

- Market Dominance in a High-Growth Sector:** ACE is India's largest crane manufacturer, commanding an approximate 63% market share in both pick & carry and tower cranes. This dominant position allows it to directly capitalize on India's infrastructure-led development, which is supported by a record Union Budget capital investment outlay of ₹11.21 lakh crore. The company is strategically positioned to benefit from increased government and private sector capital expenditure.
- Strategic De-risking and Diversification:** The company has successfully cultivated a balanced revenue portfolio that mitigates the cyclical nature of the construction industry. Its revenue is well-distributed across key economic verticals: manufacturing and logistics (~45%), infrastructure and construction (~35%), real estate (~12-13%), and agriculture (~7-8%).
- Robust Financial Performance and Shareholder Value:** While top-line growth moderated to 14.04% in FY25 from a high base in the prior year, the company demonstrated exceptional operational leverage, with EBITDA and PAT growing substantially faster at 25.06% and 23.19% respectively, signaling significant margin expansion. The company has consistently generated positive Free Cash Flow for the last 12 years, supported by a significant improvement in its working capital cycle.
- Defined Catalysts for Future Growth:** ACE has established clear and powerful drivers for future expansion. These include a 50-50 joint venture with Japan's Kato Works to penetrate the high-value heavy crane market, a landmark ₹420 crore order from the defense sector that opens a new strategic vertical, and a clear management objective to expand exports to 20% of total revenue within the next four years.

Valuation- On the valuation front, Action Construction Equipment Ltd. (ACE) is trading at an EV/EBITDA multiple of 24.7x, 20.3x, and 18.1x for FY2025, FY2026E, and FY2027E, respectively. The company's long-term growth trajectory remains intact, backed by operational efficiency, margin expansion, and improving realizations, which have risen from ₹10.72 lakh in FY21 to ₹20.60 lakh in FY25, and are expected to further increase to ₹21.95–₹22.04 lakh between FY2026E and FY2027E. ACE is guiding for ₹4,400 crore in revenue for FY2027, with an ambitious target to reach approximately ₹6,600 crore by FY2029, tripling its FY2023 levels. Its leadership in the cranes segment, diversification into high-margin verticals such as defense and high-tonnage cranes through the Kato JV, and the favorable impact of anti-dumping duties (ADD) on imported cranes further strengthen growth visibility. Considering these drivers, We recommend a BUY on the stock at ₹1000.00, with a target price of ₹1,345 per share, implying an upside potential of 34% and an implied EV/EBITDA multiple of 22x for FY2027E, which remains below the industry average, offering a compelling valuation re-rating opportunity.

PROFIT AND LOSS

Particulars	FY23	FY24	FY25	FY26E	FY27E
Revenue From Operation (in Crores)	2159.68	2913.80	3327.05	3608.38	4116.70
EBITDA	262.04	480.35	606.08	648.85	726.12
EBITDA Margin	11.91%	16.06%	17.68%	17.50%	17.22%
Profit After TAX (PAT)	172.99	328.20	409.24	504.14	551.90
PAT Margin	7.86%	10.97%	11.94%	13.59%	13.09%
EPS (INR)	14.52	27.56	34.36	42.33	46.34
P/E(X)	28	52	37	24	22
P/BV	5.28	13.82	9.27	5.62	4.46
EV/EBITDA	18.49	35.37	27.60	18.36	16.40

ACTION CONSTRUCTION EQUIPMENT LIMITED

Industry	Construction Vehicles
CMP (in ₹)	1000.00
52 Week High/Low	1601.00/917.10
Face Value (Rs)	2.00
Market Cap (in ₹ Crore)	11,867.00
Current P/E	28.40
Target Price (in ₹)	1,345.00
Recommendation	BUY
Upside/Downside (%)	34

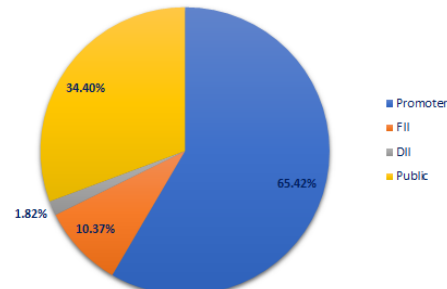
TECHNICAL CHART



STOCK PERFORMANCE (%)

Time Frame	ACE	Nifty Smallcap250
One Month	(6.5)	(1.7)
Three Months	(7.3)	2.7
One Year	(26.9)	(3.6)

Shareholding Pattern (Sept 2025)



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COMPANY OVERVIEW

ACE is India's leading Material Handling and Construction Equipment manufacturing company and market leader in Mobile Cranes & Tower Cranes segment. In addition to Mobile Cranes, ACE also offers Mobile/Fixed Tower Cranes, Electric Crane, Crawler Cranes, Truck Mounted Cranes, Lorry Loaders, Backhoe Loaders, Loaders, Motor Graders, Vibratory Rollers, Piling Rigs, Concrete Placing Boom, Forklifts, Warehousing Equipment, Tractors, Harvesters and other Agri Machinery.

Domestic Presence

- ACE has all India Sales and Service network operating out of all the major cities.
- Cranes, MHE & Construction equipment dealer network in over 125.
- locations More than 200 Agri dealers across the country.
- These outlets are further supported by company officials based at Delhi, Mumbai, Chennai, Kolkata, Ahmedabad, Surat, Pune, Jaipur, Chandigarh, Ranchi, Raipur, Indore, Bhubaneswar, Lucknow, Jamnagar, Hyderabad, Bengaluru, Guwahati, Patna, Vizag & Kochi.
- 21 Regional and Area Offices
- Outlets are fully equipped to provide Genuine Spare Parts and services by Company trained engineers

Global Presence



COMPANY OVERVIEW

Strong Foundation and Proven Legacy

Established in 1995 by Mr. Vijay Agarwal, a technocrat, who has over 50 years of industry experience and is run by a team of experienced professionals.

ACE is an established and reputed brand with a significant presence across diversified sectors like Construction, Infrastructure, Manufacturing, Logistics and Agriculture.

The company is the world's largest Pick & Carry cranes manufacturer with over 63% market share in the Mobile cranes segment in the country and a majority market share of more than 60% in Tower Cranes segment domestically.

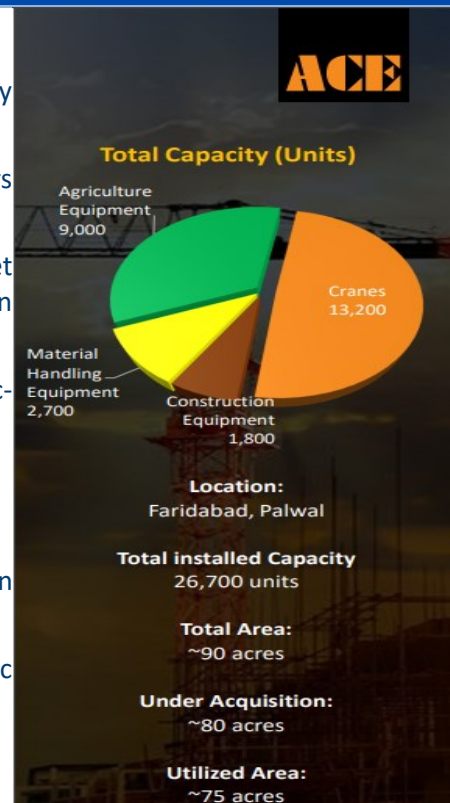
The End-user Sector exposure of the company can be broadly classified as follows: Manufacturing ~45%, Infrastructure ~ 35%, Agriculture ~ 10% and Real Estate~10%.

At a Glance-

- Established Brand with over 29 years of Industry Presence.
- World's largest Pick & Carry Crane Manufacturer with Pan India and Global Presence in over 37 Countries.
- Strong Manufacturing & R&D Capabilities providing Customized Solutions for Specific Requirements .
- Highly Experienced and Professional Team.
- India's most diversified CE Manufacturer Operating across Infra, Construction, Manufacturing, Logistics, Defence & Agri sectors.
- Customer Centric Organization with In-depth Market Intelligence having strong Customer base across sectors.
- Fastest Service and Product Support through a wide Network across 125+ Locations in India.
- Financial Discipline with Focus on Accelerated Growth through Flexibility and Quick Change Adaptation.
- Poised to capture Significant Growth Prospects in Indian Manufacturing & Infrastructure Sector.

