Company Name: Action Construction Equipment Ltd.

Quarter under review: Q4-FY26

Action Construction Equipment Ltd - Q4 & FY26 Concall Highlights:

Action Construction Equipment Ltd (Consolidated)								
INR In Mn	Q4-FY26	Q4-FY25	Y-o-Y	Q3-FY26	Q-o-Q	FY26	FY25	Y-o-Y
Total Income	10,234	9,694	5.6%	8,904	14.9%	33,905	34,274	-1.1%
EBITDA	1,663	1,721	-3.4%	1,655	0.5%	6,140	6,061	1.3%
EBITDA M (%)	16.25%	17.75%	-150 bps	18.59%	-234 bps	18.11%	17.68%	43 bps
PAT	1,109	1,186	-6.5%	1,164	-4.7%	4,151	4,092	1.4%
PAT M (%)	10.84%	12.23%	-139 bps	13.07%	-223 bps	12.24%	11.94%	30 bps
Diluted EPS	9.31	9.96	-6.5%	9.78	-4.8%	34.87	34.37	1.5%

Operational Highlights:

- Demand conditions remained broadly stable through most of Q4, supported by fiscal measures, lower inflation, and improving market sentiment.
- Escalation of the West Asia crisis towards the end of the quarter led to sharp increases in crude-linked commodity prices, supply disruptions, and rupee depreciation.
- Despite geopolitical headwinds, the company delivered its highest-ever quarterly revenue performance through agile execution and operational discipline.
- FY26 standalone revenue remained broadly stable at around INR 3,395 crore, while EBITDA, PBT, and PAT margins expanded meaningfully.
- Q4 standalone revenue crossed INR 1,021 crore, with EBITDA margins sustained at around 16% despite rising commodity and forex pressures.
- The crane, material handling, and construction equipment business generated revenue of over INR 2,946 crore during FY26 despite industry normalization after the strong FY25 pre-buying cycle.
- Industry demand in the first half was impacted by emission norm transition, extended monsoon, geopolitical uncertainty, and slower project mobilization, though conditions improved progressively during the year.
- The agri division recorded around 9% growth, demonstrating resilience despite broader industry volatility.
- The company finalized a 50:50 joint venture with Kato Works, Japan to strengthen its presence in truck cranes, crawler cranes, and rough-terrain cranes.
- Management highlighted that the Kato partnership will accelerate technology upgradation, localization, export opportunities, and participation in India's infrastructure and industrial capex cycle.
- During FY26, the company completed planned capacity expansion and invested in modernization and automation initiatives to improve quality, productivity, and competitiveness.
- Management remains positive on the medium- to long-term outlook for the construction equipment industry and continues to focus on calibrated pricing, cost efficiency, operational excellence, and sustaining margin profile amid volatile steel prices and geopolitical uncertainty.

Key Questions & Answers discussed during the Concall:

- **What is the current status of anti-dumping duty implementation on Chinese cranes?** The DGTR had recommended anti-dumping duties ranging from 25% to 52% on Chinese crane manufacturers last year. However, the notification has still not been issued by the Ministry of Finance. Ideally, it should have been implemented within the prescribed timeline, but currently there is uncertainty regarding its final status. We continue to believe the Indian industry has been impacted by aggressive pricing and extended credit terms from Chinese competitors.
- **Why are Chinese manufacturers not active in the pick-and-carry crane segment?** Chinese manufacturers have traditionally specialized in truck-mounted slew cranes and larger 360-degree cranes rather than pick-and-carry cranes. Pick-and-carry cranes are more country-specific and are particularly popular in India, Australia, and parts of Europe. Since Chinese manufacturers never focused on this category historically, they do not have meaningful presence in this segment. This has helped us maintain strong market leadership in pick-and-carry cranes.
- **Does fuel efficiency influence customer buying decisions in cranes and construction equipment?** Fuel efficiency is not usually the primary buying criterion in cranes. Customers mainly focus on load-handling capability, tonnage, lifting performance, and operational suitability. For construction equipment, productivity and application capability matter more than fuel efficiency alone. Machine selection is largely determined by operational requirements.
- **What proportion of crane and construction equipment purchases are financed?** Around 85–90% of cranes and construction equipment purchases are financed through NBFCs and banks. This trend is common across rental companies, contractors, EPC players, logistics firms, and industrial customers. Financing remains an integral part of equipment purchases in the industry. The market broadly operates on leveraged equipment acquisition.
- **How is the customer mix split between rental players and end users?** The split is broadly around 50:50 between rental companies and direct end users such as EPC contractors, manufacturing companies, logistics operators, and industrial players. Rental companies remain an important customer category because many end users prefer hiring equipment instead of owning it. The overall market remains highly diversified.
- **What does the "Others" revenue segment represent in quarterly disclosures?** The "Others" category mainly consists of miscellaneous export revenues and certain products that are not large enough individually to be classified separately. As these revenues became more meaningful, they have now been disclosed distinctly. A part of this also includes exports handled through other divisions.
- **What led to impairment losses on financial assets during the quarter?** These are largely expected credit loss provisions taken under prudent accounting policies. They are not actual realized losses but precautionary provisions against delayed receivables. The company follows conservative provisioning standards to account for potential collection risks. Operationally, there has not been any major deterioration in customer quality.
- **Why was other income negative during the quarter?** The negative other income was primarily due to mark-to-market losses on surplus cash investments during March when financial markets corrected sharply. These are not realized losses and are largely accounting adjustments. A portion of these losses had already recovered in April as markets improved. If markets remain stable, we expect normalization in coming quarters.

