

# Initiating Coverage Action Construction Equipment Ltd.

January 23, 2023





# Action Construction Equipment Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Construction Vehicles	Rs.336.9	Buy in the band of Rs.332-338 & add more on dips to Rs.298-301.5 band	375	403.4	3 quarters

HDFC Scrip Code	ACTCONEQNR
BSE Code	532762
NSE Code	ACE
Bloomberg	ACCE:IN
CMP Jan 20 - 2023	336.9
Equity Capital (Rs cr)	11.64
Face Value (Rs)	2
Equity Share O/S (cr)	23.28
Market Cap (Rs cr)	4014
Book Value (Rs)	68.8
Avg. 52 Wk Volumes	6,16,335
52 Week High	355
52 Week Low	175

Share holding Pattern % (Dec, 2022)	
Promoters	66.76
Institutions	08.40
Non Institutions	24.84
Total	100.0



HDFCsec Retail research  
stock rating meter

for details about the ratings, refer at the end of the report

\* Refer at the end for explanation on Risk Ratings

Fundamental Research Analyst

Jinesh Kothari

[Jinesh.kothari@hdfcsec.com](mailto:Jinesh.kothari@hdfcsec.com)

## Our Take:

Action Construction Equipment Limited (ACE) is one of the experienced players, engaged in manufacturing and marketing of Cranes, Construction Equipment, Material Handling and Agricultural equipment. The company is a major player of Mobile & Tower Cranes and has more than 65% market share in India. Company is also largest manufacturer of pick and carry cranes. The company is also one of the few players in manufacturing of Forklifts. The revenue of the company is well diversified in various segments, the company has secured orders recently from Defense sectors for manufacturing and supply of specialized equipments. The company has also received an order from Government of Ghana and is expected to generate Rs.150 to 200 crore of business from FY25. The FY22 revenue comprised of 68% from Crane segment, 11% from Construction Equipment, 9% from Material handling and 12% from Agri Equipment respectively.

ACE has reiterated its target of revenue growth by 20-25% YoY for FY23 and improvement in its current margin level. It aims to improve in bottom line by way of backward integration.

ACE is also expanding its business by carrying out more Capex. By way of both organic and inorganic expansion, revenues are expected to grow significantly. The company is expanding its capacities in crane as well as material handling segment. ACE has strong financial position with no long term debt and strong revenue generation capabilities.

On account of its healthy order book, strong revenue forecasts and market share in cranes segment, improvement in EBITDA margins, we are positive on the stock.

## Valuation & Recommendation:

ACE has strong long-term outlook and revenue growth in the upcoming years on account of capex and expansion. We expect revenue/EBITDA/PAT to grow at a CAGR of 24.3%/30.8%/35.95% over FY22–24E. **We think the base case fair value of the stock is Rs.375(23x FY24E EPS) and the bull case fair value is Rs.403.4 (24.7x FY24E EPS) over the next three quarters. Investors can buy the stock in the band of Rs.332-338 (20.6x FY24E EPS) and add more on dips to Rs.298-301.5 band (18.5x FY24E EPS).**



# Action Construction Equipment Ltd.

## Financial Summary (Rs Cr)

Particulars (Rs Cr)	Q2FY23	Q2FY22	YoY-%	Q1FY23	QoQ-%	FY20	FY21	FY22	FY23E	FY24E
Total Operating Income	491.8	360.9	36.3	497.7	-1.2	1,156.2	1,227.2	1,629.6	2,077.7	2,514.0
EBITDA	45.0	34.6	30.1	40.7	10.6	91.6	119.0	151.4	204.5	259.1
Depreciation	4.0	3.8	5.0	4.7	-14.8	13.0	13.9	15.4	18.6	20.9
Other Income	6.0	1.6	272.5	24.4	-75.5	4.2	15.3	15.0	39.1	23.4
Interest Cost	2.1	2.6	-18.7	1.7	29.1	14.7	12.2	13.8	9.0	10.4
Tax	11.0	6.9	59.5	13.5	-18.2	15.6	28.3	32.3	51.8	61.6
PAT	33.9	22.9	47.8	45.3	-25.2	52.5	79.8	105.0	164.1	189.7
Adjusted PAT	33.9	22.9	47.8	45.3	-25.2	52.5	79.8	105.0	164.1	189.7
EPS (Rs)	2.85	1.92		3.65		4.6	7.0	9.0	14.1	16.3
RoE-%						11.9	16.5	16.4	19.6	18.7
P/E (x)						73.8	47.9	37.3	23.9	20.7
EV/EBITDA						43.0	32.3	25.9	19.0	15.0

(Source: Company, HDFC sec)