Journey and Key Milestones -

- **1995-1999:** Incorporated and introduced Hydraulic Mobile Cranes; received ISO-9001 certification; expanded with a regional office in Mumbai; launched Mobile Tower Cranes and commenced exports.
- **2004-2009:** Entered multiple segments by introducing Tower Cranes, Crawler Cranes, and Forklift Trucks; achieved IPO listing in 2006; received key industry awards; expanded into the construction equipment and tractor market.
- **2010-2015:** Developed advanced technology for Big Tower Cranes; commenced in-house manufacturing of Crawler Cranes; launched next-gen Pick and Move Cranes, Lorry Loaders, Wheel Harvesters, and Agri Equipment.
- **2016-2019:** Expanded portfolio with Skid Steer Loaders, material handling equipment, and high-capacity truck cranes; collaborated with Sunward for Piling Rigs; introduced NX Series Cranes and next-gen Backhoe Loaders.
- **2020-2023:** Innovated with India's first fully electric mobile crane, largest indigenous crane (180-ton capacity), and self-propelled aerial work platforms; developed Lithium-ion Electric Forklifts.
- **2024:** Expanded product offerings with a new range of telehandlers
- **2025:** received our single largest order from Ministry of Defence for 1,121 no.s of Rough Terrain Forklifts (Telehandlers) amounting to Rs. 420 Crores.



60+
Products



100+
Locations



3300+
Employee



20,000+
Happy Customers

COMPANY OVERVIEW

Strong R&D and Training Capabilities-

Research & Development (R&D):

- ACE prioritizes innovation through its DSIR-recognized R&D centers in Faridabad and Palwal. Key focus areas include:
- Upgrading technology to meet international safety and quality standards.
- Continuous innovation to cater to diverse customer needs.
- Developing and localizing world-class technologies.
- Cost optimization through value engineering.
- Enhancing existing products and processes.
- Creating low-cost engineering solutions.

Product Portfolio

▶ Cranes, Material Handling & Construction Equipment



Pick & Carry Cranes



Lorry Loaders



Rough Terrain Cranes



Crawler Cranes



Truck Cranes



Tower Cranes



Backhoe Loaders



Tele Handlers



Vibratory Rollers



Motor Graders



Access Platforms



Forklift Trucks



Warehousing Equipment



Piling Rigs

▶ Agri Equipment



Tractors



Track Harvesters

Source: Corporate Presentation



2007-2012



2007-2012



2013-2018



2019-2024



COMPANY OVERVIEW

SECTORAL GROWTH DRIVERS

 <p>Urban Infra</p>	<ul style="list-style-type: none"> The Government announced investment of ₹75,000 crore, for 100 critical transport infrastructure projects, for last and first mile connectivity for ports, coal, steel, fertilizer, and food grains sectors. The Union Budget 2025-26 introduced an Urban Challenge Fund of ₹1 lakh crore aimed to developed "Cities as Growth Hubs" through creative redevelopment and better water & sanitation infra. Power sector reforms with an increase in intra-state transmission capacity by states
 <p>Railways</p>	<ul style="list-style-type: none"> The railway capital allocation is maintained at ₹2.52 lakh crore for FY26. However, physical targets have been linked to production of 17,500 general coaches, 200 Vande Bharat and 100 Amrit Bharat trains. Implementation of three major economic railway corridor under PM Gati Shakti initiative. Metro projects allocation increased to ₹31,200 crore for FY26 to boost expansion of metro networks across cities. The government is set to introduce 'National Rail Plan' to enable integration of rail network with other modes of transport for development of a comprehensive multi-modal transportation system.
 <p>Manufacturing</p>	<ul style="list-style-type: none"> India manufacturing sector has potential to reach US\$ 1 Tn by 2025-26 . Implemented PLI in 14 sectors with an outlay of ₹1.97 lakh crore to enhance domestic manufacturing & import substitution with potential to have additional production of ₹ 3 lakh crore in next 5 years. Industrial Capex cycle has revived owing to other initiatives such as National Manufacturing Mission, 'Vocal for Local' and 'China +1 Strategy aiming to position India as a global manufacturing hub.
 <p>Roads</p>	<ul style="list-style-type: none"> In FY26, India set target to construct 10,000 km of National Highways with 5800 km high speed corridor. Union government approved eight national high-speed corridor projects totalling 936 km with an investment of ₹50,655 crore. The roads sector is likely to account for 18% capital expenditure over FY 2019-25 and Roads worth \$200 Bn to be built in next 2 years. NHAI is coming up with 23 new highways including network of expressways and economic corridors by March 2025.
 <p>Housing</p>	<ul style="list-style-type: none"> Allocated ₹77,526 crore for Pradhan Mantri Awas Yojana-PMAY (Urban-₹19,794 crore & Rural- ₹54,232 crore) for FY26. Real estate sector in India is expected to expand to \$5.8Tn, contributing 15.5% to the country's GDP by 2047. ₹15,000 crore allocated for SWAMIH Fund 2.0 (Special Window for Affordable and Mid-Income Housing) to expedite completion of an additional 1 lakh housing units in stalled projects, 50,000 homes were completed till FY 24 and rest 40,000 expected by the end of 2026.
 <p>Agriculture</p>	<ul style="list-style-type: none"> The Ministry of Agriculture & Farmers Welfare allocated ₹1.37 lakh crore in FY26 budget. The Indian agricultural tractor market is projected to reach USD 7.92 billion in 2025 and grow to USD 10.95 billion by 2030, reflecting a CAGR of 6.7% during the forecast period The agricultural machinery market in India, encompassing tractors and other equipment is expected to reach Agriculture ₹1.66 trillion by FY29, growing at a CAGR of approximately 6.69%
 <p>Logistics</p>	<ul style="list-style-type: none"> 100 multimodal cargo terminals will be developed by FY26 to attract investments of a ~₹6,000 crore & handle over 1 million tonnes of cargo per terminal, enhance India's multimodal logistics capabilities. The Indian logistics valued at \$228.4 Bn in 2024 and is projected to reach \$428.7 Bn by 2033. The government's focus on deeper penetration into smaller towns is expected to enhance connectivity in goods movement, boost economic activity for better logistics and support MSMEs for improved supply chain.
 <p>Warehousing</p>	<ul style="list-style-type: none"> Supportive government policies to build Logistics Parks and Free Trade Warehousing Zones (FTWZs) aims to reduce logistics costs and improve competitiveness. The warehousing market in India valued at \$60.42 Bn in 2024 and is projected to grow at a CAGR of 10.5% from 2025 to 2034, reaching USD 163.98 billion by 2034 Indian warehousing and logistics sector is expected to attract ~\$10 Bn investments over the next 4-5 years
 <p>Ports</p>	<ul style="list-style-type: none"> The Sagarmala Programme has identified 839 projects worth approximately ₹5.79 lakh crore for implementation by 2035. The Ministry aims to complete projects worth ₹2 lakh crore in FY26 under Sagarmala Programme. Over 310 projects worth ₹26,000 crore are focused on improving infrastructure and benefiting coastal communities, including fishermen India has plans to invest US\$ 82 billion in port projects by 2035.
 <p>Defense</p>	<ul style="list-style-type: none"> Defense sector allocated ₹ 6,81,210 lakh crore in union budget 2025-26 reflecting a notable increase from last year's ₹ 6.21 lakh crore. ₹1.48 lakh crore is planned to be spent on Capital Acquisition (modernization budget) of Armed Forces and remaining ₹3.1 lakhs crore on Research & Development and infrastructural. This capital allocation has increased by 4.65% compared to previous fiscal year, Emphasis on Domestic Procurement with ₹1.12 lakh crore (75% of the modernization budget) and private Sector Share ₹27,886 crore (25% of Defense domestic procurement)

SWOT ANALYSIS

STRENGTHS

- ◆ **Market Leadership:** 63% share in pick-and-carry and tower cranes, with the world's largest pick-and-carry crane facility (ex-China), manufacturing 60 units/day.
- ◆ **Strong Financials:** FY25 revenue ₹3,427 Cr (+15% YoY), PAT ₹409 Cr (+25% YoY), net cash position, AA (Stable) rating, and 12 years of positive FCF.
- ◆ **Efficient Working Capital Management** – ACE has reduced its working capital cycle from 60+ days to ~15 days via reverse factoring, supporting 12 years of consistent positive free cash flow.
- ◆ **Diversified Portfolio:** Operations across Cranes, Construction Equipment, Material handling, and Agri equipment.
- ◆ **Pioneer in Electric Cranes:** ACE is the first company in India to manufacture fully electric mobile cranes (F150ev), giving it a first-mover advantage in the emerging eco-friendly construction equipment segment. This strengthens its brand, showcases technological leadership.
- ◆ **Wide Distribution Network:** 100+ locations and 13 regional/Area Offices.
- ◆ **Governance Excellence:** Strong internal controls, independent Board, ERP-enabled systems.

