

Action Construction Equipment Ltd.

Initiating Coverage

Rating: **BUY** (Target Price: Rs 1,235)



ACE

Action Construction Equipment Ltd.

Action Construction Equipment Ltd (ACCE: IN)

Benefitting from Dominant Market Share in Cranes; Higher Exports to Drive Long-Term Revenue Growth

BUY

Target: Rs 1,235

Executive Summary

We initiate coverage on Action Construction Equipment (ACE) with a 'BUY' rating and a target price of Rs 1,235, valuing the company at a 23x of its FY28E EPS. The company is engaged in the manufacturing of cranes, material handling equipment, construction equipment, and agricultural equipment. The company has a strong presence in the Indian crane segment (Pick and Carry Crane), with a market share of 63.0%, which is expected to continue going ahead. The company is focused on expanding its geographic presence through exports over the next 3 years. It also aims to expand its market presence by entering new industries (e.g., Defence).

Monopoly in the Crane Segment:

- The company commands the highest market share in India's crane industry, with ~63% share in the pick-and-carry and tower crane segments. Additionally, it holds a ~80% market share in self-erecting tower cranes. This dominant positioning enables the company to exert strong pricing power and enjoy superior bargaining leverage with suppliers.

Defence Industry to be Driver for Growth:

- Action Construction Equipment has received its single largest order from the Ministry of Defence for 1,121 Rough Terrain Forklifts (Telehandlers), amounting to Rs. 4,200 mn, which will be partially executed in the FY26.
- The company qualified for this contract by proving the capability of its equipment through comprehensive testing. This demonstrates its ability to cater to the new industry, which will drive growth in the near future.

Focus on Export and New Product Launches:

- The company currently derives 7% of its revenue from the export market. It plans to increase it to ~10% by FY28E.
- It is among the first companies to launch India's first fully electric pick-and-carry mobile crane (the ACE F150-ev).
- It has also launched a range of upgraded crawler cranes and Equal Wheel Backhoe Loader 4X4X4 in Q1FY26. These efforts will help the company to increase its financial performance.

Valuation and Outlook

ACE Ltd. has a significant market share of 63.0% in the Indian crane industry. It has received its single largest order from the Defence sector. The company is experiencing healthy demand for its product due to the government's ongoing infrastructure spending. The proposed anti-dumping duty is expected to increase the demand for the company from the heavy crane segment. We expect its Revenue/EBITDA/PAT to grow at a CAGR of 15.3%/17.1%/16.9% over FY25-28E.

We remain positive on the stock from a long-term perspective as its strategies hold strong. We initiate coverage on ACE with a 'BUY' rating and a target price of Rs 1,235, valuing the company at a 23x of its FY28E EPS.

Particulars (Rs Mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	29,909	34,274	39,532	45,731	53,013
RM Cost	20,228	22,734	25,921	30,014	34,701
Gross Profit	9,681	11,539	13,611	15,717	18,312
Gross Profit Margin (%)	33.2	34.7	35.7	35.7	35.9
EBITDA	4,804	6,061	7,000	8,156	9,723
EBITDA Margin (%)	16.1	17.7	17.7	17.8	18.3
Depreciation	232	283	324	391	472
EBIT	4,571	5,778	6,676	7,765	9,252
PAT	3,282	4,092	4,728	5,494	6,531
PAT Margin (%)	11.0	11.9	12.4	12.5	12.8
EPS (Rs)	27.6	34.4	39.7	46.2	54.9
P/E (x)	51.7	36.6	23.2	20.2	16.9

Source: ACMIL Research

Key Data

Bloomberg code:	ACCE: IN
Target price (Rs)	1,235
CMP (Rs) as on 31 st Dec	948
Upside/ (Downside)	30%
Rating:	BUY
Shares outstanding (mn):	119
Mcap (Rs mn):	1,10,180
52-week H/L (Rs):	1,600/909

Price Performance (%)

1 month	(3.3)
6 months	(22.2)
12 months	(37.1)

Shareholding Pattern (%)

	Mar'25	Jun'25	Sep'25
Promoter	65.4	65.4	65.4
FII	11.6	11.4	10.4
DII	2.0	2.1	1.8
Public	17.5	17.6	18.2
Other	3.5	3.5	4.2

Sources: BSE

Price performance: ACE vs Nifty 500



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Action Construction Equipment Ltd (ACCE: IN)

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Action Construction Equipment Ltd (ACCE: IN)

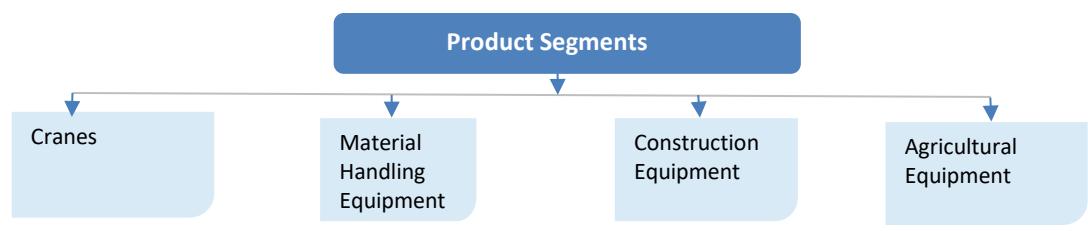
ACE Ltd

Overview of the Company

About the Company

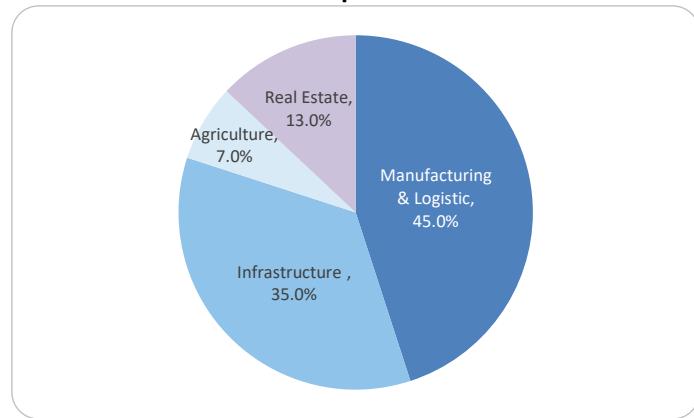
- Action Construction Equipment Ltd was established in 1995, and it is India's leading manufacturer in terms of market share of cranes and construction equipment.
- The company manufactures cranes, material-handling equipment, construction equipment, and agricultural equipment. ACE has strong brand equity and a significant presence across sectors such as construction, infrastructure, manufacturing, logistics, and agriculture.
- The company is India's largest pick & carry crane manufacturer, with a market share of over 63.0% in the pick and carry as well as tower cranes segment. It also has a 19.0% market share in Forklifts. Additionally, it holds a ~80% market share in self-erecting tower cranes.
- In the construction equipment segment, the company manufactures Backhoe Loaders, Vibratory Rollers, Motor Graders, Access Platforms, Telehandlers, etc.
- In the Material Handling equipment segment, the company manufactures Forklifts and Warehousing equipment. In the Agri Equipment Segment, the company manufactures Tractors and Track Harvesters.
- In the Crane segment, the company also offers Crawler Cranes, Truck Mounted Cranes, and Rough Terrain Cranes. These are high-value, low-volume products priced between Rs 10mn and Rs 15mn.
- ACE provides equipment at competitive prices with a Focus on Quality and Reliability.
- Its R&D Centers at Faridabad and Palwal are recognized by the Department of Scientific and Industrial Research (DSIR). The company introduced India's first fully Electric Mobile Crane.
- It is focused on enhancing the product quality, which includes air conditioning in carry cranes and the addition of GPS systems. Attention is being paid to aesthetic values, for example, by improving paint quality, to elevate appearance and user experience.
- ACE intends to increase the contribution of exports in total revenues, which currently stands at 7.0% as of FY25 and is expected to reach ~10% by FY28E.
- The company is tapping into opportunities in the Defence Sector. The company has received its single most significant order from the Ministry of Defence for 1,121 units of Rough Terrain Forklifts (Telehandlers), amounting to Rs 4,200 mn.

Exhibit 1: Action Construction Equipment's Segments



Source: Company Report

Exhibit 2: End-user Sector Exposure as on FY25



Source: Company Report

- Manufacturing and logistics contribute the majority of the exposure for the company. The company manufactures forklifts, warehousing equipment, and cranes for this sector.
- Infrastructure is the second largest sector, which contributes 35.0% of the total exposure. The company manufactures cranes and construction equipment for this sector.

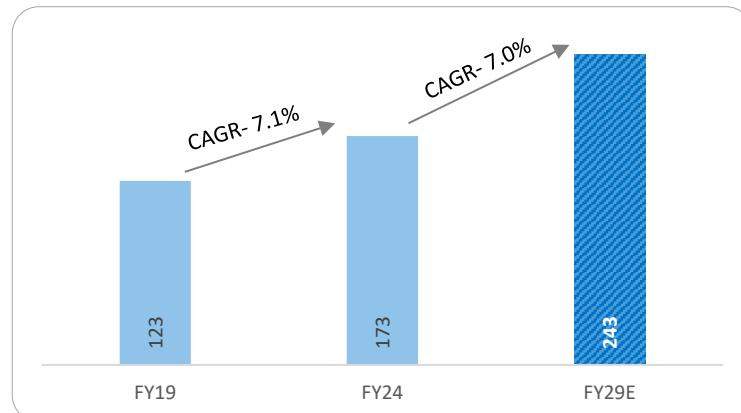
Action Construction Equipment Ltd (ACCE: IN)

Macro Outlook

India's Construction Industry Outlook

- The construction sector comprises two critical components: Infrastructure and Real Estate. Infrastructure development, which includes roads, bridges, railways, and utilities.
- Real Estate construction, which includes residential, commercial, and industrial buildings.

