

Action Construction Equipment Ltd. (ACE)

Sequential Improvement Visible in Volumes; Outlook remains positive for FY27E

ACE Ltd Q3FY26 consolidated sales were flat at Rs 8,904mn, which declined by 1.6% and grew by 15.1% on a YoY/QoQ basis. EBITDA increased by 0.2%/19.7% on a YoY/QoQ basis. EBITDA Margin improved by 35bps/71bps to 18.6%. PAT increased by 4.2%/29.3% on a YoY/QoQ basis. PAT Margin improved by 74bps/143bps on a YoY/QoQ basis to 13.1%. Volumes for Q3FY26 from crane segment declined by 23.4% YoY to 2,710 units, while volumes from the Agri segment declined by 11.2% YoY to 902 units. Thus, overall volumes decreased by 20.7% YoY to 3,612.

Demand has Seen Improvement on a Sequential Basis

Sequentially, demand recovery became evident, with revenue growing 15% QoQ driven by volume growth of 25.7%. EBITDA rose 19.7% QoQ, while PAT increased 4.2% YoY and 29.3% QoQ, respectively. Margins remained muted by a one-time provision of Rs 55mn for gratuity and leave encashment under the implementation of the new labour code; excluding this, profitability would have been stronger.

Margin and Product Mix Dynamics

Margin expansion during the quarter was primarily driven by a favorable product mix rather than pricing softness. The company clarified that price realizations have increased across non-agricultural product categories over the past nine months, despite perceptions based on blended calculations. Higher contributions from new-generation cranes, particularly higher-tonnage pick-and-carry models, along with increasing tower crane sales, supported profitability. These higher-value products are gradually replacing traditional hydra cranes, thereby improving structural margins.

Strategic Positioning

During the quarter, the company introduced a range of next-generation equipment, including intelligent tower cranes, AI-enabled pick-and-carry cranes, telehandlers, aerial work platforms, and advanced material handling systems. The company has also unveiled its "Ultra Range" of cranes equipped with AI-integrated safety systems, including SCOS, ALSS, and RAS, designed to create a fail-safe operating environment. The company emphasized that these machines enhance productivity, safety, and ease of operation while lowering lifecycle ownership costs, thereby strengthening ACE's competitive position amid accelerating domestic infrastructure activity.

Valuation & Outlook

ACE Ltd reported a decline in revenue in Q3FY26 due to a contraction in volumes on a YoY basis. The company has guided moderate growth in FY26E. The company expects revenue and profitability to pick up in FY27E. We expect its Revenue/EBITDA/PAT to grow at a CAGR of 10.7%/13.5%/13.2% in FY25-28E, while we expect the EBITDA margin to remain at 19.5%/19.7% in FY27E/28E. We are revising our estimates while retaining our target price due to healthy demand expected in the upcoming quarters.

We retain our rating to **BUY** with a target price of Rs 1,235, valuing the company at 25.0x of its FY28E EPS.

YE March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Net Revenues	29,909	34,274	35,937	40,592	46,854
EBITDA	4,804	6,061	6,597	7,596	8,861
EBITDA Margin (%)	16.1	17.7	18.4	18.7	18.9
EBIT	4,571	5,778	6,273	7,204	8,389
PAT	3,282	4,092	4,503	5,116	5,939
PAT Margins (%)	11.0	11.9	12.5	12.6	12.7

Source: Company, ACMII research

BUY
Target: Rs 1,235

Key Data

Bloomberg code:	ACCE
Target price (Rs):	1,235
CMP (Rs):	924
Upside/ (Downside) (%):	33.7
Rating:	BUY
Shares outstanding (mn):	119
Mcap (Rs Mn):	1,09,956
52-week H/L (Rs):	1,389/775

Price Performance (%)

1 month	4.0
3 months	(7.6)
12 months	(26.0)

Shareholding Pattern (%)

	Jun'25	Sep'25	Dec'25
Promoter	65.4	65.4	65.4
FIIIs	11.4	10.4	10.4
DIIIs	2.0	1.8	1.8
Public	17.6	18.2	18.6
Other	3.5	4.2	3.8

Source: BSE

Price performance: ACE vs Nifty 500



Source: NSE

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Action Construction Equipment Ltd (ACE)

Quarterly Update

Net Sales declined by 1.6% YoY and increased by 15.1%.