WEAKNESSES

- ◆ **Low Share in Backhoe Loaders** – ACE holds only ~2.5% market share versus JCB's dominance, limiting growth in the largest CE category. Additionally, NBFCs prefer financing JCB backhoe loaders due to their higher resale value and stronger market perception.
- ◆ **Underperforming Agri Division:** Revenue fell 3% in FY25, consistently weaker than other verticals.
- ◆ **High Exposure to Rentals:** 50% of sales go to price-sensitive rental firms, restricting pricing power.
- ◆ **Weak Presence in High-Tonnage Cranes:** Loses share to Chinese OEMs selling below ACE's cost in rough-terrain/crawler/truck cranes.
- ◆ **Product Portfolio Gaps:** Limited global penetration in premium CE categories compared to multinational peers.
- ◆ **Dependence on External Engines-** Dependence on third-party engine suppliers due to the transition to CEV Stage V emission norms, which limits control over key components and exposes the company to supply chain disruptions and cost pressures.

OPPORTUNITIES

- ◆ **Infra Capex Push:** Record ₹11.21 lakh cr budgeted for infra spend in FY26 to drive sustained CE demand. Government spending is going to be quite robust and they are right on track.
- ◆ **Shift Towards High-Tonnage Cranes:** While India largely uses light to medium lifting cranes, developed markets rely on heavy slew cranes. With India's infra projects becoming larger and more complex, demand for high-tonnage cranes is set to rise, offering a structural growth opportunity for ACE.
- ◆ **JV with Kato Works:** To launch 250–300T high-tonnage cranes by FY26, addressing import-dominated market (₹1000–₹1200 Cr potential in 2–3 years).
- ◆ **Defence & Export Growth** – Largest-ever ₹420 Cr defence order; exports + defence targeted at 10–15% revenue share medium term.
- ◆ **Export-Led Growth Strategy** – ACE is formulating an export strategy driven by backhoe loaders, tractors, and pick-and-carry cranes. Notably, the company has developed an equal-wheel backhoe loader, which will be supplied to Kato for global markets, positioning ACE to scale its international footprint.
- ◆ **Anti-Dumping Duty on Chinese Cranes** – Could unlock ₹500–₹1,000 Cr incremental opportunity if approved. DGTR Came up with the finding, Ministry of finance just need to approve it.
- ◆ **Tech & Automation** – EV cranes (awaiting CMVR nod), AI-driven Oracle Fusion rollout, and rising demand for forklifts from warehousing/logistics.

THREATS

- ◆ **Rising Imports of Forklifts** – Management highlighted the risk of intensified competition from imported forklifts, which could pressure ACE's pricing and margins in the material-handling segment.
- ◆ **Global Competition in Exports** – ACE expects stiff competition in international markets from large multinational players, particularly aggressive Chinese manufacturers, which may restrict export growth and market penetration.
- ◆ **Macro & Geopolitical Risks** – Global slowdown, trade tensions, or shipping disruptions could hit infra spending and exports.
- ◆ **Cyclicality of CE Industry** – Heavily dependent on infra & capex cycles; management expects weak H1FY26 due to CEV-V transition, Early Monsoon, India Pakistan Tension and mostly due to pre buying of equipment happened in H2FY25.
- ◆ **Raw Material Volatility** – Steel price swings can squeeze margins given price-sensitive customer base.
- ◆ **Stalled Ghana Export Project** – Delay in a major Ghana order due to funding issues impacts revenue visibility, particularly in the agriculture segment, and poses execution risk.
- ◆ **Investment in Unquoted Instrument-** AIF, PMS, and unlisted shares together constitute **36.55% of the total investment.**

COMPARATIVE ANALYSIS

Parameters (FY-2025)	Unit	ACE	ESCORTS	AJAX	BEML
Overview:					
Establishment Year	-	1995	1944	1992	1964
Price (11th November, 2025)	₹	1001.00	3612.00	565.00	2018.00
Market Capitalisation	₹ crore	11,920	40,410	6,464	16,809
P/E	Ratio	28.50	33.90	26.30	56.80
EV/EBITDA	Ratio	19.40	21.00	18.70	32.90
Financial Performance:					
Revenue From Operation	₹ crore	3327.00	10753.60	2073.90	4022.22
EBITDA	₹ crore	606.08	1626.61	318.00	538.00
<i>EBITDA margin</i>	%	18.22	15.13	15.30	13.38
PAT	₹ crore	409.24	1124.06	260.00	403.76
<i>PAT margin</i>	%	11.94	10.45	12.50	10.04
CFO	%	411.98	1003.19	130.80	183.12
CFO/PAT	%	1.0	0.9	0.50	0.5
Return Ratios:					
RoCE	%	40.36	13.72	30.20	16.00
RoE	%	28.60	12.80	22.50	10.5
D/E [#]	Ratio	0.01	0.00	0.00	0.08
Performance Ratio					
Inventory Turnover Ratio	X	6.23	6.90	8.56	1.74
Debtors Turnover Ratio	X	15.51	7.79	16.40	2.57
Fixed Asset Turnover Ratio	X	4.18	2.84	9.55	3.54
Asset Turnover	X	1.30	0.84	1.53	0.72
EFFICIENCY Ratio					
Receivables Days	Days	29	47	29	154
Inventory Days	Days	83	70	62	462
Payable Days	Days	130	82	54	129
Cash Conversion Cycles	Days	-18	35	37	487
Working Capital days	Days	-21	25	40	295

Source: Ace Equity CBSL

Clarification For Negative Working Capital Days.

- The company's negative working capital is mainly due to a reverse factoring arrangement, which extends payables while keeping inventory and receivables efficient.
- Inventory and trade receivables are pledged as security for this facility, enabling better financing terms and supporting supplier payments through banks/financial institutions.
- This structure has improved liquidity and cash flow, leading to a compressed or negative working capital cycle and consistent positive FCF generation.

INDUSTRY OVERVIEW

Domestic Construction Equipment market

The mining and construction industries play a crucial role in supplying key resources such as metals, minerals, coal, building materials, and chemicals. These sectors are highly dependent on heavy machinery for exploration, extraction, transportation, and construction activities.

Construction Equipment (CE) refers to heavy-duty vehicles and machines such as excavators, loaders, bulldozers, dumpers, cranes, compactors, and graders, which are essential for tasks like earthmoving, material handling, and road building.

Driven by rising infrastructure and construction activities, the Indian CE industry is growing steadily. India stands out as one of the few developing nations progressing toward self-reliance in such sophisticated equipment manufacturing, though production remains concentrated among a handful of medium and large companies. SMEs mainly contribute through components and sub-assemblies due to high technology entry barriers.

Infrastructure is a key growth driver, accounting for 30–40% of construction demand, with industrial, residential, and commercial projects forming the balance. As the second-largest employer after agriculture, the construction industry provided jobs to ~73.4 million people in FY24 and continues to attract strong FDI inflows, underscoring its importance to GDP growth and economic development.

Classification of Indian CE industry

- **Earth moving equipment segment** continues to dominate the Indian construction equipment industry with a share of **69%**. This category comprises excavators (compact, dredging, dragline, front shovel, etc.), loaders (skip and wheel loaders), backhoe loaders, construction tractors, and others (grader, scraper, track loader, material handler, etc.). Among these, **backhoe loaders account for nearly 55%** of the earth moving equipment segment, underscoring their critical role in mechanization. Widely deployed in excavation, foundation laying, and landscaping, backhoe loaders are often the first choice during the transition from manual labour to mechanized construction. Alongside, hydraulic excavators also remain vital to the sector's growth.
- **Material handling equipment** segment, the second largest category, contributes 13.8% to FY24 sales volumes. Cranes, particularly mobile cranes, represent the largest sub-category. In fact, mobile cranes rank as the third-most sold construction equipment in India after backhoe loaders and excavators. Within this, pick-and-carry cranes dominate with over 90% market share, supported by robust demand from diversified infrastructure projects. Additionally, medium and heavy-duty cranes are witnessing strong traction from metro rail, expressway, and bridge projects.
- **Road construction equipment** segment accounts for 4.9% of FY24 sales volumes. Demand for this segment remains closely linked to infrastructure investments, particularly highways and airports. The government's thrust on completing ongoing projects and announcing new ones is expected to provide strong tailwinds for this category.
- **Concrete equipment**, with a 10.3% market share, is the third largest segment and includes batching plants, concrete pumps, and concrete mixers. Demand in this category is directly tied to construction activity momentum across real estate and infrastructure.
- **Material processing equipment** segment, though smaller at 1.9% of sales volumes, plays a crucial role in supporting construction activity. This includes compressors, crushers, and related machinery used for processing raw materials into construction-ready inputs.