Exhibit 3: Market Size of the Construction Industry in India (USD Bn)



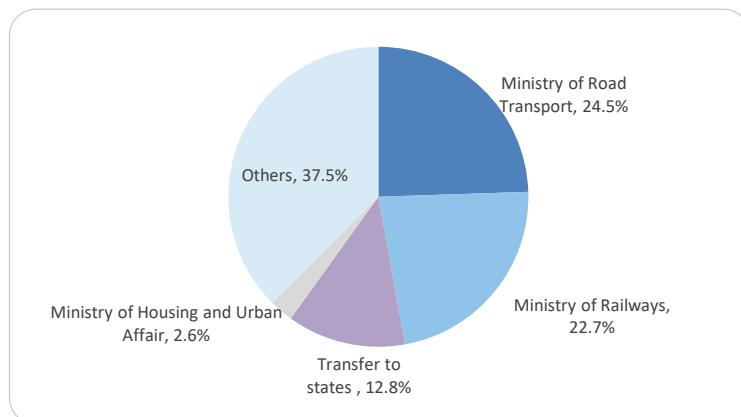
The Indian construction industry is expected to grow at a CAGR of 7.0% from FY24 to FY29E

Source: Ministry of Statistics & Programme Implementation ("MoSPI"), RBI

Infrastructure to play crucial role for India's Vision of Developed Economy by CY47E

- Infrastructure development plays a crucial role in India's growth, fostering efficiency, productivity, and attracting foreign investments.
- According to the Finance Minister, and as revealed by the National Institute of Public Finance and Policy (NIPFP), every Rs 100 invested in capital expenditure yields an increase of Rs 245 in GDP.
- In line with this, the Union Budget for FY25 earmarked Rs 11tn for infrastructure capital expenditure development.
- As of FY24, while infrastructure contributes to ~40.0% of total construction activity, real estate development contributes to ~60.0% of the total construction activity.
- Going forward, infrastructure is projected to grow at a CAGR of ~8.0% between FY24 and FY29E, while real estate is projected to grow at a CAGR of ~6.0% between the same period.
- ACE derives more than half of its revenue from the Infrastructure and real estate sectors. The growth of these sectors will help the company to grow its financial performance.

Exhibit 4: Share of Different Ministries in Total Capital Expenditure of Rs 11Tn



Source: Ministry of Finance (Budget Division)

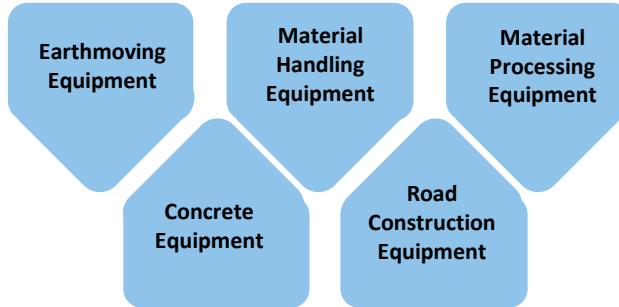
- The Ministry of Road forms a major part of the total capital expenditure with a 24.5% share, followed by the Ministry of Railways, which forms 22.7%. The Ministry of Housing and Urban Affairs has the lowest allocation of 2.6%.
- The company benefits from this allocation as it derives the majority of its revenue from the Infrastructure and logistics sector.

Action Construction Equipment Ltd (ACCE: IN)

Macro Outlook

Overview of the Construction Equipment Sector... (1/3)

Exhibit 5: Segments of the Construction Equipment Sector



Source: ICEMA Report

- The Indian Construction Equipment industry experienced a modest growth of 3.0% YoY in the FY25, with total equipment sales reaching 1,40,191 units, up from 1,35,650 units in FY24.
- This growth was primarily driven by a 10% YoY surge in exports, which totaled 13,230 units, while domestic sales saw a subdued increase of 2.7% YoY, amounting to 1,26,961 units.
- The Earthmoving Equipment segment continued to dominate, accounting for 70.7% of the market with 99,159 units sold, marking a 6% YoY growth. Backhoe loaders led this segment with 53,133 units, followed by crawler excavators at 35,816 units.
- Other segments included Material Handling Equipment with 17,050 units, Concrete Equipment with 14,473 units, Road Construction Equipment at 7,002 units, and Material Processing Equipment at 2,507 units.

Exhibit 6: Segments and their Performance

Segment	Equipment	Sales Volume	Performance
Earthmoving Equipment	Backhoe Loader Crawler Excavators Wheel Loaders	FY24 - 93,531 Units FY25 - 99,159 Units YoY growth - 6.0%	The Earthmoving Equipment segment continued to lead the Indian Construction Equipment industry, contributing 71.0% of total sales. Total sales grew 6.0% YoY to 99,159 units, with domestic sales rising to 89,113 units and exports increasing by 12.0% to 10,046 units.
Road Construction Equipment	Tandem Compactors, Soil Compactors	FY24 - 6,776 Units FY25 - 7,002 Units YoY growth - 3.0%	The Road Construction Equipment (RCE) segment registered a 3.0% YoY growth, with total sales reaching 7,002 units, up from 6,776 units in FY24. Despite an 8.0% decline in domestic sales to 5,745 units, exports rose sharply by 136.0% to 1,257 units, driven by growing global demand.
Material Handling Equipment	Pick & Carry Cranes, Tele Handlers	FY24 - 18,684 Units FY25 - 17,050 Units YoY decline - 9.0%	The Material Handling Equipment (MHE) segment recorded a 9.0% decline in total sales, falling to 17,050 units from 18,684 units in FY24. Domestic sales dropped by 4.0% to 16,098 units, while exports halved to 952 units. Pick and Carry Cranes sub-segment saw a 7.0% drop in total sales; however, exports in this category rose by 14.0%.
Concrete Equipment	Concrete Mixers Concrete Pumps Batching Plants	FY24 - 14,034 Units FY25 - 14,473 Units YoY growth - 3.0%	The Concrete Equipment segment saw a steady 3.0% YoY growth, with total sales reaching 14,473 units, up from 14,034 units in FY24. Domestic sales remained stable at 13,784 units, while exports more than doubled to 689 units.
Material Processing Equipment	Screeners Jaw Crushers Impact Crushers Cone Crushers	FY24 - 2,625 Units FY25 - 2,507 Units YoY decline - 4.0%	The Material Processing Equipment (MPE) segment recorded a 4.0% decline in total sales, from 2,625 units in FY24 to 2,507 units in FY25. Domestic sales dropped by 3.0% to 2,221 units, while exports declined by 16.0% to 286 units.

Source: ICEMA Report

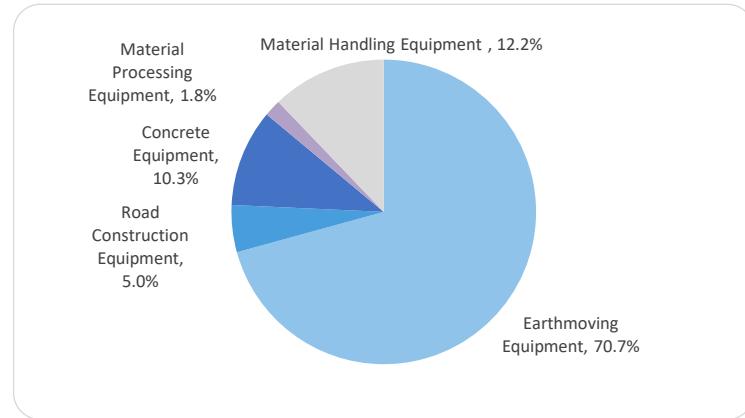
The Material Handling Equipment segment, in which the company has a significant presence, has declined by 9.0% YoY due to a slowdown in government spending on infrastructure..

Action Construction Equipment Ltd (ACCE: IN)

Macro Outlook

Overview of the Construction Equipment Sector ... (2/3)

Exhibit 7: Share of Each Segment in the Construction Equipment Sector as of FY25

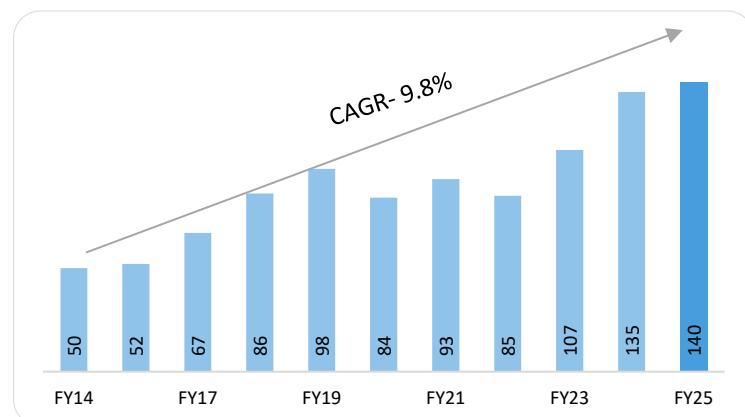


Source: ICEMA Report

The Indian Construction Equipment Sector is dominated by the Earthmoving Equipment segment with a 70.7% market share

- In FY25, earthmoving equipment constituted ~70.7% of total market sales, led by backhoe loaders and crawler excavators.
- Material handling, concrete, road construction, and processing equipment also exhibited healthy growth, supported by ongoing urbanization and logistics development.
- The industry faced challenges due to election-related restrictions on new project launches and delays in ongoing projects, which impacted the overall growth rate.
- Despite these challenges, the Indian CE industry maintained its position as the world's third-largest market in FY25, supported by strong exports, a dominant domestic manufacturing base, and a sustained infrastructure pipeline.(Source: ICEMA) Its scale, growth potential, and role as a global supply hub helped offset temporary softness in domestic demand.

