ACTION CONSTRUCTION EQUIPMENT LTD

Result Update | 29th May, 2026

Canara Bank Securities Ltd
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- Consolidated revenue stood at **INR1,029cr** in 4QFY26, +7% YoY and +20% QoQ (vs. our est. of **INR1,059.51cr**), led by favorable pricing, a richer product mix (skew to higher-tonnage cranes), and a return of demand in the hydra-crane category. This marks the first quarter of positive YoY growth in FY26 after three quarters of decline (1Q -11%, 2Q -2%, 3Q -2% YoY).
- Consolidated **EBITDA stood at INR172cr** (vs. our est. of **INR129.74**), +5% YoY and +32.50% QoQ, driven by strong sequential operating leverage and price actions flowing into realizations. EBITDA margin came in at 16.7% (+151bps QoQ, -35bps YoY) — the YoY dip reflects steel-led input inflation running ahead of pricing taken to date, while the sharp QoQ expansion signals the recovery underway.
- Reported **PAT came at INR110cr** (vs. our est. of **INR116cr**), -6.87% YoY and -5.15% QoQ. The decline is misleading and entirely below the operating line: other income swung to a small loss of INR-6cr (vs. +INR8cr in 4QFY25 and +INR36cr in 3QFY26). Adjusted for this swing, PAT growth tracks the operating recovery.
- The company recorded a mark-to-market (MTM) loss on its treasury/surplus-cash investments during the quarter, as equity markets corrected in Mar'26. Management clarified this is a non-cash/paper provision (not a realized or operating loss), and it was partly reversed in Apr'26. Other income is guided back to a normal INR20-35cr/quarter run-rate from 1QFY27.
- Gross margin moderated to 30.9% (-208bps QoQ, -157bps YoY) on raw-material inflation and mix; however, the EBITDA margin still expanded QoQ as other operating costs (largely fixed) were better absorbed on higher volumes.

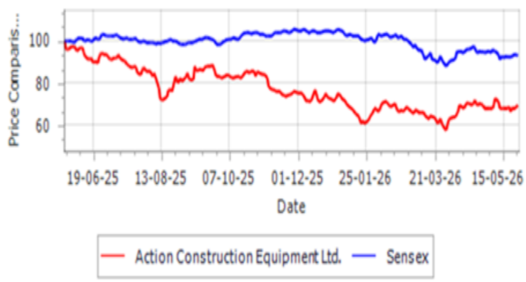
STOCK DETAILS

Industry	CAPITAL GOODS
Market Cap (in ₹ Crore)	10,706.00
52 Week High/Low	2903.80/1014.65
Face Value (in ₹)	1.00
Number of Shares (in Crores)	11.91
Price/Book Value (x)	5.33
Price/Earnings (x)	25.80
Current Market Price	899.00
Target Price	1167.00
Recommendation	BUY
Upside %	29.20

STOCK PERFORMANCE (%)

Time Frame	ACE	SENSEX
One Month	(0.58)	(2.45)
YTD	(4.44)	(11.30)
One Year	(27.95)	(7.40)

TECHNICAL CHART



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OUTLOOK:

We expect ACE to deliver a strong Q1 FY27, with management indicating that tower crane order books are full and demand has held up well through May, pointing to 15-20% revenue growth in the quarter on a soft base. However, the company has held back full-year guidance until mid-Q2 due to macro uncertainty from the West Asia conflict, rupee depreciation, and a sharp 20-22% rise in steel prices since January. To offset input cost inflation of 11-14%, ACE has taken price hikes of around 10% so far (1.5% in January, 4% in May, and 5% from 1 June), with further hikes of 3-4% likely in Q2, and aims to sustain EBITDA margins in the 15-16% range versus 18.3% in FY26. Key growth drivers for FY27 include: defense revenue rising from 3% to 5-6% of sales (INR200-220 cr) backed by a INR575 cr order book; exports targeted at 6-7% of revenue, taking combined defense and exports to 11-13% versus 9% in FY26; recovery in hydra crane demand as customer hesitation around the new CEV-5 emission norms fades; market share gains in backhoe loaders with proof-of-concept expected by July; and the new 50:50 JV with KATO Works (Japan) for heavy cranes, which management expects to add INR300 cr over 3-4 years, with upside to INR700-800 cr if anti-dumping duties on Chinese imports get notified.
Capex of around INR200 cr is planned for FY27 (land, defense plant, maintenance), with an additional INR400 cr tower crane facility likely to start based on demand visibility.

