Action Construction Equipment Ltd. (ACE)

KATO JV & Defence Order Book to Drive FY27E Performance

BUY | **Target: Rs 1,220**

ACE Ltd delivered its best-ever quarterly revenue in Q4FY26. Consolidated revenue grew 7.1% YoY and 20.5% QoQ to Rs 10,295 Mn. EBITDA margin stood at 16.8% (down 4bps YoY), with PAT margin at 10.8%. For FY26 full year, total income was Rs 33,905 Mn (flattish YoY), EBITDA margin expanded 100bps to 14.9%, and PAT grew 1.4% YoY to Rs 4,151 Mn. We retain our **BUY** rating with a target price of Rs 1,220, valuing the company at 25.0x its FY28E EPS.

Demand Recovery and Segment Performance

FY26 was a year of normalisation for the industry following exceptionally strong FY25 (which benefited from pre-buying ahead of emission norm transition). The Crane, Metal Handling & Construction Equipment division posted income of Rs 29,477 Mn at an EBITDA margin of 18.6% with profit of Rs 5,480 Mn. The Agri division grew 10.6% YoY to Rs 2,510 Mn at a 1% margin. Demand momentum returned in Q4FY26, reinforcing confidence in the medium-term outlook.

Margin Dynamics and Input Cost Pressure

Steel (65% of total cost) has risen 20-22% since January 2026. The company has implemented a 1-1.5% price hike in January, 4% in May, and plans an additional 5% from June 1, totalling 9-10%, with an eventual target of 11-14%. The company aims to sustain EBITDA margins (ex-other income) in the 15-16% range through calibrated pricing.

Strategic Developments — KATO JV and Defence

ACE finalised a 50/50 JV with KATO WORKS (Japan), targeting truck, crawler, and rough terrain cranes. The JV is expected to generate Rs 3,000 Mn + revenue in 3-4 years (potentially Rs 7,000-8,000 Mn with anti-dumping duties). The defence order book stands at Rs 5,750 Mn , with revenue contribution expected to rise from 3% in FY26 to 5-6% (Rs 2,000-2,200Mn) in FY27E. New Capex of Rs 2,000 Mn planned for FY27E (land, defence plant, maintenance), with a large autonomous tower crane factory (Rs 4,000Mn + Capex) planned, subject to market momentum.

Valuation & Outlook

The company has refrained from providing FY27E annual revenue guidance due to geopolitical uncertainties, but expects a steady start, with Q1 demand strong. The long-term revenue target of Rs 60,000-62,000 Mn by FY29-30E remains on track, supported by the KATO JV, growing defense and export contributions (11-13% combined in FY27E), and expansion of the construction equipment segment. We expect its revenue/EBITDA/PAT to grow at a CAGR of 12.5%/20.0%/18.9% from FY26 to FY28E.

We retain our rating to **BUY** with a target price of Rs 1,220, valuing the company at 25.0x of its FY28E EPS.

YE March (Rs Mn)	FY24	FY25	FY26	FY27E	FY28E
Net Revenues	**29,138**	**33,271**	**32,804**	**35,233**	**41,503**
EBITDA	4,033	5,058	5,040	5,534	7,254
EBITDA Margin (%)	13.8	15.2	15.4	15.7	17.5
Profit Before Tax	**4,339**	**5,491**	**5,481**	**6,116**	**7,843**
PAT	**3,282**	**4,092**	**4,151**	**4,575**	**5,866**
PAT Margins (%)	11.3	12.3	12.7	13.0	14.1

Source: Company, ACMIIL research

Key Data	
Bloomberg code:	ACCE
Target price (Rs):	1,220
CMP (Rs):	880
Upside/ (Downside) (%):	**38.6**
Rating:	**BUY**
Shares outstanding (Mn):	119
Mcap (Rs Mn):	1,04,720
52-week H/L (Rs):	1,277/745

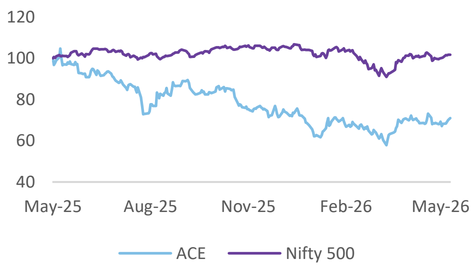
Price Performance (%)	
1 month	(2.1)
6 months	(11.2)
12 months	(31.0)