EBITDA Margin improved by 35bps/71bps on a YoY/QoQ basis.

PAT Margin improved by 74bps/143bps on a YoY/QoQ basis.

Y/E March (Rs mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)
Net Sales	8,904	9,053	(1.6)	7,736	15.1
Gross Profit	3,174	3,173	0.0	2,739	15.9
Gross Profit (%)	37.1	36.3	88bps	36.8	34bps
EBITDA	1,655	1,651	0.2	1,383	19.7
EBITDA (%)	18.6	18.2	35bps	17.9	71bps
Depreciation	89	72	24.4	88	1.9
Finance Cost	47	84	(44.4)	59	(20.2)
PBT	1,519	1,495	1.6	1,237	22.8
Tax	355	378	(6.2)	336	5.5
PAT	1,164	1,117	4.2	901	29.3
PAT (%)	13.1	12.3	74bps	11.6	143bps

Source: Company, ACMIL research

Segment-wise Volume Produce

Y/E March (No. Units)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)
Crane, Construction and Material Handling	2,710	3,539	(23.4)	2,348	15.4
Agricultural Equipment	902	1,016	(11.2)	526	71.5
Total	3,612	4,555	(20.7)	2,874	25.7

Source: Company, ACMIL research

Overview

ACE Ltd Q3FY26 consolidated sales were flat at Rs 8,904mn, which declined by 1.6% and grew by 15.1% on a YoY/QoQ basis. EBITDA increased by 0.2%/19.7% on a YoY/QoQ basis. EBITDA Margin improved by 35 bps/71 bps to 18.6%. PAT increased by 4.2%/29.3% on a YoY/QoQ basis. PAT Margin improved by 74 bps/143 bps on a YoY/QoQ basis to 13.1%. Volumes for Q3FY26 from the crane segment declined by 23.4% YoY to 2,710 units, while volumes from the Agri segment declined by 11.2% YoY to 902 units. Thus, overall volumes decreased by 20.7% YoY to 3,612.

Segmental Performance

The Crane, Material Handling, and Construction Equipment segment continued to dominate, accounting for 90% of revenue. Q3 segment revenue stood at Rs 7,630mn, up 10% on a QoQ basis, supported by sales of 2,710 units and margin expansion to 20%. The company reiterated its market leadership in mobile cranes and its strong pricing power, driven by technology-led differentiation.

The Agricultural Equipment segment contributed around 10% of revenue. Although realizations improved due to higher harvester sales, profitability remained weak owing to provisioning impacts. EBIT margins for this segment dropped to around 1% in Q3FY26, down from normal levels of 4–5%, but the company expects a recovery and long-term margin expansion to 12–15%.

Balance Sheet Strength and Funding Strategy

The company reiterated that it remains in a strong financial position with a debt-free balance sheet and significant liquidity available for growth initiatives. Working capital intensity has been materially reduced, with the company achieving near-zero working capital levels previously and targeting a similar position by the end of the current year. Additionally, cash and deployable resources of roughly Rs 12,000mn provide ample flexibility to support organic expansion, capacity utilization, and even potential acquisitions. Given the installed capacity of Rs 55,000mn versus the current revenue run-rate of Rs 34,000–35,000mn, the company indicated that growth (including doubling of scale) is expected to be funded entirely through internal accruals, without the need for equity dilution or incremental leverage.

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Con-Call Key Take Away

Demand Environment and On-Ground Business Sentiment

The company highlighted a visible improvement in ground-level demand conditions from December onwards after a period of softness earlier in the year. Order inflows and execution traction have strengthened, aided by improving business sentiment, trade developments, and policy support for manufacturing and infrastructure in the Union Budget. Liquidity conditions for EPC contractors (a key customer segment) are also showing signs of normalization, supporting equipment purchases. While growth momentum has not yet returned to earlier 25-30% levels, the company expects conditions to continue strengthening and views the recent pickup as the beginning of a cyclical recovery.