## Segmental Performance:

Revenue (Rs. Cr)	H1FY23 (6M)	FY22	FY21	FY20	FY19	FY18
Cranes	706.57	1103.24	790.21	828.69	964.29	749.00
Construction Equipment	106.15	176.23	133.73	100.65	80.19	71.90
Material Handling Equipment	73.41	152.04	102.85	83.58	94.38	80.75
Agriculture Equipment	103.38	198.04	200.22	143.28	203.63	184.83
Segment Results (EBIT) (Rs. Cr)	H1FY23 (6M)	FY22	FY21	FY20	FY19	FY18
Cranes	101.55	127.86	87.24	92.95	89.24	82.68
Construction Equipment	5.86	9.38	6.79	0.02	2.00	3.47
Material Handling Equipment	7.89	18.21	12.74	8.16	11.5	9.73
Agriculture Equipment	1.85	12.59	24.05	-4.11	6.8	4.7

(Source: Company, HDFC sec)



## Q2FY23 Earnings Update:

- Consolidated Operating Revenue in Q2FY23 stood at Rs.491.8 crores, up 36.3% YoY/ flat QoQ. The Consolidated EBITDA stood at Rs. 45 crores, up 30.1% YoY/10.6% QoQ.
- The Consolidated EBITDA margin for Q2FY23 stood at 9.2%.
- The company was able to improve its EBITDA margins compared to the previous quarter on account of easing of commodity prices and supply chain pressures. Mild steel prices have seen some correction, while most of other commodities continue to be volatile.
- The revenue from the Crane business stood at Rs.357crores, with an operating margin of 12.8% while Material handling segment revenue was down YoY by 5% with margins sustaining around 10%.
- The management has guided to maintain the target of 20-25% increase in total revenue over FY22 with stable margins. The company has already started to set up new facility for manufacturing of bigger cranes like truck cranes & crawler cranes, the production from new plant is expected to start by end of March'23. This will increase the capacity of company to manufacture bigger cranes by approximately four times.
- The Consolidated PAT reported for Q2FY23 is Rs. 33.86 crores- up 47.8% YoY/-25.2% QoQ.
- The company has secured order from Government of Ghana to set up a state-of-the-art assembly plant for manufacturing of Tractors, Backhoe Loaders and Fabrication of Agricultural implements for the Government of the Republic of Ghana against a consideration of USD 24.98 Million.
- **Post Q2**, the company has developed an indigenous Special Mobile Crane for Ministry of Defence (MoD), DRDO, programme MRSAM (Army) and has also received a pilot order for manufacturing and supply of the said cranes which have been integrated on HMV 8X8 chassis. This is the first of its kind developed by an Indian Company.

## H1FY23 Con-Call Highlights:

- The company has been awarded with a contract to set up a state-of-the-art assembly plant for manufacturing tractors, backhoe loaders and fabrication of agricultural implements for the Ghana government against a consideration of approximately 200 crore (\$24.98 Mn). 20-30% of the revenues are expected in current FY and balance is expected to receive in FY24. It will generate a revenue of Rs.150-200 crore from FY24. Company is awaiting Letter of Credit from EXIM bank and is likely to start work from Q4.
- Revenue guidance for FY23: Total growth in revenue is expected to be in the range of 20-25% with sustainable EBITDA margins for FY23, - Cranes segment 25% growth, material handling 15% growth, Agri segment 15-20% growth and construction equipment 30-35% growth. EBITDA margins likely to improve on in FY24E on account of operating leverage and cooling of raw material prices and expected to reach 11-12%. Order Inflows are higher by 25-30% compared to FY22.



- The company is planning another price hike in January 1, 2023.
- In Q1FY23, there was pressure on EBITDA margins due to high inflation, macroeconomic environment and rising cost of material prices, which cooled off during the subsequent quarter; the company is expecting an improvement in margins going forward on account of commodity (steel) prices cooling off.
- Working capital cycle was elongated on account of increase in Inventories by Rs. 70-80 crores, as company was expecting good sales in Q3 due to festive season, so inventories were elevated during last quarter and is expected to decrease and normalize in Q3FY23.
- The company has completed acquisition of two companies which are operating in the lower zone of the market, one of which is new startup crane company and other is pick and carry cranes company. With these acquisitions ACE will have nearly half of the lower end of the market and it will improve company's pricing in market. Both the companies are likely to generate business of Rs.10-15 crores each. Company is planning more acquisitions in the coming years including backward integration.
- The company is in very comfortable position to fund the capex and acquisitions internally as company has Cash and Cash Equivalents as on Sept, 30 of Rs.23 crore and Liquid (Current Investments) of Rs.98 crore as on Sept'22.
- Capex plans for FY23 are at Rs.45-50 crore with Rs.30 crore used in installing a new capacity for manufacturing truck cranes, which will have a potential of around Rs.350-400 crore revenue. It will be operational by Q4FY23 and is expected to have a revenue of Rs.100 crore in the first year.
- Construction equipment did not perform well in the last quarter due to BS4 norms due to which the industry also de-grew 30% in Q1FY23. Agri segment is expected to see good quarters on account of better monsoons.
- Capacity utilisation- for cranes 70%, material handling 65%, construction equipment 35% and agri 40%. Capacity utilisation is expected to increase by 10-15% in all segments by FY23 end.
- In Construction equipment (blackhoe loaders) the segment revenue was at Rs.176 crores in FY22, and company is hopeful that company will grow this segment by 30%-35% in current year and can get to Rs. 300 to 400 crore by FY24.