Exhibit 8: Sales Trend in the Construction Equipment Sector (Units in 000)



Source: ICEMA Report

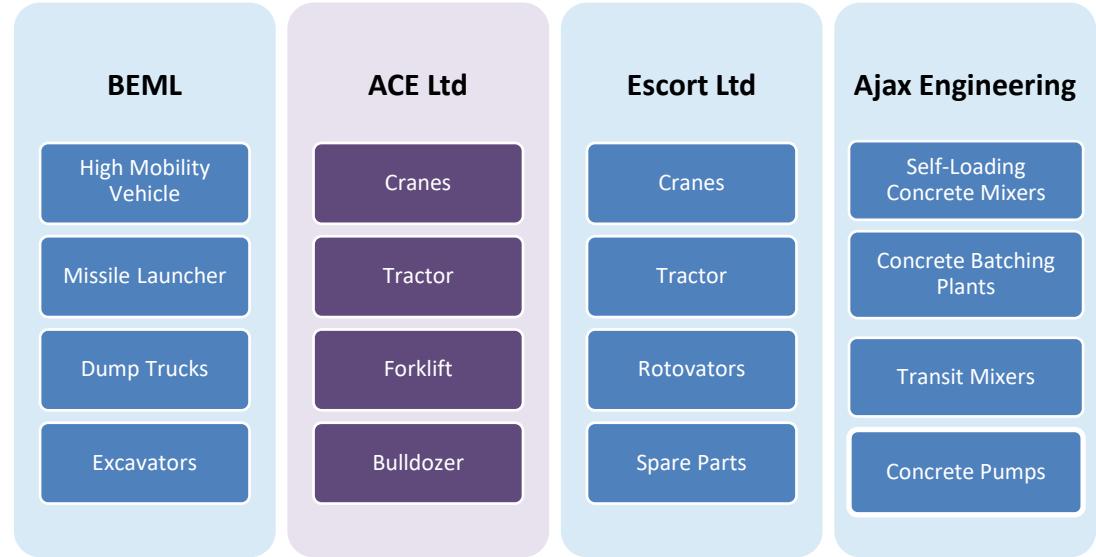
- The sales volume of construction equipment has increased at a CAGR of 9.8%, rising from 50,000 units in FY14 to 1,40,000 units in FY25.
- The industry saw muted performance from FY19 to FY22 due to muted government spending on Infrastructure. However, post-FY22, the government's focus on infrastructure has increased, leading to improved performance in the construction equipment sector.
- The momentum is expected to continue over the next several years, due to sustained government investment in infrastructure development.

Action Construction Equipment Ltd (ACCE: IN)

Macro Outlook

Overview of the Construction Equipment Sector ... (3/3)

Exhibit 9: Players Present in the Segment



ACE holds the highest market share in the crane segment in India.

Source: ICEMA Report

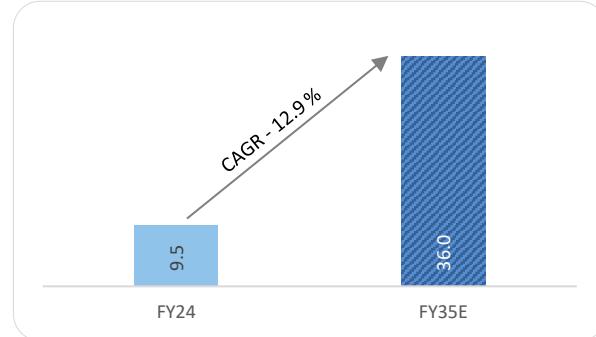
- ACE Ltd is mainly present in the construction and material handling equipment segment. Its main products include cranes and forklifts. The company derives the majority of its revenue (60.0%) from the crane segment. In the crane segment, it derives more than half of its revenue from pick-and-carry cranes.
- Escort Kubota is a peer company of ACE, which mainly manufactures cranes and tractors. It derives the majority of its revenue from the agricultural equipment segment.
- BEML is mainly present in the earthmoving equipment segment. It manufactures excavators, missile launchers, and high-mobility vehicles, primarily for the Defence and railway segments.
- Ajax Engineering is present in the concrete equipment segment, and it manufactures self-loading Concrete Mixers and transit Mixers.

Action Construction Equipment Ltd (ACCE: IN)

Macro Outlook

India's Construction Equipment Industry Outlook

Exhibit 10: Market Size of the Construction Equipment Industry in India (USD. Bn)



Source: ICEMA Report

The Indian construction equipment industry is expected to grow at a CAGR of 12.9% from FY24 to FY35E

- The Indian Construction Equipment Market is valued at USD 9.5bn in FY24, and it is anticipated to reach USD 36.0bn by FY35E, with a projected CAGR of 12.9% over the forecast period. (Source: ICEMA)
- The Indian crane market, valued at USD 3.6bn in CY24, is projected to reach USD 5.4bn by CY33E, exhibiting a CAGR exceeding 4.6% during the forecast period. (Source: IMARC)
- The industry in FY25 experienced a notable deceleration compared to the previous year's robust performance. After recording a remarkable 26.0% growth in sales in FY24, reaching 1,35,650 units, the industry's growth rate slowed to just 3.0% in FY25, with total equipment sales rising modestly to 1,40,191 units.
- This slowdown can largely be attributed to the impact of the election period, which led to delays in project approvals and the implementation of new investments. The introduction of the Construction Equipment Vehicle (CEV) Stage V emission norms from January 2025 also contributed to a temporary slowdown.
- Exports surged by 10.0% in FY25, partially offsetting the subdued growth in the domestic market, which expanded by just 2.7%.

Material Handling Equipment Segment:

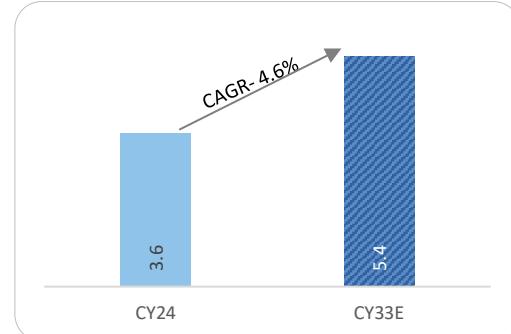
- In this segment, the manufacturing segment continues to dominate. It is expected to maintain its leadership in the coming years, driven by the Make in India initiative and the emerging China +1 strategy.
- **Concrete Equipment Segment:** This segment experienced a modest growth rate of 3.0% in FY25.
- **Indian Agriculture Equipment Industry:**
 - This industry experienced robust growth in FY25, driven by accelerating trends in farm mechanization, labour shortages, and supportive government policies.
 - The market size is estimated at Rs 1.23tn in CY24, and is projected to reach Rs 2.7tn by CY33E.
 - The tractor segment experienced a substantial 7.3% growth in FY24-25, reaching close to 9.4 Lakhs sales units, the second highest on record. ACE derives 7.0% of its revenue from the agricultural equipment sector. The sector is expected to grow at a CAGR of 9.1% between CY24 and CY33E. (Source: ICEMA)

Action Construction Equipment Ltd (ACCE: IN)

Macro Outlook

India's Crane Market Outlook ... (1/2)

Exhibit 11: Market Size of the Indian Crane Industry (USD Bn)

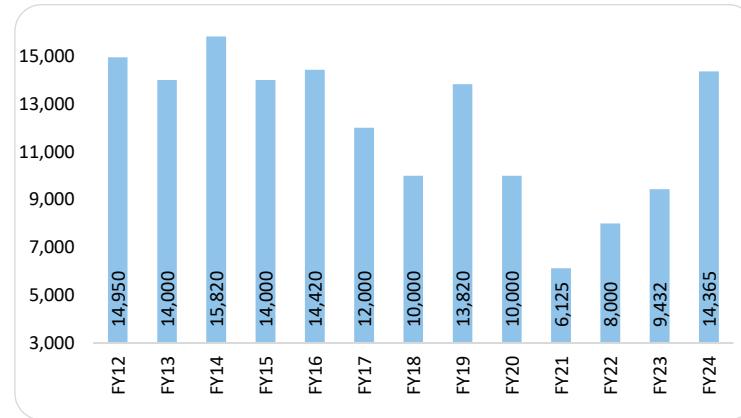


The Indian crane segment is expected to grow at a CAGR of 4.6% from CY24 to CY33E

Source: IMARC Report

- The Indian crane market size reached USD 3.6bn in CY24. The market is expected to reach USD 5.4bn by CY33E, exhibiting a CAGR of 4.6% from CY24 to CY33E.
- By machine type, mobile cranes led with 63.1% of the Indian crane market share in CY24. ACE has the highest market share in this segment at 63.0%.
- By application, construction accounted for a 57.6% share of the Indian crane market size in CY24. ACE derives 13.0% of its revenue from this sector.
- By lifting capacity, 20–100-ton units held 46.3% of the Indian crane market size in CY24.
- By boom type, telescopic designs commanded 54.5% revenue share in CY24; lattice boom variants progressed at a 9.6% CAGR to CY30E.
- By power source, diesel models captured 83.2% revenue in CY24; fully electric cranes climbed at a 10.4% CAGR over the same horizon. (Source: Mordor Intelligence)

Exhibit 12: Production Trend of Cranes in India in 12 years (No. of Units)



Source: CMIE

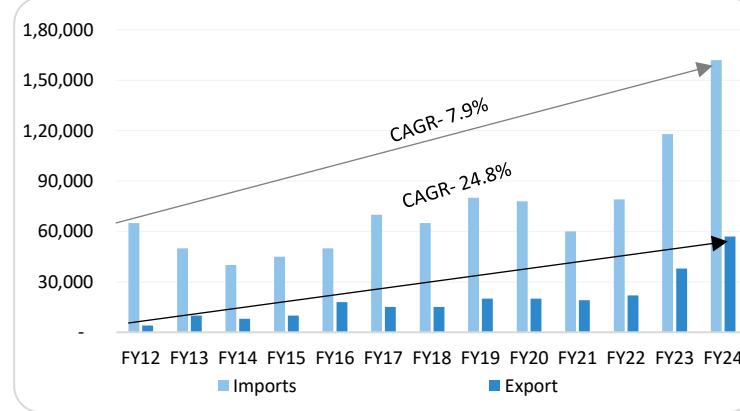
- The production of cranes was affected by the effect of COVID-19 on the construction sector, which had almost come to a standstill.
- However, post 2021, there is a clear trend of recovery with a sharp improvement in FY24. The industry saw a V-shaped recovery post FY21. With the overall positive trend in the economy, the growth is expected to continue. ACE is expected to show a volume CAGR of 5.4% from FY25 to FY28E.

