



“Action Construction Equipment Limited
Q4 FY’25 Earnings Conference Call”
May 27, 2025



MANAGEMENT: **MR. SORAB AGARWAL – EXECUTIVE DIRECTOR –
ACTION CONSTRUCTION EQUIPMENT LIMITED
MR. RAJAN LUTHRA – CHIEF FINANCIAL OFFICER –
ACTION CONSTRUCTION EQUIPMENT LIMITED
MR. VYOM AGARWAL –PRESIDENT –ACTION
CONSTRUCTION EQUIPMENT LIMITED**

MODERATOR: **MR. SANTOSH YELLAPU – ANAND RATHI SHARE AND
STOCK BROKERS LIMITED**



Moderator:

Ladies and gentlemen, good day, and welcome to the Action Construction Equipment Limited. Q4 FY '25 Earnings Conference Call hosted by Anand Rathi Share and Stock Brokers Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Santosh Yellapu from Anand Rathi Share and Stock Brokers Limited. Thank you, and over to you, sir.

Santosh Yellapu:

Good afternoon, everyone, on behalf of Anand Rathi Institutional Equities, we are pleased to invite you to Q4 FY '25 Earnings Conference Call of Action Construction Equipment Limited. I would like to welcome the management and thank them for the opportunity. We have with us today, Mr. Sorab Agarwal, Executive Director; Rajan Luthra, CFO; and Vyom Agarwal, the President from Action Construction Equipment Management.

I shall now hand over the conference over to Mr. Sorab Agarwal, Executive Director of Action Construction Equipment. Thank you. And over to you, sir.

Sorab Agarwal:

Yes. Good afternoon, and welcome everyone to this earnings conference call for the fourth quarter and year ended March 2025. Along with me in today's earnings con call, we have our CFO, Mr. Rajan Luthra; and our Head of Investor Relation, Mr. Vyom Agarwal. I hope you've had an opportunity to look at the company's financial statements and the earnings presentation, which have been circulated and uploaded on the stock exchanges.

Last year, FY '25 has been another year of strong and resilient performance by our company. And we have been able to yet again deliver our best ever quarter with better quality and consistency in earnings, while maintaining a strong balance sheet position. Let me take you through to some of the highlights of the system.

To begin with, it gives me immense pleasure to report that on a stand-alone basis, we have achieved a total income of INR3,420 crores in this fiscal and recorded our highest ever yearly sales and profits in the year gone by. Our growth of 14.47% is ahead of the industry in our core sectors.

Our EBITDA margin for the year expanded by 148 basis points to 17.52% from 16.04% last year, and PBT expanded by 138 basis points to 15.88% and that increased by 83% to 11.8%. In absolute terms, EBITDA grew by 25% to INR599 crores as against INR479 crores in the preceding years. We were able to increase our PBT by 25% from INR433 crores in FY '24 to INR543 crores in FY '25.

Similarly, our PAT also increased from INR328 crores to INR404 crores, thereby registering a growth upwards of 23% in the last financial year. To brief you on the financial performance of the fourth quarter of the last financial year on a stand-alone basis. Total income stood at INR[167.55 03:37] crores for the quarter, which is up 7.16% sequentially and grew by 12.98% on a year-on-year basis.

The EBITDA for the quarter stood at INR171.26 crores whereas the PBT and PAT stood at around INR160 and another INR118 crores, respectively. Our company was able to sustain expanded margin profile and the EBITDA margin stood at 17.7%. The PBT and PAT margins also expanded to 16.59% and 12.24%, respectively.

The strong margin profile was led by better realization, favorable product mix along with efficient cost control measures. We continue to be long-term debt free with sufficient availability of liquidity for future growth. The Board of Directors has recommended a final dividend of 100%, that is INR2 per share for the year ended 31st March 2025.

Now moving on to the segmental business performance. We have strengthened our role as a market leader in crane industry. And with our consistent efforts on a stand-alone basis, we have scaled our cranes, metal handling and construction loom business to over INR3,090 crores in the fiscal, gone by.

And this segment has registered a growth of 15.5%. The growth was both it's value and volume terms. Our numbers for crane metal handling and construction equipment have increased by 14.75% from INR11,643 crores in FY '24 to INR13,360 in FY '25.

In this segment, we have been able to grow our profits by 25.36% to INR564 crores with a margin expansion of 18.26% versus 15.58% for the first year. The Agri division registered revenue of around INR230 crores with margins at 3.73%.

Further in the quarter gone by, we were awarded our company's single largest order till date to deliver 1,121 rough terrain forklifts, Telehandlers with attachments and the company necessities at a total value of INR420 crores to Indian armed forces. The Fed order marks the pivotal step towards modernizing India defense infrastructure and empowering indigenous manufacturing.

Our relentless innovation and commitment towards developing new products empower us to deliver such specialized equipment under the government Atmanirbhar and Make in India initiatives. We are confident that going forward, supplies to the defense will contribute to around 5% of our revenue in the medium to long term. Our strategic position in the core sectors of infrastructure, construction, manufacturing, logistics and agri will provide necessary impetus to our growth trajectory.