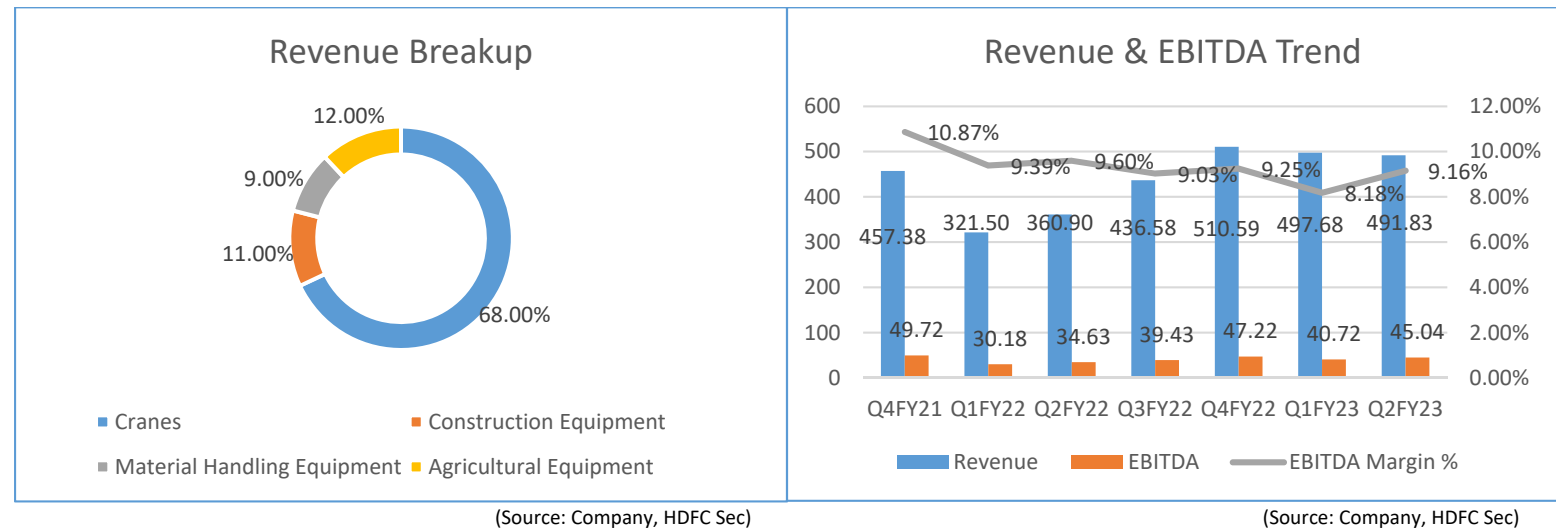
# Action Construction Equipment Ltd.

## Key Drivers:

### Diversified & Strong Product Portfolio and New Product Launches:

ACE Ltd. has wide range of diversified product portfolio of Cranes, Material Handling equipment, Construction Equipment & Agricultural Equipment. The company has its dominance in manufacturing and selling of Cranes, which comprises of almost 68% of total revenue of company. The company has strong presence in Infrastructure sector equipments. The company has more than 63% market share in Mobile cranes segment and more than 60% share in Tower cranes segment. The company is also evolving couple of products in the Construction Equipment segment and it is expected to launch new products by end of Q4FY23 or Q1 of next year, the company will have first mover advantage in one of the product which is imported and not manufactured in India till date. The company is expecting better margins from new product launches.

The company is also one of the few players in the country for manufacturing Forklift in Material handling segment. Company is also among the top three players in the forklift segment in India, along with Godrej & Boyce Mfg. Co. Ltd. and Kion Group AG. The forklift market can witness high demand due to growth in retail, e-commerce and warehousing sector. The development of electric forklifts is gaining thrust. ACE is the first company to develop Li-ion electric forklifts in the country. The Indian forklift Market is expected to grow from 11234 units in 2019 to 30293 units in 2027 at a CAGR of 13.2 % during the forecast period.