Action Construction Equipment Ltd (ACCE: IN)

Macro Outlook

India's Crane Market Outlook ...(2/2)

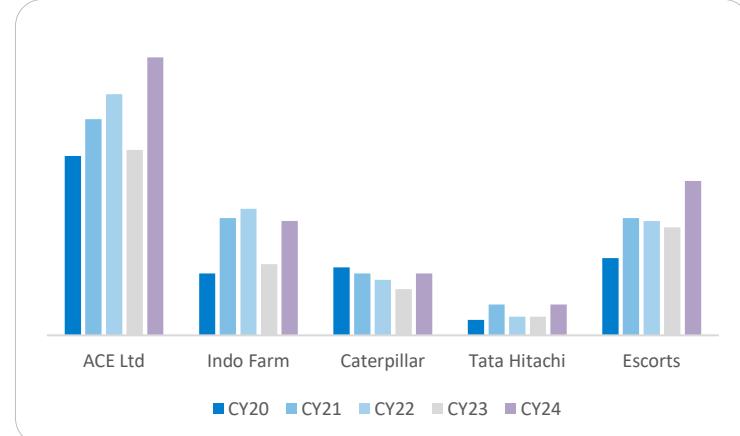
Exhibit 13: Imports and Exports of Cranes & Material Handling Equipment (Rs Mn)



Source: CMIE, B2K Analytics

- The crane segment remains heavily dependent on imports for heavy capacity cranes like crawler cranes, rough terrain cranes, etc. However, export growth has significantly outpaced import growth.
- Imports increased at a CAGR of 7.9% from Rs 65,000mn in FY12 to Rs 1,62,000mn in FY24. In comparison, exports for the same period surged at a CAGR of 24.8% from Rs 4,000mn in FY12 to Rs 57,000mn in FY24, underscoring the strength of domestic manufacturing. The company intends to increase the share of exports in the total revenue to 15.0% by FY28E.

Exhibit 14: Crane and other Construction Machinery Registration - Manufacturer-wise (CY20-CY24)



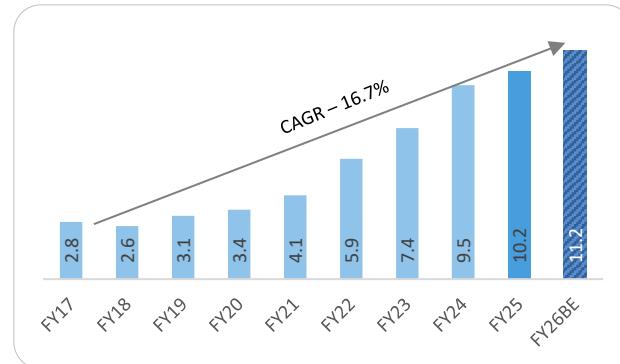
Source: vahan.parivahan.gov.in

- The Indian crane market is more or less consolidated, with significant players occupying a major share of the market. Prominent players in the Indian crane market include Action Construction Equipment, Escorts Ltd., Indo Farm Equipment, and Caterpillar Ltd, among others.
- The Chinese players are primarily present in rough terrain cranes, crawler cranes, and other high carrying capacity cranes. These players have limited presence in pick-and-carry cranes and tower cranes. They are present in high-value and high-capacity cranes.
- ACE manufactures crawler cranes and rough terrain cranes, and has less market share compared to the share in the mobile crane and tower crane segments.

Action Construction Equipment Ltd (ACCE: IN)

Macro Outlook

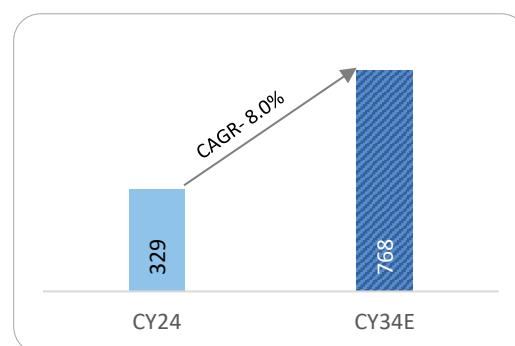
Growth Drivers

Exhibit 15: Trend In Government Capital Expenditure (Rs Tn)


Source: India Budget

Government Focus on Capex

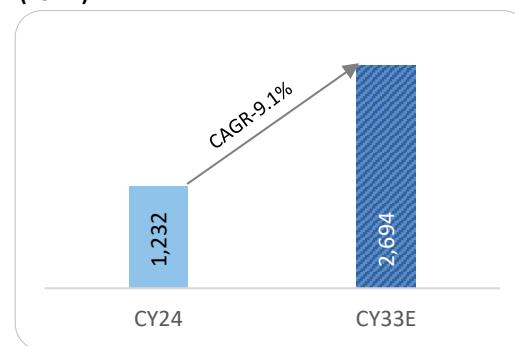
- Since the onset of the COVID-19 pandemic, the Indian government has significantly ramped up its capital expenditure. From FY21 onwards, capex spending surged from Rs 2.8tn in FY17 to Rs 11.2tn in FY26BE. In contrast, between FY17 and FY20, capex grew at a more modest pace, rising from Rs 2.8tn to Rs 3.4tn. The trend in government capital expenditure reflects both the urgency to boost growth post-pandemic and the long-term vision for infrastructure development. Government capital expenditure has increased at a CAGR of 16.7% from FY17 to FY26BE. This capital expenditure is expected to help the company grow its performance as it derives 35.0% of its revenue from the Infrastructure sector.

Exhibit 16: Indian Manufacturing Market (USD Bn)


Source: Marketresearchfuture.com

Growth in the Manufacturing Sector

- India's manufacturing sector is poised to reach a market size of USD 768bn by CY35E, driven by the Production Linked Incentive schemes and an upswing in industrial capital expenditure.
- Growth in capital goods and auto component industries, aided by policy support and duty exemptions, further enhances prospects for construction and material handling equipment.
- This growth in the sector will benefit the company as it depends on 45.0% of its revenue from this sector.

Exhibit 17: Indian Agricultural Machinery Market (Rs Bn)


Source: IMARC Report

The Agri Equipment market is expected to improve substantially over the next 3-4 years

- In agriculture, increasing rural prosperity, labour shortages, access to financing, and government subsidies are supporting the steady growth of the agricultural equipment market.
- Programs like the "Prime Minister Dhan-Dhaanya Krishi Yojana" and broader rural development initiatives are expected to accelerate mechanization across farming practices. These initiatives will help the company grow its tractor business.

Action Construction Equipment Ltd (ACCE: IN)

ACE Ltd

Overview of the Company... (1/2)

Crane Segment remains the Core Product Offering of the Company:

- As of FY25, the company derives 93.0% of its revenue from the crane, material handling, and construction equipment segment, 7.0% from the agricultural Equipment segment.
- It derives 93.0% of its revenue from the domestic market and 7.0% from the export market as of FY25. The company's products are exported to the U.A.E., Qatar, Kuwait, South Africa, Kenya, Sri Lanka, Nepal, Bangladesh, Singapore, and Portugal.
- The company aims to increase export share to ~10% of total revenue by FY28E. The company caters to various sectors, including infrastructure, construction, manufacturing, logistics, and railways.
- The company has one of the widest Sales and Service networks, with over 125+ locations supported by 13 regional offices in India, and also exports to over 37 countries across the Middle East, Africa, Asia, and Latin America.
- The company has 650+ OEM Customers, 12+ strong registered brands, and 350+ builders and contractors. Their products are available across 19 states.

The company exports its product to over 37 countries.

The company operates eight manufacturing facilities based in the industrial townships of NCR, Haryana

The company possesses land of about 123 acres, and 105 acres land is under acquisition.

Manufacturing Facilities:

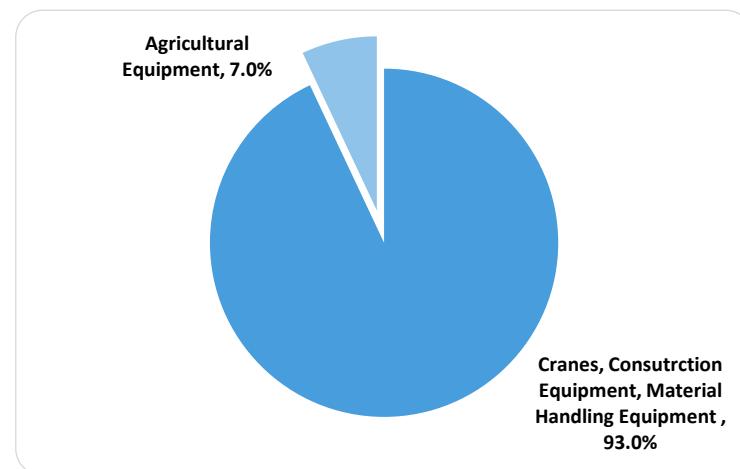
- The company operates eight manufacturing facilities based in the industrial townships of NCR, Haryana, with a capacity to produce around 13,200 cranes, 1,800 construction equipment, 2,700 material handling equipment, and 9,000 agricultural equipment annually.
- The company possesses land of about 123 acres, and 105 acres of land is under acquisition. The manufacturing setup includes a common fabrication area and dedicated product lines, each equipped with its own assembly line.