Shareholding Pattern (%)

	Sep'25	Dec'25	Mar'26
Promoter	65.4	65.4	65.5
FIIs	10.4	10.4	9.6
DIIs	1.8	1.8	1.8
Public	18.2	18.6	19.0
Other	4.2	3.8	4.1

Source: BSE

Price performance: ACE vs Nifty 500



Source: NSE

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Revenue grew 7.1% YoY and 20.5% QoQ to Rs 10,295 Mn in Q4FY26.

EBITDA Margin at 16.8%, contracted 4bps YOY.

PAT declined 6.5% YoY to Rs 1,109 Mn ; PAT Margin at 10.8% in Q4FY26.

Quarterly Update

Y/E March (Rs Mn)	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	ACMIIL Est.	Var (%)
Net Sales	10,295	9,610	7.1	8,546	20.5	12,266	(16.1)
Gross Profit	3,188	3,117	2.3	2,816	13.2	4,172	(23.6)
Gross Profit (%)	31.0	32.4	-147bps	33.0	-199bps	35	-394bps
EBITDA	1,724	1,637	5.3	1,297	32.9	2,120	(18.7)
EBITDA (%)	16.8	16.9	-4bps	14.6	227bps	17.3	-43bps
Depreciation	95	73	30.3	89	6.6	78	21.5
Finance Cost	34	39	(13.7)	47	(28.3)	83	(59.8)
PBT	1,534	1,609	(4.6)	1,519	1.0	1,958	(21.6)
Tax	425	423	0.4	355	19.8	497	(14.4)
PAT	1,109	1,186	(6.5)	1,164	(4.7)	1,462	(24.1)
PAT (%)	10.8	12.3	-156bps	13.6	-285bps	12	-114bps

Source: Company, ACMIIL research

Segment-wise Volume Update

Y/E March (No. Units)	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)
Crane + Construction	3,458	4,007	(13.7)	2,710	27.6
Agricultural Equipment	753	563	33.7	902	(16.5)
Total	4,211	4,570	(7.9)	3,612	16.6

Source: Company, ACMIIL research

Overview

ACE Ltd Q4FY26 revenue stood at Rs 10,295 Mn, up 7.1% YoY and 20.5% QoQ. EBITDA came in at Rs 1,724 Mn with margins at 16.8%, contracting 4 bps YoY. PAT was Rs 1,109 Mn (margin: 10.8%). For FY26, revenue was broadly flat at Rs 33,905 Mn; EBITDA margin expanded 81bps YoY to 18.3%, and PAT grew 5.4% YoY to Rs 4,250 Mn.

Segmental Performance

The Crane, Material Handling, and Construction Equipment segment remained the dominant segment. For FY26, segment revenue stood at Rs 29,460 Mn with an expanded margin profile of 18.6%, reflecting the company's market leadership in mobile cranes. The segment benefited from demand recovery in Q4FY26, with volumes rising 27.6% QoQ to 3,458 units. The Agricultural Equipment segment generated FY26 revenue of Rs 2,510 Mn (+9% YoY) with margins at ~1%, impacted by provisioning. The company is developing a JCB backhoe solution and expects long-term Agri margin recovery to 12–15%.

Strategic Priorities and Outlook

ACE finalised a 50/50 JV with KATO WORKS (Japan) for truck, crawler, and rough terrain cranes, targeting Rs 3,000Mn + revenue in 3–4 years (potentially Rs 7,000–8,000Mn with anti-dumping duties). Defense order book stands at Rs 5,750 Mn; contribution is projected to rise from 3% to 5–6% of revenue in FY27E. FY27E Capex is guided at ~Rs 2,000 Mn (incl. land, defense plant, maintenance) with a new automated tower crane factory (Rs 4,000 Mn +) under planning. The company targets sustained EBITDA margins of 15–16% (ex. other income) amid steel cost headwinds (+20–22% since Jan 2026), with calibrated price increases of ~9–10% already implemented and a further 5% from June 2026.

