

CMP: ₹874

Target: ₹1135 (30%) Target Period: 6-12 months

BUY

May 22, 2026

### Margin resilience and demand recovery to support growth...

**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.

- Cranes, material handling and construction equipment (CMCE) segment contributes ~92% to total revenue while agri-equipment (AE) contributes ~8% to total revenue.

**Q4FY26 Performance:** ACE reported Q4FY26 performance with consolidated revenue increasing 7.1% YoY to ₹1,029.5 crore led by growth in the agriculture equipment segment, which rose 33.7% YoY to ₹71.4 crore. EBITDA grew 5.3% YoY to ₹172.4 crore, while EBITDA margin moderated slightly by 30 bps YoY to 16.7%. PAT declined 6.4% YoY to ₹110.9 crore. Segment-wise, the core Cranes, Material Handling & Construction Equipment business declined 3% YoY to ₹885 crore and contributed 86% of Q4 revenue, while agriculture equipment improved its share to 6.9% of sales.

#### Investment Rationale:

- **Leadership in cranes and strong diversification into defence, exports and heavy equipment support long-term growth:** ACE remains the market leader in India's pick-and-carry crane segment and is well positioned to benefit from sustained infrastructure, construction and industrial capex growth. Management expects the defence business contribution to increase from ~3% in FY26 to ~5-6% in FY27, supported by a defence order book of ~₹575 crore. Additionally, exports and defence together are expected to contribute ~11-13% of revenue in FY27, improving product mix and reducing dependence on domestic crane demand. ACE also reiterated its long-term revenue target of ₹6,000-6,200 crore by FY29/FY30, supported by increasing localization, export opportunities, premiumization and entry into new crane categories.
- **Margin resilience, pricing power and operating leverage to support profitability:** Despite sharp inflation in steel and commodity prices, ACE delivered healthy profitability improvement in FY26 with EBITDA margin expanding by +20 bps to 15.4% and PAT margin improving to 12.7%. Management has already implemented cumulative price hikes of ~9-10% and indicated further calibrated increases may be required to offset rising steel costs. ACE continues to target sustainable EBITDA margin of 15-16%, supported by strong market positioning, operational efficiency and favourable product mix. Further, utilization levels across cranes and construction equipment remain at ~60%, providing significant operating leverage potential as demand improves. The company's debt-free balance sheet, ongoing automation initiatives and planned capex towards defence and tower crane capacity expansion further strengthen medium-term earnings visibility.

#### Rating and Target Price

- We expect Revenue and PAT to grow at 13.7% and 14.2% CAGR respectively over FY26-FY28E.
- We recommend **BUY** on ACE with a revised target price of **₹1135 per share (based on 25x FY28E EPS)**

#### Key Financial Summary

Rs. in crore	FY23	FY24	FY25	FY26	3 Year CAGR (FY23-FY26)	FY27E	FY28E	2 Year CAGR (FY26-FY28E)
Revenue	2,159.7	2,913.8	3,327.1	3,280.4	15.0	3,699.5	4,240.1	13.7
EBITDA	220.9	403.3	505.8	504.0	31.6	557.0	653.7	13.9
EBITDA margin (%)	10.2	13.8	15.2	15.4		15.1	15.4	
Net Profit	173.0	328.2	409.2	415.1	33.9	461.0	540.9	14.2
EPS (Rs)	14.5	27.6	34.4	34.9		38.7	45.4	
P/E (x)	60.2	31.7	25.4	25.1		22.6	19.2	
EV/EBITDA (x)	46.0	24.6	19.8	19.4		16.7	13.6	
RoCE (%)	30.6	44.2	43.8	35.3		29.2	27.6	
RoE (%)	18.8	26.7	25.3	20.6		18.7	18.2	

Source: Company, ICICI Direct Research



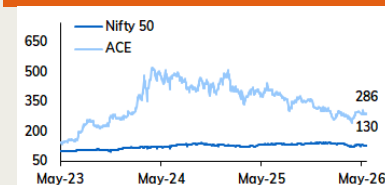
#### Market data

Particular	Rs. (in crore)
Market Capitalisation	10396
Total Debt (FY26)	0
Cash and Inv (FY26)	122
Enterprise Value	10274
52 week H/L (Rs.)	1390/745
Equity capital	23.82
Face value (Rs.)	2

#### Shareholding pattern

%	Jun-25	Sep-25	Dec-25	Mar-26
Promoter	65.41	65.42	65.42	65.42
FII	11.44	10.36	10.4	9.58
DII	2.05	1.83	1.76	1.84
Others	21.08	22.39	22.41	23.16

