

# **Action Construction Equipment Limited**

## **Corporate & Registered Office**

Dudhola Link Road, Dudhola, Distt. Palwal-121102, Haryana, India



**Date: November 15, 2022**

To,  
The Manager Listing  
BSE Limited  
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Dalal Street,  
Mumbai-400001  
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**CM Quote: ACE**

**Subject: Earnings Call Transcript Q2-FY23.**

Dear Sir/Madam,

Pursuant to Regulation 30 and 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith, Earnings Call Transcript (Q2-FY23) of the Company.

Kindly take the above in your record.

Thanking You.

Yours faithfully,  
**For Action Construction Equipment Limited**

**Anil Kumar**  
**Company Secretary & Compliance Officer**



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# “Action Construction Equipment Limited 2QFY2023 Results Conference Call”

November 10, 2022



**ANALYST:**

**MR. AMAR KEDIA – AMBIT CAPITAL**

**MANAGEMENT:**

**MR. SORAB AGARWAL – EXECUTIVE DIRECTOR –  
ACTION CONSTRUCTION EQUIPMENT LIMITED  
MR. VYOM AGARWAL – SENIOR VICE PRESIDENT –  
ACTION CONSTRUCTION EQUIPMENT LIMITED  
MR. RAJAN LUTHRA – CHIEF FINANCIAL OFFICER –  
ACTION CONSTRUCTION EQUIPMENT LIMITED**



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**Moderator:** Ladies and gentlemen, good day and welcome to the Action Construction Equipment Limited 2QFY2023 Results Conference Call hosted by Ambit Capital. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note this conference is being recorded. I now hand the conference over to Mr. Amar Kedia from Ambit Capital. Thank you and over to you.

**Amar Kedia:** Thanks Renju. Good afternoon everyone. On behalf of Ambit Capital I welcome you all to the 2QFY2023 results conference call for Action Construction Equipment. Representing the company today, we have Mr. Sorab Agarwal, Executive Director, Mr. Vyom Agarwal, Senior Vice President and Mr. Rajan Luthra, CFO of the company. I now invite the management for the opening remarks, following which we will open the floor for Q&A. Over to you.

**Sorab Agarwal:** Good afternoon everybody and welcome to this earnings conference call for discussing the results for the last quarter and half year ended September 30, 2022. Along with me on today’s earnings call we have our CFO Mr. Rajan Luthra and our Head of Investor Relations Mr. Vyom Agarwal. I hope that all of you have had an opportunity to look at the company’s financial statements and our earnings presentation, which has been circulated and uploaded at the stock exchanges.

In the last quarter, we have appointed KPMG as our statutory auditors of the company in place of Ms Brand & Associates who had successfully completed their tenure of five consecutive years and Q2-FY2023 marks KPMG’s first reviewed quarter for the company. To brief you on the standalone and financial performance of the Q2-FY2023, the operational revenues grew by 36% on a year-on-year basis to approximately Rs.491 Crores with an EBITDA margin of 10.7%. The EBITDA during the quarter increased to Rs.52.56 Crores at the rate of 10.7% in comparison to Rs.36.33 Crores at 10.1% on a yearly basis, which is a growth of around 45%. The PBT grew by 56% and PAT grew by 55% year-on-year to Rs.46.55 Crores and Rs.35.66 Crores respectively. While the PBT and PAT margins stood at 9.5% and 7.3%. On a sequential basis, the operational revenue was more or less slack however EBITDA grew by 15%. PBT grew by 17.8% and PAT grew by 23.6% as compared to 1QFY2023 with a margin expansion of 1.5% during the quarter. It is important to note that despite the challenging times and a rapid inflationary scenario, the company achieved its highest ever revenues, EBITDA, PBT and PAT margins for the Q2 due to sustained focus on cost efficiencies and customer centric approach. In the quarter gone by, we continue strong performance in our identified segments. In the crane segment with our dominant market leadership, we registered revenue of Rs356.88 Crores with margins of 12.81%. On a year-on-year basis the crane segment registered a robust revenue growth of 48%. Similarly, we were able to achieve 36% growth in our construction equipment segment with minor increase in our EBITDA margin. In metal handling segments, the revenue fell short by 5%. However the margins were sustained above 10% and in agri segment the revenue grew by 6%. Also we would