Exhibit 18: Segment-wise Capacity – FY25

Segment	Capacity (No. Units)	Product Portfolio
Cranes	13,200	Pick & Carry Cranes, Heavy Slew Cranes, Tower Cranes
Construction Equipment	1,800	Backhoe Loaders, Motor Graders, Vibratory Rollers
Material Handling Equipment	2,700	Forklift Trucks
Agricultural Equipment	9,000	Tractor
Total	26,700	

Source: Company Investor Presentation Report

Exhibit 19: Consolidated Segmental Revenue-FY25



Source: Company Investor Presentation Report

The company derives majority of its revenue from cranes, construction equipment and material handling equipment 93.0%. Agricultural Equipment contributes 7.0% of its revenue. Cranes and construction and material handling equipment has higher margin compared to Agricultural equipment segment.

Action Construction Equipment Ltd (ACCE: IN)

ACE Ltd

Overview of the Company... (2/2)

New Opportunity:

The company received its single largest order from the Ministry of Defence for 1,121 units of Rough Terrain Forklifts (Telehandlers).

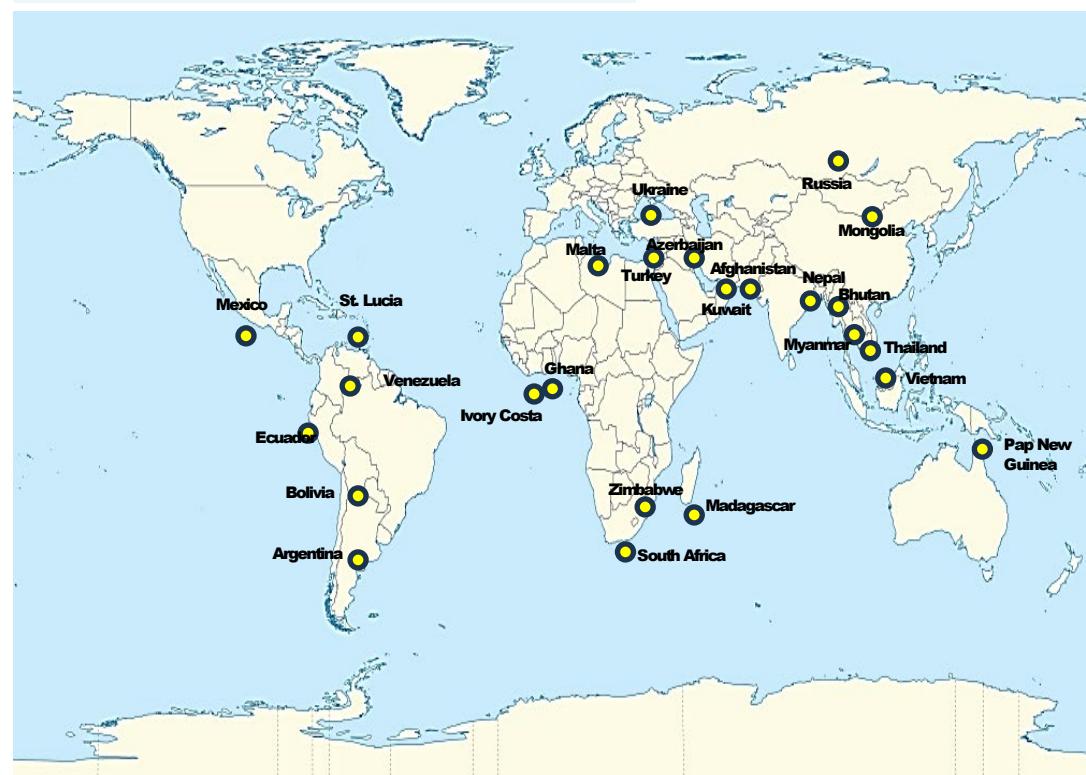
- The company received its single largest order from the Ministry of Defence for 1,121 units of Rough Terrain Forklifts (Telehandlers), amounting to Rs 4,200 mn, which will be partially executed in FY26.
- The company qualified for this contract by demonstrating the capability of its equipment through comprehensive testing and proving its R&D capabilities.
- ACE intends to increase the contribution of exports in total revenues to a significant share over the next 2-3 years. Accordingly, ACE launched the Forma Range of Tractors, Telehandler, and Backhoe Loader "Phantom 4x4", especially designed for international markets.
- ACE's products have been upgraded to meet the new emission norms, BS-V CEV, which align with global standards. This will help the company to increase its sales and open up new opportunities in international markets.

Marquee Clientele



Source: Company Investor Presentation Report

Global Presence



Source: Company Investor Presentation Report

Action Construction Equipment Ltd (ACCE: IN)

ACE Ltd

Product Portfolio ... (1/2)

Products	Description
	Pick & Carry Cranes A pick and carry crane is a mobile crane used for a wide range of lifting needs, both on and off roads, over short distances. It places loads at new locations without the need for stabilizers. It has a loading capacity of 9 tons and 35 tons.
	Heavy Slew Cranes Heavy slew cranes are large, industrial cranes designed for heavy lifting tasks where the crane's upper structure can rotate (slew) horizontally, offering wide-area load placement and flexibility. Rough Terrain Cranes, Crawler Cranes, and Truck Cranes are the types of Heavy Slew Cranes.
	Tower Cranes A tower crane is a lifting equipment used in the construction of high-rise buildings. They are often used on construction sites, and they are capable of easily lifting and lowering loads due to their height. Tower cranes stand on a vertical tower and have a lifting boom to ensure that loads are transported.
	Backhoe Loaders A backhoe loader is an excavation machine that combines a bucket on a hinged stick on a boom at one end, and a bucket or scoop at the other end. This versatile machine is designed for a variety of digging, lifting, and loading tasks.
	Motor Graders A motor grader is a specialized piece of heavy construction equipment designed to grade and level various types of surfaces. It typically consists of three major components: the engine, the cab, and the blade. The engine powers the grader, providing the necessary hydraulic power to operate its functions. The blade, mounted beneath the grader, is the primary tool used for cutting, grading, and leveling the terrain.
	Vibratory Rollers A vibratory roller, also known as a vibro-roller or a compactor, is a heavy-duty construction machine designed for soil compaction and asphalt paving. It is commonly used in road construction, building foundations, and various infrastructure projects to ensure the structural integrity of the surface.
	Tractors A tractor is a versatile utility vehicle primarily used in agriculture for tasks such as pulling, moving, hauling, plowing, and tilling soil. It is equipped with a powerful motor and features a design with smaller front wheels and larger rear wheels, which provide better traction and torque at slow speeds.

The company has 63.0% market share in the Pick & Carry Crane segment.

The company has 70.0% market share in the Tower Crane Segment.

The company derives 7.0% of its revenue from the tractor segment as of FY25.

Action Construction Equipment Ltd (ACCE: IN)

ACE Ltd

Product Portfolio ... (2/2)

Products	Description
	Track Harvester <p>Track harvesters are machines designed for wet and muddy fields. They have more horsepower and are smaller than regular harvesters. It can work independently without needing a tractor, which makes it very effective for harvesting rice in areas with heavy rain.</p>
	Forklift Trucks <p>A forklift truck is a motor-driven industrial truck used for lifting and moving goods on a pallet within the premises of a warehouse, storage facilities, and distribution center.</p>
	Warehousing Equipment <p>Warehouse equipment encompasses a wide range of tools, machines, vehicles, and storage solutions to facilitate inventory management, storage, retrieval, and transportation of goods within a warehouse setting.</p>
	Piling Rigs <p>Piling rigs are construction machines used for piling, or driving piles, in foundation engineering. (They help provide support for the foundation of buildings and other large structures).</p>

Source: Company Investor Presentation Report

Exhibit 20: ACE's Positioning in the Crane Segment

Crane Category	Market Position	Capacity (ton)	Selling Price (Rs Mn)
Pick & Carry Cranes	Market leader (63% market share)	10-30	2-2.5
Crawler Cranes	Market Leader (up to 75 Tons)	25-75	12.0 - 15.0
Truck Cranes	No. 3 position in India	25-50	7.0 - 10.0
Fixed Tower Cranes	Market Leader (>63% market share)	5-25	6.0-7.0
Self-Erecting Tower Cranes	Market Leader (75-80% market share)	25-35 mtr High	2.0
Lorry Loader Cranes	No. 2 position in India	6-50	1.2
Forklift	Market Leader (19.0% market share)	1 – 35	1.0 - 1.1

Source: Company Investor Presentation Report

- The company is the market leader in the pick and carry segment as well as the tower crane segment with a market share of more than 60.0%.
- The company is also the market leader in the forklift segment and has 19.0% market share in this segment.
- In the truck crane segment, it is at number 3 position in India.

Action Construction Equipment Ltd (ACCE: IN)

ACE Ltd

Peer Analysis ... (1/3)

Exhibit 21: Segment in which companies are present

	ACE Ltd	Escort Kubota	BEML	Ajax Engineering
Earthmoving Equipment	Yes	Yes	Yes	-
Concrete Equipment	-	-	-	Yes
Road Construction Equipment	Yes	Yes	-	-
Material Processing Equipment	-	-	-	-
Material Handling Equipment	Yes	Yes	-	-

The company is present in three major segment i.e. Earthmoving, Road Construction, Material Handling Equipment.

Source: ACMIL Research

- The company is present in the Earthmoving, Road Construction, and Material Handling Equipment segment in India, which reduces the risk of dependence on one segment.
- BEML and Ajax Engineering are present mostly in one segment, whereas Escort Kubota is also present in three segment like ACE.

Exhibit 22: Main product of the Peers

	ACE Ltd	Escort Kubota	BEML	Ajax Engineering
Main Product	Cranes	Tractor	Excavators	Self-Loading Concrete Mixer
Market Share (%)	63.0	13.0	35.0	77.0

Source: ACMIL Research

- The company is the market leader in the crane segment (Pick and Carry cranes) with a market share of 63.0%.
- Ajax Engineering is a market leader in the concrete segment with 77.0% market share in this segment due to low competition as the segment has 10.0% share in the construction equipment segment. (Source: ICEMA)
- BEML has 35.0% market share in the Excavators segment. It is present only in the earthmoving segment.