### **New order Inflows:**

The company has recently received an order from Government of Republic of Ghana for setting up state of art assembly plant for manufacturing of tractors, blackhoe loaders for a total consideration of 24.98 Mn USD (approx. 200 crore). The company is expecting realization upto Rs. 40 crore in the current Financial year and balance in FY24. Post completion of setting up the new project, the company has yearly potential to supply around Rs. 150-200 crore on yearly basis by supplying CKDs and SKDs for machines which are going to be manufactured there. The company has also been supplier to Ministry of Defense for 482 nos. of 4x4 Multipurpose Tractors with special attachments for Indian army. The company is also sole supplier for executing special purpose specially built cranes for missile handling system. One of them is called MRSAL Medium Range Surface to AIR missile system which were imported into our country and has also started supplying to Tata Advance system, L&T Defense and DRDO.

### **New Capex Plans Underway:**

The company has raised funds via QIP amounting to Rs.136 crore in September 2021 (Rs242), which company plans to use for Capex. In Q1FY23, the company has acquired two new companies, one of which is startup crane company to operate in price sensitive zone, and second company is small company operating in pick and carry cranes. Both the company are manufacturing companies and have a business capacity of generating Rs.10 to 15 crore of revenue. The company has also plans to make some more acquisitions which will lead to backward integration which will support in improvement in margins and bottom line of the company. The company is also undergoing capacity expansion for cranes which are above 40 tonnes, company is increasing its capacity by around four times. The capex will require total investment of Rs.30-35 crore without taking into consideration cost of land. Company believes this capex could generate business of Rs.300-400 crores.

### **Key Risks:**

**Higher Input Costs & Raw material prices:** 60% of the input cost comprises of steel including Mild steel, Flat steel and Long steel used for major types of the cranes. The prices of Flat steel has corrected significantly in recent past but prices of Long steel has not corrected the way it was increasing. Therefore, the significant movement in raw material prices may impose risk on the improvement in margins going forward as passing on the increased prices to the customers may be a concern; the company also has many contracts on fixed price basis including the recent contract from government of Ghana and some defense orders.

**Cyclical & Industrial nature of Business:** The growth of company is mainly dependent on the performance and demand of various other sectors and end user industries like Infrastructure, Real Estate, Warehousing, Logistics and Agriculture. Though, the Government's focus on increasing infrastructure spending, construction activity has seen sustained recovery in last few quarters and supported volumes but ACE faces risk of cyclical slowdown in demand.



**Stiff Competition from Local as well as MNC players:** The Company is facing stiff competition from established foreign and domestic players in the construction and Agricultural equipment Industry. In the construction equipment segment, company faces intense competition from players like JCB in the backhoe loader segment, Escorts, Volvo and Hitachi in the soil compactor segment. In the agricultural equipment sector is also company faces high competition from players like Escorts and M&M. The Agricultural Equipment revenue grew by only 6% in last quarter on yearly basis.

**Slow Demand & Growth from Agriculture Equipment Segment:** The agricultural equipment segment constitutes 9000 units of installed capacity (i.e nearly 42% of total installed capacity) but is currently running at only 40-45% utilization, the company is facing stiff competition from Local players in this segment and thus affecting the margins of this segment. The company has the lowest margins in this segment. ACE has hired a senior executive from Escorts to head this division and expects this division to pick up momentum in FY24.

**Seasonality in sales:** ACE witnesses best sales in March quarter while Sept quarter is weak based on historical trends.

#### Company Background:

Established back in 1995, Action Construction Equipment Ltd (ACE Ltd.) is construction equipment and material handling company engaged in business of manufacturing and marketing of Cranes, Construction Equipment, Material Handling and Agricultural equipment. The company has its manufacturing facility located in Haryana. The company is a market leader in Mobile with over 63% market share and Tower cranes having more than 60% market share domestically. The company is also the largest manufacturer of pick and carry cranes. The company also has received some orders from Ministry of Defense and is also solely authorized to manufacture Missile handling system in India.

The company has diversified revenue structure with majority of its revenue comprising from various sectors like Infrastructure, Construction, Logistics & Agricultural sector. The company exports its products to 25+ countries globally across Middle East, Africa, Asia and Latin America. The company has 4 manufacturing units with its main plant located in Palwal (Haryana) which is a mother plant and 2 fabrication units and R&D unit located in Faridabad. The company also has one of the widest Sales and Service network, with over 100+ locations supported by 13 regional offices in India.

ACE Ltd. has unblemished debt servicing and impressive credit ratings with stable outlook for both short and long-term borrowings ICRA AA; Stable for Long-Term and ICRA A1+ for Short-Term Loans.