VALUATION: On Valuation front, it is available at a EV/EBITDA 17.69x, 15.17x as on FY2027E and FY2028E expecting the top line to grow at a CAGR of 14.16% due supported by demand normalization, premiumization and technology-led product launches, operating leverage from higher capacity utilization, and a strong defence order book with rising export contribution. Additional tailwinds include capacity expansion plans, higher infrastructure capex, and improving global trade sentiment, collectively underpinning growth and margin sustainability over the medium term.

We remain positive on ACE given its market leadership (around 60% share in mobile and tower cranes), debt-free balance sheet, healthy RoCE of 32%, and structural tailwinds from infra capex, defence, and the KATO partnership, though near-term risks from steel and crude volatility, FX, and demand moderation remain key things to watch. We recommend to buy the stock at CMP for target price of **Rs. 1167.00 per share with implied EV/EBITDA for FY2028E of 20.00x**

Quarterly Snapshot (Consolidated)

INR cr	4QFY25	3QFY26	4QFY26	YoY	QoQ
Revenue	**961**	**855**	**1,029**	**+7%**	**+20%**
Total COGS	649	573	711	**+10%**	**+24%**
Gross Profit	**312**	**282**	**318**	**+2%**	**+13%**
Gross margin	32.5%	33.0%	30.9%	**-157bps**	**-208bps**
Total SGA	148	152	146	**-1%**	**-4%**
EBITDA	**164**	**130**	**172**	**+5%**	**+25%**
EBITDA margin	17.1%	15.2%	16.7%	**-35bps**	**+151bps**
Depreciation	7	9	10	**+27%**	**+6%**
EBIT	156	121	162	**+4%**	**+34%**
Interest	4	5	3	**-16%**	**-37%**
Other income	8	36	-6	Loss	Loss
PBT	**161**	**152**	**153**	**-5%**	**+1%**
Tax	42	35	43	**+1%**	**+21%**
Reported PAT	**119**	**116**	**110**	**-8%**	**-5%**
PAT margin	12.4%	13.6%	10.7%	**-169bps**	**-288bps**

bps = basis points. "Loss" = other income swung to a small MTM loss. Figures rounded.

FY26 — Key Highlights

- In FY26, the company reported **revenue of INR3,280cr (-1% YoY), EBITDA of INR504cr (flat YoY), and PAT of INR415cr (+1% YoY).** Despite the soft topline, EBITDA margin expanded 16bps to 15.4% and PAT margin 36bps to 12.7% — a resilient outcome that reflects pricing discipline and cost control in a down-volume year.
- **Gross margin expanded 82bps to 32.5%** as realization gains and mix offset commodity inflation; total direct cost (COGS) eased to 67.5% of sales (from 68.3%).
- Indirect costs rose modestly to 17.1% of sales (from 16.5%). Within this, employee cost rose 16% YoY to INR160cr while other expenses fell 2% to INR391cr — management noted other expenses are largely fixed and do not flex with volume, which is why they held up despite lower volumes.
- Below EBITDA, **interest cost fell 23% YoY to INR22cr** (ACE is debt-free), partly offsetting a 24% rise in depreciation to INR35cr from completed capacity additions. The effective tax rate was steady at 25.4%.
- Over FY22-26, ACE has compounded revenue at 19% and PAT at 41%, underscoring the structural margin/mix improvement of the franchise even after the FY26 reset.

FY26 Snapshot (Consolidated)

INR cr	FY25	FY26	YoY
Revenue	**3,327**	**3,280**	**-1%**
Gross Profit	1,054	1,066	**+1%**
Gross margin	31.7%	32.5%	**+82bps**
EBITDA	**506**	**504**	**0%**
EBITDA margin	15.2%	15.4%	**+16bps**
Depreciation	28	35	**+24%**
Interest	29	22	**-23%**
Other income	100	110	**+10%**
PBT	**549**	**557**	**+1%**
PAT	**409**	**415**	**+1%**
PAT margin	12.3%	12.7%	**+36bps**

Segment Performance

Cranes, Material Handling & Construction Equipment (90% of revenue)

