

CMP: ₹ 1250

Target: ₹ 1500 (+20%)

Target Period: 12 months

BUY

February 21, 2025

Growth outlook remains strong...

About the stock: Action Construction Equipment (ACE), established in 1995, is India's leading Material Handling and Construction Equipment manufacturing company and are market leaders in Mobile Cranes & Tower Cranes segment

- As of 9MFY25, cranes, construction equipment & material handling segment contributes ~92% to total revenue while agri equipment contributes ~8% to total revenue

Investment Rationale:

- Robust capex scenario augurs well for company's products:** We believe that buoyant capex prospects (public & private) across the manufacturing & infrastructure segments, presents substantial opportunity for the company's products in cranes, construction equipments, material handling etc. The company, already a market leader in cranes segment with 60%+ market share, is well poised to capture the Industry's strong growth potential. Also, India's emergence as one of the best choices in manufacturing capital goods equipments provides a sizable opportunity to company to increase its exports
- Focus on increasing capacities and improving product portfolio:** ACE is focused on improving its market shares in both domestic and export markets in its key segments like cranes and construction equipments through capacity additions & improving product portfolio (like medium to large cranes, electric cranes, backhoe loaders, telehandlers etc) and exploring JVs and acquisitions. From January 2025, the revised emission norms (CEV-5 norms) have also kicked-in and with this, company has started manufacturing cranes and other equipments as per the new norms. Realisation of these new products are expected to be higher by 8-15% as compared to existing product portfolio. Company is looking to cater both domestic markets and exports with these new products
- Poised for a strong growth ahead across the key segments:** For FY25E, management expect overall revenue growth of 15%+ with sustainable EBITDA margins. With recent increase in capacity, the potential revenue has already reached at Rs 5000-5100 crore. Company targets to double revenue by FY26E (from FY23 level), which implies ~21% CAGR (FY24-26E). In terms of exports, company intends to increase its exports share to 15% of revenues in medium term (from ~8% at present). Margins are expected to improve further gradually, led by operational efficiencies, favourable product mix and positive operating leverage

Rating and Target Price

- With strong focus on increasing competitive strength through augmenting capacities and improving product ranges, we believe company's operational performance to remain strong in the coming period too
- Valuation at 24.4x P/E on FY27E basis looks attractive given the strong industry tailwinds and healthy visibility on earnings growth in the coming period. We recommend BUY on ACE with a revised target price of ₹ 1500 per share (based on 30x FY27E EPS)



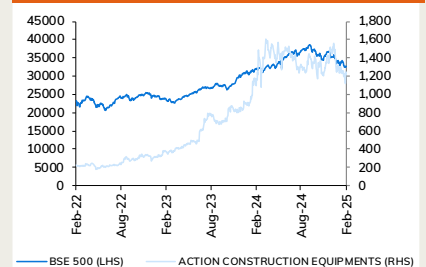
Particulars

Particular	Amount
Market Capitalization	14,888
Total Debt (FY24) (Rs crore)	4
Cash and Inv (FY24) (Rs crore)	624
EV (FY24) (Rs crore)	14,803
52 week H/L	1693 / 1044
Equity capital (Rs crore)	23.8
Face value (Rs)	2

Shareholding pattern

	Mar-24	Jun-24	Sep-24	Dec-24
Promoters	66.8	65.4	65.4	65.4
FII	9.4	10.1	10.5	11.9
DII	2.2	1.8	1.6	1.8
Others	21.7	22.7	22.5	20.9

Price Chart



Key risks

- Slowdown in domestic & global capex
- increase in commodity prices
- Increase in competition

Research Analyst

Chirag Shah
shah.chirag@icicisecurities.com

Vijay Goel
vijay.goel@icicisecurities.com

Key Financial Summary

Rs Crore	FY21	FY22	FY23	FY24	3 Year CAGR (FY21-FY24)	FY25E	FY26E	FY27E	3 Year CAGR (FY24-FY27E)
Revenue	1,227.0	1,629.6	2,159.7	2,913.8	33.4	3,345.5	3,849.9	4,435.4	15.0
EBITDA	119.4	151.4	220.9	403.3	50.1	484.1	571.8	679.6	19.0
EBITDA margin (%)	9.7	9.3	10.2	13.8		14.5	14.9	15.3	
Net Profit	80.2	105.0	173.0	328.2	60.0	410.5	493.3	595.3	22.0
EPS (Rs)	7.1	8.8	14.5	27.6		34.5	41.4	50.0	
P/E (x)	177.0	141.8	86.1	45.4		36.3	30.2	25.0	
EV/EBITDA (x)	118.8	97.7	66.2	35.7		29.1	24.0	19.5	
RoCE (%)	24.0	19.9	30.6	44.2		43.1	39.9	37.4	
RoE (%)	15.3	13.9	18.8	26.7		25.2	23.7	22.8	

