



Flash Note

Action Construction Equipment

Short-term softness amidst structural tailwinds

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Not Rated

Current Price (Rs) : 1,022

Source: Bloomberg, B&K Research

Market Data

No. of Shares (mn) : 119

Free Float (%) : 35

Market Cap (Rs bn) : 122

52-week High/Low (Rs) : 1,600/917

Avg. Daily Volume (6M) : 0 mn

Avg. Daily Value (6M;US\$) : 5.4 mn

Bloomberg Code : ACCE IN

Promoters Holding (%) : 65

FII/DII (%) : 11.50/2.05

Source: Bloomberg, B&K Research

Price Performance

(%)	1M	3M	12M
Absolute	(5)	(7.5)	(23)
Relative	14	(13)	(11)

Source: Bloomberg, B&K Research

Revenue mix

- ▶ Revenue contribution from the Cranes, Material Handling and Construction Equipment segment was 94%, while 6% was from the Agricultural Equipment segment.
- ▶ The management expects a flattish revenue growth in FY26 on a YoY basis, with a marginal improvement in EBITDA margins. This is largely due to delay in execution of the defence order.
- ▶ Historically, 55-60% of the annual revenue is generated in 2H, given the high base effect from pre-buying in 2HFY25.
- ▶ Capacity utilisation currently stands at 65% for the Cranes, MHE, and CE business and 35% for the Agriculture segment.

Cranes, MHE, CE segment

- ▶ The *anti-dumping duty imposed on imports of truck cranes and crawler cranes* is seen as a structural positive for Action Construction Equipment's (ACE) heavy crane business. The duty has been notified as 26% on Zoomlion and 52% on other Chinese players, implementation of which by the Finance Ministry is awaited. In FY25, around 1,350 heavy-load cranes were imported from China at very low prices. Once the duty takes effect, *ACE expects to capture nearly 50% market share in the heavy cranes segment. The TAM for heavy cranes stands at around 800 units per year*, as ACE does not manufacture cranes above 300-tonne capacity.
- ▶ Margins in heavy cranes are slightly lower than regular cranes, but demand visibility remains healthy, especially with growth in pre-engineered buildings (PEBs) that require heavy lifting. Margins to level up in line with medium load cranes in the near-term.

Financial summary (Consolidated)

Y/E Mar (Rs mn)	FY21	FY22	FY23	FY24	FY25
Net sales	12,272	16,296	21,597	29,138	33,271
EBITDA margin (%)	9.7	9.3	10.2	13.8	15.2
EBIT margin (%)	9.8	9.0	11.3	15.7	17.4
Adjusted net profit	798	1,050	1,744	3,282	4,092
EPS growth (%)	52.1	25.4	66.1	88.2	24.7
Cash flow from operations	747	795	2,732	4,153	4,199
RoE (%)	16.5	16.4	20.8	30.6	28.8
RoCE (%)	21.3	21.0	28.0	41.7	39.9
Net debt/equity (x)	0.0	(0.1)	(0.3)	(0.4)	(0.3)

Source: Company, B&K Research

- ▶ The partnership with KATO for mountain terrain and heavy-load cranes remains on track. The JV will help incorporate advanced technology and enable ACE to command a price premium, though margins are expected to remain in line with medium-load cranes. At peak capacity utilisation, heavy-load cranes could contribute around Rs 3,500 mn in revenue.
- ▶ In the pick-n-carry cranes segment, the product mix is shifting from older hydra cranes to newer high-value models, supported by a strong replacement cycle expected in 2HFY26. The transition from BS IV to BS V (CEV5) emission norms has led to an 8-9% blended price increase across models.
- ▶ The company had booked a Rs 4,200 mn order for rough terrain forklifts for the Indian Army in 4QFY25 but is awaiting government clearance for emission norm waiver. The delay has pushed execution to FY27.
- ▶ The company continues to execute a defense order with DRDO, with more such orders expected in 3QFY26.
- ▶ FY26 margins are expected to see a modest uptick from the 1H levels, supported by a more favourable product mix and potential benefits from anti-dumping protection.

Agricultural equipment

- ▶ The agriculture equipment division is expected to see healthy volume and value growth in FY26.
- ▶ The company plans to strengthen its distribution network through better channel partnerships, which should aid reach and penetration.

