

Industry	Engineering
CMP (Rs)	208
FY24E Target Price (Rs)	265
52 Week H/L (Rs)	292/164
Volumes (BSE+NSE)*	784045
Shares O/S (mn)	119.1
Market Cap (Rs mn)	24638
Free Float (%)	33.2
Bloomberg	ACCE IN
Reuters	ACEL.BO

*Three month daily average

Share Holding Pattern (31/03/2022)

Particulars	Shares (mn)	Holding (%)
Promoters	79.5	66.8
FIIIs	5.8	4.8
DIIIs	4.1	3.5
Others	29.7	24.9
Total	119.1	100.0

Source : BSE

Financial Highlights

(Rs mn)	FY22	FY23E	FY24E
Sales	16,303	19,220	21,549
Sales Growth	32.9%	17.9%	12.1%
EBITDA	1,523	1,829	2,115
EBITDA Margin	9.3%	9.5%	9.8%
PAT	1059	1400	1618
EPS (Rs)	9.2	12.1	14.0
P/E (x)	22.6	17.1	14.8
EV/EBITDA (x)	15.5	12.9	11.3
ROE	16.6%	17.1%	16.8%
RoCE	15.4%	15.4%	15.4%

Source : Company Data, QS Research

Price Chart



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Quarterly Result Review

Action Construction Equipment Ltd (ACE) reported growth in its topline in Q4FY22, above our expectation. The EBITDA margin was above our estimates, but higher raw material cost continued to impact the profitability.

Key Highlights:

- ACE's revenues increased by 11.8% Y-o-Y to Rs 5,113mn, much above our estimate of Rs 4,409mn. This was mainly driven by increase in per unit price of ACE products as volumes declined by 5.8% Y-o-Y. The construction equipment division experienced significant decline and reported a de-growth of 48.0% Y-o-Y in the sales volume to 115 units.

Segmental Sales Volume

Sales Volumes (Units)	Q4FY22	Q4FY21	Variance (Y-o-Y)	Q3FY22	Variance (Q-o-Q)
Cranes	1733	1719	0.8%	1265	+37.0%
Construction Equip.	115	221	-48.0%	167	-31.1%
Materials Handling	344	388	-11.3%	363	-5.2%
Tractors	958	1017	-5.8%	1436	-33.3%

- The Cranes segment showed healthy revenue growth and increased by 17.4% Y-o-Y to Rs 3717mn.
- The Construction Equipments segment reported 13.1% Y-o-Y growth to Rs 522mn despite of decline in volumes.
- Materials Handling segment revenue increased from Rs 374mn in Q4FY21 to Rs 384mn in Q4FY22, a growth of 2.7% Y-o-Y.
- Tractor segment's revenue decreased from Rs 571mn in Q4FY21 to Rs 490mn in Q4FY22 due to weak demand, a decline of 14.2% Y-o-Y.
- EBITDA during the quarter declined by 4.2% Y-o-Y to Rs 479mn, compared to our estimate of Rs 400mn.
- Overall EBITDA margin during the quarter declined by 150bps Y-o-Y, but increased by 40bps Q-o-Q to 9.4% in Q4FY22. EBITDA margin declined mainly due to more than expected increase in the Raw Material costs.
- Further, net profit during the quarter declined by 7.2% Y-o-Y to Rs 360mn, compared to our estimate of Rs 388mn.

Outlook and Valuations

Management expects to generate revenue growth of 15%-20% in FY23 with 30-35% growth in the Construction Equipment segment and 20-25% growth in the Material Handling segment. Management expects EBITDA to improve due to cooling off of commodity prices and increase in operating leverage.

At a current price of Rs 208, ACE trades at an EV/EBITDA of 12.9x FY23E and 11.3x FY24E earnings. On the back of sustained improvement in the market share in a tough operating environment, we assign an EV/EBITDA multiple of 15x FY23E and arrive at a FY24E price target of Rs 265. We maintain our recommendation of an "Accumulate" rating on the company.