Competitive Intensity

Chinese manufacturers remain aggressive in the Indian market, particularly in heavy crane segments (crawler and truck cranes) and excavators.

The company cited predatory pricing and lucrative credit terms as the primary tactics used by Chinese players to capture 20%–25% of the heavy crane market and stifle domestic heavy crane production. Although the Directorate General of Trade Remedies (DGTR) recommended anti-dumping duties on Chinese cranes in September, the Finance Ministry has yet to notify the order.

Industry Outlook

The company indicated that the softness in demand earlier in the year was temporary and largely due to the transition from BS-III/IV to CE-V norms, pre-buying, and delayed project execution. Market conditions stabilized in Q2 and improved further in Q3FY26. Government capex momentum, project awards, and execution visibility are expected to drive demand in the coming quarters. The Union Budget FY27E continues to prioritize infrastructure with capex CAGR of 19% between FY22–FY27E and allocation of Rs 12,210mn for FY27E, reinforcing long-term sector tailwinds. Additional initiatives such as freight corridors, waterways, and urban infrastructure financing are expected to support equipment demand.

Pricing Structure & Competitive Strategy

The company highlighted the wide price differentiation across crane categories. Pick-and-carry cranes typically range from Rs 1.5–4.5mn, whereas truck and crawler cranes start at Rs 8.0–8.5 mn and can exceed Rs 20–30mn depending on configuration, with popular models averaging Rs 13–14mn. Penetration in higher-value segments remains constrained by aggressive pricing from Chinese competitors. The company expects potential anti-dumping measures or incentives under the proposed CIE/PLI scheme to improve competitiveness and aid utilization of installed capacity (400 units of capacity currently operating at 50–60%).

Additionally, progress on the KATO joint venture is expected to support capacity utilization and strengthen positioning in these categories.

Defense and Export

ACE holds an order book of ~Rs. 5,000mn. Defense is expected to contribute 4%–5% of revenue in FY27E. The company's long-term vision is for the combined defense and export businesses to account for 15% of total revenue. This growth is expected to be supported by the company's existing "asset-light" manufacturing model, which maintains a high asset-to-turnover ratio for incremental business in these sectors. Rs 300–400mn of the current order book will be executed within the remainder of FY26E.

Exports currently contribute ~7% of revenue, with a focus on the Middle East, Africa, and South America. The company aims for a combined Defense and Export contribution of 15% in the future.

Guidance

The company has given guidance that FY26E revenue will remain flattish, but the margin will improve slightly due to better product mix and cost optimization. For FY27E and FY28E, the company has provided 25%–30% topline growth guidance, citing better visibility in the export market and improved execution capability. The company also targets a topline of Rs 60,000-70,000mn for FY29E- FY30E.

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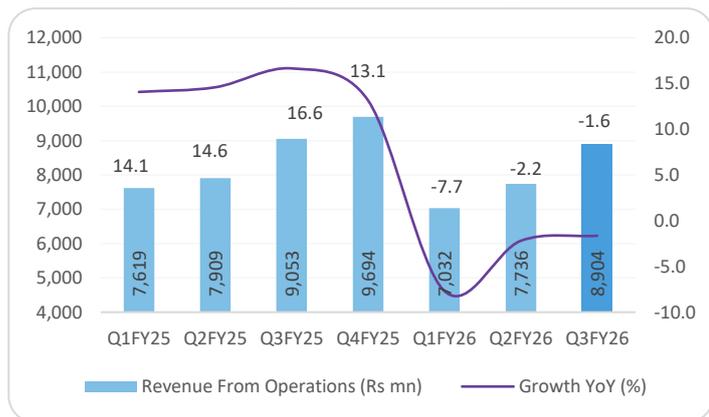
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Q3FY26 Result Review

