

ACTION CONSTRUCTION EQUIPMENT

VISIT NOTE

KEY DATA

Rating	NOT RATED
Sector relative	NA
Price (INR)	1,147
12 month price target (INR)	NA
52 Week High/Low	1,600/917
Market cap (INR bn/USD bn)	136.6/1.6
Free float (%)	34.5
Avg. daily value traded (INR mn)	592.5

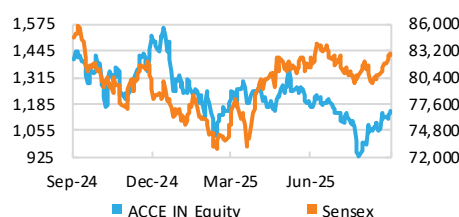
SHAREHOLDING PATTERN

	Jun-25	Mar-25	Dec-24
Promoter	65.41%	65.41%	65.41%
FII	11.44%	11.57%	11.90%
DII	2.05%	1.97%	1.76%
Pledge	0.00%	0.00%	0.00%

FINANCIALS

	(INR mn)			
Year to March	FY22A	FY23A	FY24A	FY25A
Revenue	16,296	21,597	29,138	33,271
EBITDA	1,514	2,209	4,032	5,058
Adjusted profit	1,050	1,716	3,282	4,092
Diluted EPS (INR)	8.8	14.4	27.6	34.4
EPS growth (%)	25.4	63.4	91.2	24.7
RoAE (%)	16.4	20.5	30.5	28.8
P/E (x)	130.1	79.6	41.6	33.4
EV/EBITDA (x)	89.6	60.7	32.7	26.2
Dividend yield (%)	0.1	0.1	0.2	0.2

PRICE PERFORMANCE



Poised to recover in H2FY26

We met with Mr Sorab Agarwal, Whole-Time Director, Mr Rajan Luthra, CFO and Mr Vyom Agarwal, President of Action Construction Equipment (ACE). Management meet takeaways: i) FY26E revenue to post high single-digit growth, aided by ~6% blended price hikes offsetting pre-buying effect of H2FY25. ii) Exports and defence to jointly contribute 10% to revenue in FY26E (~6% in FY25). iii) EBITDA margin (including OI) to stabilise at 16–17%. iv) Favourable outcome on anti-dumping proceedings regarding Chinese heavy cranes and the PLI scheme could add INR5–10bn in revenue over three–five years.

The stock is trading at 26x FY27E PE based on consensus forecasts. The stock is *not rated*.

Revival in H2FY26 to drive high single-digit growth in FY26

The company expects H2FY26 to report an improvement after a weak H1FY26 led by pre-buying and monsoon impact with early signs visible in Sep-25. High single-digit revenue growth is anticipated in FY26 with profitability likely to remain stable or improve. Blended price hikes of ~6% shall help offset pre-buying in H2FY25 supporting margins of 16–17%. The company commands a dominant 63% share in Mobile Cranes and 60% in Tower Cranes with 70–75% share in Hydra-type Pick and Carry cranes and ~50% in New-Gen cranes. Backhoe loader share came in at ~3% with the target to scale it up to 10% while forklift market share was ~25%.

Exports and Defence to lift revenue share in FY26 to 10%

Exports contributed ~4% of revenue in FY25 and ACE aims to raise it to 6–7% in FY26 driven by backhoe loaders and Pick and Carry cranes—segments with limited Chinese presence. This along with anticipated favourable domestic policy measures, position the company for growth across domestic and international markets. Revenue from defence is likely to rise to ~3–4% in FY26 with ACE's long-term target at 5–7%. The company's single-largest MoD order in Feb-25 for 1,121 Rough Terrain Forklifts (Telehandlers) worth INR4.2bn spans three years with revenue anticipated at INR500–700mn in FY26, INR2bn in FY27 and the balance in FY28.

Policy tailwinds to propel Heavy Crane segment

ACE faces strong competition from Chinese players in crawler and truck cranes, which dominate through aggressive pricing (up to 40% lower) and extended credit, limiting ACE's market share to ~3% in a ~1,000-unit market. Following ACE's petition to DGTR, anti-dumping duties of 25–52% have now been imposed on Chinese imports. Management expects this development to unlock an additional INR5–10bn in revenue over the next three–five years. The recently announced PLI scheme worth INR160bn to promote domestic manufacturing is likely to benefit ACE's crane portfolio, including crawler and truck cranes. Moreover, the JV with Kato Works—introducing 200-ton and 250-ton heavy cranes—is likely to be operational by end-Q3FY26, further enhancing ACE's position due to the anticipated policy support.