Source: Company, ICICI Direct Research

Q3FY25 & 9MFY25 Result Highlights:

- Revenue increased by 16.2% YoY (+15.6% QoQ) to Rs 875.1 crore as the revenue of cranes, construction equipment & material handling segment (91% of total revenue) grew by 15.5% YoY (+14.7% QoQ)
- Growth in cranes, construction equipment & material handling segment was primarily led by 17.9% YoY (+23.6% QoQ) volume growth
- Agri equipments revenue (9% of total) also increased by 24.1% YoY (+26.3% QoQ), led by strong volume growth of 24.4% YoY (+40.3% QoQ)
- EBIDTA margin improved to 15.4% (+177 bps YoY, +107 bps QoQ), mainly led by positive operating leverage, better product mix and efficient cost control measures
- EBIT margin of cranes, construction equipment & material handling segment stood at 19.4% (+377 bps YoY, +102 bps QoQ)
- Subsequently, EBIDTA increased by 31.3% YoY (+24.3% QoQ) to Rs 134.9 crore. PAT increased by 26.6% YoY (+17.8% QoQ) to Rs 111.7 crore
- For 9MFY25, revenue is up ~14% YoY, led by ~16% YoY volume growth in cranes, construction equipment & material handling segment
- 9MFY25 EBITDA margin stands at 14.5% (vs 13.2% in 9MFY24). EBIT margin of cranes, construction equipment & material handling segment stood at 17.7% (+266 bps YoY)

Earnings call highlights & other developments

- Demand remained strong during the quarter, primarily from sectors like manufacturing, infrastructure and logistics
- Margins improvement was led by sustained focus on cost efficiencies, higher operating leverage and better product mix
- Management guides revenue growth of 15%+ for FY25E, led by ~16%+ growth in cranes, construction equipments & material handling and flattish growth in agriculture equipments
- In 9MFY25, company has incurred capex of Rs 90-95 crores. With this, potential revenue for the company on an annual basis has reached to Rs 5000-5100 crore. With further nominal capex, potential revenue can be increased by Rs 600 crore more
- From January 2025, the revised emission norms (CEV 5 norms) have kicked in. So, company has started manufacturing cranes and other equipments as per the new norms. Company is looking to cater both domestic markets and exports with these new products
- Company is focusing on increasing its presence in mainland Europe and mainland America with the new products development
- JV with Japanese company, Kato Works, is on right track and expected to be completed by June 2025. Production is expected to start by Q3/Q4FY26. Full stream production is expected in FY27E
- The JV intends to produce heavy cranes (mainly truck cranes, crawler cranes and rough terrain cranes) for the growing Indian market. Market size of heavy cranes stands at 1500 cranes in India. Average price of one such crane is ~Rs 1.2 crore
- JV also plans to utilize the technology which will be cultivated in the company's development and introduce wide range of value added products for exports to other countries from India
- Company sees sizable potential from this JV as the market is shifting towards bigger cranes and new generation cranes where the realisations are relatively better

- Ministry of Defence (MoD) has signed contracts with Action Construction Equipment (ACE) for the procurement of 1121 Rough Terrain Forklift Trucks (RTFLT) along with attachments and accompanying accessories at a total value of Rs 420 crore. The RTFLT is a mission-critical asset, designed to enhance combat readiness and logistical efficiency across the Indian Army, Indian Air Force, and Indian Navy. The execution period of this order is 24-30 months
- Exports & defence segment contribution stands at ~8% at present. Company targets to increase this contribution to ~15% in medium term
- Electric Vehicles (EV) cranes product development is ready from the company's side but the CMVR (Central Motor Vehicle Rule) certification from government is awaited. There is strong interest for EV cranes from many private companies
- Operating margins are expected to be better in EV cranes as compared to existing product portfolio, led by higher realisation