10th February, 2026

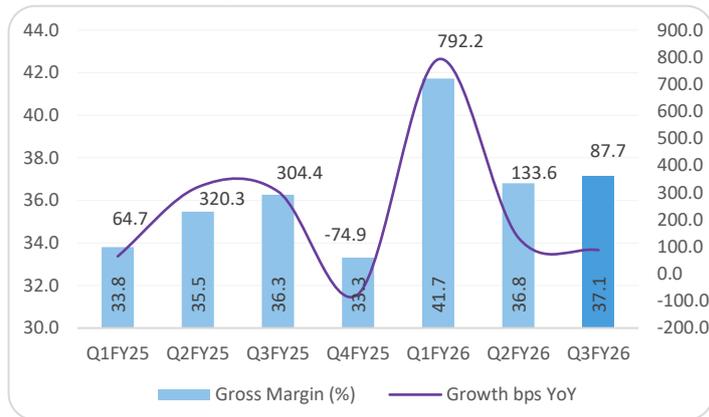
Action Construction Equipment Ltd (ACE)

Exhibit 1 : Revenue from Operations declined by 1.6% YoY



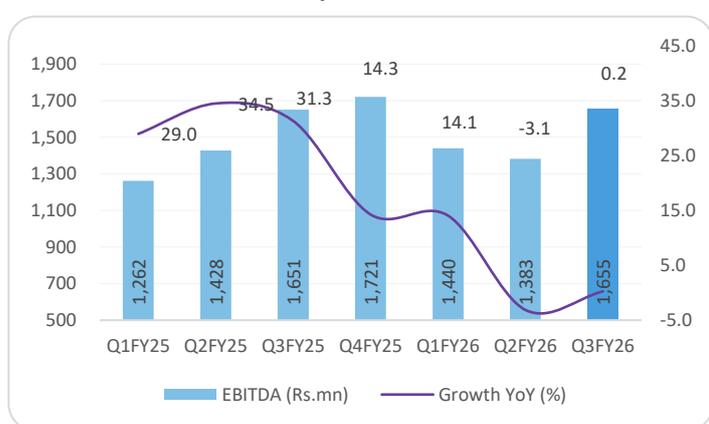
Source: Company, ACMIIL Research

Exhibit 2: Gross Margin Improved by 87.7 bps YoY



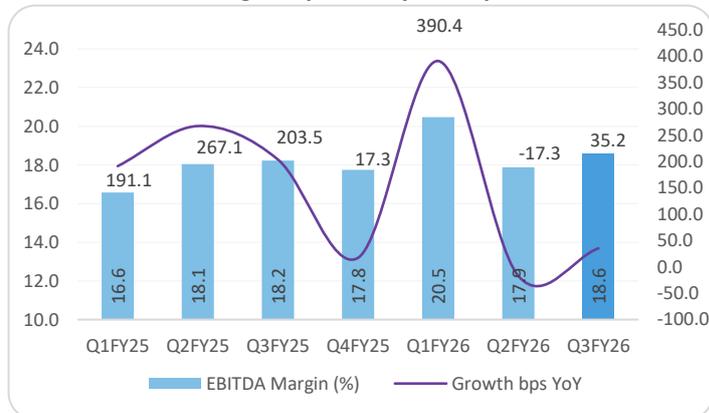
Source: Company, ACMIIL Research

Exhibit 3: EBITDA increased by 0.2% YoY



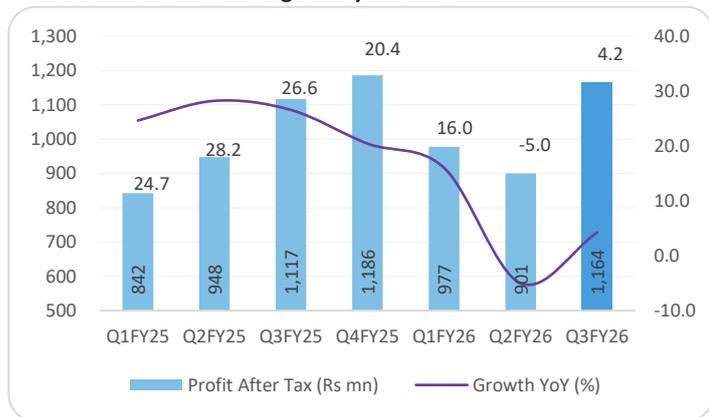
Source: Company, ACMIIL Research

Exhibit 4: EBITDA Margin Improved by 35.2 bps YoY



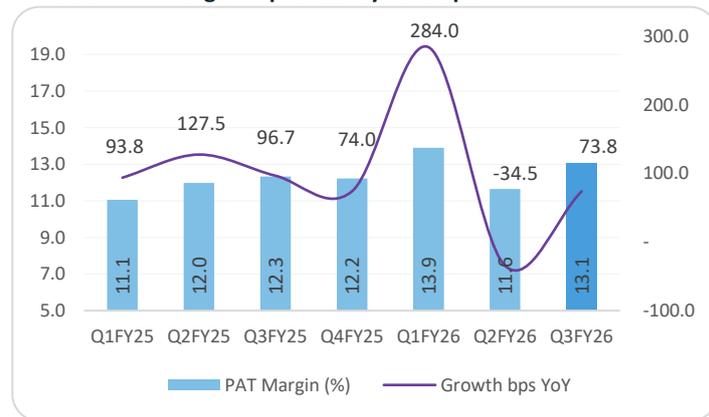
Source: Company, ACMIIL Research

Exhibit 5: Profit After Tax grew by 4.2% YoY



Source: Company, ACMIIL Research

Exhibit 6: PAT Margin improved by 73.8 bps



Source: Company, ACMIIL Research

Action Construction Equipment Ltd (ACE)