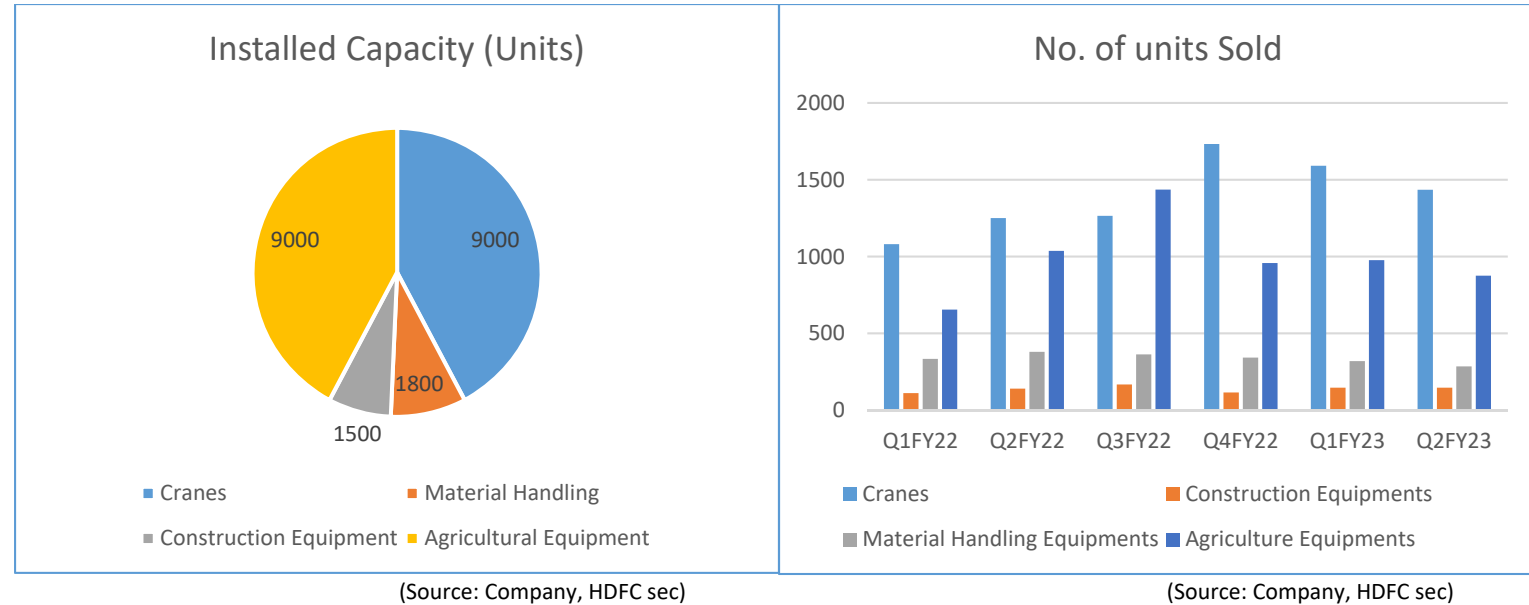
## **Business Segment Review:**

**Cranes:** The cranes segment has contributed to 68% of total revenue of the company as on FY22. The crane segment capacity utilization is at 75%. The company has total capacity to produce 9,000 units of cranes. The revenue from Crane segment stood at Rs.706 crore for H1FY23 with an operational EBIT of 101.55 crore, yielding EBIT margins of 14.3%. The company has majority of market share (63%) in Mobile and Tower Cranes. The company has guided to grow by 25% in Crane segment business.

**Construction Equipment:** The CE segment has contributed to 11% of total revenue of the company as on FY22. The current segment capacity utilization is at 40-45%. The company has total capacity to produce 1,500 units of Construction equipments. The revenue from CE segment stood at Rs.106 crore for H1FY23 with an operational EBIT of Rs.5.86 crore, yielding EBIT margins of 5.52%. 50% of CE sale is from sale of Backhoe loaders. The company is expecting sales of Rs.300-400 crore from this segment by FY24 and is aiming to grow in this segment by 30-35%.

**Material handling Equipment:** The MHE segment has contributed to 9% of total revenue of the company as on FY22. The current segment capacity utilization is at 75%. The company has total capacity to produce 1,800 units of Construction equipments. The revenue from MHE segment stood at Rs.73.4 crore for H1FY23 with an operational EBIT of Rs.7.89 crore, yielding EBIT margins of 10.75%. The company has guided the segment to witness growth of 15% in current FY.