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like to state that in the quarter gone by the markets were a little subdued due to excessive and prolonged bounces and showed signs of revival in the second half of September owing to festive demand. We believe that going forward the demand scenario should remain strong aided by government unwavering focus on urban infra and rural development. In the last quarter, we have also received good export orders, which will start reflecting in our numbers from Q3 onwards. Further for the first half of FY2023, we have been able to grow our revenues by 45% to Rs.990 Crores. On the half yearly basis EBITDA grew by 43.9% to Rs.98.3 Crores. PBT grew 53.2% and PAT grew 52.3% to Rs.86 Crores and Rs.42.35 Crores respectively. In the first half, the margin profile stood at 9.9% at EBITDA levels, 8.7% at PBT levels and 6.5% at PAT levels. A consistent strong performance is reflective of our strategy, strategic clarity, and strength of our brand, our capabilities, talented people, and their ability to run the business. We have a clear and compelling strategy and with our positioning in the infra, manufacturing and agriculture sectors, framed by strong operational excellence and our distinctive quality and capabilities will enable us to drive growth forward and create a purpose lead future fit organization.

On the operational side, while there has been an easing of commodity prices and supply chain pressures, inflation still continues to be a significant challenge for the industry. Except for mild steel, which has seen some meaningful corrections from its see, most of the other commodities remain volatile and elevated so in summary while the operating environment has improved, it has remained challenging. Further if the commodities were to remain where they are today we expect the prices versus cost cap to narrow further leading to a sequential improvement in gross margins in the December quarter. Further in the last quarter, we have already started to set up a new manufacturing facility for bigger cranes that is truck cranes, crawler cranes and rough terrain cranes. The new plant is expected to commence commercial production by March end 2023 and will increase our capacity to manufacture bigger cranes by approximately four times. As we aspire to grow in the bigger cranes market with infrastructure growth in the country. This new plant will simultaneously enable us to release the passing for forklift and tower crane business by about 40% to 50% each. Currently, the activities are in a combined plant and by shifting to a new plant we will unlock the capacity of these two segments as well. Looking ahead, we remain optimistic about the medium to long term prospects of the company and believe that our building blocks are firmly in place for sustainable growth in all the four segments where we operate leading to expansion in the topline, bottom line and margins of the company. Further, we would like to revise our earlier guidance and expect a growth of 25% plus in crane segment for the current year and 30% to 35% in construction equipment segment. Material handling and agri segments are expected to grow at around 15% during this year. On the whole, we are looking at least 25% increase in our topline for the current year with expansion in our EBITDA margins as compared to last year. With this, I would like to open the call for question-and-answer session. Thank you.

**Moderator:**

Thank you. We will now begin the question-and-answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question comes from the line of Abhishek from Jago Niveshak. Please go ahead.



**Abhishek:** Good evening. I have only two questions. First being the missile system or the multipurpose tractor for defense or the army, which you have recently started developing does the economics work over there? Why that question came because most of us do not like when we supply directly to the government as there has always been an issue for the payment clearance, so can you give some picture on the B2C contract what you have been getting recently?

**Sorab Agarwal:** I do not think we have any issues on the payment front. It is directly from the ministry and things as of now going smooth. We already started executing that order. Yes on the margin front, there is a slight pressure because when it was quoted and conceived between then and now definitely commodity inflation pressure has played out, so the margins are a little squeezed this quarter, but on the whole we do not see any commercial problems with this particular order.