It is crucial for us to highlight that our organization's revenue is obviously supported by all the core sectors. Manufacturing and logistics contribute approximately 45% to our revenue, while agriculture accounts for 7% to 8%. Real estate makes up around 12% to 13%, and construction and infrastructure sectors, the remaining 35%.

The balanced revenue distribution is an outcome of our strategic efforts over the last 5, 6 years to hear the company towards countercyclical domains. In the past year, we have successfully completed our capital expenditure as planned expanding our capacities.

Our crane capacity now stands at 13,200 units, while the metal handling and construction equipment capacities are at 2,700 units and 1,800 units, respectively. Our blended capacity utilized for cranes, metal handling and construction equipment stands at around 70%.

Going forward, we plan to further enhance our operational capabilities with modernization and automation, aiming to boost our capabilities and market competitiveness. In line with our focus on product improvements, we have successfully upgraded our products to meet the revised CV5 Emission norms. And the new safety norms as per AIS 160 Phase II, which has come into effect.

This transition is not only about compliance, but also about elevating the overall performance and eco-friendly of our products with focus on safety and operator comfort as well. On the macro front, India continues to stand out as the fastest-growing major economy. Despite prevailing global uncertainties, our GDP is expected to grow at a steady pace of around 6.5%.

This momentum is backed by strong macroeconomic fundamentals, including easing inflation and a supportive stance by the Reserve Bank of India on interest rates. Resilience in domestic consumption, coupled with government's sustained focus on capital expenditure continues to drive India's economic trajectory.

However, external risks remain, such as rising trade barriers, disrupted global supply chain and an ongoing geopolitical and ongoing geopolitical tensions. To sustain growth amid these challenges, India was capitalized on its internal stress and remained agile and adapting to evolving global landscape.

With India now standing as the world's fourth largest economy, we are confident of our nation's potential to evolve into a global sourcing hub for goods as well as services. As we move into FY '26, we anticipate a subdued start to the year due to geopolitical issues, tariff-related conflicts and especially implementation of CEV 5, that is BS V emission norms with price implications for customers.

Nevertheless, we remain cautiously optimistic. For the full fiscal year, we are targeting top line growth of approximately 14% to 15%, while maintaining a stable margin profile. We will revisit and refine these projections by end of second quarter, depending on how effectively the industry navigates the aforementioned challenges. Looking beyond the near term, we are confident of our company's medium- to long-term growth prospects.

We are steadfast in executing our strategic road map, focusing on cost efficiency disciplined capital allocation and strategic pricing initiatives. To enhance both competitiveness and profitability. Our core strategies are well defined and robust, enabling sustained growth across all segments ultimately creating long-term value for our investors and stakeholders.

With this, I would like to open the call for questions and after session. Thank you.

Moderator:

Thank you very much. The first question is from the line of Garvit Goyal from Nvest Analytics Advisory. Please go ahead.

Garvit Goyal:

Sir, congrats on good set of numbers. My question is on guidance part only. As compared to Q3 con call, when the doubling guidance was reaffirmed. Can the management clarify this inconsistency in guidance and what has changed now that our growth guidance literally got half than what we were aspiring to do in FY '23.

I agree you have mentioned 3, 4 reasons already, but my point is simple. It is very much evident that most of these reasons was already there, when we interacted last time. Despite that, you had shown a decent confidence of doubling FY '23, when in FY'26. So please let us know, what went wrong in these 2 to 3 months that suddenly, that confidence is vanished now?

Sorab Agarwal:

Confidence has definitely not vanished. And like I did mention in my speech or address that being cautiously optimistic. We were very hopeful that between FY '23, FY '26, we will double larger. But I think it appears that we might just fall a little short. It is the truth. So there's no denying the truth. But yes, definitely, if we look at FY '22 to FY '25, we have doubled ourselves from INR1,600 crores that we've done in excess of double.

So I'm sure, if not the third year definitely somewhere in between the third and the fourth year we'll be able to do that. And yes, we were projecting about approximately a 20% growth, if I'm not wrong, right, Vyom for the next year.

Vyom Agarwal:

Yes.

Sorab Agarwal:

So we have projected that this year, current FY '26 would be close to about a 20% plus minus. But looking at the scenario and the overall momentum apart from certainly the rains and the monsoons also sitting in a little early -- so I think, it will be prudent to give the right guidance, which is 14% to 15% as of now for the current year.

Garvit Goyal:

Okay, sir. And secondly, you mentioned in your opening remarks like defense is going to be 5% of our revenue in medium term. So is it like we are a bit down in the term of execution time line? Because I remember, I think some time back, we have also quoted that exports plus defense cumulatively going to be 15% of our revenues, right? So can you put some color on that, what is the net pipeline by when we are targeting? And what is the percentage we are targeting here?

Sorab Agarwal:

Hopefully, defense alone within this year should be close to 4% or a little over 4% for us in FY '26. And definitely, in FY '27, it will be 5% or beyond because this particular order that we have got about INR420 crores. So execution will start sometime in September or October. So there are a lot of formalities and trainings and things that have to be done before that.