- Segment revenue stood at **INR885cr in 4QFY26 (-3% YoY, +16% QoQ)**; FY26 segment revenue was **INR2,953cr (-5% YoY)**. Despite the topline dip, segment margin was maintained at 18.6% and segment profit was INR548cr, reflecting the pricing/mix lever.
- Segment volume stood at **3,458 units in 4QFY26 (-14% YoY, +27% QoQ)**; FY26 volume was **10,853 units (-19% YoY)**. The YoY decline was driven by the high FY25 base (pre-buy ahead of CEV-V/BS-V emission norms) and caution among retail buyers of older "hydra" cranes (60% of crane mix) who were wary of the costlier new electronic engines.
  - The quarterly volume path through FY26 (1Q -21%, 2Q -18%, 3Q -23%, 4Q -14% YoY) confirms a trough in 3Q and a clear recovery into 4Q as buyer confidence in the new technology returned.
- Blended segment realization rose **17% YoY to INR27.2 lakh/unit in FY26,** backed by (i) a mix shift to higher-tonnage cranes, (ii) 5-7% emission-led cost pass-through, and (iii) calibrated price hikes through the year. This is the single biggest reason segment revenue fell only 5% despite a 19% volume drop.

Agri Equipment

- Segment revenue stood at **INR67cr in 4QFY26 (+40% YoY, -25% QoQ)**; FY26 revenue grew **9% YoY to INR251cr**. Segment margin remains structurally thin at 1%, so the division adds topline but limited profit.
- Segment volume stood at **753 units in 4QFY26 (+34% YoY, -17% QoQ)**; FY26 volume was broadly flat at **2,770 units (-1% YoY)**. Realization improved 10% YoY to INR9.05 lakh/unit.

Volume & Realization

Particulars	FY25	FY26	YoY
Volume – Cranes/MH/CE (units)	13,360	10,853	-19%
Volume – Agri (units)	2,794	2,770	-1%
Total Volume (units)	**16,154**	**13,623**	**-16%**
Realization – Cranes/MH/CE (INR/unit)	23,18,181	27,21,054	+17%
Realization – Agri (INR/unit)	8,23,049	9,05,162	+10%
Blended Realization (INR/unit)	**20,59,583**	**23,51,824**	**+14%**
Segment Rev – Cranes/MH/CE (INR cr)	3,097	2,953	-5%
Segment Rev – Agri (INR cr)	230	251	+9%

On a quarterly basis, core Cranes/MH/CE volume rebounded +27% QoQ in 4Q (still -14% YoY). Blended realization was ~INR22.6 lakh/unit in 4QFY26 (+7.5% YoY, -4.5% QoQ; the QoQ dip is a mix effect).

Concall Highlights-

Demand & Guidance

- Demand was stable through 4Q except Mar'26, hit by the West Asia conflict (crude/commodity inflation, supply disruptions, INR depreciation). **1QFY27 has started strong on a low base — management indicated possible 15-20%+ growth in 1Q** — but withheld a full-year FY27 number until mid-2Q, citing macro uncertainty ("capital goods are first hit, last out").
- Tower-crane order book is full (real-estate driven); 680-690 units sold in FY26. Management expects crane volumes to grow in FY27 as the hydra segment normalizes, aided by IoT/AI-enabled features lifting share in new-generation cranes.
- Long-term aspiration of **INR6,000-6,200cr revenue by FY29/FY30 retained**, requiring INR700-1,000cr of incremental revenue p.a.; KATO JV, defense, exports, and backhoe loaders are the key building blocks.

Pricing & Margins

- Steel (65% of cost) is up 20-22% since Jan'26. ACE has taken/planned **9-10% price hikes** (Jan 1.5%, May 4%, Jun 5%) and may need **11-14% cumulatively** to fully offset cost inflation; further hikes likely in 2Q
- Margin aim: sustain EBITDA (ex-other income) at **15-16%**. Management is deliberately not chasing further margin expansion, prioritizing volume-led competitive growth and market-share defense (ACE operates at 18-19% segment margin vs. competitors' 8-9%).

Growth Levers

- **KATO JV (50:50, Japan):** New platform for truck/crawler/rough-terrain (heavy) cranes. Base case INR300cr revenue over 3-4 years, scaling to INR700-800cr if anti-dumping duty (ADD) is notified. Includes export of India-made models (KATO to distribute globally) and component exports back to Japan as a side agreement. Customers reportedly willing to pay 15-20% premium for the Japanese brand.
- **Anti-Dumping Duty (ADD):** DGTR recommended 25-52% duty on Chinese heavy cranes (Sep'25), but the Finance Ministry has not yet notified it (90-day window likely lapsed) — outcome uncertain. Even without it, Chinese players localizing assembly face 8-10% higher costs, narrowing the price gap (Chinese currently under-price by 25-30% plus extended credit).
- **Defense:** Order book INR575cr; contribution to rise from 3% to 5-6% of revenue (INR200-220cr) in FY27. Scope is material handling/logistics (incl. QRSAM ammunition handling and rough-terrain telehandlers/forklifts) — not firing systems. Execution to begin next quarter following receipt of approvals.
- **Backhoe loaders:** New product under development; proof-of-concept expected Jun/Jul'26, with volume contribution building through FY27. Exports + defense combined targeted at 11-15% of revenue (vs. 9% in FY26).