Exports

- ▶ Export revenues grew 30% YoY in 1HFY26, contributing 4-5% of total revenues so far.
- ▶ The Ghana project remains on hold due to geopolitical challenges, with ACE awaiting clearances.

2QFY26 result highlights

- ▶ Revenue during the quarter de-grew by 1.6% YoY to Rs 7.4 bn.
- ▶ Gross margin stood at 33% versus 31% in 2QFY25 (34% in 1QFY26).
- ▶ EBITDA grew marginally by 0.4% YoY to Rs 1.09 bn in the quarter. EBITDA margin came in at 14.64% versus 14.35% in 2QFY25, 30 bps YoY growth (14.24% in 1QFY26).
- ▶ Adjusted PAT de-grew 5% YoY to Rs 901 mn.
- ▶ Net Margin stood at 12.1% versus 12.53% in 2QFY25 (15% in 1QFY26).
- ▶ Total debt stood at Rs 1.34 bn versus Rs 148 mn as of FY25. Cash position as of 30 September 2025 stood at Rs 342 mn versus Rs 555 mn as of FY25.

Outlook and Valuation

ACE's near-term outlook appears subdued, with overall revenue growth likely to remain flattish in FY26 due to the high base of the previous year and delays in execution of key orders like rough terrain forklifts. While the imposition of anti-dumping duty on Chinese crane imports is a structural positive, the actual benefit may play out gradually as implementation timelines remain uncertain. Indications of uptick in demand in 2HFY26 shall be a key monitorable as ACE's execution capabilities and expertise would comfortably capture the demand upcycle.

The stock is trading at 29x TTM earnings. We do not have rating on the stock.

2QFY26 – Financial highlights

(Rs mn)	2QFY25	2QFY26	YoY (%)	1QFY26	QoQ (%)
Net revenue	7,567	7,442	(1.6)	6,521	14.1
EBITDA	1,086	1,090	0.4	928	17.4
EBITDA margin (%)	14.3	14.6	30 bps	14.2	41 bps
Other income	342	293	(14.3)	511	(42.7)
Depreciation	70	88	25.2	80	9.2
Interest	90	84	(7.0)	82	1.9
Profit before Tax	1,268	1,237	(2.4)	1,277	(3.2)
Tax	319	336	5.3	300	12.1
Reported PAT	948	901	(5.0)	977	(7.8)
Adjusted PAT	948	901	(5.0)	977	(7.8)
Net margin (%)	12.5	12.1	(43) bps	15.0	(288) bps
Adjusted EPS (Rs)	8.0	7.6	–	8.2	–

Financial Summary (Consolidated)

Income Statement

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25
Net sales	16,296	21,597	29,138	33,271
<i>Growth (%)</i>	<i>32.8</i>	<i>32.5</i>	<i>34.9</i>	<i>14.2</i>
Raw material	(11,711)	(15,356)	(20,228)	(22,734)
Gross profit	4,585	6,241	8,910	10,536
Employee cost	(848)	(998)	(1,207)	(1,385)
Other expenditure	(2,222)	(3,035)	(3,671)	(4,094)
Other operating income	-	-	-	-
EBITDA	1,515	2,209	4,033	5,058
<i>Growth (%)</i>	<i>27.3</i>	<i>45.9</i>	<i>82.5</i>	<i>25.4</i>
Depreciation	(154)	(180)	(232)	(283)
Other income	108	411	771	1,003
EBIT	1,468	2,440	4,571	5,778
Finance cost	(95)	(103)	(232)	(287)
Exceptional income/(expense)	-	-	-	-
Profit before tax	1,373	2,338	4,339	5,491
Tax (current + deferred)	(323)	(608)	(1,057)	(1,399)
Profit/(loss) for the year	1,050	1,730	3,282	4,092
P/L of JV/A, minority interest	-	14	-	-
Reported profit/(loss)	1,050	1,744	3,282	4,092
Adjusted net profit/(loss)	1,050	1,744	3,282	4,092