Financial Statements

Income Statement (INR mn)

Year to March	FY22A	FY23A	FY24A	FY25A
Total operating income	16,296	21,597	29,138	33,271
Gross profit	4,585	6,241	8,910	10,536
Employee costs	848	998	1,207	1,385
Other expenses	2,222	3,035	3,671	4,094
EBITDA	1,514	2,209	4,032	5,058
Depreciation	154	180	232	283
Less: Interest expense	95	103	232	287
Add: Other income	108	411	771	1,003
Profit before tax	1,373	2,337	4,339	5,491
Prov for tax	323	608	1,057	1,399
Less: Minority interest	(0)	14	0	0
Reported profit	1,050	1,716	3,282	4,092
Less: Excp.item (net)	-	-	-	-
Adjusted profit	1,050	1,716	3,282	4,092
Diluted shares o/s	119	119	119	119
Adjusted diluted EPS	8.8	14.4	27.6	34.4
DPS (INR)	0.6	1.0	2.0	2.0
Tax rate (%)	23.5	26.0	24.4	25.5

Important Ratios (%)

Year to March	FY22A	FY23A	FY24A	FY25A
Gross profit margin (%)	28.1	28.9	30.6	31.7
Staff cost % sales	5.2	4.6	4.1	4.2
Other expenses % sales	13.6	14.1	12.6	12.3
EBITDA margin (%)	9.3	10.2	13.8	15.2
Net profit margin (%)	6.4	7.9	11.3	12.3
Revenue growth (% YoY)	32.8	32.5	34.9	14.2
EBITDA growth (% YoY)	27.3	45.9	82.5	25.4
Adj. profit growth (%)	31.6	63.4	91.2	24.7

Valuation Metrics

Year to March	FY22A	FY23A	FY24A	FY25A
Diluted P/E (x)	130.1	79.6	41.6	33.4
Price/BV (x)	18.1	14.9	11.1	8.5
EV/EBITDA (x)	89.6	60.7	32.7	26.2
Dividend yield (%)	0.1	0.1	0.2	0.2

Source: Company

Balance Sheet (INR mn)

Year to March	FY22A	FY23A	FY24A	FY25A
Share capital	238	238	238	238
Reserves	7,303	8,947	12,060	15,909
Shareholders funds	7,541	9,186	12,298	16,147
Minority interest	2	16	17	17
Borrowings	292	62	39	148
Trade payables	4,127	5,009	6,879	8,086
Other liabs & prov	861	1,724	3,482	4,037
Total liabilities	12,824	15,997	22,715	28,435
Net block	4,399	4,759	5,632	7,009
Intangible assets				
Capital WIP	243	244	436	286
Total fixed assets	4,642	5,003	6,068	7,296
Non current inv	802	1,367	2,245	5,426
Cash/cash equivalent	143	490	1,104	555
Sundry debtors	1,887	1,693	1,643	2,647
Loans & advances	724	603	2,061	3,252
Other assets	4,625	6,841	9,594	9,260
Total assets	12,824	15,997	22,715	28,435

Free Cash Flow (INR mn)

Year to March	FY22A	FY23A	FY24A	FY25A
Reported profit	1,050	1,716	3,282	4,092
Add: Depreciation	154	180	232	283
Interest (net of tax)	120	3	22	(119)
Others	57	16	(116)	(154)
Less: Changes in WC	(347)	827	915	17
Operating cash flow	1,035	2,743	4,334	4,120
Less: Capex	(443)	(364)	(1,653)	(2,055)
Free cash flow	592	2,379	2,681	2,065

Key Ratios

Year to March	FY22A	FY23A	FY24A	FY25A
RoE (%)	16.4	20.5	30.5	28.8
RoCE (%)	21.6	28.6	42.4	40.4
Inventory days	75	71	69	57
Receivable days	42	29	21	29
Payable days	92	85	86	89
Working cap (% sales)	7.5	2.0	(0.6)	(3.7)
Gross debt/equity (x)	0.0	0.0	0.0	0.0
Net debt/equity (x)	(0.1)	(0.3)	(0.4)	(0.3)
Interest coverage (x)	15.4	23.7	19.7	20.2