**Abhishek:** Okay great. The other one is as we are supplying the defense equipments through one of the companies like may be Tata or L&T, so in that case are we not leaving some margins on the table for them or like these are simply small parts which they need to complete their equipment.

**Sorab Agarwal:** See basically this frame is a part of a missile handling system and which also includes 6x6 or 8x8 special vehicle. It is a special safety not like normal commercial vehicles coupled with some other arrangements, so it is a part of that. We are definitely taking our part of the margin and how much we have left for them is for them to decide.

**Abhishek:** Okay sure and just one last followup, do we have any preferred banking channel partners or an in-house finance solution for these people who are coming to you as a client or we are leaving it for them to decide, which one they want to go for?

**Sorab Agarwal:** See we are working with all the possible NBFC you can think off who are into equipment finance and obviously the biggest of them being HDFC, ICICI, and HDB, etc., means we work with everybody whether it is IndusInd, Kotak or City Bank, whatever names so if any customers ask us to support then obviously we take them to our leading financiers, otherwise most of the customers are wise enough and they want to chose and negotiate on their own with the finance companies for the interest.

**Abhishek:** Correct okay sure. That answers my question. Thank you so much. All the best.

**Moderator:** Thank you. The next question comes from the line of Chinmay Kabra from Emkay Global. Please go ahead.

**Chinmay Kabra:** What has been the crane market? How has it grown over the Y-o-Y basis this quarter?

**Sorab Agarwal:** You are talking about the crane market.

**Chinmay Kabra:** Yes?



**Sorab Agarwal:** It is evident in our results. We have been able to on a quarterly basis and year-on-year we have grown by about 47% to 48%. On quarter-on-quarter, it has been flattish because generally Q2 is pretty subdued because of monsoons and this time the monsoons were a little extended again, so quarter-on-quarter it was flattish otherwise more or less we have been able to grow around 47% to 48% year-on-year and I can give you an idea how we have grown 47% to 48%. About 28% to 30% is because of volumes. Approximately about 10% odd due to price increase and another 10% odd on account of product mix where in the higher end or the more expensive or the bigger models has been chosen our customers, so the market is shifting or migrating a little towards the bigger models.

**Chinmay Kabra:** Okay, so on this bigger model you said this facility that we are putting for the bigger cranes how much capex will be required for this?

**Sorab Agarwal:** See again what I was talking about was more about secondary phase. This facility is primarily for cranes, which are above 40 tonnes so 40 tonnes and bigger, which are truck cranes, crawler cranes and also rough terrain cranes where are currently present in truck cranes as well as crawler cranes, and we are increasing our capacity by around four times so instead of 40 to 50 cranes we will be capable of making 180 to 200 cranes once this facility becomes functional and capex envisage is about Rs.30 Crores to Rs.35 Crores for this activity leaving out cost of land because we already have land available with us and this can eventually create at least Rs.300 Crores to Rs.400 Crores revenue size, which can easily be expanded to Rs.500 Crores to Rs.600 Crores eventually from this facility.

**Moderator:** Thank you. The next question comes from the line of Himanshu Upadhyay from o3 Capital. Please go ahead.

**Himanshu Upadhyay:** Congrats on a good set of numbers. I have a question on this material handling. The volume has degrown quite significantly. We have been able to raise prices and maintain the revenue and the profitability, but what is the outlook from here on? The commodity prices have gone down what we understand? Can the focus will again move back to getting volumes for both material handling and agriculture equipment or you think you will like to keep the prices as what they are for these two segments?