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Con-Call Key Take Away

Demand Environment and Q1FY27 Outlook

Demand conditions were stable across most of Q4FY26, except March, which was disrupted by the West Asia crisis, leading to supply disruptions, crude price spikes, and rupee depreciation. Despite this, the company delivered its best-ever quarterly revenue. Q1FY27 has started on a strong note with tower crane order books fully booked. A seasonal slowdown is expected during the monsoon, but overall business sentiment remains positive.

Steel costs up 20-22% since Jan 2026; price hikes of 9-10% implemented, targeting 11-14% total.

Input Cost Pressure and Pricing Strategy

Steel (~65% of total cost) has risen 20-22% since January 2026. Broader input costs, including rubber, copper, oils, and paints, have also increased. The company has already raised prices by 1-1.5% in January and 4% in May, with an additional 5% hike planned from June 1, totalling 9-10% (eventual target 11-14%). Competitors, including Chinese assemblers now indigenising components in India, have also increased prices by 8-10%, improving ACE's relative competitiveness. The company targets EBITDA margins (ex-other income) in the 15-16% range.

KATO JV (50/50) targets Rs 3,000Mn + revenue in 3-4 years; Rs 7,000-8,000Mn potential with anti-dumping duties.

KATO JV - Strategic Pivot into Heavy Cranes

ACE has finalised a 50/50 joint venture with KATO WORKS (Japan), a globally recognised leader in heavy crane technology. The JV will focus on truck cranes, crawler cranes, and rough terrain cranes. It will upgrade existing ACE machines with Japanese technology, develop larger crane models, and create specific export models for global distribution by KATO. Revenue potential is Rs 3,000 Mn + in 3-4 years, with potential to reach Rs 7,000-8,000 Mn if anti-dumping duties are implemented. ACE will also export material components to KATO Japan as an additional revenue stream.

Defence revenue to grow from 3% (FY26) to 5-6% (FY27); order book at Rs 5,750Mn .

Defence and Exports - Rising Contribution

The defence order book stands at Rs 5,750 Mn, with execution of rough terrain forklifts (telehandlers) commencing in Q1FY27. Defence revenue is expected to rise from ~3% in FY26 to 5-6% (~Rs 2,000-2,200 Mn) in FY27E. Exports (~7% of revenue, focused on the Middle East, Africa, and South America) face near-term disruption due to the West Asia conflict. The combined defence + export contribution target is 11-13% in FY27E and 15%+ long-term.

Guidance and Long-Term Targets

The company declined to give explicit FY27E annual guidance due to geopolitical uncertainties but expressed confidence in a steady start. Tower crane volumes are expected to exceed the 680-690 units sold in FY26. The long-term revenue target of Rs 60,000-62,000 Mn by FY29-30E remains on track. FY27E Capex is guided at ~Rs 2,000 Mn (land Rs 1,300-1,350 Mn, defence plant Rs 400-500 Mn, maintenance Rs 200-250 Mn). A large autonomous robotic tower crane factory (Rs 4,000 Mn + Capex) is planned, subject to market momentum.

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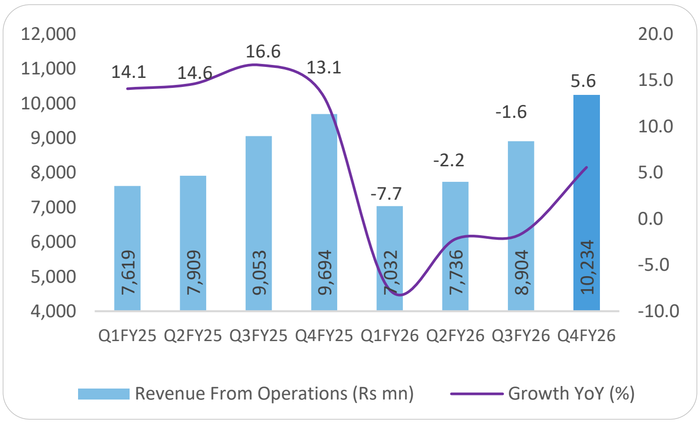
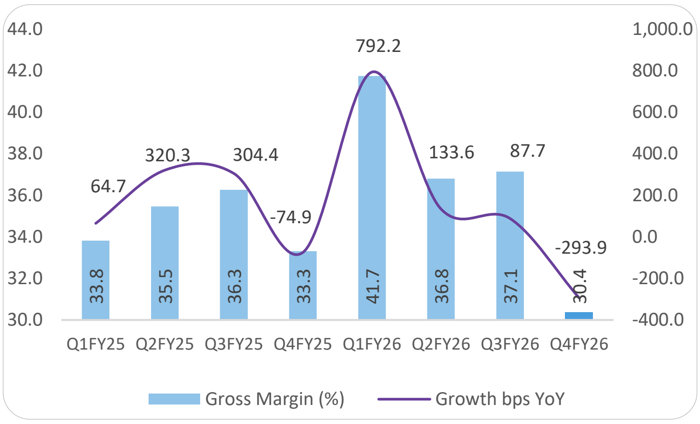
Exhibit 1 : Revenue from Operations increased by 5.6% YoY