Valuation Drivers

Year to March	FY22A	FY23A	FY24A	FY25A
EPS growth (%)	25.4	63.4	91.2	24.7
RoE (%)	16.4	20.5	30.5	28.8
EBITDA growth (%)	27.3	45.9	82.5	25.4
Payout ratio (%)	6.8	6.9	7.3	5.8

Management meet: Key takeaways

- **FY26 guidance: Revenue**—After a weak H1FY26 affected by pre-buying and monsoon, H2FY26 is likely to improve with early signs visible in Sep-25. High single-digit revenue growth is anticipated in FY26E with profitability likely to remain stable or improve. Blended price hikes of ~6% shall help sustain growth, offsetting the pre-buying seen in H2FY25. **EBITDA margin (including OI)**—Margins to stabilise at 16–17%.
- **Competition from China:** ACE faces intense competition from Chinese players in Crawler and Truck cranes, which dominate the market through aggressive pricing (up to 40% lower) and extended credit terms, making it unviable for the company. ACE's current market share is just ~3% in a ~1,000-unit annual market though demand is likely to grow. Following ACE's petition to DGTR, anti-dumping duties of 25–52% have now been imposed on Chinese imports. Management expects this development to unlock an additional INR5–10bn in revenue over the next three–five years.
- **PLI for Construction Equipment:** The Government of India is preparing a PLI scheme worth INR160bn to promote domestic manufacturing of key construction equipment. Tunnel boring machines are likely to benefit the most while ACE is likely to gain from cranes with potential applicability extending to crawler and truck cranes.
- **Exports** contributed ~4% of revenue in FY25 with management targeting to scale it up to 6–7% in FY26. Growth is likely to be driven by backhoe loaders and pick and carry cranes—segments where China has a limited presence.
- **Defence:** Revenue contribution from defence is likely to rise to 3–4% in FY26 (versus 1.5% earlier) with a long-term target of 5–7%. **MoD order:** In Feb-25, ACE secured its single-largest order from the Ministry of Defence – supply of 1,121 Rough Terrain Forklifts (Telehandlers) worth INR4.2bn. Deliveries shall begin in Q3FY26 and continue over three years. Likely revenue contribution: INR500–700mn in FY26, INR2bn in FY27 and balance in FY28. **Other orders:** ACE is also set to receive orders worth INR1.1–1.3bn from Ashok Leyland. Additional orders for 602-model cranes for the Army are in the pipeline. Recently, ACE executed fresh orders for BRO, supplying backhoe loaders and motor graders—including one of BRO's largest single-tender requirements to date.
- **Pick and Carry Cranes:** The segment is split between Hydra cranes (~60% of the market) and New-Gen cranes (~40%). ACE commands a 70–75% share in Hydra cranes and has a ~50% share in New-Gen cranes, nearly equal to Escorts.
- **Market share:** i) ACE commands a dominant 63% share in **Mobile Cranes (Pick and Carry cranes)** and 60% in **Tower Cranes**. ii) In **Backhoe Loaders** share is modest at ~3%, but ACE aims to scale it up to ~10% over the long term. While JCB currently leads the segment, ACE's cost-effective, reliable product is likely to gradually gain traction. iii) The company also has a 25% share in **Forklifts** though it faces competitive pressure from Chinese players.
- **Pricing:** Transitioning from BSIV to BSV has led to a 6–7% price increase while the shift from BSIII to BSV resulted in ~12% higher prices. CEV V norms have been in effect since Jan-25 while TREM V is likely to apply from Apr-26.

- **Progress on JV with Kato:** ACE has partnered with Kato Works to strengthen its heavy crane technology, adding 200-ton and 250-ton models to its portfolio. While the initial progress was slow, the JV is likely to be fully operational by end-Q3FY26. Coupled with anticipated anti-dumping measures on Chinese imports and the PLI scheme, ACE is poised to gain in both domestic and export markets.
- **Agri Equipment:** Revenue contribution was 7–8%. While BSIV engines are currently manufactured in-house, the company does not plan to produce BSV engines internally, citing RoCE constraints.
- **End-user mix:** The company's exposure is diversified across sectors as follows—Manufacturing & Logistics (~45%), Infrastructure (~35%), Real Estate (~13%) and Agriculture (~7%).
- **Capacity:** ACE has an annual production capacity of 17,700 construction equipment units and 9,000 tractors. Construction equipment capacity is split into 13,200 cranes, 2,700 material handling equipment units and 1,800 other construction equipment units.
- **Capex:** FY26E capex is projected at ~INR1–1.3bn for modernisation, upgrades, and increased automation. FY27E capex is likely to rise to ~INR2–3bn driven by capacity expansion plans for tower cranes.