Action Construction Equipment Ltd (ACCE: IN)

ACE Ltd

Peer Analysis ... (2/3)

Exhibit 23: Operational Comparison of the Peer

Particulars	FY22	FY23	FY24	FY25	H1FY26
Revenue (Rs Mn)					
Action Construction Equipment	16,296	21,597	29,138	33,271	13,963
Escort Kubota	74,565	87,096	92,482	1,07,052	55,820
BEML	43,432	39,225	40,966	40,460	14,887
Ajax Engineering	7,719	11,726	17,801	21,167	9,340
EBITDA (Rs Mn)					
Action Construction Equipment	1,665	2,620	4,804	6,061	2,823
Escort Kubota	11,692	10,585	15,653	16,266	6,811
BEML	3,155	3,880	4,845	5,294	239
Ajax Engineering	990	1,922	3,142	3,609	1,067
EBITDA Margin (%)					
Action Construction Equipment	10.2	11.9	16.6	17.7	20.2
Escort Kubota	15.8	12.3	16.9	15.2	12.2
BEML	7.4	10.0	11.9	13.1	1.6
Ajax Engineering	12.8	16.4	17.7	17.0	11.4
Net Profit Margin (%)					
Action Construction Equipment	6.4	7.9	11.0	11.9	13.4
Escort Kubota	10.7	7.6	11.7	12.3	30.7
BEML	3.0	4.0	6.9	7.3	(1.1)
Ajax Engineering	8.7	11.8	12.9	12.5	9.9

Source: ACMIL Research

- The company has the highest EBITDA Margin in the entire construction equipment industry in India due to lower operating costs.
- The company's net profit margin remains competitive compared to its peers.
- The company does not have a major presence in the earthmoving equipment segment due to intense competition from Chinese companies. BEML is the market leader in this segment with a market share of 33.0%. (Source: ICEMA)
- In the last three years, ACE has grown its revenue at a CAGR of 26.9%, whereas Escort has grown its revenue at a CAGR of 11.6%. Ajax Engineering, which specializes in the concrete equipment segment, has grown at a CAGR of 40.0% from FY22 to FY25.

Action Construction Equipment Ltd (ACCE: IN)

ACE Ltd

Peer Analysis ... (3/3)

Exhibit 24: Capacity and Utilization of the Peers (FY25)

The company has the capacity utilization of 67.5%.

Particulars	Capacity (No of Units) (Construction Equipment)	Capacity Utilization(%) (Construction Equipment)	Capacity (No of Units) (Tractor)	Capacity Utilization (%) Tractor
Action Construction Equipment	17,700	67.5	9,000	37.5
Escort Kubota	10,000	60.0	1,70,000	60.0
Indo Farm Equipment	1,280	87.0	12,000	32.0

Source: ACMIIL Research

- ACE has dedicated higher capacity towards Cranes, construction, and material handling equipment, while Indo Farm Equipment and Escort Kubota have allocated higher capacity towards producing tractors.
- ACE has the highest construction equipment manufacturing capacity in India. It has a capacity to produce 17,700 units of construction equipment. Out of the total capacity, ~75.0% is used in the production of cranes.
- Indo Farm Equipment has the highest utilization in the Industry i.e., 87.0%. However, it has the lowest production capacity.
- Escort Kubota has the highest capacity of producing tractors as it is majorly focused on the agricultural equipment segment.

Exhibit 25: Valuation of Peers

Particulars	EPS (In Rs)						P/E (x)			PEG (x)		
	CMP (Rs)	Market Cap (Rs Mn)	FY25	FY26E	FY27E	CAGR (%)	FY25	FY26E	FY27E	FY25	FY26E	FY27E
Action Construction Equipment	925	1,10,180	34	40	46	15.8	36.6	23.2	20.2	2.3	1.5	1.3
BEML	1,842	1,52,630	35	47	66	37.3	52.6	39.2	27.9	1.4	1.1	0.7
Escort Kubota	3,676	4,15,110	115	122	132	7.1	32.0	30.1	27.8	4.5	4.2	3.9

Source: Bloomberg, ACMIIL Research

- As per the consensus estimates, BEML is expected to report stronger growth (due to the low base effect of FY25) as compared to ACE Ltd, which is expected to grow at a CAGR of 15.8%.
- Escort Kubota is expected to report a CAGR of single digit over FY25 to FY27E.
- ACE at P/E multiple of 20.2x based on FY27E EPS of Rs 46 is lower as compared to P/E multiples of BEML/ Escort Kubota. However, on the basis of the PEG ratio, ACE is valued at a multiple of 1.3x as compared to BEML/ Escort Kubota, having a multiple of 0.7x and 3.9x.

Action Construction Equipment Ltd (ACCE: IN)

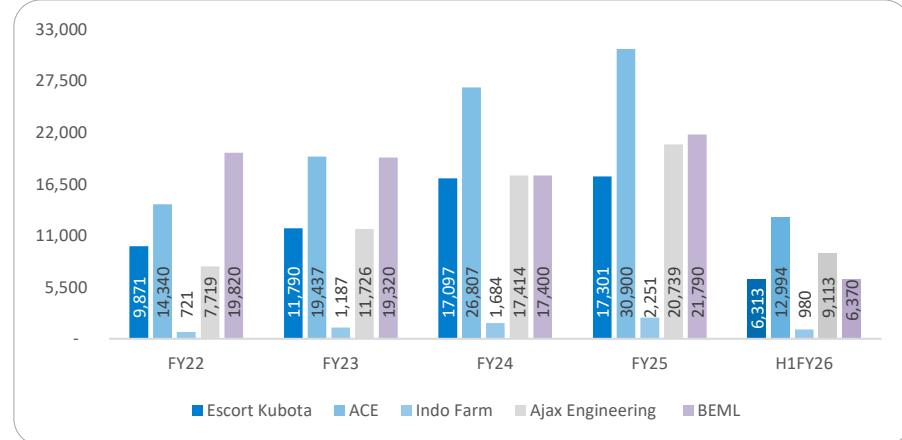
ACE Ltd

Investment Rationale ... (1/3)

Highest Market Share in the Crane Segment

- The company commands the highest market share in India's crane industry, with ~63% share in the pick-and-carry and tower crane segments. Additionally, it holds a ~80% market share in self-erecting tower cranes. It also has a 19.0% market share in Forklifts. With a production capacity of 13,200 units per annum, the company stands as the largest player in the crane segment in India.

Exhibit 26: Revenue of the Listed Players in the Construction Equipment Industry (Rs Mn)



Source: ACMIL Research

The company has received its single largest order from the Ministry of Defence for 1,121 units of Rough Terrain Forklifts (Telehandlers)

Order from the Defence Industry

- The company has received its single largest order from the Ministry of Defence for 1,121 units of Rough Terrain Forklifts (Telehandlers), amounting to Rs 4,200mn, which will be partially executed in FY26E.
- The company qualified for this contract by proving the capability of its equipment through comprehensive testing and demonstrating its R&D capability.

Defence Product



Source: Company Investor Presentation Report

CEV-5 Norms

- The successful launch of new CEV-5 compliant equipment has generated positive responses in international markets, which will increase sales in the export market.
- India's adoption of CEV-5 norms, now aligned with global standards, creates new international market opportunities for ACE. The company continuously invests in R&D to upgrade its products with stylish designs, safety, and technology features.

Replacement Cycle Driving New Crane Demand

- Cranes generally have a lifecycle of 8 to 10 years. However, due to wear and tear of the equipment and changes in the emission norms, the new buyers are increasingly opting for a new version of cranes. This is increasing the replacement demand for new cranes and shortening the replacement cycle to 3 to 5 years.

Focus on the Export Market

- The company supplies its product to more than 34 countries globally. As of Q2FY26, the company derives 7% of its revenue from the international market and the rest from the domestic market.
- The company intends to increase its share of exports in total revenue to ~10% by FY28E.

Action Construction Equipment Ltd (ACCE: IN)

ACE Ltd

Investment Rationale ... (2/3)

Expansion into the Heavy Load Segment via a Joint Venture with a Japanese Company

- The company has entered into a 50:50 joint venture with Japan-based Kato Works to manufacture heavy-capacity trucks, crawler cranes, and rough-terrain cranes with capacities ranging from 25 to 180 tons.
- The joint venture is expected to commence operations by Q3FY26E. The market for these heavy-capacity cranes is estimated at ~ 900–1,100 units per annum, translating to a market size of around Rs 15,000mn. (Source: Company Website)
- In the near term, the JV aims to capture a market share of ~300 units, equivalent to Rs. 4,000mn, with a long-term market potential projected at Rs 8,000–10,000mn (Source: as per the company's guidance).
- These heavy cranes carry significantly higher average selling prices (ASPs), ranging from Rs 10mn to Rs 12mn per unit. This premium pricing is expected to substantially improve ACE's average realizations, enhancing both revenue and profitability metrics.

The company has entered into a 50:50 joint venture with Japan-based Kato Works to manufacture heavy-capacity crane.

Anti-Dumping Duty on Chinese Imports

- The Directorate General of Trade Remedies (DGTR) has recommended imposing an anti-dumping duty of 25–52% on specific Chinese cranes for five years to protect domestic manufacturers from inexpensive imports.
- The DGTR found that these cranes were exported to India at prices below their normal value, resulting in dumping. The duties are expected to offset 70–80% of the cost disadvantage, restore pricing power, and support profitability and market share recovery.