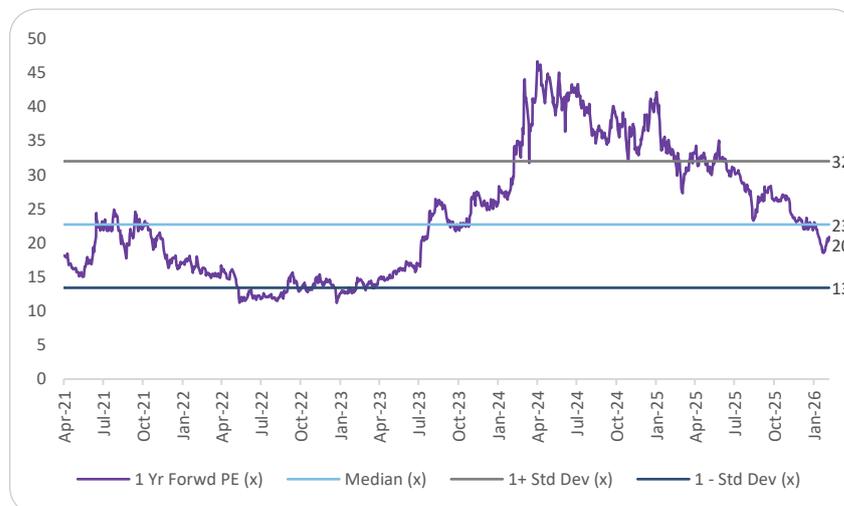
Valuation and Outlook:

We retain our rating to **BUY** with a target price of Rs. 1,235, valuing the company at 25.0x of its FY28E EPS.

ACE Ltd reported a decline in revenue in Q3FY26 due to a contraction in volumes on a YoY basis. The company has guided moderate growth in FY26E. The company expects revenue and profitability to pick up in FY27E. We expect its Revenue/EBITDA/PAT to grow at a CAGR of 10.7%/13.5%/13.2% in FY25-28E, while we expect EBITDA margin to remain at 19.5% /19.7% in FY27E/28E. We change our estimates and retain our target price due to the healthy demand expected in the upcoming quarters.

We retain our rating to **BUY** with a target price of Rs. 1,235, valuing the company at 25.0x of its FY28E EPS.

