

CMP: ₹1062

Target: ₹1435 (35%)

Target Period: 6-12 months

BUY

## Growth to pick up in H2FY26...

August 26, 2025

**About the stock:** Action Construction Equipment (ACE), established in 1995, is India's leading Material Handling and Construction Equipment manufacturing company and are market leaders in Mobile Cranes & Tower Cranes segment.

- Cranes, material handling and construction equipment (CMCE) segment contributes ~93% to total revenue while agri equipment (AE) contributes ~7% to total revenue.

**Q1FY26 performance:** ACE's performance in Q1FY26 a mixed set, Revenue declined by 11% YoY (-32% QoQ) to ₹652 crore as the revenue of cranes, construction equipment & material handling segment (93% of total revenue) fell by 12.4% YoY (34% QoQ). Agri equipment revenue (7% of total) stood at ₹46.5 crore (+8.3% YoY, -4% QoQ). EBIDTA margin improved to 14.2% (+80 bps YoY, -280 bps QoQ), mainly led by better product mix. Subsequently, EBIDTA declined by 6% YoY (-43% QoQ) to ₹92 crore. However, other income grew by 85% to ₹51 crore resulting in PAT growth of 16% YoY (-17% QoQ) to ₹97.72 crore. PAT Margins up 285 bps YoY to 14%.

## Investment Rationale:

- H1FY26 marred by emission norms, growth to pick-up in H2FY26:** ACE faced some decline in Q1FY26 on account of rise in prices on adoption of stage 5 emission norms and pre-buying in H2FY25. The market is expected to normalise by Q2FY26 and growth is expected to pick up in H2FY26. Company targets to double revenue by FY27E instead of FY26E (from FY23 level), which implies ~14.5% CAGR (FY25-27E). In terms of exports, company intends to increase its exports share to 15% of revenues in medium term (from ~8% at present). Margins are expected to improve gradually to 15.6% in FY27E, led by operational efficiencies, favourable product mix and positive operating leverage.
- Robust capex scenario augurs well for company's products:** We believe that buoyant capex prospects (public & private) across the manufacturing & infrastructure segments, presents substantial opportunity for the company's products in cranes, construction equipments, material handling etc. Also, India's emergence as one of the best choices in manufacturing capital goods equipments provides a sizable opportunity to company to increase its exports.
- Focus on increasing capacities and improving product portfolio:** ACE is focused on improving its market shares in both domestic and export markets in its key segments like cranes and construction equipments through capacity additions & improving product portfolio (like medium to large cranes, electric cranes, backhoe loaders, telehandlers etc) and exploring JVs and acquisitions.

## Rating and Target Price

- With strong focus on increasing competitive strength through augmenting capacities and improving product ranges, we believe company's operational performance to remain strong in the coming period too
- Valuation at 22.2x P/E on FY27E basis looks attractive given the strong industry tailwinds and healthy visibility on earnings growth in the coming period. We recommend BUY on ACE with a revised target price of ₹1435 per share (based on 30x FY27E EPS)

## Key Financial Summary

Rs. in crore	FY23	FY24	FY25	4 Year CAGR (FY21-FY25)	FY26E	FY27E	2 Year CAGR (FY25-FY27E)
Revenue	2,159.7	2,913.8	3,327.1	28.3	3,798.2	4,358.5	14.5
EBITDA	220.9	403.3	505.8	43.5	583.6	681.6	16.1
EBITDA margin (%)	10.2	13.8	15.2		15.4	15.6	
Net Profit	173.0	328.2	409.2	50.3	482.1	569.5	18.0
EPS (Rs)	14.5	27.6	34.4		40.5	47.8	
P/E (x)	73.1	38.5	30.9		26.2	22.2	
EV/EBITDA (x)	56.1	30.2	24.2		20.4	16.9	
RoCE (%)	30.6	44.2	43.8		39.2	36.4	
RoE (%)	18.8	26.7	25.3		23.2	22.0	