Capex

- INR200cr planned in FY27 — land acquisition INR130-135cr, a new defense/new-product plant INR40-50cr, and maintenance INR20-25cr.
- A new INR400cr highly-automated tower-crane factory (12-18 month build) is on the anvil, to be triggered on a need basis as momentum builds; current blended utilization is only 60%, providing ample near-term headroom. Targeted investment-to-turnover of 8-10x protects ROCE.

FINANCIALS:

In INR Crores unlike otherwise stated

PROFIT AND LOSS	FY23	FY24	FY25	FY26	FY27E	FY28E
Revenue from Operations	2160	2914	3327	3280	3823	4275
Less COGS	1536	2023	2273	2214	2581	2884
Gross Profit	624	891	1054	1066	1242	1391
Gross Profit Margins	29%	31%	32%	32%	32%	33%
Less SGA	399	488	548	562	654	728
EBITDA	225	403	506	504	588	663
EBITDA Margins	10.41%	13.84%	15.20%	15.36%	15.38%	15.50%
Less Depreciation	22	23	28	35	41	51
EBIT	203	380	477	469	547	612
Less interest	10	23	29	22	26	29
Operating Profit	193	357	449	447	521	583
Add Other Inocme	41	77	100	110	128	143
Profit Before Tax	234	434	549	557	649	726
Less Taxes	61	106	140	142	165	185
Profit after Tax	172.99	328.20	409.24	415.10	484.22	541.65

In INR Crores unlike otherwise stated

BALANCE SHEET	FY23	FY24	FY25	FY26	FY27E	FY28E
Share Capital	24	24	24	24	24	24
Reserve & Surpluss	895	1206	1591	1987	2447	2965
Non-controlling interests	2	2	2	0	0	0
Total Equity	920	1232	1616	2011	2471	2989
Non-Current Liabilities	17	13	13	23	23	23
Total Current Liabilities	663	925	1082	1218	1370	1495
Total Equity & Liability	1600	2169	2711	3252	3864	4507
Non-Current Asset	688	896	1388	1627	1836	2036
Current Asset	911	1273	1323	1624	2027	2471
Total Asset	1600	2169	2711	3252	3864	4507

In INR Crores unlike otherwise stated

CASH FLOW STATEMENT	FY23	FY24	FY25	FY26	FY27E	FY28E
Profit before tax	233.75	433.94	549.12	556.71	649.42	726.43
Operating profit before working capital changes	256.50	444.60	543.73	520.92	716.18	806.09
Cash generated from operating activities	136.40	339.19	536.06	545.43	572.88	733.24
Income taxes paid (net)	-64.92	-102.63	-133.45	-155.61	-165.19	-184.78
Net cash generated from operating activities (A)	71.48	236.56	402.61	389.82	407.69	548.45
Net cash used in investing activities (B)	-217.50	-368.23	-382.69	-349.89	-250.00	-250.00
Net cash generated from financing activities (C)	-41.01	-38.66	-28.99	-51.91	-49.77	-52.82
Net increase in cash and cash equivalents (A+B+C+D)	15.76	26.73	0.63	15.47	268.27	347.12
Cash and cash equivalents at the beginning of the year	5.72	21.48	48.21	48.84	64.31	332.58
Cash and cash equivalents at end of the year	21.48	48.21	48.84	64.31	332.58	679.70

Valuation	FY23	FY24	FY25	FY26	FY27E	FY28E
EPS	14.52	27.56	34.36	34.85	40.66	45.48
P/E	28.01	51.77	36.59	21.49	0.00	0.00
BVPS	103.40	135.72	168.85	207.50	250.96	301.03
P/B	3.94	10.51	7.44	3.61	0.00	0.00
ROE	20.66%	30.51%	28.74%	22.89%	21.61%	19.84%
ROA	12.00%	17.42%	16.77%	13.92%	13.61%	12.94%