So exhibition cannot start before that. So we'll be executing maybe close to INR80 crores, INR90 crores plus/minus in this year, and the balance will go into the next year. And we have a 3-year time line there. So like I said, in the current year, about a 4% from defense can be the contribution to our revenue, apart from another 5%, 6% coming from exports. So both put together, contribution from defense and exports in the current year will be 9% to 10%.

And yes, our medium to medium-term target is to take it to between 10% to 15%. So I think we are on track. Yes, we did suffer a little setback in our exports in the year gone by. It has dipped the contribution because 1 or 2 of our main markets suffered on account of their own economic growth. But yes, still in the current year, FY '26, we'll do a 9% to 10% exports and defense together. And hopefully, in the next financial year, we'll be able to take it forward further.

Garvit Goyal:

Got it. And then sir, we mentioned about the DES norms, right? What kind of impact are we witnessing in? Is it going to be a temporary kind of -- or are we seeing it will be continuing for

next, let's say, 2 to 3 quarters, and that is why we are pretty much losing on the revenues in the financial year?

Sorab Agarwal:

We are talking of the emission now, BS III, BS V, right? So I think it is a temporary phenomenon because what has happened, some prebuying has happened in quarter 3 and I would say, December and especially in quarter 4. And apart from that, let's say about 60% of our product pricing has increased by about 12% to 13%.

And the balance, 40% has increased by about 5% to 6%. So the balance 40% is not a problem. That price has easily been adopted by the market. But yes, where the price has gone up by 12% to 13%, which is about 60% of our produce. So with our experience of what we saw in -- when the industry moved from BS III to BS IV with respect to engines bigger than 50 horse power in 2021, which is a 2-, 3-month settlement period, out of which I feel that April is gone and we are more or less May is finishing.

So hopefully, the pain should be in this quarter only with respect to the acceptability of the increased pricing because what also happens, you have to understand that about 50% of our customers are rental or hiring companies.

So they also need to renegotiate and work out their rental prices with their end users and customers. So it is a little time consuming and the price increase this time is not 2%, 3%, 4%, but, about a 12% to 13%. Obviously, they need to adjust their rentals by about 12% to 13% with the end users. And that is the effect in all probability that we are seeing.

So hopefully, it is a, I would say, a localized phenomenon within this quarter. And generally, Q1 and Q2 are similar. So -- and as it is, we do about 55% to 60% of our revenue in the second half. We believe that second half could be much faster this time as compared to the first half.

Garvit Goyal:

So are we giving any degrowth in first half? Or it can be a Y-on-Y muted?

Sorab Agarwal:

See, the first half, I don't think so. Q1, maybe a little bit here and there, but I think it is still a little premature to answer that. We have a whole of June pending. So there could be possibly a little degrowth if at all, on a year-on-year basis in Q1.

Rajan Luthra:

But here, Garvit I would just like to add one more thing that the company is focused very strongly on the bottom line. And on year-to-year growth, you can see some margin expansion as well.

Garvit Goyal:

Actually Sorab mentioned in the opening regards margins will be, I think, in the similar range. So you are saying it will be on that upside, right? So what is...

Sorab Agarwal:

If you try and compare year-on-year, then you will see a growth, because when we say that we are going to maintain a stable margin profile we're referring to the last quarter, which is already on a year-on-year.

Garvit Goyal:

Got it. Obviously. I think last one was a bit [inaudible 0:19:15]. Yes, sir, you were saying something?

- Sorab Agarwal:** Yes. Vyom, I was thinking it might be a little premature, would be similar or maybe slightly expanded. That's what we feel because whatever price increase has happened on account of BS V, we have pushed it into the market.
- Garvit Goyal:** Got it. Got it. And sir lastly, on the overall demand outlook, particularly domestic side, we know exports are challenging now. I want to hear from you, are you seeing any kind of slowdown or slowdown in government capex or any delaying the releasing of the payment from the government side that will fix the growth in the government capex. Anything like that you are witnessing, which can temper our growth apart from the export side?
- Sorab Agarwal:** Nothing from the government side with respect to capex plans or especially payments and all. And as a matter of fact, the budgeted estimates are definitely higher than the revised estimates of last year above INR11 lakhs crores with respect to the capex for this year.
- So there, we are not seeing anything. Yes, there has been a slight slowness with respect to the inquiry and order levels, especially in the, let's say, the last 20 days, I would say rather Pahalgam attack, there has been something and especially after this conflict that happened at the border. But I'm sure it will normalize.
- Garvit Goyal:** Understood, sir. All the best for the future. Hope we will be achieving the guidance that we have done next year, already done in the past as well, and we will be keep on doing that. Thank you, sir.
- Moderator:** We take the next question from the line of Vijay Pandey from Nuvama.
- Vijay Pandey:** A couple of questions. First, on the our selling price, our average realization. So our average realization for the Grain Construction Equipment and Material Handling business has gone up by 2% in fourth quarter. I just wanted to check we said that a mission norms created a 5% to 6%, for 5% growth on price increase. So I just want to check, where this delta coming from?
- Sorab Agarwal:** See that would surely be product mix because very few BS V, CEV V machines were sold and delivered in Q4. And the overall impact for BS V will start to come in from this quarter. That rather -- even in April, a lot of deliveries were happening, which were for BS III first half of April, I would say, because the registration of these vehicles is allowed until June end.
- But yes, definitely in the month of May and the month of June, it is purely BS V. So you will see the price realization improving with respect to sales prices, which have increased. And like I said, the prices increased approximately in the range of 5% to 12%. So the blended increase that you can see is about 7% to 8%.
- Vijay Pandey:** Okay. Blended increase will be around 7% to 8%. Secondly, sir, if you can help us think about what is your margin expectation because we did 18% margin in second quarter and third quarter, but it has now slide below 18%. So do you expect it like do we expect 18% level to be maintained? Or is it will be like 18% is the slow level should we consider? Or is it a mid-level or like top level? What should we take 18% for FY '26?