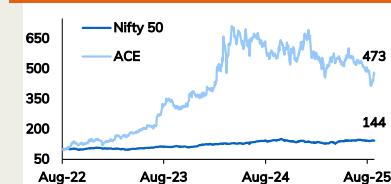
## Market data

Particular	Rs. in crore
Market Cap	12639
Total Debt (FY25)	15
Cash and Inv (FY25)	55
EV	12599
52 week H/L (Rs.)	1599/917
Equity capital	23.82
Face value (Rs.)	2

## Shareholding pattern

	Sep-24	Dec-24	Mar-25	Jun-25
Promoter	65.4	65.4	65.4	65.4
FII	10.5	11.9	11.6	11.4
DII	1.6	1.8	2.0	2.1
Others	22.5	20.9	21.0	21.1

## Price chart



## Key risks

- Slowdown in domestic & global capex
- increase in commodity prices
- Increase in competition

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## Key result and call highlights

- Revenue for Q1FY26 was ₹652 crore, down 11% YoY. As the revenue of Cranes, Material handling and construction equipment (CMCE) business (93% of revenue mix) declined 12% YoY primarily due to drop in volumes by 21% on a YoY basis to 2337 units from 2951 units last year. Whereas Agri Equipment (AE) business grew 8.3% YoY to ₹46 crore (7% revenue mix), volumes for AE grew 19% on a YoY basis to 589 units from 495 units last year.
- The introduction of stage 5 emission norms in Q1FY26 led a price increase of 7-12% across majority of the products, this was anticipated leading to prebuying of equipment in Q3 and Q4 of FY25. The demand for equipment was further crippled by early onset of monsoon, Indo-Pak border tensions and prevailing global uncertainties.
- The company has successfully convinced customers about performance of electronic engines vs mechanical earlier. This will help sustain volumes going ahead.
- Going ahead the company believes that the market has absorbed the price impact and expects market to normalise by end of Q2FY26E
- The price increase across products were structured to maintain gross margins thus leading to 80 bps improvement in overall EBITDA margins for the company to 14.2%. Thus, gross margins of 33-35% are considered sustainable.
- Other income grew 86% YoY to ₹51 crore due surplus cash with the company which led to PAT growth of 16% YoY to ₹97.7 crore. PAT Margins gained 285 bps YoY to 14%.
- Company expects a flat Q2FY26E and has hold off on the earlier guidance of 15% growth in FY26E. The company would guide on annual growth by end of Q2 based on market conditions.
- On the longer-term guidance, the company has pushed FY26E plan to reach revenue of ₹4400 crore to FY27E and the goal of ₹6600 crore revenue (triple of FY23 revenue) to FY29E.

Exhibit 1: Profit and loss statement				₹ crore
(Year-ended-March)	FY24	FY25	FY26E	FY27E
Revenue	2,914	3,327	3,798	4,358
Total Raw Material Costs	2023	2273	2587	2959
Employee Expenses	121	138	159	183
Other expenses	367	409	469	534
<b>Total Operating Expenditure</b>	<b>2,511</b>	<b>2,821</b>	<b>3,215</b>	<b>3,677</b>
EBITDA	403	506	584	682
EBITDA Margins	13.8%	15.2%	15.4%	15.6%
EBITDA Growth %	82.5%	25.4%	15.4%	16.8%
Other Income	77	100	120	144
Interest	23	29	30	30
PBDT	457	577	674	796
Depreciation	23	28	31	37
PBT before Excep item	434	549	643	759
Total Tax	106	140	161	190
PAT before MI	328	409	482	570
<b>PAT</b>	<b>328</b>	<b>409</b>	<b>482</b>	<b>570</b>
% Growth	89.7	24.7	17.8	18.1
EPS	27.6	34.4	40.5	47.8