Balance Sheet

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25
Share Capital	238	238	238	238
Reserves & surplus	7,303	8,947	12,060	15,909
Shareholders' funds	7,541	9,186	12,298	16,147
Minority interest	2	16	17	17
Long-term borrowings	-	-	-	-
Other non-current liabilities	170	167	131	129
Total non-current liab.	170	167	131	129
Short-term borrowings	292	62	39	148
Trade payables	4,127	5,009	6,880	8,086
Other current liabilities	691	1,557	2,327	2,581
Total current liabilities	5,110	6,629	9,246	10,815
Total (Equity & Liab.)	12,824	15,997	21,692	27,108
Fixed assets (net block)	4,642	5,004	6,068	7,296
Non-current investments	920	1,483	2,409	5,426
Other non-current assets	234	397	487	1,211
Non-current assets	5,796	6,883	8,964	13,933
Cash and cash equivalents	143	490	1,104	555
Inventories	3,334	4,185	5,534	5,151
Trade receivables	1,887	1,693	1,643	2,647
Other current assets	1,664	2,747	4,447	4,823
Current assets	7,028	9,115	12,728	13,176
Total (Assets)	12,824	15,997	21,692	27,108

Cash Flow

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25
Profit before tax	1,373	2,338	4,339	5,491
Depreciation	154	180	232	283
Change in working capital	253	1,116	1,001	560
Total tax paid	(972)	(594)	(881)	(1,419)
Others	(13)	(308)	(539)	(717)
CF from operations (a)	795	2,732	4,153	4,199
Capital expenditure	(497)	(541)	(1,297)	(1,510)
Change in investments	(740)	(1,129)	(1,577)	(60)
Others	(697)	(314)	(246)	(2,738)
CF from investing (b)	(1,935)	(1,984)	(3,120)	(4,308)
Free cash flow	298	2,191	2,855	2,688
Equity raised/(repaid)	11	-	-	0
Debt raised/(repaid)	(250)	(230)	(23)	109
Dividend (excl. tax)	-	-	-	(119)
Others	1,156	(171)	(395)	(405)
CF from financing (c)	917	(401)	(418)	(440)
Net chg in cash (a+b+c)	(222)	347	615	(549)

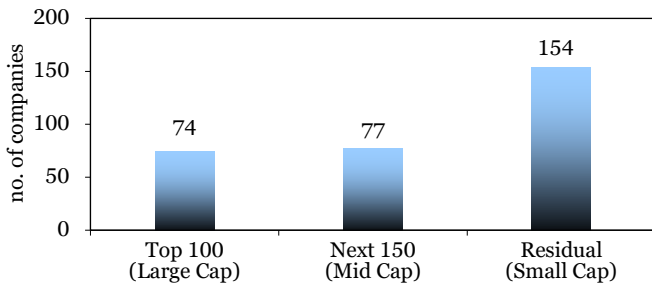
Key Ratios

Y/E Mar (%)	FY22	FY23	FY24	FY25
Adjusted EPS (Rs)	8.8	14.6	27.6	34.4
<i>Growth</i>	<i>25.4</i>	<i>66.1</i>	<i>88.2</i>	<i>24.7</i>
Book NAV/share (Rs)	63.3	77.1	103.3	135.6
Dividend payout ratio	-	-	-	3.5
Gross margin	28.1	28.9	30.6	31.7
EBITDA margin	9.3	10.2	13.8	15.2
EBIT margin	9.0	11.3	15.7	17.4
Tax rate	23.5	26.0	24.4	25.5
RoCE	21.0	28.0	41.7	39.9
RoE	16.4	20.8	30.6	28.8
RoIC (post-tax)	20.2	32.0	65.1	71.9
Net debt/equity (x)	(0.1)	(0.3)	(0.4)	(0.3)
Net debt/EBITDA (x)	(0.6)	(1.2)	(1.2)	(0.8)
Fixed asset turnover (x)	1.4	1.5	1.5	1.4
Net working capital days	43.0	42.0	43.6	25.9

Valuations

Y/E Mar (x)	FY22	FY23	FY24	FY25
P/E	115.9	69.8	37.1	29.7
P/B	16.1	13.3	9.9	7.5
Dividend yield (%)	-	-	-	0.1
OCF yield (%)	0.6	2.0	3.0	3.1
EV/EBITDA	79.8	53.9	29	23.2
EV/Sales	7.4	5.5	4.0	3.5

B&K Universe Profile – by AMFI Definition



B&K Investment Ratings

	LARGE CAP (Market Cap > US\$ 2 bn)	MID & SMALL CAP (Market Cap < US\$ 2 bn)
BUY	>+15%	>+20%
HOLD	+15% to -10 %	+20% to -15 %
SELL	<-10%	<-15%

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