Quarterly Results

Particulars (Rs mn)	Q4FY22	Q4FY21	Variance (Y-o-Y)	Q3FY22	Variance (Q-o-Q)	FY22	FY21	Variance (Y-o-Y)
Total Operating Income	5,113	4,574	11.8%	4,366	17.1%	16,303	12,270	32.9%
Expenditures:								
Materials and Trading Exp	4,201	3,622	16.0%	3,484	20.6%	13079	9,619	36.0%
Staff Cost	206	190	8.2%	247	-16.6%	844	721	17.1%
Other Expenses	228	262	-12.8%	241	-5.3%	856	737	16.2%
Total Expenditures	4,635	4,074	13.8%	3,971	16.7%	14,780	11,077	33.4%
EBITDA	479	500	-4.2%	394	21.4%	1,523	1,194	27.6%
EBITDA Margin	9.4%	10.9%	-150bps	9.0%	+40bps	9.3%	9.7%	-400bps
Depreciation	39	35	11.7%	39	-0.8%	153	139	9.5%
Other Income	54	76	-28.8%	50	8.0%	150	153	-1.9%
Interest	42	30	41.8%	34	23.3%	137	122	12.1%
PBT	451	511	-11.6%	371	21.8%	1,383	1,085	27.5%
Taxes	91	122	-25.6%	95	-4.4%	324	284	14.3%
Net Profit	360	388	-7.2%	275	30.8%	1,059	801	32.2%
Net Profit Margin	7.0%	8.5%	-150bps	6.3%	+70bps	6.5%	6.5%	+0bps
EPS (Rs)	3.1	3.4	-7.2%	2.4	30.8%	9.2	6.9	32.2%

Quarterly Segmental Performance

Particulars (Rs mn)	Q4FY22	Q4FY21	Variance (Y-o-Y)	Q3FY22	Variance (Q-o-Q)	FY22	FY21	Variance (Y-o-Y)
Cranes	3,717	3,167	17.4%	2,688	38.3%	11,040	7,902	39.7%
Construction Equipments	522	462	13.1%	474	10.2%	1,762	1,337	31.8%
Materials Handling	384	374	2.7%	431	-11.0%	1,520	1,029	47.8%
Agricultural Equipment	490	571	-14.2%	773	-36.6%	1,980	2,002	-1.1%
Net Sales	5,113	4,574	11.8%	4,366	17.1%	16,303	12,270	32.9%
EBIT Margin								
Cranes	12.3%	12.9%	-60bps	11.7%	59bps	4.7%	1.7%	305bps
Construction Equipments	5.6%	6.8%	-123bps	5.4%	15bps	2.2%	0.7%	150bps
Materials Handling	12.5%	13.4%	-92bps	11.8%	75bps	5.5%	3.6%	185bps
Tractor	1.5%	12.9%	-1136bps	8.3%	-675bps	2.8%	4.0%	-127bps

Income Statement

Y/E March (Rs mn)	FY19	FY20	FY21	FY22	FY23E	FY24E
Net Sales	10,543	11,561	12,270	16,303	19,220	21,549
<i>Sales Growth</i>	-3.0%	9.7%	6.1%	32.9%	17.9%	12.1%
Expenditures:						
Raw Materials	10,845	8,942	9,619	13,079	15,233	17,057
Employees Cost	750	856	721	844	1,115	1,250
Selling and Distribution	850	845	737	856	1,043	1,126
Total Expenses	12,406	10,643	11,077	14,780	17,391	19,434
EBITDA	-1,863	918	1,194	1,523	1,829	2,115
EBITDA Margin	-17.7%	7.9%	9.7%	9.3%	9.5%	9.8%
Depreciation	118	130	139	153	149	152
EBIT	-1,981	788	1,054	1,370	1,680	1,963
Other Income	97	40	153	150	150	150
Interest Expenses	115	147	122	137	1	0
PBT	-1,999	682	1,085	1,383	1,829	2,113
Taxes	282	156	284	324	429	495
Net Profit	-2281	526	801	1059	1400	1618
Net Profit Margin	-21.6%	4.6%	6.5%	6.5%	7.3%	7.5%
EPS (Rs)	-19.7	4.6	6.9	9.2	12.1	14.0

