

Company Name: Action Construction Equipment Limited

Operational Highlights:

- ACE is an established brand with over 27 years of industry presence and is the market leader in the domestic cranes market.
- ACE is India's most diversified construction equipment manufacturer and operates across various sectors such as infrastructure, construction, manufacturing, logistics and agriculture.
- The company follows the philosophy of providing the right product at the right price with the right after sales service.
- ACE has state-of-the-art production facilities based in the Industrial townships in NCR, Haryana with a capacity to produce around 12,000 construction equipment and 9,000 tractors annually.
- ACE has 3 fabrication units. They produce their engines and transmissions in house and have a world class automated spare parts facility to provide with operational efficiency.
- In the cranes segment, ACE holds the market leadership in Pick and Carry, Tower, Crawler and Self Erecting Tower cranes.
- In the construction equipment segment, ACE holds a minor market share but sees a huge growth potential specifically in the Backhoe Loader.
- In the material handling equipment, ACE stands 2nd in the market with a focus on having a better sales and distribution network in Forklifts.
- ACE has over 8 years of experience in the agriculture equipment segment and is focusing on penetrating deeper into the markets and having a stronger dealer network.
- Currently, it is working with the Indian defence to provide them with customised Cranes, Forklifts, Skid Steer Loaders, multi purpose and special mobile equipment.
- ACE has always focused on innovation, its R&D centre's at Faridabad and Palwal are recognised by DSIR – Govt. of India. This centre focuses on upgradation of tech to meet international standards, provide low-cost engineering solutions, optimise cost etc.
- There have been various launches by the company over the years, these include light weight harvesters, new range of tractors called Forma for the export market and also a Phantom 4x4 Backhoe Loader with a Perkins engine for the European markets.
- The company has one of the widest sales networks, with over 100+ locations supported by 21 regional offices. Apart from the domestic market the company also exports to over 25 countries across the Middle East, Africa, Asia and Latin America.
- ACE plans to upgrade the market to the NX gen cranes which are used for multiple activities. For e.g., the NXP series crane is a man lift cum pick and carry, both these activities are done in one crane and only one equipment need to be purchased which saves 60% of the total cost.

- There are more than 200 Agriculture dealers across the country spread across the states like Haryana, Uttar Pradesh, Rajasthan and Punjab etc. The company has already captured 10% of the market share for tractor in Assam.

Key Questions & Answers discussed during the Conference:

- **What is the capacity utilisation today and how do we expect it to be going forward? What is the time frame to ramp up the CAPEX?** The company is currently operating at a 45-50% capacity utilization and has a land bank of around 40 acres available for future expansion. In the near term there is no large capex required as they have ample capacity to double their revenue from the current levels. We are looking at setting up a world class paint shop and also increasing out forklift production capacity if the capacity utilization stays above 75%.
- **What are the growth prospects for the industries we cater to?** The government of India has various schemes for example the Gati Shakti Plan. This will lead to growth not only in the infra space but also in new manufacturing plants setting up in India, new high rise building and also the growth in the Real Estate segment. Another positive for us is the Metro; 6-7 metro projects throughout the country give us the opportunity to increase the sales of our multi activity cranes.
- **What is the price hike we have taken to ensure that the margins don't take a hit?** ACE has taken around 12-15% price hike in the past 15 months. There has been a 2-3 month lag, but, the company has been able to transfer the price increase on the customers.
- **There has been a cyclicity over the past 30 months, how are we addressing this issue?** The management of the company has time and again been talking of the issue of cyclicity on the revenue and are evaluating various options. The rainy season is mostly the weak quarter and the fourth quarter is the best on a general term. To become counter cyclical in nature the company has been increasing its focus on exports, exploring opportunities with Indian defence as well as trying to increase their capacity utilization.
- **What is the sales that we are targeting from the Indian defence over the next 3 years?** Right now the company has a revenue of around INR 70-80 Cr. The products we are supplying are customised equipment and these orders have a high probability of recurring over years.
- **How has the inflation affected the demand over various sectors?** Inflation has not been a problem, the problem is the volatility in the inflation. Steel has risen from INR 60/kg to INR 75/kg in just a month. This provides challenges for the company as price hikes should also be accepted by our clients. There will be a deferment in the demand rather than it being dampened. It is going to be difficult in the agriculture segment as the end customer is a farmer over here.
- **How has the chip shortage affected us?** Since, there was a shift from BS3 to BS4 in April 2021, the reliability on chips has increased. Some of the engines in their machines are electronic in nature and this shortage is also a problem for the company. But, the major issue on the raw material front is the increase in steel prices as it constitute around 50% of their cost.

- **What is our market share in various segments?** Pick and Carry and Tower cranes around 65% market share. Self erecting – 80% market share. In crawler cranes and truck cranes, ACE has Chinese competition and are not present across all the capacity classes. We have started production on higher capacity cranes in these segments and post that we think that we might take market leadership, right now the market share is close to 40%. In construction equipment the company has around 2% market share. In Forklifts we are up to 25% market share.
- **What is the lifespan of various products?** Cranes have a life span of about 7-12 years depending on the usage. Backhoe loader has a span of around 5-8 years and forklifts have a higher life span.
- **Are our competitors coming out with similar products like the multi activity cranes?** The multi activity cranes that ACE has have 60% reduction in manufacturing cost and these products are patented by ACE. No other company in the world currently produces such equipment with cost efficiency in place.
- **What is the price differential between our products and our competitors in construction equipment?** In construction equipment, ACE sells backhoe loaders at a price lower than JCB by around 11-12%. ACE right now is compromising on the margins so as to increase its market share and also have a better operating efficiency. As the company starts selling more products and has a better capacity utilization, operating leverage will increase the margins.
- **In pick and cranes we have a 63% market share and we have maintained the leadership, what has lead to this?** ACE has always been customer centric organization and follows the principle of providing the right product at the right price with the right service and this has lead to creating a brand name which is trusted by our clients.
- **How is our after sales service and how do we recognize the revenue?** ACE has a zero tolerance policy and zero questions asked service. The first priority is to have the machine up and running and then they speak to the client about the problem. The company generally used standardized aggregates in the machine. This helps the customer get faster service and we get a customer retention policy of more than 80%.
- **What is the export potential for us and what is the revenue contribution from the same?** ACE has launched various products for the export markets in the construction equipment and agri equipment segment. The export markets provide a higher margin as compared to the domestic market by about 7-8% and right now the contribution of revenue is 7% of total sales.
- **What are the margins we are targeting for over a longer time period?** Inflation has been a major concern, but the company has been able to transfer most of the price increase on to the customers. The target margin is 13-14%. With the revenue from exports increasing and operating leverage kicking in in 3-4 quarters it is possible for the company to expand its margins to 11-12% in the near term and 13-14% in the longer term.

- **What is the collaboration with Doosan Korea and how has this helped us?** This works only in terms of premium range of forklifts where ACE wasn't present previously. Its kind of a marketing arrangement where ACE brings in Doosan forklifts and market into India. Entering this space brings in the potential of revenue expansion for the company in the material handling space.

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