**Agricultural Equipment Sector:** The Agri Equipment segment has contributed to 12% of total revenue of the company as on FY22. The current segment capacity utilization is at 40-45%. The company has total capacity to produce 9000 units of Agricultural equipments. The revenue from Agri Equipment segment stood at Rs.103.4 crore for H1FY23 with an operational EBIT of Rs.7.89 crore, yielding EBIT margins of 1.78%. The company do have export orders of tractors and agri equipment from African and Latin American countries. The company has guided the segment to witness growth of 15% in current FY.



### Industry Overview:

**Construction Equipments Industry:** Change in FDI reforms for the construction sector, highway projects and a growing economy has led to the global surge in the construction equipment market in India. Earthmoving equipment accounts for close to 50% of India’s construction equipment market. The government in India has recently invested in the infrastructure sector. Considerable investment in the development of infrastructure in India is supposed to upsurge the demand for different kinds of construction equipment.

India Crane Market Size by Volume to Reach 15,665 Units by 2027. The India crane market is expected to grow at a CAGR by volume of over 5.56% during the period 2021–2027. The India crane market size by revenue is expected to reach USD 1.3 billion by 2027. The construction segment accounted for over 55% of the overall Indian crane market in 2020. The less than 20 tons category of cranes used largely for landscaping, excavating, demolishing, disaster management, and material handling in cities and farms. Therefore, construction projects will drive up the demand for these cranes. The less than 20 tons crane-lifting capacity market in India is expected to reach USD 548.8 million by 2027.



**Material Handling Equipments:** The demand for forklifts in MHE has seen growth in past few years due to strong growth in the sectors like retail, e-commerce, manufacturing, warehousing and logistics. The whole range of forklifts can be segmented by 3 classes i.e. Light duty, Medium duty, and Heavy duty. There has also been emphasis on development of Electric forklift with many extraordinary attachments for precise applications with a lesser cost of ownership. Also, demand for forklifts from the rental segment has been rising at a fast pace. The development of the rental segment has been more hostile than it had been the last few years back. The Indian forklift Market is expected to grow from 11234 units in 2019 to 30293 units in 2027 at a CAGR of 13.2 % during the forecast period.

**Agricultural Equipments:**

There has been considerable progress in agriculture mechanization over past few years. A significant proportion of farmers in the country have already started moving from using animate sources to mechanical equipment to power their farming activities. As a result of increasing farm mechanization trends, the agricultural equipment market has witnessed strong growth in the past few years. With shortage of labour, increasing in government incentives on agricultural machinery, ease of financing the Agri equipment market can witness strong growth and demand over next years.

In the 2022-23 Union Budget, Ministry of Agriculture and Farmers' Welfare has been allocated Rs. 1,31,531 crore. The government has given a clear signal to rural India that it is committed to their cause. The Indian agricultural equipment market reached a value of Rs.926 Billion in 2021. Looking forward, IMARC Group expects the market to reach Rs.1,689 Billion by 2027, exhibiting a CAGR of 10.6% during 2022-2027.



## Product Portfolio



**▶ Cranes**

- Pick & Carry Crane
- Lorry Loaders Crane
- Self Erecting Tower Crane
- Crawler Crane
- Truck Crane
- Tower Crane

---

**▶ Construction Equipment**

- Backhoe Loader
- Wheel Loader
- Soil Compactor & Tandem Vibratory Roller
- Motor Grader

---

**▶ Material Handling Equipment**

- Forklift Trucks
- Warehousing Equipment
- Piling Rig

---

**▶ Agriculture Equipment**

- Tractor
- Track Combine
- Wheel Harvester
- Rotovator



# Action Construction Equipment Ltd.

## Income-Statement

(Rs Cr)	FY20	FY21	FY22	FY23E	FY24E
<b>Net Revenues</b>	<b>1156.2</b>	<b>1227.2</b>	<b>1629.6</b>	<b>2077.7</b>	<b>2514.0</b>
Growth (%)	-13.9	6.1	32.8	27.5	21.0
Operating Expenses	1064.7	1108.2	1478.1	1873.2	2255.0
<b>EBITDA</b>	<b>91.6</b>	<b>119.0</b>	<b>151.4</b>	<b>204.5</b>	<b>259.1</b>
<b>Growth (%)</b>	<b>-6.4</b>	<b>29.9</b>	<b>27.3</b>	<b>35.0</b>	<b>26.7</b>
<b>EBITDA Margin (%)</b>	<b>7.9</b>	<b>9.7</b>	<b>9.3</b>	<b>9.8</b>	<b>10.3</b>
Depreciation	13.0	13.9	15.4	18.6	20.9
<b>EBIT</b>	<b>78.5</b>	<b>105.0</b>	<b>136.0</b>	<b>185.8</b>	<b>238.2</b>
Other Income	4.2	15.3	15.0	39.1	23.4
Interest expenses	14.7	12.2	13.8	9.0	10.4
<b>PBT</b>	<b>68.0</b>	<b>108.1</b>	<b>137.3</b>	<b>215.9</b>	<b>251.3</b>
Tax	15.6	28.3	32.3	51.8	61.6
PAT	52.5	79.8	105.0	164.1	189.7
<b>Adjusted PAT</b>	<b>52.5</b>	<b>79.8</b>	<b>105.0</b>	<b>164.1</b>	<b>189.7</b>
<b>Growth (%)</b>	<b>-6.3</b>	<b>52.0</b>	<b>31.6</b>	<b>56.3</b>	<b>15.6</b>
EPS	4.6	7.0	9.0	14.1	16.3