Cost Advantages and Rising Technological Innovations

Rising technological innovations in construction equipment are driving significant cost advantages for the industry by enhancing efficiency, reducing operational expenses, and improving project timelines. The integration of automation and artificial intelligence (AI) has led to the development of autonomous and semi-autonomous machinery, minimizing labour costs while improving precision and productivity. The adoption of telematics, GPS, and IoT-enabled equipment has further revolutionized the industry by providing real-time data on machine performance, location tracking, and predictive maintenance, thereby optimizing fuel consumption, reducing idle time, and preventing unexpected breakdowns.



INDUSTRY OVERVIEW

Additionally, the shift towards electric and hybrid construction equipment is lowering long-term fuel expenses and emissions, while emerging hydrogen-powered machinery presents a cleaner alternative to diesel. Innovations such as 3D printing and modular construction are streamlining material usage and accelerating project completion, reducing waste and reliance on manual labour. Smart machinery, equipped with advanced sensors and AI-driven controls, enhances accuracy in excavation, loading, and material handling, further improving operational efficiency. Furthermore, the integration of Building Information Modelling (BIM) and digital twin technology allows for precise planning and real-time project simulation, minimizing rework and optimizing resource allocation. These advancements collectively contribute to cost efficiency, sustainability, and higher productivity, making technology adoption a critical factor in the evolution of the construction equipment industry.

At the same time, establishing overseas subsidiaries is providing construction equipment manufacturers with significant cost advantages in global expansion. By setting up operations in strategic locations, companies benefit from lower manufacturing costs, reduced tariffs, and business-friendly regulatory environments that streamline compliance and reduce overhead expenses. Having an international presence enhances marketing and sales effectiveness, enabling localized branding, tailored customer engagement, and stronger distribution networks. A multi-country approach allows companies to diversify revenue streams, reduce dependency on a single market, and capitalize on regional demand shifts. By leveraging both technological advancements and the cost advantages of overseas subsidiaries, construction equipment manufacturers can achieve greater competitiveness, expand their global footprint, and drive sustainable growth in an increasingly dynamic industry.

Growing Opportunity for increase in availability of used and new construction equipment for purchase and sale as overall growth of economy and industry

The sustained growth of the economy and construction industry is driving a strong rise in the availability of both new and used construction equipment for purchase and sale. Rising infrastructure investments, rapid urbanization, and industrial expansion have boosted demand for construction machinery, prompting manufacturers to expand production capacity and strengthen distribution networks. At the same time, the secondary market for used equipment is gaining momentum, supported by improved asset quality, better maintenance practices, and technological advancements such as telematics and predictive maintenance, which enhance equipment reliability and resale value.

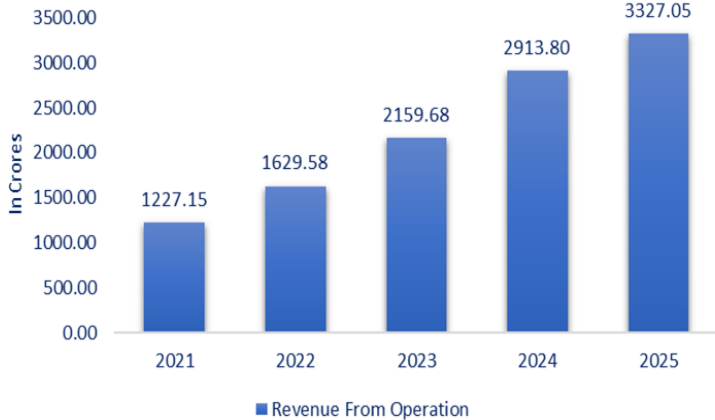
The growing supply of high-quality refurbished equipment is particularly beneficial for cost-sensitive markets in developing economies, enabling small and mid-sized contractors to take on large-scale projects with lower upfront costs. Meanwhile, developed markets are seeing increased demand for next-generation machines offering higher efficiency, automation, and lower emissions. This dual expansion of both new and used equipment segments is creating a more dynamic, liquid, and flexible ecosystem, fostering easier procurement, leasing, and resale opportunities across the global construction equipment industry.

Key Industry Trends

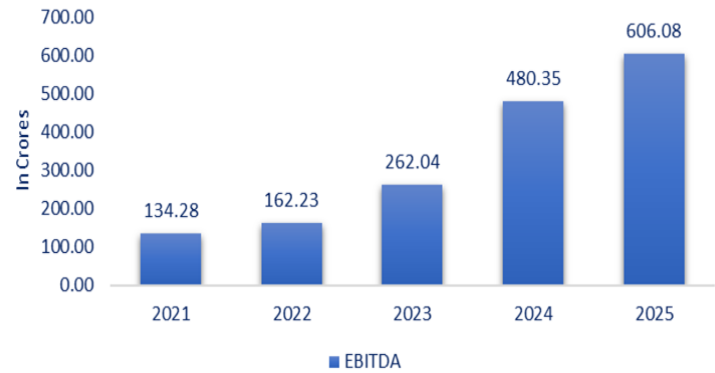
- **Shift Toward Electrification & Automation:** Electric forklifts, hybrid excavators, and AI-based telematics are gaining adoption to reduce operating costs and emissions.
- **Rise of Rental & Used Equipment Market:** Rental penetration is around **35–40%** of total CE demand, providing cost-effective access to smaller contractors.
- **Digital & Telematics Integration:** OEMs like JCB, ACE, and Caterpillar are embedding IoT-based monitoring systems (e.g., *LiveLink*, *Cat Connect*) for predictive maintenance and fleet tracking.
- **Localization & “Make in India”:** Domestic manufacturing now covers **80–85%** of total demand, with exports rising due to enhanced production quality.
- **Infrastructure Corridors & Mega Projects:** Large projects such as the **Delhi–Mumbai Industrial Corridor (DMIC)**, **Gati Shakti multimodal projects**, and **Bharatmala Phase II** are long-term demand multipliers.

STORY IN CHARTS

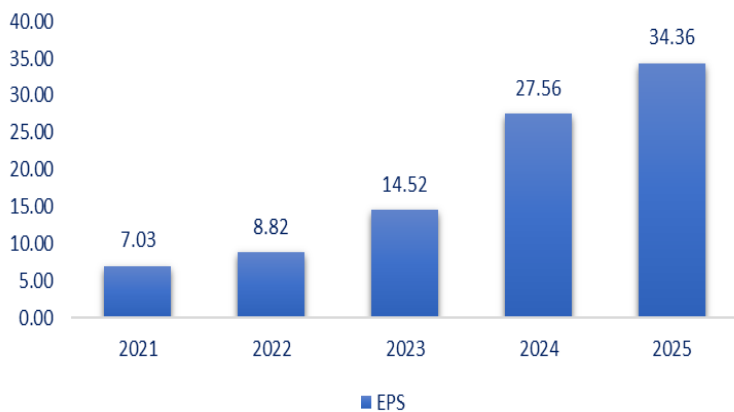
Revenue grew by 28.32% in FY2021-2025



EBITDA grew at a CAGR of 45.76% in FY2021-2025



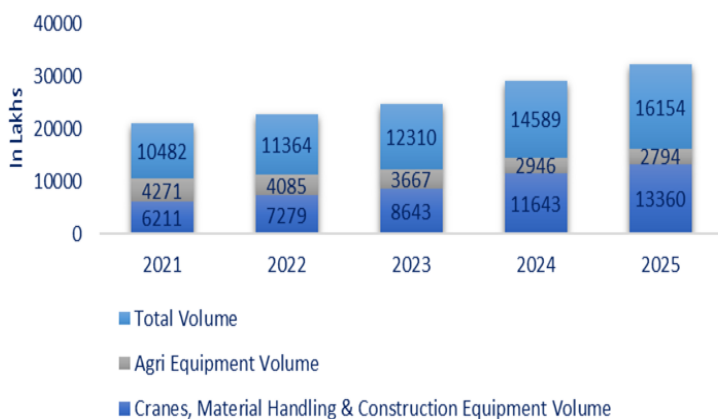
EPS grew at a CAGR of 48.69% in FY2021-2025



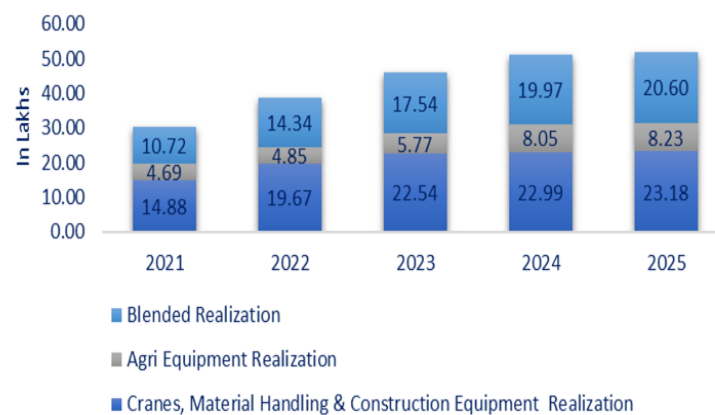
PAT grew at a CAGR of 50.49% in FY2021-2025



Total Volume Grew at a CAGR of 11.42% between 2021-25



Blended Realisation grew at CAGR Growth of 17.72% in FY2021-25



Source: Company, CBSL

INVESTMENT RATIONAL

Anti-Dumping Duty on Cranes — A Structural Tailwind for ACE

The Problem

India's domestic crane industry has been under severe stress due to **aggressive dumping** by Chinese manufacturers, especially in the heavy crane segment.