- Sorab Agarwal:** See, in the December quarter, we did about -- 17.76% and in the March quarter, we did 17.7% and in the last year, March quarter, we did 17.53%. So they are all hovering between 17.5% to 17.7%. That has been the range 17.5% to 17.7%.
- And on a whole-year basis, last year, we did 17.5%, 17.52%. So I would say that where we should be able to maintain our margins between 17% and 18%. And yes, it's an extra operating leverage comes in, in the second half of this year. Then we might be able to better it also. But as a guidance, I would say it's between 17% to 18%.
- Vijay Pandey:** Okay. And lastly, so our previous guidance was INR4,400 for FY '26. Should we expect this to be achieved by FY '27, like there shouldn't be any delay beyond that, FY '27, we should be able to achieve them?
- Sorab Agarwal:** I think so in all probability. I see no reason why it should not happen. And I mean I thought we were on track to do it. If not a INR4,400 crores maybe INR4,200 -- INR4,300 crores within FY '26. But unfortunately, things have started looking different. And especially now so with most of the industry is also looking and thinking on the tariffs and plus/minus, whatever, whatever.
- But yes, definitely by FY '27. And in saying that, obviously, we have targeted and had conveyed that we will do it in 3 years, but like you're saying, yes, definitely, it will be exceeded and it will be 4 years, but it should definitely be exceeded in 4 years. I'm sure we will exceed INR4,400 crores.
- Vijay Pandey:** Just help us understand how -- what is our -- like in terms of sales, what is our share in terms of lemon green cranes, hydra cranes and what is our expectation moving forward?
- Sorab Agarwal:** See in Hydra Cranes, our market share is more than 75% -- and the other side, the new generation, our market share currently is 51%. And going forward, in Hydra we have more or less at peak. So it is going to be somewhere there only with the market being a 1% or 2% on the upside only -- but we are very confident that in the new generation craze, our market share will increase.
- And internally, obviously, we've targeted much more to reach it to make it similar to Hydra Cranes. But I'm sure within this year, we should be able to increase at least 3% 4% in the new generation trade, which are lemon green in color now.
- Vijay Pandey:** Okay. And what will be their contribution in the industry-wide for Hydra cranes, how many in India these generally, since a new-gen crane sales in India?
- Sorab Agarwal:** You're talking of overall volumes?
- Vijay Pandey:** Yes. The industry volumes?
- Sorab Agarwal:** Close to about 15,000 units. Both of them put together and out of this, about 30%, 35% will be new generation sales.
- Moderator:** We take the next question from the line of Divy Agrawal, Ficom Family Office.

- Divy Agrawal:** So a few questions. Firstly, could you provide an update on the anti-dumping duty investigation of the Chinese sailing boats, both above and below 100 metric tons? Because in the previous call, you had indicated the process was at an advanced stage. So for the current status compared to the last quarter?
- Sorab Agarwal:** We were very hopeful that we should get a judgment within April. But unfortunately, the final hearing was deferred 2x within April. And now they are obviously, there also plant visit involved in the final investigation. So the plant visit is happening the end of May, and we are hopeful that in the first 10 days, the hearing will come up in the month of June.
- So hopefully, we should have a final order within June or later by July. And I think as per their own internally set targets and guidelines, June should be -- June is also the deadline for the department as well. So hopefully, we should see the judgment on this anti-dumping within June. But then we are definitely the finance ministry takes another 2, 3 months to put it in effect. So probably in quarter 2, it should be put in place.
- Divy Agrawal:** Sure, sir. Secondly, sir, I wanted to know, have you seen any pickup in crane on the recently? Or are the inquiries arising from any particular sector or end market?
- Sorab Agarwal:** See on the contrary, the scenario was a little subdued like I mentioned. So there is really no pickup or improvement in inquiries or orders rather so far in this quarter there has been sluggishness in the inquiries as well as orders.
- Divy Agrawal:** Okay. Also, sir, there seems to be an attraction from the winter-enabled sector. So what are the key constraints preventing us from scaling up in this space? Is it primarily due to our 4% cranes below 100 metric tons?
- Sorab Agarwal:** You're talking of the wind sector?
- Divy Agrawal:** Yes, right. Wind and renewable sector. Yes.
- Sorab Agarwal:** Renewables also includes solar. So a lot of cranes are using solar. For example, in this Gujarat, Khavda where Adani is doing this massive solar thing. Just to give you an example, so a lot of Pick & Carry cranes are used in solar rather it is more of Pick & Carry that is used in solar, first thing.
- With respect to wind, the waves and the heights at which the generators and the members have to be, sections have to be installed are much higher and heavier also. So there you require bigger cranes. Cranes even going up to 200 tons to 300 tons, 400 tons which is not in our range with respect to truck crane especially or alternate cranes.
- So that is the reason we are not operating there, because they are using bigger alternate cranes. Generally and our crawler cranes, which are above 250 tons of 300 tons for such projects, which we don't have in India. Eventually, we will start to do through the joint venture.
- Divy Agrawal:** So, you are planning to do it?
- Sorab Agarwal:** Yes, maybe 1 or 2 years, 3 years down the line.