## Balance-Sheet

As at March	FY20	FY21	FY22	FY23E	FY24E
<b>SOURCE OF FUNDS</b>					
Share Capital	22.7	22.7	23.8	23.8	23.8
Reserves	420.2	500.9	730.6	894.6	1084.3
<b>Shareholders' Funds</b>	<b>442.9</b>	<b>523.6</b>	<b>754.4</b>	<b>918.4</b>	<b>1108.1</b>
Long Term Debt	29.5	20.1	0.0	0.0	0.0
Net Deferred Taxes	14.2	16.1	13.5	13.5	13.5
Long Term Provisions & Others	3.5	2.0	3.5	3.7	3.8
<b>Total Source of Funds</b>	<b>490.1</b>	<b>561.8</b>	<b>771.4</b>	<b>935.6</b>	<b>1125.4</b>
<b>APPLICATION OF FUNDS</b>					
Net Block & Goodwill	412.1	429.3	451.7	470.0	549.1
CWIP	19.4	12.6	24.3	30.0	30.0
Other Non-Current Assets	36.1	22.9	91.9	94.7	97.8
<b>Total Non-Current Assets</b>	<b>467.5</b>	<b>464.7</b>	<b>567.9</b>	<b>594.6</b>	<b>676.8</b>
Current Investments	6.5	25.1	110.5	135.5	195.5
Inventories	270.7	266.1	333.4	455.4	537.2
Trade Receivables	147.3	224.7	188.7	284.6	358.2
Cash & Equivalents	9.3	36.5	14.3	39.0	57.6
Other Current Assets	52.4	38.3	67.7	74.4	81.9
<b>Total Current Assets</b>	<b>486.1</b>	<b>590.6</b>	<b>714.5</b>	<b>988.9</b>	<b>1230.3</b>
Short-Term Borrowings	44.7	34.1	7.6	9.5	11.9
Trade Payables	320.5	330.5	361.1	483.8	585.5
Other Current Liab & Provisions	98.4	129.0	142.4	167.7	197.5
<b>Total Current Liabilities</b>	<b>463.5</b>	<b>493.6</b>	<b>511.0</b>	<b>661.0</b>	<b>794.8</b>
Net Current Assets	22.6	97.0	203.5	327.9	435.5
<b>Total Application of Funds</b>	<b>490.1</b>	<b>561.8</b>	<b>771.4</b>	<b>935.6</b>	<b>1125.4</b>



# Action Construction Equipment Ltd.

## Cash Flow Statement

(Rs Cr)	FY20	FY21	FY22	FY23E	FY24E
Reported PBT	68.0	108.1	137.3	215.9	251.3
Non-operating & EO items	3.5	1.5	4.0	0.0	0.0
Interest Expenses	13.9	11.6	12.0	9.0	10.4
Depreciation	13.0	13.9	15.4	18.6	20.9
Working Capital Change	-34.1	-25.1	-26.9	-79.2	-34.3
Tax Paid	-16.4	-24.0	-32.9	-51.8	-61.6
<b>OPERATING CASH FLOW ( a )</b>	<b>48.0</b>	<b>86.1</b>	<b>109.0</b>	<b>112.5</b>	<b>186.6</b>
Capex	-38.3	-16.0	-44.3	-55.7	-100.0
Free Cash Flow	9.7	70.1	64.7	56.8	86.6
Investments	17.4	-5.9	-162.9	-25.0	-60.0
Non-operating income	1.2	5.7	5.7	0.0	0.0
<b>INVESTING CASH FLOW ( b )</b>	<b>-19.7</b>	<b>-16.2</b>	<b>-201.5</b>	<b>-80.7</b>	<b>-160.0</b>
Debt Issuance / (Repaid)	34.8	-27.8	-46.6	1.9	2.4
Interest Expenses	-14.6	-12.2	-13.8	0.0	0.0
FCFE	29.9	30.1	4.3	58.7	89.0
Share Capital Issuance/ (Buy Back)	0.0	0.0	135.5	0.0	0.0
Dividend	0.0	0.0	-5.7	-9.0	-10.4
Others	-53.6	-0.4	-4.2	0.0	0.0
<b>FINANCING CASH FLOW ( c )</b>	<b>-33.4</b>	<b>-40.4</b>	<b>65.3</b>	<b>-7.1</b>	<b>-8.0</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>-5.1</b>	<b>29.5</b>	<b>-27.2</b>	<b>24.7</b>	<b>18.6</b>