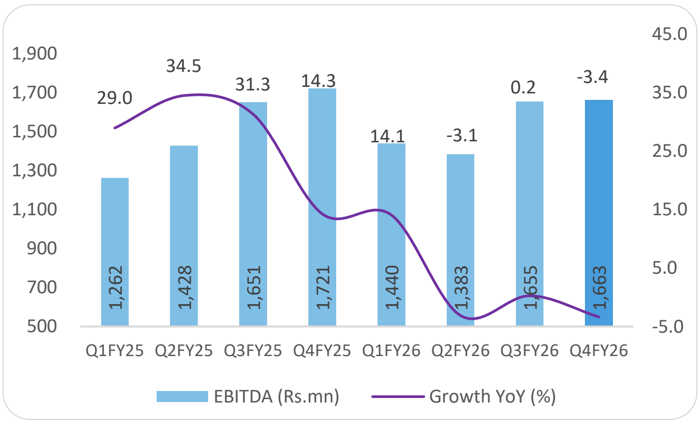
Source: Company, ACMIIL Research

Exhibit 2: Gross Margin contracted by 293.9 bps YoY



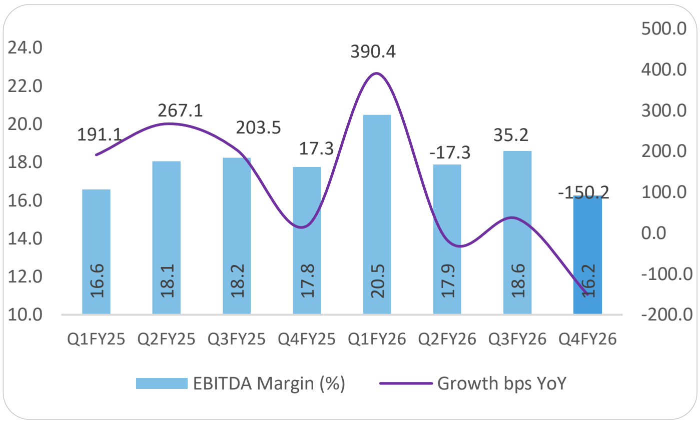
Source: Company, ACMIIL Research

Exhibit 3: EBITDA decreased by 3.4% YoY



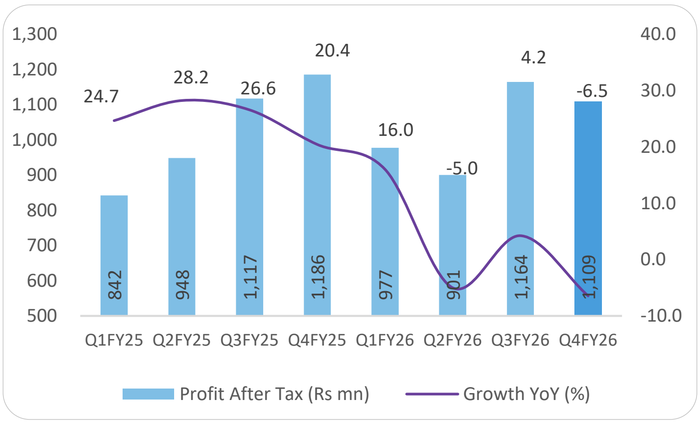
Source: Company, ACMIIL Research

Exhibit 4: EBITDA Margin contracted by 150.2 bps YoY



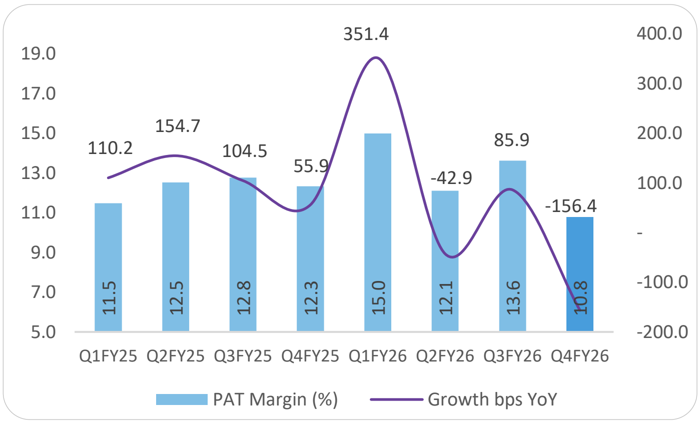
Source: Company, ACMIIL Research

Exhibit 5: Profit After Tax declined by 6.5% YoY



Source: Company, ACMIIL Research

Exhibit 6: PAT Margin contracted by 156.4 bps



Source: Company, ACMIIL Research

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We retain our rating to **BUY** with a target price of Rs. 1,220, valuing the company at 25.0x of its FY28E EPS.