- Divy Agrawal:** Okay, sir. sir. Lastly, sir, I just wanted to know how do you compare the cranes of your versus company versus the Chinese and German alternatives. Could you highlight any 2, 3 key positives and negatives, differentiating pointers relating to these operators?
- Sorab Agarwal:** See with response to Pick & Carry cranes, German or the Chinese do not make a similar cranes. So it is -- no difference. I mean, there's nothing to say because they practically don't do it. With respect to tower cranes, the cranes that we do or the Germans do or the Chinese do are very similar in terms of technology and in terms of safety and features and, or let's say, the grid quality or the factor of safety.
- And with respect to the crawler cranes and truck cranes that we do, obviously, we do them of smaller tonnages like crawler cranes, we are not doing the really big ones. So -- but what we are doing are very similar in terms of capacities and capabilities as compared to what has made in the developed part of the world or what is made in China.
- Divy Agrawal:** So sir, what sets you apart from them?
- Sorab Agarwal:** We are an Indian manufacturer trying to sell in India, these machines. And obviously, with respect to the European or American our pricing is much better. But unfortunately, the Chinese have been dumping last 5, 6 years, like madness.
- I mean their prices are at least 50% lower than what they should be, I've been looking at their historical prices, the imports into India, if we go back to 2008, '09, '10. So -- and that is why this DGTR investigation is going on for anti-dumping duty. Otherwise, if a prima facie case was not establish the government would have never taken up the, let's say, the particular aspect for anti-dumping or safe-guard duties.
- Divy Agrawal:** Correct. So it's basically in the pricing side in terms of technology building and strengthen also is only related to the pricing that we had differentiated, right?
- Sorab Agarwal:** Yes, mainly it's the pricing. Otherwise, the capabilities and the functioning and all is very similar.
- Moderator:** Next question is from the line of Rahul Ranade from Goldman Sachs Asset Management.
- Rahul Ranade:** I just wanted to understand, so when you're talking about a 14%, 15% kind of a top line growth, and like you also mentioned, that is a 7% to 8% kind of a blended price increase, right? So are we looking at 7%, 8% kind of a volume growth? Would that be a fair understanding?
- Sorab Agarwal:** Yes. That is what is precisely that is going to happen. And we feel and believe that the volume growth could actually be more than this. and would actually be more than this. So that's what maybe in the second quarter, maybe around the first half -- end of first half, we might be in a position to revise the guideline.
- Rahul Ranade:** Okay. Okay. Got it. And to your mind, this kind of a little bit of a falloff in terms of volume growth, how much would you kind of attribute back to in terms of the prebuy that has already

happened versus the current demand environment like you are seeing in that grid, like which would be the bigger factor?

Sorab Agarwal:

I would say that the free bank that has happened is about 10% to 15% of our quarterly sales. It has not propounded to quarter 4 rather than end of quarter 3 and quarter 4 rather than Q1 of this year. And see another thing I would just like to say here is that obviously, it is not only the volume growth or the price growth, there would also be at least some market share growth for us going forward in this year. So that will also help us.

Rahul Ranade:

Understood. Understood. But prebuy, like you said, 15% of quarterly growth. So that isn't a very material factor, right? That would be the right understanding? It's more of a demand-led uncertainty that has kind of holding us back in terms of the volume growth?

Sorab Agarwal:

I think it is demand-led certainty, which we have felt in this quarter. And in this Q1 so far in the last 50 days. But I think, like I said, it also has to do with a little preponing of the sales, which has happened and new orders coming through a little slowly because of the price impact and then it was extended negotiations that are happening, which is actually a mix of -- really cannot pinpoint even we have not been able to understand what is the exact root cause, but it is a combination of prebuying happening. So comparatively a little lesser inquiries, coupled with the current inquiries not immediately converted to order because of a substantial price increase. So it's a mix of both these factors.

Rahul Ranade:

Got it. And -- so I'm new to the company, so probably a reputation from previous call, but in the statutory P&L that I'm looking at, there is a line item in terms of expenses called [inaudible 0:38:38] financial. So what does this pertain to exactly?