## Key-Ratios

	FY20	FY21	FY22	FY23E	FY24E
<b>PROFITABILITY RATIOS (%)</b>					
EBITDA Margin	7.9	9.7	9.3	9.8	10.3
EBIT Margin	6.8	8.6	8.3	8.9	9.5
PAT Margin	4.5	6.5	6.4	7.9	7.5
RoE	11.9	16.5	16.4	19.6	18.7
RoCE	15.7	19.2	20.3	22.0	23.3
<b>SOLVENCY RATIOS</b>					
Debt/EBITDA (x)	0.8	0.5	0.1	0.0	0.0
D/E	0.2	0.1	0.0	0.0	0.0
<b>PER SHARE DATA</b>					
EPS	4.6	7.0	9.0	14.1	16.3
CEPS	5.7	8.3	10.3	15.7	18.1
Dividend	0.0	1.0	0.6	1.3	1.5
BVPS	38.5	46.1	64.8	78.9	95.2
<b>TURNOVER RATIOS</b>					
Debtor days	46	55	46	42	47
Inventory days	76	80	67	69	72
Creditors days	95	97	77	74	78
<b>VALUATION</b>					
P/E	73.8	47.9	37.3	23.9	20.7
P/BV	8.7	7.3	5.2	4.3	3.5
EV/EBITDA	43.0	32.3	25.9	19.0	15.0
EV/Revenues	3.4	3.1	2.4	1.9	1.5
Dividend Yield (%)	0.0	0.3	0.2	0.4	0.4
Dividend Payout (%)	0.0	14.2	6.7	8.9	9.2

1 Year Price Chart





# Action Construction Equipment Ltd.



## HDFC Sec Retail Research Rating description

### Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. These stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

### Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

### Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicity of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

### Disclosure:

I, **Jinesh Kothari, Research Analyst, Chartered Accountant**, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. HSL has no material adverse disciplinary history as on the date of publication of this report. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Research Analyst or her relative or HDFC Securities Ltd. **does not have** any financial interest in the subject company. Also Research Analyst or his relative or HDFC Securities Ltd. or its Associate may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Further Research Analyst or her relative or HDFC Securities Ltd. or its associate **does not have** any material conflict of interest.

Any holding in stock – No

HDFC Securities Limited (HSL) is a SEBI Registered Research Analyst having registration no. INH000002475.

### Disclaimer:

This report has been prepared by HDFC Securities Ltd and is meant for sole use by the recipient and not for circulation. The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. This document is for information purposes only. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete and this document is not, and should not be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments.

This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject HSL or its affiliates to any registration or licensing requirement within such jurisdiction.

If this report is inadvertently sent or has reached any person in such country, especially, United States of America, the same should be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published in whole or in part, directly or indirectly, for any purposes or in any manner.

Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations, which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies effectively assume currency risk.

It should not be considered to be taken as an offer to sell or a solicitation to buy any security. HSL may from time to time solicit from, or perform broking, or other services for, any company mentioned in this mail and/or its attachments.

HSL and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

HSL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

HSL and other group companies, its directors, associates, employees may have various positions in any of the stocks, securities and financial instruments dealt in the report, or may make sell or purchase or other deals in these securities from time to time or may deal in other securities of the companies / organizations described in this report.

HSL or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

HSL or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction in the normal course of business.

HSL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither HSL nor Research Analysts have any material conflict of interest at the time of publication of this report. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. HSL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. We have not received any compensation/benefits from the Subject Company or third party in connection with the Research Report.

HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Murlu V Karkera Email: [complianceofficer@hdfcsec.com](mailto:complianceofficer@hdfcsec.com) Phone: (022) 3045 3600

HDFC Securities Limited, SEBI Reg. No.: NSE, BSE, MSEI, MCX: INZ000186937; AMFI Reg. No. ARN: 13549; PFRDA Reg. No. POP: 11092018; IRDA Corporate Agent License No.: CA0062; SEBI Research Analyst Reg. No.: INH000002475; SEBI Investment Adviser Reg. No.: INA000011538; CIN - U67120MH2000PLC152193

Mutual Funds Investments are subject to market risk. Please read the offer and scheme related documents carefully before investing.