**Sorab Agarwal:** In the material handling segment, our revenues on year-on-year as well as on quarter-on-quarter has gone down by around 5% to 6%, and it is just a temporary phase. The market was definitely a little subsided on account of our order booking, but things have again started looking up and this facts was further elevated because of overall our pricing increase and we also did have a little bit of some production issues with related to the quantities we wanted to produce, but on the whole things on track and hopefully by the end of the year we should again see a 15% growth in this segment as well and yes there was a little delay with respect to the pricing increase we wanted here, but now things have settled in and like I said by the end of the year we should be closer to at least about 50% growth here as well in material handling and something similar with agri. Yes there has been pricing pressure because of commodity but now things have started cooling off so



hopefully in Q3 as well as in Q4, which are generally are bigger quarters so the pricing pressure will also be let off a little of operating leverage will also come into play and here again we are looking at least 15% growth in our topline coupled with normalizing our EBITDA margin to earlier levels.

**Himanshu Upadhyay:** The growth what we are expecting do we expect it to cross the last years volume?

**Sorab Agarwal:** Yes 100%.

**Himanshu Upadhyay:** In both these two segments?

**Sorab Agarwal:** Yes 100%.

**Himanshu Upadhyay:** One thing, on the cranes side what we are seeing is increased activity on the residential and building size, okay?

**Sorab Agarwal:** Real estate business.

**Himanshu Upadhyay:** Even in tier two and tier three cities, construction is becoming more and more vertical okay so what is the sense you are getting on the tower cranes site and how is the competition evolving and what growth you are seeing in that segment and can it be significant large growth for us over the next two to three years as the real estate starts improving, so some thoughts on that and earlier we had a limited product, but high market share so are we thinking of increasing our products height and the capacity to increase the weightage on that product?

**Sorab Agarwal:** First I will answer the first part of your question. It has been approximately nine to 10 months, we have been seeing heightened activity with respect to real estate segment, which primarily employees a lot of power cranes because buildings and construction is more or less vertical now. Land has become so expensive and if we compare our H1 numbers of this year with on year-on-year basis, I can see that we have increased our numbers also by approximately 45% to 50% in this segment so hopefully it is here to stay and the tower cranes, which we are manufacturing in India are already up to 16 tonne capacity, which are very well suited even for precast construction, but in some construction sites you also require a 20 tonne to 25 tonne crane where the precast sectors are very heavy, so that model currently is under development with us so hopefully in the first half of next year we will also have a 20 tonne to 25 tonne model and we do not want to go bigger than that at this juncture because that is 99% or even more of the Indian market. Even the number for 20 tonnes to 25 tonnes is very limited but we want to be settled in that market by manufacturing in India. Apart from that our heights are quite suitable for the building so rather we are giving cranes that are 250 to 260 meters high already in the country, which are some of the highest heights in the country and apart from that in this portfolio we also have a self erecting, we call it a mobile tower crane so wherein we are working at 24 meters and 36 meters height so there again may be in the next year we will introduce some new models 40 meters to 42 meters height with slightly better reaches and wings capacity to cater to the gap



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between self-erecting tower cranes and the normal fixed tower cranes to cater to that gap and so that the product lines will become similar for the future and yes real estate definitely seems to be growing new phase construction is definitely picking up and picking up very fast.

**Himanshu Upadhyay:** Lastly on the backhaul loaders, and the construction equipment, how is the market developing? Are people reducing the prices because of now commodity inflation going down and what would be our strategy from here on to gain market share in that side of the business which is the larger market opportunity for us?

**Sorab Agarwal:** In the construction equipment segment, we have been able to attain overall growth both on quarter-on-quarter and especially on a yearly basis by about 35%. Prices I do not see people or competitors reducing any prices because the way commodity had increased especially in the first half of Q1 of the current year and then normalized, so it is still similar to the levels more or less at which it was in the last year so and nobody was able to take price correction enough to cover up for that increase so I do not see selling prices pulling off rather they can only increase a little and we are very confident and hopeful and all the hard work that we have been doing have started to pay off so hopefully this year we should be able to do a 30% to 35% increase in our construction equipment portfolio may be back or even more than that in terms of numbers as well.