Sorab Agarwal:

Somehow viewers are not very clearly audible. And if you could just repeat your question and Luthra, if you can just take that question?

Rajan Luthra:

Can you repeat that question?

Rahul Ranade:

Yes, I was asking about impairment losses on financial assets line item in terms of the P&L in the statutory results. So I just wanted what this pertains to?

Rajan Luthra:

Yes. Actually, this pertains to the accounting standard, which requires for providing for expected credit losses. So we are a very stringent policies regarding making provisions for the, if any, of the receivables become more than 6 months old, so keeping in that into considerations, we have been very, very stringent and providing.

These are only mainly provisions, which will be probably when the money comes back, may come back into the system, again, into the profit and loss account. Out of that only INR5 crores -- INR3.5 crores have been because of one export order of a government for 3 years back, there was a liquidity damage was there. So that way you written off. It is a combination of provision as a return off of one of the L.D Clause, which happened in one of these sales.

Rahul Ranade:

Okay. But lastly then, this is expected to be written back and then probably a new provision gets created when new sales happen. So this will kind of continue to go on?

- Rajan Luthra:** Definitely, if you see compared with last year, the provisions have been going down, so because everything will be provided for.
- Moderator:** We take the next question from the line of Richa from Equitymaster.
- Richa:** My question is related to defense and export businesses. I just wanted to understand what kind of margins do we enjoy in these segments? And how is the working capital requirement different, if at all? Like are there higher receivables and all?
- Sorab Agarwal:** Defense margins are more or less similar in line with our current company margins, maybe slightly on the lower side, but similar, let's say, band. As export margins are definitely slightly better than our company average margins.
- And definitely, the working capital requirement both for exports as well as defense business is slightly more because the payments are in export, generally it's a 60 or 90 day LC generally, but there are obviously cases of advances as before shipment also -- but yes, with respect to defense, depending on the orders and the different departments would be anywhere between a 60-day to a 120-day cycle after supplies are accepted.
- Richa:** Okay. And sir, could you -- could you also share your capex guidance for the current year from what I understand, you already have more than INR5 billion -- INR5,100 crore kind of revenue capacity. So would it be primarily maintenance capex? Or do you have big investment kind of plans for this year?
- Sorab Agarwal:** See, we like you rightly said, we already have INR5,000 crores plus crore, INR5,100 crore, INR5,000 crore plus availability of capacity. That is for various different types of products within the segments and also Agri. In the current year, FY '26, we are going to be doing a capex of somewhere between INR300 crores to INR350 crores.
- Out of this, INR100 crores, we have earmarked for modernization and upgradation of our existing facilities and processes so that we come totally at par with the global manufacturers with respect to our general the process is done and the quality and the consistency.
- And another INR100 crores is whether to be spent within this year has been earmarked for -- we have started setting up a new plant or expanding our capacity in a particular type of a crane. So the total cost is about INR250 crores for that.
- Out of this INR100 crores will be spent in this year approximately a little plus minus. The total cost will be about INR250 crores, a little plus/minus. The balance will be spent in the next year. And apart from that, an additional INR150 crores will be spent in the current year.
- On account of the payment for different lines, which are under the procurement process. In the last year, we capitalized -- took over about INR51 crores worth of lands for our future expansion. And the balance of all the land tranches will be coming to us within this year. There will be a INR150 crore payout for lands which we are acquiring for our future expansion plans because the cost of lands are increasing reasonably fast.

So we thought it prudent and even during the time, when we did the agreement and now -- the prices have increased quite a lot. As a matter of fact, doubled in some cases already in the last 6 months, 1 year. So in the current year it's about INR300 crores, INR350 crores that we will be spending.

Richa: Okay. Sir, my last question is on the JV with the Japanese player -- do you have any updates on that? How is it progressing? Do you expect something to come by third quarter of FY '26 that you're expecting initially? Or are there any kind of revised timeline?

Sorab Agarwal: I think we are very much on target to make it functional by Q3 of this year.

Richa: Could you also talk about -- I understand opportunity you said is around INR1,500 crores, but in the first 2, 3 years, what exactly are we targeting? And is it for export markets or domestic?

Sorab Agarwal: So INR1,500 crores for the joint venture with Kato, right?

Richa: Yes. That was the opportunity size, I think that you mentioned there.

Sorab Agarwal: The opportunity size total is close to about INR1,000 crores -- INR800 crores, INR1,000 crores. I think INR1,500 crores is quoted or whatever you have -- from wherever you have taken. And the immediate opportunity will be INR300 crores to INR400 crores on an annual basis.

Moderator: Take the next question is from the line of Mudit Bhandari from IIFL Capital.

Mudit Bhandari: The 13,200 capacity number that you mentioned, which is currently operational. So there is no undergoing expansion going on, on our existing land or new lands. So only the land we are purchasing we will focus on expanding capacity visits, let's say, beyond FY '27 or beyond that, right?

Sorab Agarwal: But in saying this, like I said, modernization and upgradation activities are happening. So there might be a little construction here and there, but that is not really capex for increasing capacity. That is happening to better and improve our processes and totally modernizing them.