Valuation and Outlook:

The company has refrained from providing FY27E annual revenue guidance due to geopolitical uncertainties, but expects a steady start, with Q1 demand strong. The long-term revenue target of Rs 60,000-62,000 Mn by FY29-30E remains on track, supported by the KATO JV, growing defense and export contributions (11-13% combined in FY27E), and expansion of the construction equipment segment. We expect its revenue/EBITDA/PAT to grow at a CAGR of 12.5%/20.0%/18.9% from FY26 to FY28E.

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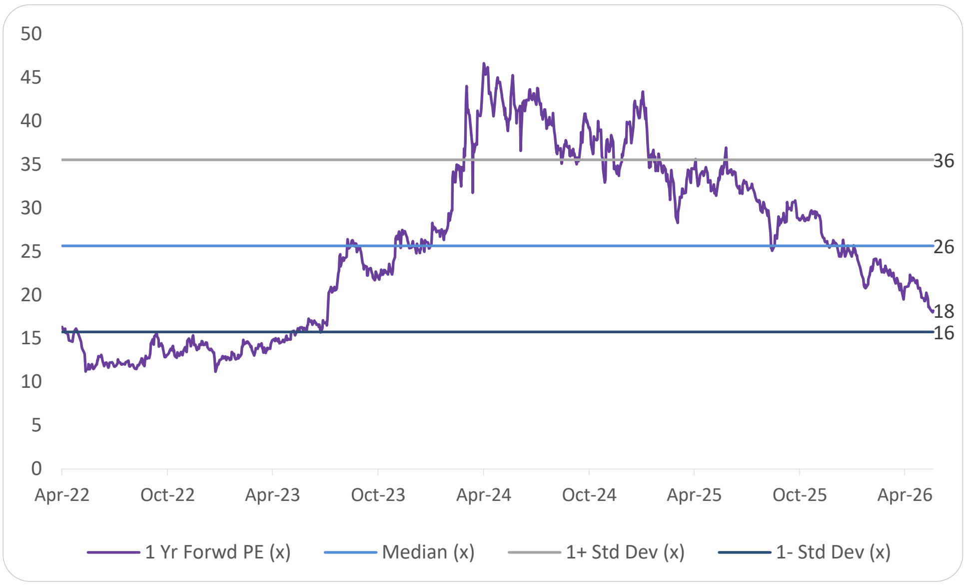
Exhibit 7: 1 Yr forward PE Band (x)



Source: Company, ACMIIL Research

Action Construction Equipment Ltd (ACE)

Financial (Consolidated)