Exhibit 27: Market Share of the listed Players in the Heavy Crane Industry

Crane Prices (Rs in mn)	Domestic Crane Prices (Crawler Crane)	Chinese Crane Prices (Crawler Crane)
Crawler Crane	10.0-12.0	5.0-7.0
Market Share (%)	3.0	97.0

Source: Company Investor Presentation Report

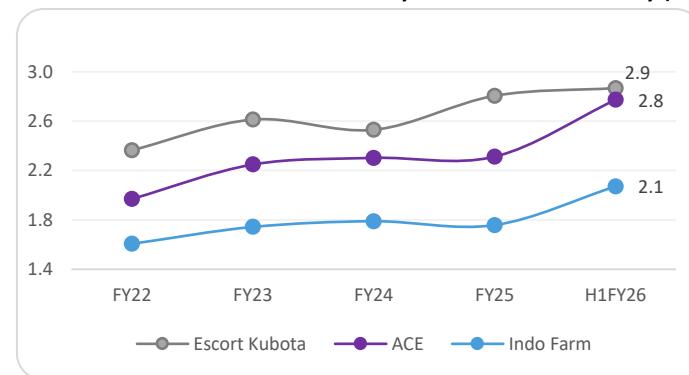
Strong Tailwind for the Industry

- The Government has budgeted total capital spending of Rs 11.2tn in FY26E, which was Rs 10.2tn in FY25. This implies 10.1% YoY growth in FY26E. (Source: India Budget)
- Major outlay is for Roads at Rs 2.8tn and Railways at Rs 2.5tn. The real estate sector in India is expected to expand to Rs 5.8tn, contributing 15.5% to the country's GDP by CY47E.
- The government has also implemented PLI in 14 sectors to enhance domestic manufacturing & import substitution. These government initiatives provide a strong tailwind for sectors like Infrastructure and Manufacturing, which will help the company improve its financial performance, as it derives 80% of its revenue from these sectors.

Medium Price Range

- The company offers cranes at reasonable prices compared to the price provided by Escort Limited. The company sells its crane in the range of Rs 2.2 to 2.5mn and has not increased prices much in the last few years.
- However, due to CEV-5 norms, it has increased prices in the range of 7% to 12% in Q2FY26.

Exhibit 28: Realisation of the listed Players in the Crane Industry (Rs Mn)



Source: Company Data, ACMIL Research

Action Construction Equipment Ltd (ACCE: IN)

ACE Ltd

Investment Rationale ... (3/3)

Low Working Capital Days

- The company had negative working days of 11 as of FY25, which is the lowest in the Industry. It has been continuously operating at a negative working capital days in the past three years due to higher creditor days. In H1FY26, the working capital days have increased to 7 days. The working capital days for the company is estimated to increase to 17 days by FY28E. However, it still remains below the Industry average. The working capital days of the competitor as of FY25 are as follows:

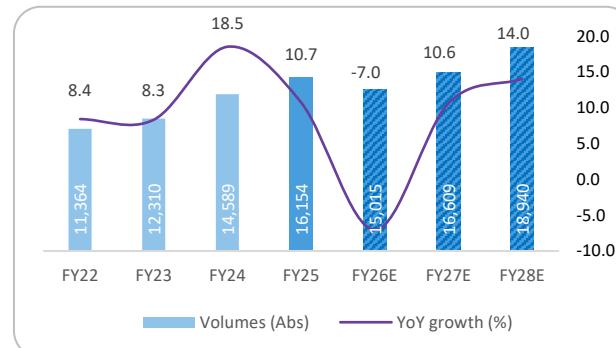
The company had negative working capital days as of FY25.

Exhibit 29: Working Capital Days of companies in the Crane Industry (FY25)

Name of the Company	Action Construction Equipment Ltd	Escort Kubota Ltd	Indo Farm Equipment Ltd
Working Capital Days	(11)	59	314

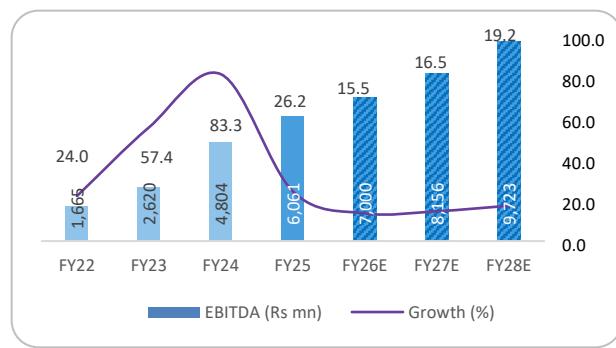
Source: Company Financials

Financials in Chart (1/2)

Exhibit 30: ACE Sales Volumes in Units


Source: ACMIL Research

- Sales volumes had grown at a CAGR of 12.4% from FY22 to FY25 and are expected to grow at a CAGR of 5.4% over the period FY25–28E on account of muted FY26E due to a change in emission norms. The regulatory change, in the form of a change in emission norms, has led to a price increase of ~8-12%.
- Introduction of Electric cranes will increase the realization, and expanding international footprint will increase the volume growth.
- Anti-dumping duty on Chinese cranes will increase the volume growth in the heavy crane segment, such as crawler cranes and rough terrain cranes.

Exhibit 31: EBITDA & Growth


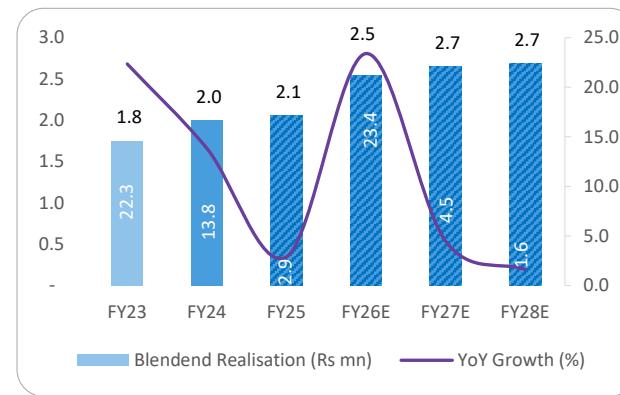
Source: ACMIL Research

- EBITDA for FY25 was Rs 6,061mn and the growth was 26.2%. Owing to the change in the emission norm, the muted topline growth in FY26E will have a cascading impact on EBITDA and EBITDA margin. However, during FY27E, the impact of this norm is expected to normalize and therefore, we expect the EBITDA to grow at 16.5%/19.2% respectively in FY27E/FY28E.
- Entry into new sector like Defence will help the company to improve its EBITDA and margins in next two years.

Action Construction Equipment Ltd (ACCE: IN)

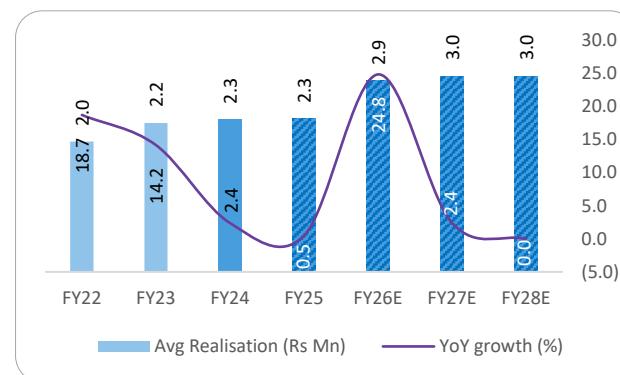
ACE Ltd

Financials in Chart (2/2)

Exhibit 32: Blended Realization (Per Unit)


Source: ACMIL Research

- The company has seen an increase in its blended realization from Rs 1.8mn to Rs 2.1mn from FY23 to FY25. This is due to an increase in the average realization of the agricultural equipment from Rs. 0.6mn to Rs 0.8mn from FY23 to FY25.
- The blended realization is expected to increase from Rs 2.1mn in FY25 to Rs 2.7mn in FY28E due to an increase in the prices of the cranes due to a change in the emission norm.

Exhibit 33: Average Realization of Crane, Material Handling, and Construction Equipment Industry (Per Unit)


Source: ACMIL Research

- The company has seen an increase in its average realization from Rs 2.2mn to Rs 2.3mn from FY23 to FY25.
- Due to the change in emission norms in Q1FY26, which led to an increase in the price of the engine by 10.0% to 12.0%, the realization has increased to Rs 2.6mn in Q2FY26, and it is expected to remain at Rs 3.0mn in FY27E/FY28E.

Action Construction Equipment Ltd (ACCE: IN)

ACE Ltd

Management Interaction

Future plans of the company is to raise the total capacity to Rs 50,000mn.

- The company possesses land of about 100 acres. Plans will raise the total capacity to Rs 50,000mn by FY28E. The manufacturing setup includes a common fabrication area and dedicated product lines, each equipped with its own assembly line.
- In the defence segment, the company has been approved for lifting products, which undergo rigorous testing protocols. Both JCB and ACE have been qualified to deliver the products to the Ministry of Defence.
- In the previous fiscal year, combined sales from the defence sector reached Rs 700mn. Although no comments were made regarding specific product development, a truck crane is currently under development. Whenever Ashok Leyland receives an order, ACE serves as its supplier.
- In the present scenario in the tower crane segment, increasing market share is challenging and is expected to grow by 2–3% on a YoY basis. Product pricing remains comparable to competitors, while ongoing initiatives focus on improving product quality. Enhancements include air conditioning in carry cranes and the addition of GPS systems. Attention is being given to aesthetic values, for example, by improving paint quality, to ensure appearance and user experience are elevated. Load capacity in specific models has increased from 20 tons to 40 tons, with machines now capable of dual functions.
- Due to lack of presence in distribution, the company has not performed well in some segment. The top four to five players hold market share because of their distribution strengths, and margins in these areas are low.
- The company has formed a separate team to handle the tractor segment. The company ensures that there is no difference in product quality. ACE currently ranks second among harvesters, with prices around Rs 2.2–2.5mn.
- Steel constitutes about 60.0% of raw material costs, followed by hydraulics, tyres, and electricals. Steel prices fluctuate based on demand and supply dynamics. The company uses mild steel plate and heavy steel, with some imports, and typically maintains a three-month inventory.
- EBITDA margins remain broadly similar across segments, with most in the double-digit range. EBITDA Margins for crawler cranes are relatively lower.
- Earlier, Tractor India manufactured in the heavy capacity crane segment but went bankrupt, which led to an influx of Chinese cranes that offered 300 days credit and produced 40–50 units per year. The Directorate General of Trade Remedies (DGTR) began investigating this issue, but the process is slow.
- In FY23-24, 900 units of heavy-capacity cranes were imported. Last year, ACE commissioned its largest factory, capable of producing 400 heavy-capacity cranes annually. Anti-dumping duties in the range of 26.0–52.0% have been imposed and are expected to be effective within three months.
- Japanese technology commands a higher price than Chinese technology, and new operational capacity in collaboration with Kato Works Co Ltd is anticipated by the end of the Q3FY26E.
- For product segments, pick-and-carry cranes represent around 60.0% of volume, crawler cranes 40–50 units, truck-mounted cranes, telehandlers and towers 11.0%. The share of crawler cranes is expected to increase.
- The company is focused on reducing working capital days, noting that negative working capital is not sustainable. The target for net working capital is 15–20 days.
- A standard 12-month warranty is provided, based on working hours, with warranty costs less than 0.5%.
- Key suppliers include engine providers such as Tata, Samsung, and Cummins, and steel sources such as ArcelorMittal and Tata Steel.
- International operations require a developed infrastructure to support machine servicing, which is time-consuming. The company is present in Africa and the Middle East.
- Government, PSU, and defence segments contribute 2–4% of total revenue, although indirect contributions are higher. Multiple contractors are engaged, and no individual customer accounts for more than 1.0% of revenue.
- There is limited scope for margin expansion, estimated at a maximum of 100–300 basis points. Revenue is projected to double by FY30E.