Key Questions & Answers discussed during the Concall:

- **Is the company seeing opportunities from India's shipbuilding expansion?** Yes, we already supply equipment to multiple shipyards across India including specialized cranes for shipbuilding activities. Shipyards require tower cranes, pick-and-carry cranes, and material handling equipment during construction and loading operations. While the revenue contribution is currently small, the opportunity could gradually improve with expansion in domestic shipbuilding.
- **What is the outlook for tower crane demand in FY27?** Tower crane demand remains strong currently and order books are healthy. The real estate sector has continued to support demand momentum, though monsoon seasonality remains a normal factor. We are optimistic about growth in tower cranes, but given geopolitical and macro uncertainties, we prefer to avoid precise annual guidance at this stage. Current demand trends remain encouraging.
- **How is the defense business expected to contribute in FY27?** Defense contribution was around 3% of revenue last year and we expect this to increase to around 5–6% in FY27. We currently have around INR 575 crore of executable defense order backlog. The company expects defense revenue contribution to cross INR 200 crore during the year. Execution visibility in this segment remains relatively strong.
- **What pricing actions has the company taken to offset inflation?** We implemented a 1–1.5% price increase in January, another ~4% increase in May, and are planning an additional ~5% increase from June. Steel prices alone have increased by more than 20% since January and remain the largest cost driver. Overall, the industry may ultimately require cumulative price increases of 11–14% to fully offset inflationary pressures.
- **How are Chinese crane manufacturers responding to potential anti-dumping actions?** Some Chinese players have started assembling machines locally and increasing localization levels in India due to fears of anti-dumping duties. This is increasing their costs by roughly 8–10%, which improves competitiveness for domestic manufacturers like us. Earlier, many machines were effectively being dumped directly from China at highly subsidized pricing.
- **Can the company sustain current EBITDA margins despite inflation?** We remain focused on maintaining EBITDA margins broadly in the 15–16% range excluding other income. We are closely monitoring commodity inflation and intend to take calibrated pricing actions wherever necessary. Cost discipline and operational efficiency remain critical priorities. Margin protection currently takes precedence over aggressive volume chasing.
- **Are competitors also increasing prices in response to rising costs?** Based on market feedback, most competitors have also started increasing prices because inflationary pressures are industry-wide. Commodity inflation has impacted steel, copper, rubber, paint, oils, and multiple engineering inputs simultaneously. Given lower profitability levels at several competitors, sustaining pricing without hikes would be difficult for them.
- **What revenue potential does the Kato joint venture offer?** Under current market conditions, we believe the Kato JV could generate revenue upwards of INR 300 crore over the next three to four years. If anti-dumping duties are eventually implemented, the opportunity could become substantially larger. The JV significantly strengthens our position in heavy cranes and advanced lifting equipment.
- **What is the company's capex plan for FY27?** We expect total capex of around INR 200 crore during FY27, including land acquisition, defense manufacturing facilities, and regular modernization initiatives. Additionally, we are evaluating a new highly automated tower crane factory involving investment of over INR 400 crore. However, execution timing for the larger expansion will remain demand-driven.

- **Has the company received approvals for defense-related projects?** Yes, the required approvals have been received for the large defense telehandler-related order. Execution is expected to begin shortly. The company is also working on projects related to quick response surface-to-air missile (QRSAM) support systems involving material handling requirements.
- **Is the company still confident about achieving INR 6,000–6,200 crore revenue by FY29–30?** We continue to believe the medium-term target remains achievable, although timing could shift slightly depending on macroeconomic conditions. Growth will be supported by defense, exports, higher-value products, inflation-led pricing, and recovery in cranes and construction equipment demand. We remain broadly on track toward the long-term objective.
- **What is management's approach toward margin expansion going forward?** We believe current EBITDA margins of around 15–16% are already healthy for this business. Aggressive margin expansion beyond this could eventually hurt competitiveness and market share. Our focus remains on sustainable profitability, balanced growth, and maintaining leadership position rather than maximizing short-term margins.
- **How is demand evolving across cranes, construction equipment, and material handling**? Demand improved meaningfully from the second half of Q3 and remained healthy through Q4. Backhoe loaders, construction equipment, tower cranes, and newer-generation cranes are all seeing improved traction. Customers are also becoming more comfortable with the new emission-compliant machines after initial skepticism last year.
- **What role are technology and digital features playing in market share gains?** We have introduced advanced safety systems, IoT-enabled features, AI-enabled monitoring, and our ASLive application across several crane platforms. These features are helping differentiate our products and improve customer acceptance. Technology-led differentiation is becoming an increasingly important competitive advantage.

Key Participants:
- *Mudit Bhandari – IIFL Capital*
- *Akash Metalwala – Nine Rivers Capital*
- *Neel Shah – Purnanta Investment Advisor*
- *Rochand Charan – Global Consilient Research*
- *Aditya – Old Bridge Mutual Fund*
- *Vedant Badani – Canara Bank*
- *Nidhi shah – ICICI Securities*