- **Predatory Pricing:** Chinese companies have been selling cranes in India at prices **up to 50% lower** than fair market value, often below ACE's manufacturing cost.
- **Industry Contraction:** This has led to the **exit or shutdown** of several Indian players (Tata, TIL, Hitachi, Velco, ABG Cranes) over the past 7–9 years, leaving ACE as one of the few surviving domestic manufacturers.
- **ACE's Financial Impact:** The dumping inflicted **material injury** on ACE, with profitability declining sharply and **losses per unit escalating** during the period of investigation (April 2023–March 2024).
- **Affected Product Range:** The investigation covers
 - ⇒ **Crawler Cranes (40 MT–260 MT)**
 - ⇒ **Truck Cranes (25 MT–160 MT)** — both high-value categories that constitute a large share of the infrastructure-driven capital goods market.

The Solution

The DGTR's final finding validated ACE's complaint and recommended **definitive anti-dumping duties** to neutralize the unfair trade practices and restore a level playing field.

Duty Structure:

- ⇒ **24.87%** of CIF value for cooperating Chinese exporters,
- ⇒ **52.03%** of CIF value for all other exporters or non-cooperating producers.
- **Duration:** The duty will be applicable for **five years** from notification.
- **Implementation Timeline:** With the final findings released in **September 2025**, the ADD is expected to be **implemented by December 2025 or January 2026**, post Ministry of Finance approval.

This step is designed to **correct price distortions**, prevent further injury to domestic producers, and support capacity utilization in India's capital goods sector.

- The Anti-Dumping Duty (ADD) investigation on "Certain Cranes" imported from China PR **excluded** specific categories such as **Rough Terrain Cranes, Crawler Cranes above 260 MT, Truck Cranes above 160 MT**, standalone parts, and certain **high-spec All-Terrain Cranes**. However, the market for these **very high-tonnage cranes is extremely limited in India**. The **core market segment of 150–250-tonne cranes**, which represents meaningful domestic demand, has faced **unfair competition from cheap Chinese imports**, leading to a **non-level playing field** for Indian manufacturers like ACE.

The Opportunity — Unlocking Growth for ACE

The imposition of ADD fundamentally reshapes the competitive landscape in ACE's favor, enabling it to capture market share in the **₹1,500–₹1,600 crore** heavy crane segment that was previously dominated by dumped imports.

Metric	Current (FY25)	Target (3–5 Years Post-ADD)
Revenue from Heavy Cranes	₹70 crore	₹500–₹1,000 crore
Units Sold	77 units (42 crawler, 35 truck)	300–400 cranes annually
ASP (Average Selling Price)	₹1.2 crore per unit	₹1.3–₹1.5 crore per unit (higher due to mix)

With Chinese imports becoming costlier by 25–50%, ACE is poised to gain pricing power and expand volumes significantly without sacrificing margins.

INVESTMENT RATIONAL

Strategic Enabler — Kato JV Synergy

Action Construction Equipment Ltd. (ACE) has entered into a 50:50 joint venture with Japan's Kato Works Ltd., a century-old global leader in cranes and construction equipment. This partnership marks a pivotal step in ACE's strategy to expand its footprint in the high-tonnage crane segment, enabling the company to manufacture advanced Truck, Crawler, and Rough Terrain Cranes in India using Kato's proven Japanese technology. The collaboration also opens international export channels through Kato's global network, allowing ACE to participate meaningfully in both domestic and overseas markets.

The JV targets the ₹1,500 crore Indian market for large-capacity cranes, comprising around 900–1,100 units annually, where average realizations are about ₹1.2 crore per unit — nearly six times that of pick-and-carry cranes. By focusing on cranes ranging from 50T to 200T, and eventually scaling to 250–300T, ACE aims to move up the value chain into premium, technology-intensive products. This segment, currently dominated by Chinese manufacturers like SANY and CMEG, presents a significant opportunity for ACE to capture share as infrastructure spending accelerates.

The timing of this JV is strategically aligned with the Directorate General of Trade Remedies' (DGTR) findings on anti-dumping duties (ADD) for imported cranes from China. If implemented, ADD would substantially increase the cost of Chinese products, providing a strong tailwind for ACE-Kato's competitively priced, high-quality machines. The combination of Japanese technology and the "Make in India" cost advantage could help ACE establish a dominant position in the heavy-crane category while enhancing its overall margin profile.

Financially, the JV is expected to commence production by Q3–Q4 FY26, with full-scale operations in FY27. Management projects revenues of ₹100 crore in FY26, scaling up to ₹300–₹400 crore annually within 2–3 years, and potentially reaching ₹1,000 crore over the next 4–5 years as exports ramp up. Although ACE will consolidate only the bottom line, the venture is expected to be earnings accretive, driving long-term growth and profitability. Overall, the JV with Kato represents a transformational catalyst for ACE, combining technology, export potential, and strategic timing to propel the company into the next phase of sustainable, high-margin growth.

"Below is the picture of Equal Wheel Backhoe Loader 4X4X4 which ACE is going to sell globally with the help of Kato JV Network".



INVESTMENT RATIONALE:

Defense Business – Strategic Diversification and Steady Growth

ACE's defense business is an important diversification for the company, providing steady growth and helping reduce the impact of cycles in its core construction equipment business. The company aims for the defense segment to contribute around 5–10% of overall revenue in the medium to long term. This target has gained credibility after ACE secured its largest-ever order of over ₹400 crores from the Ministry of Defense, which is expected to push the defense segment's contribution above 5% in FY26–FY27 and provide good revenue visibility.

The defense segment also highlights ACE's capabilities in specialized equipment, with products like rough terrain forklifts for the armed forces and lorry loaders for the Akash air defense system. These projects, developed under Atmanirbhar Bharat and Make in India, show the company's ability to deliver complex, high-quality solutions. Margins in this segment are expected to be similar to the company's average, and the steady flow of defense orders provides a structural growth support, reducing dependence on the more cyclical infrastructure and construction markets.



Investment Rationale: CEV Stage V Transition – Boosting Topline and Margins

The shift to CEV Stage V/BS V emission norms involved upgrading ACE's machines from mechanical engines to electronic engines, making them compliant with the latest standards. This transition is a key growth driver, allowing the company to increase selling prices, which will boost revenue and maintain healthy margins. ACE was an early adopter, enabling it to pass on higher costs to customers without hurting profitability.

The price increases have been significant and well-planned. Machines below 50 HP, which make up ~60% of sales, saw a 12–13% price rise, while machines above 50 HP saw a 6–7% increase. The overall blended price increase of 7–8% covers the higher engine and safety costs while supporting gross margins of 33–35% and EBITDA margins of 17–18%. There was temporary pre-buying which drove a 27.13% increase in volume, from 3,583 machines in Q2 FY25 to 4,555 machines in Q3 FY25, which in turn boosted revenue by 15.65%, from ₹756.69 crore to ₹875.11 crore, as customers advanced orders to avoid higher prices, causing a short-term slowdown in Q1 FY26, especially for smaller machines. Management expects demand to normalize from Q2 FY26, and overall, this transition is expected to drive both topline growth and margin improvement for the company.

For Further reference read Quarterly Highlights.

Unlocking Developed Market Opportunities (Exports)

ACE's successful transition to CEV Stage V (BS V) emission norms positions the company to access developed international markets that were previously out of reach due to stricter emission standards. By upgrading its machines, ACE has achieved compliance that is on par with European Euro V and US EPA standards, allowing it to target high-value, technology-sensitive markets in Europe and North America. This structural shift not only expands the company's potential addressable market but also strengthens its long-term growth outlook.

The transition goes beyond emissions, encompassing enhanced safety features, electronic controls, and improved machine aesthetics, making ACE's products more appealing to modern, feature-sensitive global customers. The company's ongoing R&D efforts demonstrate a commitment to technological advancement, ensuring that new products meet international norms and customer expectations.