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement				
(Year-ended-March)	FY24	FY25	FY26E	FY27E
Profit after Tax	328	409	482	570
Add: Depreciation	23	28	31	37
Interest	23	29	30	30
(Inc)/decrease in CA	(142)	(99)	(157)	(155)
(Inc)/decrease in CL and prov	264	148	136	177
<b>CF from Operations</b>	<b>496</b>	<b>514</b>	<b>521</b>	<b>658</b>
(Inc)/decrease in Fixed Assets	(130)	(150)	(178)	(178)
Others	146	417	120	144
<b>CF from Investing</b>	<b>17</b>	<b>268</b>	<b>(57)</b>	<b>(33)</b>
Issue/(Buy back) of Equity	-	-	-	-
Inc/(dec) in loan funds	(2)	11	-	-
Dividend paid & dividend tax	(24)	(24)	(43)	(57)
Others	(425)	(824)	(313)	(546)
<b>CF from Financing</b>	<b>(451)</b>	<b>(837)</b>	<b>(356)</b>	<b>(603)</b>
Net Cash flow	61	(55)	108	22
Opening Cash/Cash Equivalent	49	110	55	163
<b>Closing Cash/ Cash Equivalent</b>	<b>110</b>	<b>55</b>	<b>163</b>	<b>185</b>

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet				₹ crore
(Year-ended-March)	FY24	FY25	FY26E	FY27E
Equity Capital	24	24	24	24
Reserve and Surplus	1206	1591	2054	2567
Total Shareholders funds	1230	1615	2078	2590
Minority Interest	2	2	2	2
Other Non Current Liabilities	13	13	13	13
<b>Total Debt</b>	<b>4</b>	<b>15</b>	<b>15</b>	<b>15</b>
<b>Sources of Funds</b>	<b>1,249</b>	<b>1,644</b>	<b>2,107</b>	<b>2,620</b>
Gross Block	751	917	1095	1272
Acc: Depreciation	192	220	251	288
Net Block	560	697	831	944
Capital WIP	44	28	28	28
<b>Total Fixed Assets</b>	<b>603</b>	<b>724</b>	<b>859</b>	<b>972</b>
Non Current Assets	293	664	664	664
Inventory	553	515	624	716
Debtors	164	265	291	334
Loans and Advances	0	0	0	0
Other Current Assets	75	112	133	153
Cash & Equivalent	110	55	163	185
Investments	370	376	576	976
<b>Total Current Assets</b>	<b>1273</b>	<b>1323</b>	<b>1787</b>	<b>2364</b>
Current Liabilities	921	1067	1203	1380
<b>Net Current Assets</b>	<b>352</b>	<b>256</b>	<b>585</b>	<b>984</b>
<b>Application of Funds</b>	<b>1,249</b>	<b>1,644</b>	<b>2,107</b>	<b>2,620</b>

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios				
(Year-ended-March)	FY24	FY25	FY26E	FY27E
<b>Per Share Data</b>				
EPS	27.6	34.4	40.5	47.8
BV	103.3	135.6	174.5	217.5
Dividend per share	2.0	2.0	3.6	4.8
Dividend payout ratio	7.3	5.8	9.0	10.0
<b>Operating Ratios</b>				
EBITDA Margin	13.8	15.2	15.4	15.6
PAT Margin	11.3	12.3	12.7	13.1
<b>Return Ratios</b>				
RoE	26.7	25.3	23.2	22.0
RoCE	44.2	43.8	39.2	36.4
RoIC	66.8	53.0	53.5	57.4
<b>Valuation Ratios</b>				
EV / EBITDA	30.2	24.2	20.4	16.9
P/E	38.5	30.9	26.2	22.2
EV / Net Sales	4.2	3.7	3.1	2.6
Market Cap / Sales	4.3	3.8	3.3	2.9
Price to Book Value	10.3	7.8	6.1	4.9
<b>Turnover Ratios</b>				
Asset turnover	2.4	2.1	1.9	1.7
Debtors Turnover Ratio	17.7	12.6	13.0	13.0
Creditors Turnover Ratio	4.2	4.1	4.2	4.2
<b>Solvency Ratios</b>				
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	0.9	0.8	0.9	0.9
Quick Ratio	0.3	0.4	0.4	0.4

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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