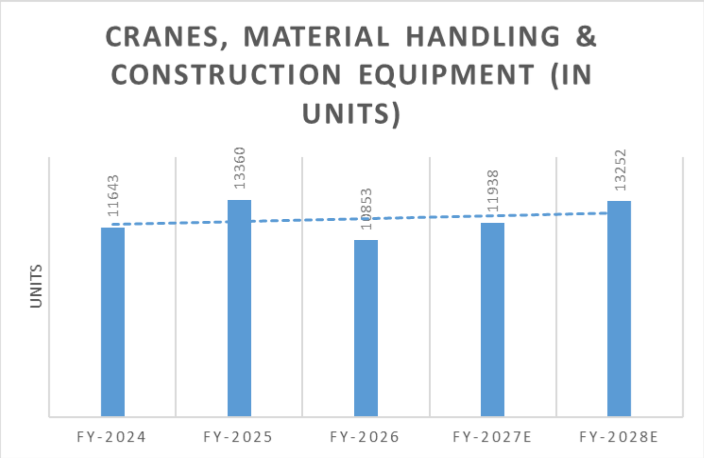
RISKS:

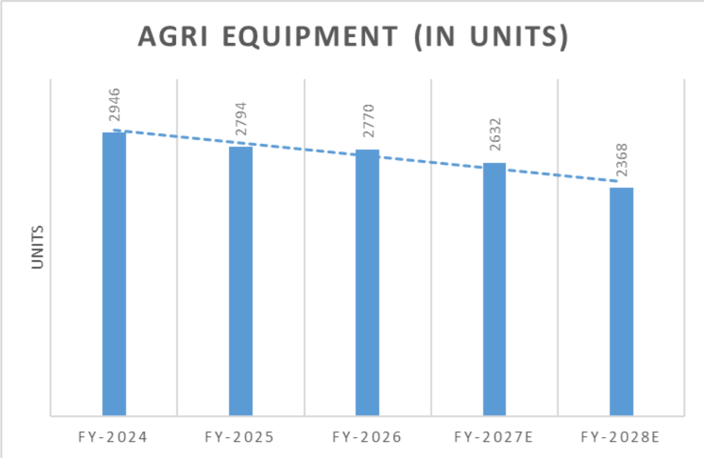
- **West Asia Crisis:** The escalation of the crisis in West Asia has led to supply-side disruptions and a sharp rise in crude and crude-linked commodity prices. This conflict has also directly impacted execution, with some export shipments currently stuck because they were intended for the Middle East.
- **Anti-Dumping Duty Uncertainty:** Although the DGTR recommended anti-dumping duties on Chinese heavy cranes, the Ministry of Finance has not yet notified the order, leaving the domestic industry vulnerable to continued dumping
- **Currency Volatility:** Continued rupee depreciation is a significant concern, as it contributes to an inflationary environment and affects the overall cost of doing business.
- **Raw Material Volatility:** Steel, the company's largest input (representing roughly 65% of costs), remains highly volatile and has increased by 20-22% since January
- **Capital Goods Cyclicality:** Management describes the company's products as capital goods, which are traditionally "first hit and last out" during economic cycles, making ACE vulnerable to shifts in business and consumer sentiment.

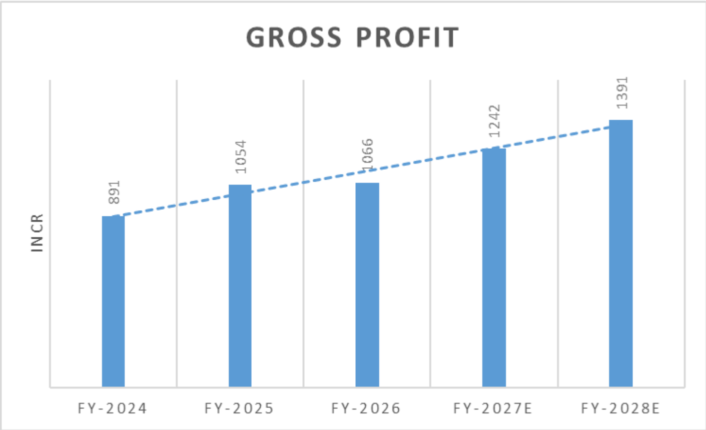
Coverage History:

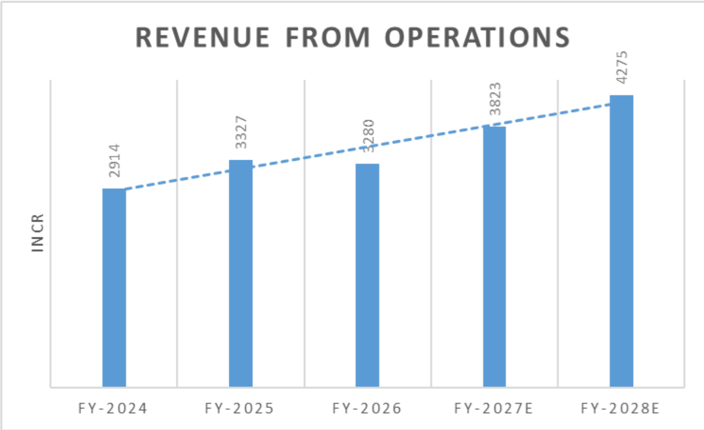
Date	Coverage	CMP	Target	Comments
11.11.2025	BUY	1000	1345	Initiate Coverage
9.02.2026	BUY	910	1094	DOWNGRADE PRICE WITH BUY
29.05-26	BUY	894	1167	Target Increased

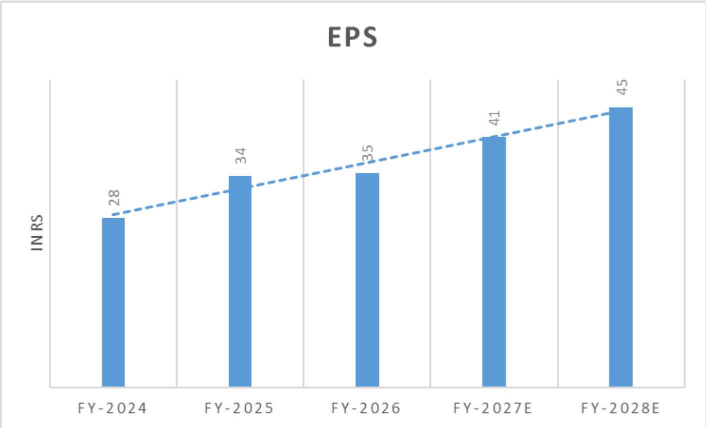
STORY THROUGH CHARTS

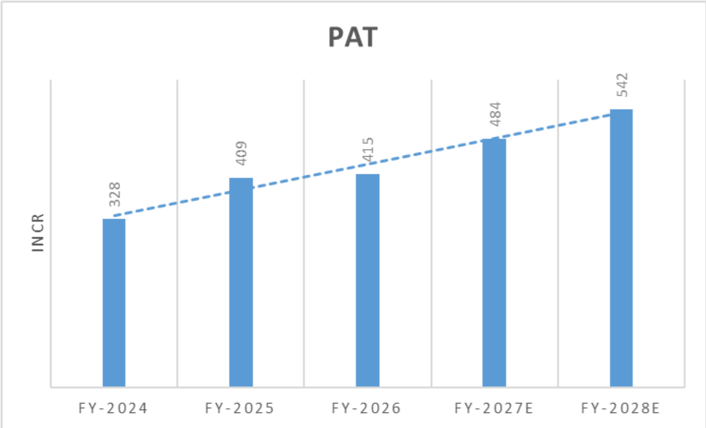


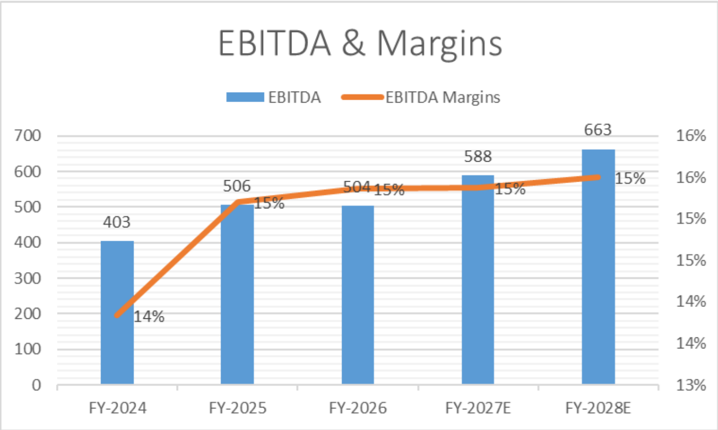












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