Mudit Bhandari: Got it, sir. Got it. And earlier, I think we mentioned for ADD that we are expecting rough terrain crawler and crane. So are they the same segment in which this final orders are pending? And any expectations of range of amount of duty?

Sorab Agarwal: See rough terrain, I do not know -- it is not on rough terrain -- it is on truck crane and crawler cranes primarily. Truck cranes as well as crawler cranes and very difficult to put a figure to it, but let's say, the calculations, which we have done ourselves. So it should be somewhere in the vicinity of at least about 40%.

Mudit Bhandari: Okay. Got it. And -- but in any way?

Sorab Agarwal: But these are as per our calculations, not as for the department findings, everything will find you depending on the department findings.

- Mudit Bhandari:** Got it. Got it, sir. But in any case, truck crane and crawler cranes does not constitute a very significant part of our overall consolidated revenue, right?
- Sorab Agarwal:** Today. But let's say, the overall size of these 2 types of cranes put together, our addressable size is close to about 800 machines, which translates into INR1,500 crores of INR1,600 crores of revenue. So our current would be -- I do not maybe INR60 crores, INR70 crores, maybe Luthra can correct me.
- And this is the potential that our country has been missing out on because a lot of dumping has been happening from China in the last 7, 8 years. Ever since the market for such type of crane started increasing in India. With the Modi government's focus on infrastructure and bigger projects.
- Countries started using new cranes and the Chinese started dumping at a very low this thing. And this is also the main reason that over the last 5, 6 years, a company like Tata, Hitachi stopped producing crawler cranes, company like Velco stopped producing crawler cranes. This Escorts form the joint venture with Tadano crane, whatever the joint venture never took off because the selling price was prohibitive.
- This is from the letter they sent to everybody that company like TIL went into financial problems because of the Chinese dumping. And there was another company, ABG cranes. They were making crawler cranes they shut down. So practically, the Chinese with their very predatory pricing have totally taken off the Indian bigger crane industry in the last 7, 8 years, 9 years. And now hopefully, with the anti-dumping in place, I'm sure some of them will come back.
- Mudit Bhandari:** Okay. So we have from, let's say, INR13,200 crores, we have capacity to produce truck cranes and crawler cranes given that ADD is implemented any reasonable amount of ADD is implemented and we have let's say a...
- Sorab Agarwal:** We have capacity. In 13,400 we have capacity to produce actually 400 cranes.
- Mudit Bhandari:** Okay. And currently, out of 400, we are utilizing?
- Rajan Luthra:** This year, we have -- the FY '25, we have done a sales of nearly INR70 crores of these.
- Sorab Agarwal:** I think users that would be what about 60 70 units before the value in rupees, but number-wise, we did about 42 in the crawler crane. And 35 in the Truck Mounted cranes 77.
- Mudit Bhandari:** Okay. Okay. Got it, sir. And in on the white labeling, which you're planning or were executing. So is there any impact or whether we have started for some international clients or domestic clients that we were planning to do?
- Sorab Agarwal:** We have started some white label, but it is for comparatively smaller imports in a couple of countries. But yes, we have started that -- and hopefully, everything goes well in the next 3, 4 months, 2 months, I can't really put a listing to it. There's another very big, white labeling opportunity on the admin. So I think it is still 3 months of it. A lot of discussions are going on.
- Mudit Bhandari:** Okay. And it is a crane segment only?

- Sorab Agarwal:** It is a similar segment. Let's say, it falls within our construction with crane, metal handling and construction equipment sector. And we would not like to disclose what type of product it is.
- Moderator:** Next question is from the line of Kamlesh Bagmar from Lotus Asset Managers.
- Kamlesh Bagmar:** So just based on the numbers which you provided, like the cranes which are under the subject to ADD. So how much revenue we did? I know like say 42 crawler cranes and 35 truck-mounted cranes you mentioned about -- how much is the revenue?
- Sorab Agarwal:** INR70 crores, but Luthra. This number of truck cranes you were mentioning, this would also include some lorry loaders. Actual truck it would be 10 or 12 only. So if I'm not wrong, so it will be 42 plus 10, 12, maybe 52 to 53 such cranes, which are under the scope of ADD because we do another type of truck-mounted crane, which is called lorry loader, which is smaller in size and costs only about INR15 lakhs, INR20 lakhs, so it is mounted on a standard commercial truck, so if we exclude that, I think the number should be around 50, 52.
- Kamlesh Bagmar:** Okay. Okay. And sir, like on the revenue side, we have been maintaining like 15-odd percent as a growth. So how are things that are we confident to achieve that particular guidance for this year or next year?
- Sorab Agarwal:** I think doing a 15% should be really possible. And in the past, let's say, last 5 years, we've actually gotten used to doing above 30%. So let's hope those times come back. But yes, doing a 15% with our focus on different product categories and defense and export and now with the Indian market growing. I think that should be doable for most of the sector.
- Kamlesh Bagmar:** Yes. And I do appreciate your candid remarks with regard to the slowdown that you are seeing over the last 15, 20 days or a month, like is it majorly from the government side or the -- like say, the infra or the like say, real estate or other section there also you are seeing this now?
- Sorab Agarwal:** We have not seen, to be very frank, we've not felt anything from the real estate side. We have seen this or even from the infra side to be very frank with you, which is not from the real estate or the infra side, it has more to do with the hiring and the rental segment, which constitutes directly -- indirectly about 50% of our sales approximately.
- So with the increase in pricing, the hiring and the rental segment, just taken a step back and into more negotiations with us also and also with their end users, where they provide these machines on rentals because if the machines are going to become costlier by, let's say, about 12%. And obviously, their rentals also needs to go up. So it is a -- it is happening on both ends. Negotiation with us and negotiation with the users, who take these machines on rentals.
- Moderator:** We take the next question from the line of Garvit Goyal from Nvest Analytics Advisory.
- Garvit Goyal:** I just want to know the update on our e-cranes?
- Sorab Agarwal:** Which cranes?
- Garvit Goyal:** Electric cranes.