**Himanshu Upadhyay:** Thank you. That is it from my side.

**Moderator:** Thank you. The next question comes from the line of Astha Sundarka from Niveshaay. Please go ahead.

**Astha Sundarka:** Good evening. My question is with respect to the cranes business, so what is the product wise breakup in volume terms?

**Sorab Agarwal:** Product wise breakup in volume terms, you want it for the quarter or the first half.

**Astha Sundarka:** For the first half and quarter also.

**Sorab Agarwal:** You want it on quarter or half yearly basis.

**Astha Sundarka:** Quarter Sir.

**Company Speaker:** 9 pick and carry crane, mobile tower crane 25, and fixed tower crane 65 and crawler crane, we have done 20 numbers.

**Sorab Agarwal:** Crawler cranes also we have done about 16 numbers.

**Astha Sundarka:** Okay and for H1 also could you give the number?





- Company Speaker:** H1 for the current year full this year we have done pick and carry crane 2787, tower cranes 42, fixed tower crane 141, crawler cranes 18 number, and truck mounted cranes 38 numbers.
- Astha Sundarka:** Okay and the second question is; 60% of your input cost is steel right, which is inclusive of both the in-house as well as centering part, so how much of this 60% is only for the in-house part that is one and second in steel also there are a lot of types so can you just name those types and percentage of each that is used in fabrication part?
- Sorab Agarwal:** The breakup of 60% in-house and out outside will be slightly typical, but I would say approximately 50:50 and what is the second part of your question?
- Astha Sundarka:** The second is that steel has also lot of types so can you name those types in the raw material part in the fabrication?
- Sorab Agarwal:** The most prevalent what we are using is for all our structural which is MS mild steel. They are 250, 350 and 410 grades. This is the most prevalent and we also use up to 700 as well as 900, but that is in very lesser quantity especially for bigger cranes, but this is with respect to the flag products. We also use a lot of long products that is angle channel and sewer pipes. They are again in 250, 350, and 410 grades because the standard becomes different and apart from that we use all types of alloy steel whether EM8, EM19, and a lot of other different alloys for our forging and a lot of pig iron which goes into our castings.
- Astha Sundarka:** Breakup between the flat and long steel?
- Sorab Agarwal:** That I do not think we will have an answer immediately available at this forum, but we can definitely get back to you.
- Astha Sundarka:** Okay and if you could also tell the prices of these types if you could give?
- Sorab Agarwal:** Here I would just like to add flag steel has definitely corrected significantly, but long steel has not corrected the way it increased. It has only corrected half of what it had increased in the Q1 this year and alloy steel and castings have reduced lesser in terms of percentage where they had increased, but because of the long steel and flat breakup; maximum use materials in every category if you can give price.
- Company Speaker:** Sir we will have to work it out so we will come back to her.
- Astha Sundarka:** Could you give prices.
- Sorab Agarwal:** Could you just quickly drop an email regarding this on our concerned email id, we will revert back to you?
- Astha Sundarka:** Are you looking for any price hikes further in one or two quarters?



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**Sorab Agarwal:** I think we should be increasing our price from January 1 because as a standard frame, we have been doing that for the past four to five years so because apart from this hyperinflation thing and then little cooling off that we have seen, still other inflationary pressures are very much there so we will definitely need some price correction, so in all probability we should be doing it in first week of January.

**Moderator:** Thank you. The next question comes from the line of Suhridd Deorah from Paladin Capital. Please go ahead.

**Suhridd Deorah:** Good evening. My understanding from the previous quarter was that a lot of buyers were postponing purchase decisions waiting for the commodity prices to cool off and therefore equipment prices to cool off and that sort of ties in with the fact that volumes have been flat, so now that you said prices have gone up, which has led to revenue growth but this is not the case that for these buyers to seal their purchase decisions will have to start upping prices?

**Sorab Agarwal:** Buying generally on the whole has come back to be very frank with you end of September onwards.

**Suhridd Deorah:** Could you repeat that. I missed that. What has come back?

**Sorab Agarwal:** The buying has come back and the sentiment has definitely come back and it is generally happening around the festive time. Since that phase seems to be in place and more or less people have come to terms with the fact that things have become expensive and so it is not a problem anymore really.