Exhibit 7: 1 Yr forward PE Band



Source: Company, ACMIIL Research

Action Construction Equipment Ltd (ACE)

Financial (Consolidated)

Income Statement

YE March (Rs Mn)	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	29,909	34,274	35,937	40,592	46,854
RM cost	20,228	22,734	23,131	26,508	30,573
Gross Profit	9,681	11,539	12,806	14,084	16,280
Employee cost	1,207	1,385	1,798	1,901	2,239
Other expenses	3,671	4,094	4,411	4,587	5,180
Total Operating Expenses	4,877	5,479	6,209	6,488	7,420
EBITDA	4,804	6,061	6,597	7,596	8,861
EBITDA margin (%)	16.1	17.7	18.4	18.7	18.9
Depreciation	232	283	324	391	472
EBIT	4,571	5,778	6,273	7,204	8,389
Interest expense	232	287	307	364	449
PBT	4,339	5,491	5,965	6,840	7,940
Tax	1,057	1,399	1,488	1,724	2,001
Rep. PAT	3,282	4,092	4,478	5,116	5,939
Rep. PAT Margin (%)	11.0	11.9	12.5	12.6	12.7

Source: Company, ACMIIL Research

Cash Flow Statement

YE March (Rs Mn)	FY24	FY25	FY26E	FY27E	FY28E
Cash Flow from Operation	4,334	4,120	4,242	4,954	5,778
Cash Flow from Investing Activity	(368)	(3,827)	(4,461)	(4,225)	(5,042)
Cash Flow from Financing Activity	(387)	(290)	207	(627)	(712)

Source: Company, ACMIIL Research

Ratios

YE March	FY24	FY25	FY26E	FY27E	FY28E
EPS (Rs)	27.6	34.4	37.8	43.0	49.9
BVPS (Rs)	103	136	172	213	261
Valuations (x)					
P/E	51.7	36.6	24.5	21.6	18.6
P/BV	13.8	9.3	5.5	4.4	3.6
EV/Sales	5.8	4.5	3.2	2.8	2.5
EV/EBITDA	35.2	24.6	16.8	14.6	12.5
Return Ratio (%)					
RoCE	42.9	40.6	33.8	31.1	29.5
RoE	30.8	28.7	24.6	22.4	21.1
Gearing Ratio (x)					
Net Debt/Equity	0.0	0.0	0.0	0.0	0.0

Source: Company, ACMIIL Research

Balance Sheet

YE March (Rs Mn)	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	238	238	238	238	238
Reserves & Surplus	12,060	15,909	20,175	25,052	30,753
Equity	12,298	16,147	20,413	25,290	30,991
Non-Controlling Interest	17	17	17	17	17
Equity And Liabilities	12,315	16,164	20,430	25,307	31,008
Other Financial Liabilities	2	13	73	76	79
Provision	32	38	43	45	48
Deferred Tax Liabilities (Net)	97	78	180	184	186
Non Current Liabilities	131	129	296	305	313
Borrowings	39	148	900	875	850
Trade Payables	6,879	8,086	8,555	9,732	11,140
Other Financial Liabilities	418	322	377	439	509
Other Current Liabilities	1,840	2,091	2,428	2,868	3,586
Current Tax Liability	70	169	72	72	72
Total Current Liabilities	9,246	10,815	12,332	13,985	16,157
Equity & Liabilities	21,692	27,109	33,058	39,598	47,478
Net PPE	5,595	6,967	8,547	10,389	12,627
CWIP	436	277	513	519	505
Investment Properties	164	150	144	138	131
Intangible Asset	31	35	29	27	25
Right Of Use Assets	5	16	320	324	327
Financial Assets	2,355	5,523	6,606	7,932	9,108
Other Non-Current Assets	377	915	1,159	1,463	1,753
Total Non-Current Assets	8,964	13,883	17,318	20,792	24,476
Inventories	5,534	5,151	6,020	7,262	8,795
Financial Assets	6,545	7,083	8,680	10,465	13,077
Other Current Assets	648	992	1,039	1,078	1,130
Total Current Assets	12,728	13,226	15,739	18,806	23,002
Total Assets	21,692	27,109	33,058	39,598	47,478

Source: Company, ACMIIL Research

Action Construction Equipment Ltd (ACE)

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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