Financial summary

Exhibit 1: Profit and loss statement ₹ crore

(Year-ended-March)	FY24	FY25E	FY26E	FY27E
Revenue	2,914	3,345	3,850	4,435
Total Raw Material Costs	2023	2298	2618	2972
Employee Expenses	121	140	161	185
Other expenses	367	423	499	599
Total Operating Expenditure	2,511	2,861	3,278	3,756
EBITDA	403	484	572	680
EBITDA Margins	13.8%	14.5%	14.9%	15.3%
EBITDA Growth %	82.5%	20.1%	18.1%	18.8%
Other Income	77	126	151	181
Interest	23	34	32	30
PBDT	457	576	691	831
Depreciation	23	29	33	37
PBT before Excep item	434	547	658	794
Total Tax	106	137	164	198
PAT before MI	328	410	493	595
PAT	328	410	493	595
% Growth	89.7	25.1	20.2	20.7
EPS	27.6	34.5	41.4	50.0

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement ₹ crore

(Year-ended-March)	FY24	FY25E	FY26E	FY27E
Profit after Tax	328	410	493	595
Add: Depreciation	23	29	33	37
Interest	23	34	32	30
(Inc)/decrease in CA	(142)	(151)	(181)	(228)
(Inc)/decrease in CL and prov	264	139	160	185
CF from Operations	496	460	537	620
(Inc)/decrease in Fixed Assets	(130)	(144)	(114)	(114)
Others	146	126	151	181
CF from Investing	17	(18)	38	68
Issue/(Buy back) of Equity	-	-	-	-
Inc/(dec) in loan funds	(2)	-	-	-
Dividend paid & dividend tax	(24)	(33)	(44)	(60)
Others	(425)	(102)	(369)	(567)
CF from Financing	(451)	(135)	(413)	(627)
Net Cash flow	61	307	161	61
Opening Cash/Cash Equivalent	49	110	418	579
Closing Cash/ Cash Equivalent	110	418	579	640

Source: Company, ICICI Direct Research

Exhibit 3: Balance sheet ₹ crore

(Year-ended-March)	FY24	FY25E	FY26E	FY27E
Equity Capital	24	24	24	24
Reserve and Surplus	1206	1607	2056	2592
Total Shareholders funds	1230	1631	2080	2616
Minority Interest	2	2	2	2
Other Non Current Liabilities	13	13	13	13
Total Debt	4	4	4	4
Sources of Funds	1,249	1,650	2,099	2,635
Gross Block	751	895	1009	1122
Acc. Depreciation	192	221	254	291
Net Block	560	641	708	741
Capital WIP	44	44	44	44
Total Fixed Assets	603	685	752	784
Non Current Assets	293	293	293	293
Inventory	553	642	738	851
Debtors	164	202	232	279
Loans and Advances	0	0	0	0
Other Current Assets	75	100	154	222
Cash & Equivalent	110	418	579	640
Investments	370	370	570	970
Total Current Assets	1273	1731	2273	2961
Current Liabilities	921	1059	1219	1404
Net Current Assets	352	672	1054	1557
Application of Funds	1,249	1,650	2,099	2,635

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios

	FY24	FY25E	FY26E	FY27E
Per Share Data				
EPS	27.6	34.5	41.4	50.0
BV	103.3	137.0	174.7	219.6
Dividend per share	2.0	2.8	3.7	5.0
Dividend payout ratio	7.3	8.0	9.0	10.0
Operating Ratios				
EBITDA Margin	13.8	14.5	14.9	15.3
PAT Margin	11.3	12.3	12.8	13.4
Return Ratios				
RoE	26.7	25.2	23.7	22.8
RoCE	44.2	43.1	39.9	37.4
RoIC	66.8	71.6	75.5	79.8
Valuation Ratios				
EV / EBITDA	35.7	29.1	24.0	19.5
P/E	45.4	36.3	30.2	25.0
EV / Net Sales	4.9	4.2	3.6	3.0
Market Cap / Sales	5.1	4.5	3.9	3.4
Price to Book Value	12.1	9.1	7.2	5.7
Turnover Ratios				
Asset turnover	2.4	2.0	1.8	1.7
Debtors Turnover Ratio	17.7	16.6	16.6	15.9
Creditors Turnover Ratio	4.2	4.2	4.2	4.2
Solvency Ratios				
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	0.9	0.9	0.9	1.0
Quick Ratio	0.3	0.3	0.3	0.4

Source: Company, ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

ANALYST CERTIFICATION

I/We, Chirag Shah, PGDBM, Vijay Goel, PGDBM, Research Analysts, 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. 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. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by Sebi and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors.

Name of the Compliance officer (Research Analyst): Mr. Atul Agarwal
Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Bhavesh Soni Email address: headservicequality@icidirect.com Contact Number: 18601231122

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities 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.

ICICI Securities 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.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates 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 ICICI Securities nor Research Analysts and their relatives 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.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/ beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.