**Suhridd Deorah:** These prices should sustain and then margins will sustain or improve as the volumes grow in the subsequent quarters.

**Sorab Agarwal:** I would say that 1% to 1.5% for the margin expansion is possible on account of whatever commodity has currently cooled off so we should be expecting it within this quarter most of it further and obviously along with further increase in numbers and our revenue operating leverage will definitely pick up and that will further help us expand our market.

**Suhridd Deorah:** The guidance that you gave just clarify you said it is 25% growth on cranes, 30% plus on construction equipment and 15% each on the last two segments? Is that correct?

**Sorab Agarwal:** It is on the whole company basis yes.

**Suhridd Deorah:** Sorry.

**Sorab Agarwal:** 25% on the whole company basis.

**Suhridd Deorah:** This is volume growth or overall growth?



- Sorab Agarwal:** This is revenue growth; I was talking about.
- Suhrid Deorah:** Because the price hike itself is a substantial if I look at the year-on-year comparison so what would the volume growth be?
- Sorab Agarwal:** 25% growth is total. I would say that on account of pricing it will be 8% to 10% and the balance would be more with respect to numbers and may be a slight change in product mix here and there.
- Suhrid Deorah:** Okay alright thank you.
- Moderator:** Thank you. The next question comes from the line of Akshay Kothari from Envision Capital. Please go ahead.
- Akshay Kothari:** Just wanted to know, working capital has been returned to inventories and rather other financials so any specific reason and what was there in other financial assets?
- Sorab Agarwal:** Definitely our working capital in quantum as well as number of days is a slightly fixed as compared to end of last financial year. The rate was about Rs.109 Crores and about 39 days and currently it is at about Rs.210 Crores with 56 days. Primarily on account of our inventories which had increased by about Rs.70 Crores to Rs.80 Crores in the last fiscal and it was a conscious decision because we were expecting good sales in the month of October because of festive season and festive season came a little early. Generally it is in November so our inventories go up in October and already become reasonably okay by December so that is why you see slightly elevated inventories in September and hopefully by end of this quarter and finally by end of the financial year. We would be at similar levels our targeted working capital of around 39 to 40 days.
- Akshay Kothari:** On the debtors front and also on the other financial asset, what is actually going into that?
- Sorab Agarwal:** On the debtors front I think are doing fine. We are at about 32 days receivables as of now and if you look on a year-on-year basis from 46 days we have improved it to 32 days so that is well in control. Our creditors are also in reasonable. Rather we have been very good same after in the recent past. Our creditor days have only reduced but the main culprit is inventory, which will be taken care in this quarter and subsequently in the next quarter.
- Akshay Kothari:** I wanted to know what is also running financial Rs.18 Crores of increase in other financials?
- Sorab Agarwal:** Let me clarify this. We have got certain assets which we give on lease so that has been classified as financial assets. We have got certain assets, which we give on rent so that has been classified as financial assets.
- Akshay Kothari:** Okay so there has been an investment in rental assets?