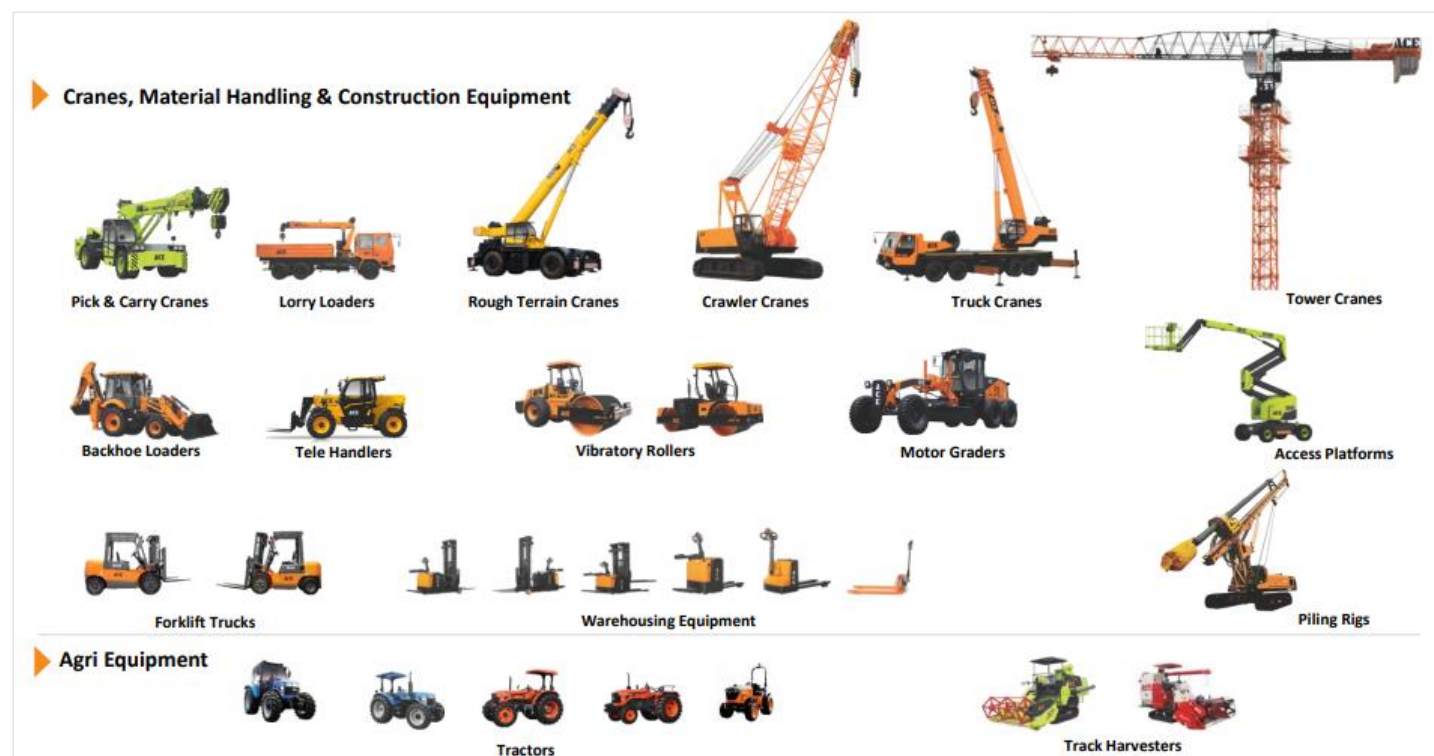
Company Description

Established in 1995, Action Construction Equipment (ACE) is India's leading material handling and construction equipment manufacturing company. It is the world's largest Pick & Carry cranes manufacturer with pan India and global presence in over 37 countries. In the domestic market, ACE has over 63% market share in Mobile cranes and 60% market share in Tower Cranes segment.

In addition to Mobile and Tower Cranes, the company's portfolio includes Crawler Cranes, Truck Mounted Cranes, Lorry Loaders, Backhoe Loaders/Loaders, Vibratory Rollers, Forklifts, Tractors & Harvesters and other Construction Equipment. The end-user sector exposure of the company can be broadly classified as follows: Manufacturing & Logistics ~45%, Infrastructure ~35%, Agriculture ~7% and Real Estate ~13%.