From a revenue perspective, this compliance is expected to support medium- to long-term export growth, helping ACE diversify its revenue base and reduce dependence on the domestic market. The company **targets 15–20%** of overall revenue from defense and exports, with export margins slightly higher than domestic margins, indicating that a larger international mix would be margin-accretive over time.

INVESTMENT RATIONALE:

CAPEX OUTLAY

The company's ongoing and planned CAPEX program underscores its strong commitment to long-term growth, operational excellence, and market leadership. Having completed a major capacity expansion, it now possesses a revenue-generating capability of over ₹5,000 crores compared to FY25 revenue of ₹3,300 crores — offering a healthy 30–40% buffer for near-term growth without capacity constraints. For FY26, the company has guided total CAPEX outlays of **₹300–₹350 crores**, reflecting a balanced approach toward both modernization and expansion.

The FY26 CAPEX plan includes **₹100 crores** for setting up a new plant or expanding capacity for specific crane categories — the first tranche of a larger ₹250 crore project aimed at adding approximately ₹1,500 crores in incremental revenue potential. Additionally, **₹100 crores** have been allocated for modernization and upgradation, with a focus on automation, robotics, and quality enhancement to align operations with global manufacturing standards. The company has also planned a **₹130 crore** (plus/minus) outlay toward the balance payment for securing 82 acres of land parcels, reinforcing its long-term expansion roadmap and readiness for subsequent large-scale CAPEX deployment.

Looking ahead, the company's foresight in securing over 200 acres of land for future expansion highlights its strategic preparedness for the next growth cycle. With a proven CAPEX efficiency ratio of 8x–9x (₹100 crores investment translating to ₹800–₹900 crores of potential revenue), and a major **₹250–₹300 crore** CAPEX planned for FY27–FY28 to establish a new facility and product line, the company remains well-positioned to capitalize on emerging opportunities. These investments collectively fortify its manufacturing strength, enhance cost competitiveness, and sustain a long-term growth trajectory aligned with India's robust infrastructure expansion.

CAPEX Category	Target Amount (FY26)	Rationale/Purpose
Expansion & New Plant	₹100 crores (1st tranche of ₹250 cr project)	To set up a new plant/expand capacity for specific cranes, adding approximately ₹1,500 crores in revenue capability.
Modernization/Upgradation	₹100 crores	Enhancing operational capabilities, modernization, automation, improving quality and consistency to meet global standards.
Land Acquisition Balance Payment	₹130 crores (plus/minus)	Securing future land parcels (82 acres) for long-term growth and subsequent large-scale CAPEX.
Total CAPEX Guidance (FY26)	₹300 crores to ₹350 crores	Overall investment in readiness and expansion.

BUSINESS OUTLOOK

Revenue From Operations

- The company's revenue grew strongly from **₹1,227.15 crore in FY21 to ₹3,327.05 crore in FY25**, delivering an impressive **CAGR of 28.3%**, driven by the **Cranes, Material Handling & Construction Equipment** segment.
- Revenue is expected to reach **₹4,101.31 crore by FY27** (CAGR of 11%), supported by sustained demand momentum and favorable industry trends.
- Growth will be aided by the **₹420 crore defence order** for rough terrain forklifts and the **anti-dumping duty (ADD)** on Chinese cranes, unlocking a new high-value segment.
- The **CEV Stage V transition** has enabled **price revisions** across product categories, improving realizations and enhancing the overall product mix.
- Continued **government focus on infrastructure, logistics, and manufacturing expansion**, coupled with strong execution and a diversified portfolio, positions the company well for sustained growth through FY27.

EBITDA & EBITDA Margin

- The company's EBITDA grew from **₹134.28 crore in FY21 to ₹606.10 crore in FY25**, delivering a strong **CAGR of 45.8%**, with margins expanding from **10.9% to 17.7%**, driven by operational efficiencies, pricing discipline, and a richer product mix.
- EBITDA is projected to reach ₹657 crore by FY27** (CAGR of 4.1%), with margins expected to **stabilize at 16–18%**, supported by **CEV Stage V-led price hikes, better realizations from premium "lemon green" cranes, and capacity expansion benefits**.
- Backed by **robust order visibility**, including the **₹420 crore defence order** and the **anti-dumping duty on Chinese cranes**, along with **cost control and premium product focus**, the company is well-positioned to **sustain strong profitability through FY27**.

Volume

- The company's equipment volumes increased from 10,482 units in FY21 to 16,154 units in FY25, delivering a CAGR of 11.4%, driven by strong demand in the Cranes and Construction Equipment segment.
- Volumes are projected to reach 18,104 units by FY27 (CAGR of 5.6%), supported by infrastructure spending, industrial capex revival, and the ₹420 crore defence order, with diversification helping offset softness in the agri segment.

Realization

- The company's **blended realization increased from ₹10.72 lakh in FY21 to ₹20.60 lakh in FY25**, delivering a strong **CAGR of 17.7%**, supported by **price hikes, an improved product mix, and the adoption of new-generation cranes**.
- Realizations are projected to reach ₹22.65 lakh by FY27** (CAGR of 4.8%), driven by **premiumization, higher-value product offerings, and steady price revisions** under CEV Stage V and AIS 160 Phase II standards.

PAT

- The company's **PAT surged from ₹79.79 crore in FY21 to ₹409.24 crore in FY25**, delivering a robust **CAGR of 50.5%**, driven by strong revenue growth, better realizations, and operating leverage benefits.
- PAT is projected to reach ₹561 crore by FY27** (CAGR of ~10.5%), supported by **sustained margins, cost efficiencies, a favorable product mix, and high-margin defense orders**, ensuring continued healthy profitability.

Particulars	FY23	FY24	FY25	FY26E	FY27E
Revenue From Operations	2159.68	2913.80	3327.05	3608.38	4116.70
EBITDA	262.04	480.35	606.08	648.85	726.12
EBITDA Margin	11.91%	16.06%	17.68%	17.50%	17.22%
Cranes, Material Handling & Construction Equipment Volume	8643	11643	13360	13560	15459
Agri Equipment Volume	3667	2946	2794	2878	3223
Total Volume	12310	14589	16154	16438	18682
Cranes, Material Handling & Construction Equipment Realization	22.54	22.99	23.18	25.00	25.25
Agri Equipment Realization	5.77	8.05	8.23	7.60	6.63
Blended Realization	17.54	19.97	20.60	21.95	22.04
PAT	172.99	328.20	409.24	504.14	551.90
PAT Margin	7.86%	10.97%	11.94%	13.59%	13.09%

Source: Company, CBSL

PLANT VISIT NOTE

Business & Operations

- ACE operates the largest pick-and-carry crane facility globally (ex-China), producing 9–35T cranes.
- Daily crane production: 36 conventional units and 24 new-generation “lemon green” units (total 60/day).
- Diverse product portfolio: tractors, harvesters, forklifts, compactors, lorry loaders, and defence recovery solutions.
- Tractor production: 40 units/day; increases to ~80/day during peak season; engines and transmissions are manufactured in-house, accounting for ~50–55% of tractor cost.
- Harvester production: 500–600 units/year; capacity ~800 units/year.
- Compactors: ~10 units/month; small market presence.
- Heavy fabrication supported by advanced technology: welding, laser cutting, and robotic lines (9 robots under installation).
- Defence solutions include lorry loaders for Indian Army (Akash air defence system) and customized recovery cranes/forklifts.
- Spare parts division ensures aftermarket support through an extensive dealer network.

Competitive Landscape & Anti-Dumping Duty (ADD)

- Chinese players dominate rough-terrain, crawler, and truck crane segments due to aggressive pricing, often below ACE’s manufacturing cost.
- They have approached the government for Anti Dumping duty last year.
- FY25 sales impacted: 40–50 units in ADD scope; total market size ~900 units.
- Post-ADD target: 300–350 high-tonnage cranes over the next 3–4 years.
- ACE maintains a strong competitive edge in pick-and-carry cranes with negligible competition.

Management Commentary & Strategic Outlook

- JV with Kato expected to be functional by Q3 FY26, enabling high-tonnage crane production (250–300T vs current 80–100T).
- Industry dynamics: India remains largely light/medium crane-focused; gradual shift to heavy lifting cranes expected with infrastructure growth.
- Export and defence focus: FY26 defence contribution ~3–4%, projected to rise to 8–10% with exports; exports led by tractors, backhoe loaders, and pick-and-carry cranes.
- Technology initiatives: CEV transitions resulted in minor price hikes (6–13%); Oracle Fusion implementation from April 2025 to enhance operational efficiency through AI.