- Sorab Agarwal:** Yes.
- Akshay Kothari:** These are crane specifically or some corporate assets?
- Sorab Agarwal:** These are basically crawler cranes and one or two piling rigs. These are basically these are the rental and financial lease. It has been classified as financial lease.
- Akshay Kothari:** Okay and on investments have increased to around Rs.422 Crores and I was just checking the annual report. The investments are in the public markets so any specific rational because QIP money raised so any plans to deploy it and your views on it?
- Sorab Agarwal:** Yes we have all the plans to deploy that money. That is why it was raised. We have spent very small portion of it already one or two quarters back and we are still under negotiations for the slightly bigger inorganic growth target we were looking at and the process is delaying as their expectations are only going up so we are in a catch 22 right now with respect to the softening of prices.
- Akshay Kothari:** Okay thanks a lot.
- Moderator:** Thank you. The next question comes from the line of Astha Sundarka from Niveshaay. Please go ahead.
- Astha Sundarka:** Can you give the number of dealers segment wise for the last three years?
- Sorab Agarwal:** Segment wise is very difficult. I do not think we do not have that data as of now but segment wise number of dealers we can definitely provide you. Just drop a small email.
- Rajan Luthra:** Yes. I will provide her monthly data.
- Sorab Agarwal:** For the last three years.
- Rajan Luthra:** I will get it done.
- Astha Sundarka:** Okay thank you.
- Moderator:** Thank you. The next question comes from the line of Kushal Churi an Individual Investor. Please go ahead.
- Kushal Churi:** Congratulations on the great set of numbers. You have answered my question earlier as well, but just wanted to know on the inorganic provision which we were planning, as you mentioned last time we were looking to close this by year end, but as you told that it may take some time so are you looking to get raise additional funds for that or is valuation challenge in this and secondly on the African expansion, can you just give color on the same? That is it from my side thank you.



- Sorab Agarwal:** With respect to our inorganic growth prospects, we are stuck on valuation with respect to one of the opportunities that we have really explored in quite some time and another one we gave up eventually because we did not see value in that business. Apart from that there is one opportunity for that backward integration, so that thing is happening. Unfortunately that company has currently gone into liquidation, so that process will take its own time. We are going to be an active bidder. I cannot disclose any more than this and with respect to our upcoming venture in Ghana, that seems to be on track. We are expecting our advances in the month of November itself and hopefully some activity will start on that in the next quarter and it has been planned to finish it within FY2024 with respect to setting of the manufacturing facility and all the facilities, so that recurring revenue can start coming from FY2025 onwards.
- Kushal Churi:** Thanks.
- Moderator:** Thank you. The next question comes from the line of Aman Shah from Jeetay Investments. Please go ahead.
- Aman Shah:** Thank you for the opportunity and congrats on good set of results. Our guidance of growth of 25% for this year; in H1 we have done around 45% growth, so H2 moves like somewhere around 10% growth; is it because of may be high base of last year or it is just a conservative side that we are guiding on 25% growth?
- Sorab Agarwal:** See A it is conservative. I will be very frank and B definitely we have to keep in mind that last year Q1 was pretty subdued on account of COVID, so that is also the reason first half you are seeing 45% growth because in this Q1 of FY2021 was pretty subdued because of COVID with the really severe COVID wave was on. That is also a factor. Growth can definitely be much more than 25% and that only time will tell once it happens because we do not want to commit something, which we might not end up with but it seems evident that we shall be able to grow faster.
- Aman Shah:** Sure but the buying outlook from the customer side is strong as I can read from your comments?
- Sorab Agarwal:** Yes the buying outlook has become strong again. The number of enquires and the number of conversions everything has started to increase again and we are on a strong foothold. Our export was lacking in the first half, so we have received some very good orders for execution through our channels abroad and hopefully even the export we will be able to much better in the second half and we should be able to cross Rs.100 Crores in revenue at least in exports as well.
- Aman Shah:** Okay, the second question was on construction equipment. What would be in this 146 units that we sold in this quarter and how much would be backward loaders?
- Sorab Agarwal:** Construction equipment in this quarter 131 are backward loaders in this approximately that much yes of backward loaders.