#### Price chart



#### Key risks

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

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## Key result and call highlights

- ACE reported Q4FY26 performance with consolidated revenue increasing 7.1% YoY to ₹1,029.5 crore led by growth in the agriculture equipment segment, which rose 33.7% YoY to ₹71.4 crore. EBITDA grew 5.3% YoY to ₹172.4 crore, while EBITDA margin moderated slightly by 30 bps YoY to 16.7%. PAT declined 6.4% YoY to ₹110.9 crore. Segment-wise, the core Cranes, Material Handling & Construction Equipment business declined 3% YoY to ₹885 crore and contributed 86% of Q4 revenue, while agriculture equipment improved its share to 6.9% of sales.
- For FY26, consolidated revenue declined 1.4% YoY to ₹3,280 crore, though EBITDA stood at ₹503 crore with margin 15.4 (+20 bps) YoY PAT grew marginally by 1.4% YoY to ₹415 crore.
- ACE has implemented cumulative price hikes of ~5–6% till May 2026 and plans another ~5% increase from June, taking total hikes to ~9–10%. Management indicated eventual hikes may reach 11–14% as steel prices have surged 20–22% since January and account for ~65% of total costs.
- Management aims to sustain EBITDA margin in the 15–16% range (excluding other income) despite raw material inflation. ACE emphasized calibrated pricing, cost control and operational efficiencies to protect profitability while maintaining market share.
- ACE finalized a 50:50 JV with Japan's KATO Works for truck cranes, crawler cranes and rough-terrain cranes. The JV will help ACE enter higher tonnage crane categories, localize advanced technology, expand exports and strengthen participation in India's infra capex cycle. Management expects ₹300+ crore revenue potential in 3–4 years, which could rise to ₹700–800 crore if anti-dumping duties on Chinese imports are implemented.
- Company expects defence contribution to rise from ~3% of revenue in FY26 to ~5–6% in FY27, translating into ₹200–220 crore revenue. The company currently has a defence order book of ~₹575 crore, including telehandlers and specialized defence equipment. Management indicated execution should accelerate from next quarter onward.
- Company sold ~680–690 tower cranes in FY26 and expects growth in FY27. Current order books are full, supported by healthy real estate and infrastructure activity. Management highlighted that demand remains strong despite expected seasonal monsoon slowdown.
- **Capex:** FY27 capex is expected at ~₹200 crore, including, ₹130–135 crore for land acquisition, ₹40–50 crore for a new defense and product-development plant. ₹20–25 crore maintenance capex. Additionally, ACE plans a new automated tower crane factory involving ~₹400 crore capex over time, depending on demand visibility.
- **Outlook/ Guidance:** Management aims to sustain EBITDA margin in the 15–16% range despite raw material inflation. ACE emphasized calibrated pricing, cost control and operational efficiencies to protect profitability while maintaining market share. Management reiterated confidence in achieving ₹6,000–6,200 crore revenue by FY29/FY30, driven by heavy cranes, exports, defence, tower cranes, premium product mix and KATO JV opportunities

## Financial summary

Exhibit 1: Profit and loss statement ₹ crore

(Year-ended-March)	FY24	FY25	FY26	FY27E	FY28E
<b>Revenue</b>	<b>2914</b>	<b>3327</b>	<b>3280</b>	<b>3700</b>	<b>4240</b>
Total Raw Material Costs	2023	2273	2214	2508	2871
Employee Expenses	121	138	160	184	212
Other expenses	367	409	402	450	504
Total Operating Expenditure	2511	2821	2776	3143	3586
<b>EBITDA</b>	<b>403</b>	<b>506</b>	<b>504</b>	<b>557</b>	<b>654</b>
EBITDA Margins	13.8%	15.2%	15.4%	15.1%	15.4%
EBITDA Growth %	82.5%	25.4%	-0.4%	10.5%	17.4%
Other Income	77	100	110	126	140
Interest	23	29	22	30	30
PBDT	457	577	592	653	764
Depreciation	23	28	35	38	42
PBT before Excep item	434	549	557	615	721
Total Tax	106	140	142	154	180
PAT before MI	328	409	415	461	541
<b>PAT</b>	<b>328</b>	<b>409</b>	<b>415</b>	<b>461</b>	<b>541</b>
% Growth	89.7	24.7	1.4	11.1	17.3
EPS	27.6	34.4	34.9	38.7	45.4