Financial & Market Guidance

- FY26 outlook: H1 expected weak due to CEV transition, global tariff uncertainties, early monsoon, and rental customer renegotiations; H2 anticipated to improve; growth guidance revised to high single digits.
- Key risks and growth drivers: steel price volatility, Chinese price aggression, reliance on rental customers; structural tailwinds include government infra push, PLI benefits, defence orders, and increasing demand for high-tonnage cranes.



QUARTER HIGHLIGHTS (Q1FY24-Q1FY26)

FINANCIAL PARAMETERS	Unit	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25	Q1 FY26	Q2 FY26
Revenue	₹ crore	₹ 651.61	₹ 673.24	₹ 753.11	₹ 835.84	₹ 734.26	₹ 756.69	₹ 875.11	₹ 960.99	₹ 652.08	₹ 744.24
change Q-o-Q	%		3.32%	11.86%	10.99%	-12.15%	3.05%	15.65%	9.81%	-32.14%	14.13%
change Y-o-Y	%					12.68%	12.40%	16.20%	14.97%	-11.19%	-1.65%
EBITDA	₹ crore	₹ 97.02	₹ 105.29	₹ 124.86	₹ 149.76	₹ 125.31	₹ 141.91	₹ 164.22	₹ 171.25	₹ 143.97	₹ 138.29
change Q-o-Q	%		8.52%	18.59%	19.94%	-16.32%	13.25%	15.72%	4.28%	-15.93%	-3.95%
change Y-o-Y	%					29.16%	34.79%	31.53%	14.35%	14.89%	-2.55%
EBITDA Margin*	%	14.53%	15.25%	16.09%	17.48%	16.45%	17.94%	18.14%	17.67%	20.47%	17.88%
change Q-o-Q	bps		72.69	83.36	139.12	-102.96	149.37	19.68	-47.46	280.74	-259.56
change Y-o-Y	bps					119.51	185.53	66.09	121.59	252.97	-26.28
PAT	₹ crore	₹ 66.70	₹ 73.08	₹ 87.39	₹ 97.61	₹ 83.31	₹ 93.96	₹ 110.84	₹ 117.74	₹ 97.72	₹ 90.06
change Q-o-Q	%		9.56%	19.58%	11.69%	-14.64%	12.78%	17.96%	6.22%	-17.00%	-7.84%
change Y-o-Y	%					24.90%	28.58%	26.84%	20.62%	17.29%	-4.15%
PAT Margin*	%	10.24%	10.85%	11.60%	11.68%	11.35%	12.42%	12.67%	12.25%	14.99%	12.10%
change Q-o-Q	bps		61.81	74.87	7.41	-33.07	107.10	24.80	-41.42	273.44	-288.50
change Y-o-Y	bps					49.21	81.44	98.82	90.48	256.82	-56.48
EPS	₹	₹ 5.60	₹ 6.14	₹ 7.34	₹ 8.20	₹ 7.00	₹ 7.89	₹ 9.31	₹ 9.89	₹ 8.20	₹ 7.56
change Q-o-Q	%		9.56%	19.58%	11.69%	-14.64%	12.78%	17.96%	6.22%	-17.00%	-7.84%
change Y-o-Y	%					24.90%	28.58%	26.84%	20.62%	17.29%	-4.15%

Source: Company, CBSL

QUARTERLY UNIT SALES PERFORMANCE

Volume	Unit	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25	Q1 FY26	Q2 FY26
Cranes, Material Handling & Construction Equipment	Volume	2458.00	2626.00	3001.00	3558.00	2951.00	2863.00	3539.00	4007.00	2337.00	2348.00
change Q-o-Q	%		6.83%	14.28%	18.56%	-17.06%	-2.98%	23.61%	13.22%	-41.68%	0.47%
change Y-o-Y	%					20.06%	9.03%	17.93%	12.62%	-20.81%	-17.99%
Agri Equipment	Volume	761.00	818.00	817.00	550.00	495.00	720.00	1016.00	563.00	589.00	526.00
change Q-o-Q	%		7.49%	-0.12%	-32.68%	-10.00%	45.45%	41.11%	-44.59%	4.62%	-10.70%
change Y-o-Y	%					-34.95%	-11.98%	24.36%	2.36%	18.99%	-26.94%
Total	Volume	3219.00	3444.00	3818.00	4108.00	3446.00	3583.00	4555.00	4570.00	2926.00	2874.00
QoQ Growth(%)			6.99%	10.86%	7.60%	-16.11%	3.98%	27.13%	0.33%	-35.97%	-1.78%
change Y-o-Y	%					7.05%	4.04%	19.30%	11.25%	-15.09%	-19.79%

Source: Company, CBSL

Clarifications for Q2FY26

- Shift to CEV5 norms led to 8–9% price hikes, hurting demand and volumes.
- Pre-buying in H2 FY25 and extended monsoons caused an 19.79% YoY volume drop.
- Decline in other income led decline in EBITDA Margin.

Clarifications for Q1FY26

- Revenue and volume decline: Q1 FY26 saw a sharp drop in revenue and volumes as demand weakened following the mandatory CEV Stage V emission norms and a preceding pre-buying surge.
- Margin expansion: EBITDA margin improved driven by price realization from the CEV Stage V transition, soft commodity prices, and enhanced cost efficiencies.
- PAT impact: Despite margin gains, PAT declined as the steep (~35%) fall in volumes outweighed operational efficiencies.

Clarifications for Q1FY25

- Sequential softness driven by election-led disruption Q1 FY25 witnessed a temporary moderation in topline and volumes owing to election-related restrictions and muted business sentiment, impacting revenue by around ₹100 crores.
- Minor margin dip on account of operational deleverage the sequential contraction in EBITDA and PAT margins was largely a function of lower volumes, leading to reduced operating leverage, though overall profitability remains resilient.



YEARLY HIGHLIGHTS (FY19-FY25)

FINANCIAL PARAMETERS	Unit	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25
Revenue	₹ crore	₹ 1,342.53	₹ 1,156.23	₹ 1,227.15	₹ 1,629.58	₹ 2,159.68	₹ 2,913.80	₹ 3,327.05
change Y-o-Y	%		-13.88%	6.13%	32.79%	32.53%	34.92%	14.18%
EBITDA	₹ crore	₹ 107.49	₹ 95.71	₹ 134.28	₹ 162.23	₹ 262.04	₹ 480.35	₹ 606.08
change Y-o-Y	%		-10.96%	40.30%	20.81%	61.52%	83.31%	26.17%
EBITDA Margin*	%	7.95%	8.25%	10.81%	9.89%	11.91%	16.06%	17.68%
change Y-o-Y	bps		29.91	255.94	-91.77	201.67	415.38	162.31
PAT	₹ crore	₹ 65.75	₹ 56.63	₹ 95.10	₹ 115.78	₹ 214.11	₹ 405.30	₹ 509.56
change Y-o-Y	%		-13.87%	67.93%	21.75%	84.93%	89.30%	25.72%
PAT Margin*	%	4.90%	4.90%	7.75%	7.10%	9.91%	13.91%	15.32%
change Y-o-Y	bps		36.47	196.32	-5.87	156.66	325.37	103.67
EPS	₹	₹ 5.61	₹ 4.99	₹ 8.38	₹ 9.72	₹ 17.98	₹ 34.03	₹ 42.78
change Y-o-Y	%		-10.99%	67.93%	16.02%	84.93%	89.30%	25.72%

Source: Company, CBSL

YEARLY UNIT SALES PERFORMANCE

Volumes	Unit	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25
Cranes, Material Handling & Construction Equipment	Volume	6211	7279	8643	11643	13360
change Y-o-Y	%		17.20%	18.74%	34.71%	14.75%
Agri Equipment	Volume	4271	4085	3667	2946	2794
change Y-o-Y	%		-4.35%	-10.23%	-19.66%	-5.16%
Total	Volume	10482	11364	12310	14589	16154
YoY Growth	%		8.41%	8.32%	18.51%	10.73%

Source: Company, CBSL

Clarifications for March-2020

- India's GDP growth decelerated to 4.2% in FY2020 due to weak demand, lower private consumption, and reduced credit growth, impacting sales across sectors.
- The COVID-19 outbreak in Q4 FY2020 and subsequent lockdown halted operations and demand recovery, leading to revenue loss.
- A liquidity crunch, extended monsoons, and low infrastructure spending further affected key segments like construction and agriculture.

Clarifications for March-2022

- Margins dipped in FY2022 mainly due to elevated raw material and commodity prices, which created intense cost pressures. Although the company implemented price hikes to offset inflation, some unabsorbed cost increases persisted, compressing profitability. The impact was most visible in the Agri Equipment segment, where EBIT fell sharply by 47.69%, dragging overall margins slightly lower despite record-high revenue.

