.2	4.2
Dvidend payout ratio	7.3	5.8	9.0	10.0
Operating Ratios				
EBITDA Margin	13.8	15.2	14.8	15.1
PAT Margin	11.3	12.3	12.4	12.8
Return Ratios				
RoE	26.7	25.3	21.0	20.4
RoCE	44.2	43.8	36.3	33.7
RoIC	66.8	53.0	46.8	50.6
Valuation Ratios				
EV / EBITDA	28.5	22.8	22.3	18.2
P/E	36.4	29.2	28.2	23.6
EV / Net Sales	3.9	3.5	3.3	2.8
Market Cap / Sales	4.1	3.6	3.5	3.0
Price to Book Value	9.7	7.4	5.9	4.8
Turnover Ratios				
Asset turnover	2.4	2.1	1.7	1.6
Debtors Turnover Ratio	17.7	12.6	13.0	13.0
Creditors Turnover Ratio	4.2	4.1	4.2	4.2
Solvency Ratios				
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	0.9	0.8	0.9	0.9
Quick Ratio	0.3	0.4	0.4	0.4

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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