Balance Sheet

Y/E March (Rs mn)	FY19	FY20	FY21	FY22	FY23E	FY24E
Sources of Funds						
Equity Capital	235	227	227	238	238	238
Reserves & Surplus	4,137	4,199	5,008	7,313	8,609	10,122
Total Shareholders' Fund	4,372	4,425	5,235	7,551	8,847	10,360
Total Loans	373	741	512	8	8	8
Deferred Tax Liabilities	156	142	161	137	141	145
Total Equity & Liabilities	4,926	5,309	5,907	7,695	8,995	10,513
Application of Funds						
Gross Block	4,355	5,260	5,582	5,846	6,439	7,105
Accumulated Depreciation	1,141	1,271	1,411	1,563	1,712	1,865
Net Block	3,213	3,917	4,077	4,281	4,727	5,240
Capital Work-in-Progress	71	182	124	243	316	411
Investments	125	122	120	120	123	127
Others	976	434	306	1,012	1,042	1,072
Current Assets:						
Inventories	2,125	2,703	2,657	3,325	3,423	3,838
Sundry Debtors	1,439	1,473	2,246	1,897	3,001	3,365
Cash and Bank	114	93	364	140	135	693
Loans and Advances	474	109	276	30	33	36
Total Current Assets	4,457	4,856	5,900	7,138	8,391	9,784
Current Liabilities & Provisions	3,917	4,169	4,603	5,076	5,580	6,097
Net Current Assets	540	688	1,297	2,062	2,811	3,687
Miscellaneous	0	-35	-18	-23	-23	-24
Total Assets	4,926	5,309	5,907	7,695	8,995	10,513

Cash Flow Statement

Y/E March (Rs mn)	FY19	FY20	FY21	FY22	FY23E	FY24E
CASH FLOW FROM OPERATING ACTIVITIES						
PBT Before Extraordinary Items	-2281	682	1085	1383	1829	2113
Adjustments for:						
Depreciation	118	130	139	153	149	152
Interest Expenses	115	146	122	137	1	0
Other Adjustments	-97	-40	-153	-150	-150	-150
Operating Profit before WC changes	-2145	917	1193	1523	1829	2115
Change in Working Capital	-351	-343	-254	-277	-702	-265
Cash generated from Operations	-2496	574	939	1246	1128	1851
Direct Taxes (Net)	-282	-164	-241	-328	-429	-495
Net Cash from Operating activities	-2778	410	698	918	699	1356
CASH FLOW FROM INVESTING ACTIVITIES						
Net Purchase of Fixed Assets	-65	-417	-338	-377	-666	-761
Net Purchase of Investments	370	214	169	-1653	-4	-4
Interest Received	58	7	6	11	0	0
Net Cash used in Investing activities	363	-196	-162	-2018	-669	-764
CASH FLOW FROM FINANCING ACTIVITIES						
Equity Share Capital	0	0	0	0	0	0
Net Borrowing	-270	348	-277	-466	0	0
Buy-back of Equity Share	0	-333	0	1306	0	0
Interest Paid	-115	-146	-122	-137	-1	0
Dividend and Dividend Tax Paid	-100	-203	-4	-48	-104	-104
Net Cash from Financing Activities	-486	-334	-404	655	-105	-104
Net Change in Cash & Equivalents	-2900	-120	132	-446	-75	488
Cash & Equivalents as at the beginning	108	114	93	364	140	135
Cash & Equivalents as at the end	114	93	364	140	135	693

Key Ratios

Ratios	FY19	FY20	FY21	FY22	FY23E	FY24E
Liquidity Ratios						
Current Ratio	1.1	1.2	1.3	1.4	1.5	1.6
Quick Ratio	0.6	0.5	0.7	0.8	0.9	1.0
Leverage Ratios						
Total Debt/Networth	0.1	0.2	0.1	0.0	0.0	0.0
Interest Coverage Ratio	-17.2	5.4	8.6	10.0	NA	NA
Working Capital/Sales	0.1	0.1	0.1	0.1	0.1	0.2
Activity Ratios						
Inventory Days	74	85	79	74	65	65
Debtors Days	50	46	67	42	57	57
Creditors Days	87	88	89	90	87	87
Profitability Ratios						
Operating Profit Margin	-17.7%	7.9%	9.7%	9.3%	9.5%	9.8%
Net Profit Margin	-21.6%	4.6%	6.5%	6.5%	7.3%	7.5%
Return on Capital Employed	-46.5%	11.9%	13.8%	15.4%	15.4%	15.4%
Return on Equity	-54.1%	12.0%	16.6%	16.6%	17.1%	16.8%
Valuation Ratios						
EPS	-19.7	4.6	6.9	9.2	12.1	14.0
Dividend Yield	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
P/E	-10.5	45.4	29.8	22.6	17.1	14.8
P/BV	4.4	4.3	3.7	2.5	2.2	1.9
EV/Sales	2.0	1.8	1.7	1.2	1.1	0.9
EV/EBITDA	-11.1	22.9	17.2	15.5	12.9	11.3

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