Income Statement

YE March (Rs Mn)	FY24	FY25	FY26	FY27E	FY28E
Net Sales	**29,909**	**34,274**	**33,905**	**36,626**	**43,133**
RM cost	20,228	22,734	22,145	23,900	28,116
Gross Profit	9,681	11,539	11,760	12,726	15,016
Employee cost	1,207	1,385	1,600	1,717	2,061
Other expenses	3,671	4,094	4,020	4,295	5,087
Total Operating Expenses	4,877	5,479	5,620	6,012	7,148
EBITDA	**4,804**	**6,061**	**6,140**	**6,715**	**7,869**
EBITDA margin (%)	16.1	17.7	18.1	18.3	18.2
Depreciation	232	283	352	447	592
EBIT	4,571	5,778	5,788	6,268	7,276
Interest expense	232	287	307	364	449
PBT	4,339	5,491	5,481	5,903	6,828
Tax	1,057	1,399	1,416	1,488	1,721
Rep. PAT	**3,282**	**4,092**	**4,065**	**4,415**	**5,106**
Rep. PAT Margin (%)	11.0	11.9	12.0	12.1	11.8

Source: Company, ACMIIL Research

Cash Flow Statement

YE March (Rs Mn)	FY24	FY25	FY26	FY27E	FY28E
Cash Flow from Operation	4,334	4,120	4,173	3,742	5,822
Cash Flow from Investing Activity	(368)	(3,827)	(3,499)	(3,379)	(4,119)
Cash Flow from Financing Activity	(387)	(290)	(519)	(602)	(687)

Source: Company, ACMIIL Research

Ratios

YE March	FY24	FY25	FY26	FY27E	FY28E
EPS (Rs)	27.6	34.4	34.9	37.1	42.9
BVPS (Rs)	103	136	169	205	253
Valuations (x)					
P/E	51.7	36.6	26.6	25.0	21.7
P/BV	13.8	9.3	5.6	4.6	3.7
EV/Sales	5.8	4.5	3.4	3.1	2.6
EV/EBITDA	35.2	24.6	17.9	16.4	13.9
Return Ratio (%)					
RoCE	42.9	40.6	31.6	27.8	26.3
RoE	30.8	28.7	22.9	19.8	18.7
Gearing Ratio (x)					
Net Debt/Equity	0.0	0.0	0.0	0.0	0.0

Source: Company, ACMIIL Research

Balance Sheet

YE March (Rs Mn)	FY24	FY25	FY26	FY27E	FY28E
Equity Share Capital	238	238	238	238	238
Reserves & Surplus	12,060	15,909	19,872	24,209	29,836
Equity	**12,298**	**16,147**	**20,110**	**24,447**	**30,075**
Non-Controlling Interest	17	17	1	1	1
Equity And Liabilities	**12,315**	**16,164**	**20,111**	**24,448**	**30,076**
Other Financial Liabilities	2	13	0	76	79
Provision	32	38	58	45	48
Deferred Tax Liabilities (Net)	97	78	102	184	186
Non Current Liabilities	**131**	**129**	**160**	**305**	**313**
Borrowings	39	148	1	1	1
Trade Payables	6,879	8,086	9,165	8,757	10,135
Other Financial Liabilities	418	322	386	438	508
Other Current Liabilities	1,840	2,091	2,626	3,101	3,877
Current Tax Liability	70	169	2	2	2
Total Current Liabilities	**9,246**	**10,815**	**12,180**	**12,299**	**14,522**
Equity & Liabilities	**21,692**	**27,109**	**32,451**	**37,052**	**44,911**
Net PPE	5,595	6,967	7,326	8,830	10,629
CWIP	436	277	485	441	425
Investment Properties	164	150	146	125	117
Intangible Asset	31	35	37	25	23
Right Of Use Assets	5	16	308	308	308
Financial Assets	2,355	5,523	7,263	8,348	9,429
Other Non-Current Assets	377	915	709	814	959
Total Non-Current Assets	**8,964**	**13,883**	**16,274**	**18,891**	**21,891**
Inventories	5,534	5,151	6,054	6,535	8,001
Financial Assets	6,545	7,083	9,357	10,826	14,177
Other Current Assets	648	992	832	865	909
Total Current Assets	**12,728**	**13,226**	**16,243**	**18,227**	**23,087**
Total Assets	**21,692**	**27,109**	**32,517**	**37,118**	**44,977**

Source: Company, ACMIIL Research

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Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
ACCUMULATE	5% to 15%
HOLD	-5% to +5%
REDUCE	-15% to -5%
SELL	<-15%

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