- Sorab Agarwal:** Yes. With respect to electric cranes, I mean we have been ready for the last 1.5 years or more. But in Jan, Feb, the Ministry of road transport highways guidelines for MBR also came. But it turned out there was some discrepancy in a couple of clauses which needed correction. So another 2, 3 months was spent on that.
- And now everything is in place. So hopefully, we are expecting over the next 1 month, we will get our approvals for registration of electric cranes, and we would be able to sell them commercial.
- Garvit Goyal:** On the Kato side, you mentioned INR400 crores per annual opportunity, and we are starting it in Q3. So this year, how much revenue are we projecting from that?
- Sorab Agarwal:** I think for this year, the revenue should be to the tune of INR100 crores plus/minus.
- Garvit Goyal:** And it will entirely contribute to the top line sorry, bottom line, right. Because it's a JV.
- Sorab Agarwal:** I'm talking about top line. I'm talking of the top line and because it is a 50-50 JV. So Luthra, if I'm not wrong, we will not be able to consolidate the top line only the bottom line, right?
- Rajan Luthra:** That's right.
- Garvit Goyal:** So from the first year itself, are we expecting it to be a similar kind of margin that we are doing currently?
- Sorab Agarwal:** Yes, I think so.
- Moderator:** We'll take the next question from the line of Rashmika Rao from Rika Enterprises.
- Rashmika Rao:** I have two questions for you. My first question is, some time back, you said that you were bidding for 1,800 telehandlers to be delivered to the Army on that B and the foreign company were the only bidder for this contract. What is the status that bid? And when will we know whether we won the bid or not?
- Sorab Agarwal:** I will answer your first question. this order of 1121 number telehandlers is the Army calls it RTFLT. Rough Terrain Forklift. It's the same tender you are referring to, 1,800 units. We were the lowest bidder, and there was a foreign competitor JCB for this. So there was a provision of splitting of order in 60-40 ratio.
- If the L2 or the second lowest bidder was willing to match the price of the lowest bidder. And that's what JCB did. They match our price. So 40% order, the remaining of approximately 800 units, let let's say 600-plus units has gone to JCB.
- Rashmika Rao:** Okay. My next question is, you have been telling us for a long time, the Agricultural Equipment division will turn around and deliver steady sales growth and profit growth, but it continues to disappoint quarter-after-quarter. When will take equipment is division finally turn around and start delivering sales and profit growth consistently, when will this happen?



- Sorab Agarwal:** See, obviously, they are delivering profits, but obviously not in tune with the company, they are just at 3%, 4% level. And we are working very hard in this direction. We have been doing that, but somehow the results have not been forthcoming. So we are at it as of now. That is the best I can tell you.
- Moderator:** We take the next question from the line of Vijay Pandey from Nuvama.
- Vijay Pandey:** Just wanted to check, sir, on the margin opportunity, what is your margin expectation for the recent order win. And like what is the starting the defense orders? They're starting as well as long term?
- Sorab Agarwal:** That -- are in tune with our country or company margins. So whenever we are bidding and quoting we are keeping in mind the type of margins that we are doing. And that's how we are quoting for it. So -- and we've been able to become L1 so -- and we've been taking this big order. So it is in tune with our company markets.
- Vijay Pandey:** 17% to 18%, that is how we should think about it?
- Sorab Agarwal:** We can't pinpoint a percentage to it. Because it's a big order to be executed, but yes our gross margins are similar in line with the company's gross margins.
- Moderator:** We'll take the next question from the line of Aman Shah an Individual Investor.
- Sorab Agarwal:** Aman, we can't hear you really.
- Moderator:** Mr. Shah, the line is very unclear. Mr. Shah, I'm sorry to interrupt, but your line is breaking a lot. So you may take this question off-line. Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the conference over to Mr. Santosh Yellapu for closing comments.
- Santosh Yellapu:** Thank you, everyone. On behalf of Anand Rathi Institutional Equities, which concludes today's call. We thank you all for your joining us, and you may now disconnect your lines. Thank you.