Action Construction Equipment Ltd (ACCE: IN)

ACE Ltd

Potential Risks

Action Construction Equipment Ltd could face potential risks

Intense Competition

- The company faces intense competition from domestic as well as International players, especially Chinese players in the crawler crane and tower crane segment.
- It faces competition from domestic players in the tractor and construction equipment segment. In the construction equipment segment, it faces intense competition from JCB in the backhoe loader segment and from Escorts, Volvo, and Hitachi in the soil compactor segment.
- The tractor segment is dominated by Mahindra & Mahindra (M&M) and Escorts Kubota Ltd. The company faces significant competition from these players, which may put pressure on its margins in these segments.

Regulatory Changes

- The revised emission norm for wheeled construction equipment led to a price increase of ~10.0-12.0%, which may constrain near-term demand due to the high cost of equipment.

Cyclical nature of End-User Industries

- ACE is exposed to the cyclical nature of construction equipment and crane demand, which depends heavily on infrastructure investments and the economic growth in India.
- Any slowdown in infrastructure spending by the government or economic activity can reduce demand for its products.

Pricing Pressure

- While margins have improved significantly, they still lag behind some peers, due to pricing discounts on certain products like backhoe loaders and tractors to gain market share.
- The company's Chinese competitor supplies heavy-lifting cranes, like rough terrain cranes and crawler cranes, at lower prices compared to domestic players. This advantage is due to its advanced technology and cost control measures. These factors increase pricing pressure on the company.

Easy Availability of Capital

- A large part of the construction equipment business is driven by third-party financing due to the high upfront costs of the equipment.
- This is one of the reasons why almost all construction equipment manufacturers have tied up with financiers and regularly work with them to provide comfortable borrowing options for purchasers.
- Any system-wide liquidity hampering credit event or tightening of financing release will impact the purchasing power of buyers, and it will affect ACE's sales.

Volatility in the Prices of Raw Materials

- The company's primary raw material is steel. Steel and other commodities feed directly into the manufacturing of equipment.
- Fluctuations in raw material prices can compress margins, especially if ACE cannot fully transfer cost increases to customers. Proposed anti-dumping duties or import-related costs for inputs could increase costs or disrupt supply.

Action Construction Equipment Ltd (ACCE: IN)

ACE Ltd

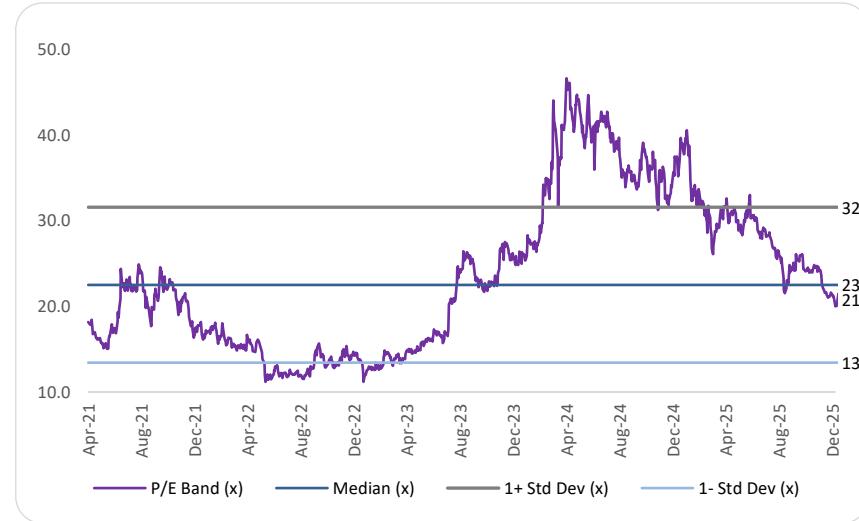
Valuation and Outlook

ACE Ltd holds a significant 63.0% market share in the crane industry in India. It has received its single most significant order from the Defence sector. It aims to increase its footprint in the international market. The company is seeing healthy demand for its product due to the government's ongoing infrastructure spending. It has formed a Joint Venture with a Japanese company, Kato Works Ltd, to manufacture heavy-capacity cranes. The proposed anti-dumping duty is expected to increase the company's demand in the heavy crane segment.

We expect its Revenue/EBITDA/PAT to grow at a CAGR of 15.3%/17.1%/16.9% over FY25-28E.

We remain positive on the stock from a long-term perspective as its strategies hold strong. We initiate coverage on ACE with a 'BUY' rating and a target price of Rs 1,235, valuing the company at a 23x of its FY28E EPS.

Exhibit 34: 1 Year Forward P/E (x) Band



Source: ACMIL Research

Action Construction Equipment Ltd (ACCE: IN)

ACE Ltd

Financials

Income Statement

YE March (Rs Mn)	FY24	FY25	FY26E	FY27E	FY28E
Gross Sales	29,909	34,274	39,532	45,731	53,013
COGS	20,228	22,734	25,921	30,014	34,701
Gross Profit	9,681	11,539	13,611	15,717	18,312
Gross Profit Margin (%)	32.4	33.7	34.4	34.4	34.5
Employee Cost	1,207	1,385	1,942	2,226	2,574
Other Expenses	3,671	4,094	4,669	5,334	6,014
Operating Expenditure	4,877	5,479	6,611	7,560	8,589
EBITDA	4,804	6,061	7,000	8,156	9,723
EBITDA Margin (%)	16.1	17.7	17.7	17.8	18.3
Depreciation	232	283	324	391	472
EBIT	4,571	5,778	6,676	7,765	9,252
Interest	232	287	339	419	518
Profit Before Tax	4,339	5,491	6,336	7,346	8,733
Tax	1,057	1,399	1,609	1,852	2,202
Profit After Tax	3,282	4,092	4,728	5,494	6,531
Profit After Tax Margin (%)	11.0	11.9	12.4	12.5	12.8

Source: Company, ACMIL Research

Balance Sheet

YE March (Rs Mn)	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	238	238	238	238	238
Reserves & Surplus	8,947	12,060	15,909	20,399	25,655
Equity	9,186	12,298	16,147	20,637	25,894
Non-Controlling Interest	16	17	17	17	17
Equity And Liabilities	9,202	12,315	16,164	20,654	25,911
Other Financial Liabilities	7	2	13	73	76
Provision	27	32	38	43	45
Deferred Tax Liabilities (Net)	133	97	78	180	184
Non Current Liabilities	167	131	129	296	305
Borrowings	62	39	148	900	875
Trade Payables	5,009	6,879	8,086	9,587	11,019
Other Financial Liabilities	237	418	322	377	439
Other Current Liabilities	1,321	1,840	2,091	2,428	2,868
Current Tax Liability	0	70	169	72	72
Total Current Liabilities	6,629	9,246	10,815	13,364	15,273
Equity & Liabilities	15,997	21,692	27,109	34,314	41,488
Net PPE	4,723	5,595	6,967	8,547	10,389
CWIP	244	436	277	513	519
Investment Properties	115	164	150	144	138
Intangible Asset	25	31	35	29	27
Right Of Use Assets	12	5	16	320	324
Financial Assets	1,716	2,355	5,523	6,606	7,932
Other Non-Current Assets	48	377	915	1,159	1,463
Total Non-Current Assets	6,883	8,964	13,883	17,318	20,792
Inventories	4,185	5,534	5,151	6,747	8,223
Financial Assets	4,386	6,545	7,083	9,210	11,395
Other Current Assets	543	648	992	1,039	1,078
Total Current Assets	9,115	12,728	13,226	16,996	20,696
Total Assets	15,997	21,692	27,109	34,314	41,488

Source: Company, ACMIL Research

Ratios

YE March	FY24	FY25	FY26E	FY27E	FY28E
EPS (Rs)	27.6	34.4	39.7	46.2	54.9
BVPS (Rs)	103	136	174	218	271
Valuations (x)					
P/E	51.7	36.6	23.2	20.2	16.9
P/BV	13.8	9.3	5.4	4.3	3.5
EV/Sales	5.8	4.5	2.9	2.5	2.2
EV/EBITDA	35.2	24.6	15.8	13.5	11.3
Return Ratio (%)					
RoCE	42.9	40.6	35.8	32.9	31.5
RoE	30.8	28.7	25.7	23.6	22.5
Gearing Ratio (x)					
Net Debt/Equity	0.0	0.0	0.0	0.0	0.0
Profitability (%)					
EBITDA Margin	16.1	17.7	17.7	17.8	18.3
PAT Margin	11.0	11.9	12.4	12.5	12.8

Source: Company, ACMIL Research

Action Construction Equipment Ltd (ACCE: IN)

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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