Clarification for March-2025

The Slowdown in the growth rate of top line was due to:-

- Sluggish demand in the Construction Equipment industry due to election-related restrictions and delayed project approvals.
- Anticipation of new CEV Stage V emission norms, which led to deferment of purchases.
- Weak rural sentiment and a 3% decline in Agri Equipment revenue due to product discontinuation (rotavators) and delayed export orders.



CONCALL HIGHLIGHTS (Q2 FY26)

- ⇒ Revenue for Q2FY26 stood at ₹782 crore, largely flat YoY, reflecting a stabilization phase post-emission transition. The Cranes, Material Handling, and Construction Equipment (CMCE) segment (94% of total revenue) was flat at ₹694 crore, despite an 18% YoY decline in volumes to 2,348 units, supported by higher realizations. The Agri Equipment (AE) segment contributed ₹47 crore (6% of revenue), down 27% YoY due to muted rural demand.
- ⇒ The transition to CEV5/BS5 emission norms drove price increases of 12–14% for machines below 50 HP and smaller hikes for higher HP equipment, resulting in a blended 8–9% companywide price increase. Pick & Carry cranes saw 15–20% QoQ price hikes, aided by the new emission norms and favorable product mix.
- ⇒ Capacity utilization currently stands at ~65% for construction equipment and cranes (implying potential revenue of ₹4,400–₹5,000+ crore at full utilization) and 30–35% for tractors. Inventory levels remained elevated at quarter-end due to festive buildup and are expected to normalize by Q3FY26.
- ⇒ Export revenue formed 4–5% of H1FY26 sales, up nearly 30% YoY in absolute terms. A large tractor export order is scheduled for execution in Q3–Q4FY26. ACE aims to expand exports to 8–9% and defence to 5–8% of the total revenue mix in the medium term.
- ⇒ The government imposed anti-dumping duties of 26% on one Chinese manufacturer and 52% on others for crawler and truck-mounted cranes, effective by mid-to-late December 2025. This is a major structural positive, as Chinese players earlier sold 15–20% below cost with 1–3 year credit terms, controlling 97–98% of the heavy crane market. ACE targets capturing 40–50% of this segment over the next few years.
- ⇒ The company has announced a joint venture with Japanese major KATO WORKS for heavy lifting equipment, providing access to advanced Japanese technology and strengthening ACE's presence in the premium crane segment through cost-competitive local manufacturing.
- ⇒ The ₹420 crore defence order for rough terrain forklifts awaits MoD NOC for BS4 emission compliance, pushing execution to FY27E — a key reason for conservative FY26 guidance. Additionally, ACE is developing special pick-and-place cranes in collaboration with DRDO, Ashok Leyland Defence, and Tata Advanced Systems.
- ⇒ Capital allocation includes: (1) Acquisition of 86 acres of land requiring ₹100–₹200 crore, (2) Investments in robotics, mechanization, and quality upgrades for export readiness, and (3) Continued dividends with expectations of higher payouts going forward.
- ⇒ Medium- to long-term guidance remains intact with revenue targets of ₹4,000–₹4,400 crore by FY27 and ₹6,000–₹6,200 crore by FY29–30. Management expects demand recovery from Q3FY26, supported by normalization post-emission transition, pent-up infrastructure demand, and export traction.



FINANCIAL HIGHLIGHTS

PROFIT AND LOSS

	FY23	FY24	FY25	FY26E	FY27E
Net Sales	2159.68	2913.80	3327.05	3608.38	4116.70
EBITDA	262.04	480.35	606.08	648.85	726.12
EBITDA Margin	11.91%	16.06%	17.68%	17.50%	17.22%
Depreciation	18.00	23.24	28.31	37.83	51.41
EBIT	244.04	457.11	577.77	711.34	775.03
EBIT Margin	11.30%	15.69%	17.37%	19.71%	18.83%
Other Income	41.12	77.10	100.32	100.32	100.32
Interest	10.29	23.17	28.65	41.67	41.67
PBT	233.75	433.94	549.12	669.67	733.36
Tax	60.76	105.74	139.88	165.54	181.46
PAT	172.99	328.20	409.24	504.14	551.90
PAT Margin	7.86%	10.97%	11.94%	13.59%	13.09%

CASH FLOW STATEMENT

	FY23	FY24	FY25	FY26E	FY27E
PBT	233.75	433.94	549.12	669.67	733.36
Depreciation	18.00	23.24	28.31	37.83	51.41
Changes in working capital	82.69	91.46	1.70	124.89	4.40
OPERATING CASH FLOW	274.27	433.43	411.98	708.52	649.38
CASHFLOW FROM INVEST	-217.50	-368.23	-382.69	-338.91	-370.50
CASH FLOW FROM FINAN	-41.01	-38.66	-28.99	-41.67	-41.67
FREE CASH FLOW	684.51	1,196.94	1,314.80	1,675.44	1,711.58
OPENING CASH BALANCE	5.72	21.48	48.21	48.84	376.78
CLOSING CASH BALANCE	21.48	48.21	48.84	376.78	613.99

BALANCE SHEET

	FY23	FY24	FY25	FY26E	FY27E
Shareholders Equity	23.82	23.82	23.82	23.82	23.82
Reserves	894.74	1206.02	1590.91	2095.05	2646.95
Debt	0.00	0.00	0.00	0.00	0.00
Other Long term liability	3.35	3.44	5.11	5.11	5.11
Non Current Liabilities	3.35	3.44	5.11	5.11	5.11
Current Liabilities	662.87	924.57	1081.50	1272.32	1395.86
Minority Interest	1.62	1.66	1.71	1.71	1.71
LIABILITIES	1586.40	2159.51	2703.05	3398.01	4073.45
Net Block	474.77	562.67	700.23	987.16	1306.25
Capital WIP	24.42	43.64	27.74	41.90	41.90
Non Current Asset	189.07	289.52	659.71	659.71	659.71
Current Assets	898.14	1263.68	1315.37	1709.24	2065.59
ASSETS	1586.40	2159.51	2703.05	3398.01	4073.45

VALUATION

	FY23	FY24	FY25	FY26E	FY27E
EPS	14.52	27.56	34.36	42.33	46.34
P/E	28	52	37	24	22
ROE	19%	27%	25%	24%	21%

Risk:

- Investment Risk:** The company is having a total investment of Rs. **918 Crores** in FY25, This investment is made into AIF, PMS, Unlisted Shares, Mutual Funds, Bonds & Debenture. **AIF, PMS, and unlisted shares together constitute 36.55% of the total investment.**
- Operational Risk:** Management cut FY26 growth guidance from 14–15% to ~8–9%, delaying the ₹4,400 crore revenue target to FY27 due to pre buying in Q3FY25 AND Q4FY25.
- Rising Imports:** Increased competition from imported forklifts may pressure pricing and margins in the material-handling segment.
- Global Competition:** Strong rivalry from multinational and Chinese players could limit export growth and market share.
- Macro Risks:** Global slowdown, trade tensions, and shipping disruptions may impact infra spending and exports.
- Industry Cyclicity:** Dependent on infra and capex cycles; weak H1FY26 expected due to CEV-V transition, early monsoon, India–Pakistan tension, and pre-buying in H2FY25.
- Raw Material Volatility:** Fluctuating steel prices can compress margins amid a price-sensitive customer base.
- Ghana Project Delay:** The management mentioned that they would not like to move ahead without having advanced payments or confirmed LC's [Letters of Credit] in their hands.

Valuation:

On the valuation front, Action Construction Equipment Ltd. (ACE) is trading at an EV/EBITDA multiple of 24.7x, 20.3x, and 18.1x for FY2025, FY2026E, and FY2027E, respectively. The company's long-term growth trajectory remains intact, backed by operational efficiency, margin expansion, and improving realizations, which have risen from ₹10.72 lakh in FY21 to ₹20.60 lakh in FY25, and are expected to further increase to ₹21.95–₹22.04 lakh between FY2026E and FY2027E. ACE is guiding for ₹4,400 crore in revenue for FY2027, with an ambitious target to reach approximately ₹6,600 crore by FY2029, tripling its FY2023 levels. Its leadership in the cranes segment, diversification into high-margin verticals such as defense and high-tonnage cranes through the Kato JV, and the favorable impact of anti-dumping duties (ADD) on imported cranes further strengthen growth visibility. Considering these drivers, We recommend a BUY on the stock at ₹1000.00, with a **target price of ₹1,345 per share**, implying an upside potential of 34% and an implied EV/EBITDA multiple of 22x for FY2027E, which remains below the industry average, offering a compelling valuation re-rating opportunity.



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