- Aman Shah:** Okay Sir in last Q1 you said that there is some rental a lot sales are backwards loaders happens for rental income, in a way the rental proportion is high and that is not to the level which can increase good demand for backward loaders. One is where do you think industry growth has been in Q2 backwards loaders and second is what do you think should be our quarterly numbers of backwards loaders? Where do you think we should see this in the next two to three years' timeline?
- Sorab Agarwal:** Definitely post BSIV and all this inflation has been happening, backward loader market overall has gone down in the last one to one and a half years especially post April 2021 onwards, but if we talk quarter-on-quarter like yearly basis for Q2 the numbers are more or less stable because the market has already had started going down in the last year so it is maintaining a similar way, but our numbers definitely need to improve quite a lot so in the first half we have done close to about 234 units, but we are very confident that by the end of the year this should be upwards of 700 units and going forward, we are looking at least 250 to 300 units every quarter may be from next year onwards.
- Aman Shah:** Okay fantastic. Thank you. All the best.
- Moderator:** Thank you. The next question comes from the line of Chinmay Kabra from Emkay Global. Please go ahead.
- Chinmay Kabra:** I just had a question. There is one-time exceptional item of Rs.20 Crores, which is forming part of other income?
- Sorab Agarwal:** Which was reported last quarter.
- Chinmay Kabra:** Which was reported last quarter, yes. if you could just mention?
- Sorab Agarwal:** It was somewhere around Rs.19 Crores.
- Chinmay Kabra:** Exactly Sir Rs.19.76 Crores?
- Sorab Agarwal:** See that was land and building, which was there with us in one year in our subsidiary, which was disposed off, so that was that one-time exception, which was around close to Rs.19 Crores.
- Chinmay Kabra:** Alright and another thing, which you just recently brought up the financial asset which is forming part of your balance sheet just wanted to know if you could elaborate in terms of what is the nature of the asset?
- Sorab Agarwal:** Luthra Sir this is at same financial lease.
- Rajan Luthra:** Yes that is right.



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- Sorab Agarwal:** Basically these are crawler cranes and one or two filings base, which have been given on lease basis to customers at good rate of interest and good return for the company.
- Chinmay Kabra:** On an accounting perspective why has this not been shown under ROU asset, like in the financial lease just wanted to know?
- Company Speaker:** Let me clarify. There are two things one is ROU and one is financial assets. ROU assets are basically those assets which we have taken on rent as per accounting standards that has to be. The ROU asset part this is not one asset but these are different assets so financial assets are owned by us only.
- Chinmay Kabra:** Got it.
- Moderator:** Thank you. The next question comes from the line of Astha Sundarka from Niveshaay. Please go ahead.
- Astha Sundarka:** Good evening. I have two more questions to ask. One is you have increased the growth estimates in crane segment from 20% to 25%, so where are you getting these orders from that is number one. Second is that you said you are receiving export orders as well so are these orders from the defense segment only or from the other segments as well?
- Sorab Agarwal:** The crane orders are all across because cranes are used everywhere in infrastructure, in construction, in real estate and also in manufacturing as well as logistics so crane orders are spread all across and everything is going good as of now and with respect to export orders, we have more to do with tractors as well as some agri and construction equipment so they are from the African continent and also from the Latin American countries, which are going to be executed.
- Astha Sundarka:** Defense segment or in the other segments like crane?
- Sorab Agarwal:** They are all nothing to do with defense segments. They are all from general private sectors of these counties. For defense, we are supplying only in India.
- Moderator:** Thank you. I would now like to hand the conference over to the management for closing comments.
- Sorab Agarwal:** Thank you. We have been doing reasonably well in tough times and hopefully going forward the global recession scare does not take off the scheme form Indian economy, but what I hear and understand is that Indian economy is reasonably insulated to these things and we are on track to withstand our revenue by at least about 25% in this year if not more. We are confident it can be more and our EBITDA margins are further in for expansion on account of cooling of commodity prices and further coupled with increase in our revenues so hopefully there are good and better times ahead of us and like we did mention we are setting up a new plant to manufacture bigger



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cranes in India of higher capacity so all of this will all go well for us for our future growth and I hope to continue to do the same. Thank you.

**Moderator:** Thank you. On behalf of Ambit Capital that concludes this conference. Thank you for joining us. You may now disconnect your lines.