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement ₹ crore

(Year-ended-March)	FY24	FY25	FY26	FY27E	FY28E
<b>Profit after Tax</b>	<b>328</b>	<b>409</b>	<b>415</b>	<b>461</b>	<b>541</b>
Add: Depreciation	23	28	35	38	42
Interest	23	29	22	30	30
(Inc)/decrease in CA	(142)	(99)	(95)	(35)	(149)
(Inc)/decrease in CL and prov	264	148	159	(47)	171
<b>CF from Operations</b>	<b>496</b>	<b>514</b>	<b>535</b>	<b>447</b>	<b>634</b>
(Inc)/decrease in Fixed Assets	(130)	(150)	(92)	(199)	(199)
Others	146	417	313	126	140
<b>CF from Investing</b>	<b>17</b>	<b>268</b>	<b>221</b>	<b>-73</b>	<b>-59</b>
Issue/(Buy back) of Equity	-	-	-	-	-
Inc/(dec) in loan funds	(2)	11	(15)	-	-
Dividend paid & dividend tax	(24)	(24)	(24)	(30)	(38)
Others	(425)	(824)	(696)	(300)	(480)
<b>CF from Financing</b>	<b>-451</b>	<b>-837</b>	<b>-734</b>	<b>-330</b>	<b>-518</b>
Net Cash flow	61	(55)	22	44	58
Opening Cash/Cash Equivalent	49	110	55	77	122
Closing Cash/ Cash Equivalent	110	55	77	122	180

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet ₹ crore

(Year-ended-March)	FY24	FY25	FY26	FY27E	FY28E
Equity Capital	24	24	24	24	24
Reserve and Surplus	1206	1591	1987	2438	2941
Total Shareholders funds	1230	1615	2011	2461	2964
Minority Interest	2	2	0	0	0
Other Non Current Liabilities	13	13	23	23	23
Total Debt	4	15	0	0	0
<b>Sources of Funds</b>	<b>1249</b>	<b>1644</b>	<b>2034</b>	<b>2484</b>	<b>2987</b>
Gross Block	751	917	988	1186	1385
Acc: Depreciation	192	220	255	293	336
Net Block	560	697	733	766	873
Capital WIP	44	28	49	49	49
Total Fixed Assets	603	724	781	814	922
Non Current Assets	293	664	846	846	846
Inventory	553	515	605	608	697
Debtors	164	265	284	284	325
Loans and Advances	0	0	0	0	0
Other Current Assets	75	112	97	129	148
Cash & Equivalent	110	55	77	122	180
Investments	370	376	560	960	1360
Total Current Assets	1273	1323	1624	2103	2711
Current Liabilities	921	1067	1218	1171	1342
Net Current Assets	352	256	406	932	1368
<b>Application of Funds</b>	<b>1249</b>	<b>1644</b>	<b>2034</b>	<b>2484</b>	<b>2987</b>

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios

(Year-ended-March)	FY24	FY25	FY26	FY27E	FY28E
<b>Per Share Data</b>					
EPS	27.6	34.4	34.9	38.7	45.4
BV	103.3	135.6	168.8	206.7	248.9
Dividend per share	2.0	2.0	2.0	2.5	3.2
Dvidend payout ratio	7.3	5.8	5.7	6.5	7.0
<b>Operating Ratios</b>					
EBITDA Margin	13.8	15.2	15.4	15.1	15.4
PAT Margin	11.3	12.3	12.7	12.5	12.8
<b>Return Ratios</b>					
RoE	26.7	25.3	20.6	18.7	18.2
RoCE	44.2	43.8	35.3	29.2	27.6
RoIC	66.8	53.0	45.7	42.8	45.8
<b>Valuation Ratios</b>					
EV / EBITDA	24.6	19.8	19.4	16.7	13.6
P/E	31.7	25.4	25.1	22.6	19.2
EV / Net Sales	3.4	3.0	3.0	2.5	2.1
Market Cap / Sales	3.6	3.1	3.2	2.8	2.5
Price to Book Value	8.5	6.4	5.2	4.2	3.5
<b>Turnover Ratios</b>					
Asset turnover	2.4	2.1	1.7	1.4	1.3
Debtors Turnover Ratio	17.7	12.6	11.5	13.0	13.0
Creditors Turnover Ratio	4.2	4.1	3.6	4.2	4.2
<b>Solvency Ratios</b>					
Debt / Equity	0.0	0.0	0.0	0.0	0.0
Current Ratio	0.9	0.8	0.8	0.9	0.9
Quick Ratio	0.3	0.4	0.3	0.3	0.3

Source: Company, ICICI Direct Research

## RATING RATIONALE

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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