ACE has an annual production capacity of 17,700 construction equipment and 9,000 tractors. The company's equipment has been successfully used in various sectors such as Infrastructure Construction, Power Projects, Ports & Shipyards, Dams, Metro Rail, Roads, Mining, Steel Industry, Engineering Industry, Railways, Cement, Petroleum, Defence, Chemicals & Fertilizer Plants, Warehousing, Logistics, Building Construction, etc.

Exhibit 1: Wide range of product portfolio; dominant market share in Pick and Carry and tower cranes segment



Source: Company, Nuvama Research

Additional Data

Management

Chairman & MD	Vijay Agarwal
WTD	Mona Agarwal
WTD	Sorab Agarwal
CFO	Rajan Luthra
Auditor	B S R & Co. LLP

Holdings – Top 10*

	% Holding		% Holding
Polar Capital	4.42	Dimensional Fund	0.51
MIT	1.95	Matthews International	0.49
Vanguard Group	1.28	Old Bridge Capital	0.45
Blackrock Inc.	0.68	Norges Bank	0.27
Wasatch Advisors	0.57	Edelweiss AMC	0.21

*Latest public data

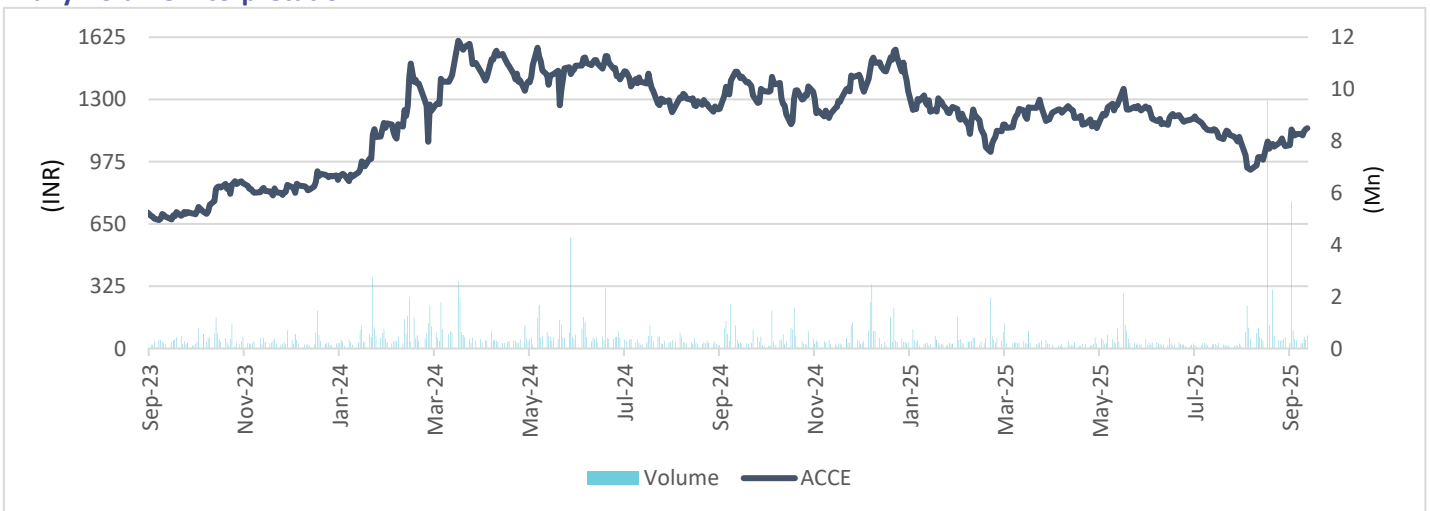
Recent Company Research

Date	Title	Price	Reco

Recent Sector Research

Date	Name of Co./Sector	Title
19-Sep-25	Automobiles	Improving demand outlook; <i>Sector Update</i>
6-Sep-25	Samvardhana Motherson	Targeting USD108bn sales at a 33% CAGR ; <i>Visit Note</i>
2-Sep-25	Ashok Leyland	Slowdown persists; outlook stays weak; <i>Sector Update</i>

Daily Volume Interpretation



Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	202
Hold	<15% and >-5%	69
Reduce	<-5%	37

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ACTION CONSTRUCTION EQUIPMENT

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