Action Construction Equipment (ACTCON)

ICICI Direct

CMP: ₹865 | Target: ₹1166 (35%) | Target Period: 6-12 months | BUY

Volume recovery to drive growth...

February 5, 2026

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 ~94% to total revenue while agri-equipment (AE) contributes ~6% to total revenue.

Q3FY26 Performance: ACE reported a muted Q3FY26 on a YoY basis, with consolidated revenue declining 2.4% YoY to ₹854.6 crore, driven by a 4.0% YoY contraction in the core Cranes, Material Handling & Construction Equipment segment (₹765.2 crore). This was partly offset by a strong 14.1% YoY growth in the Agriculture Equipment segment (₹92.7 crore). Despite lower revenues, profitability improved, with EBITDA margin largely stable at 15.2% (vs ~15.4% in Q3FY25 down by 23 bps YoY) and PAT rising 4.2% YoY to ₹116.4 crore. Net profit margin expanded to 13.6% from ~12.8% YoY, reflecting better cost control and operating efficiency.

Investment Rationale:

- **CEV5 disruption behind; volume recovery and operating leverage to drive earnings from FY27E:** Company performance was impacted by price-led demand disruption following the CEV5 emission transition and prior-year pre-buying. Management confirmed that price acceptability has fully normalised over the last 8–10 months, with a visible pickup in order booking and execution since December. With consolidated capacity of ₹5,000–5,500 crore and utilisation still well below peak levels, incremental volume recovery is expected to translate into meaningful operating leverage, supporting a stronger earnings trajectory from FY27E.
- **Product premiumisation and export/defence scale-up improve quality and durability of growth:** The company's shift towards higher-specification, AI-enabled and safety-enhanced equipment is driving a favourable product mix, improving pricing power and sustaining gross margins. In parallel, exports and defence are scaling steadily, with management targeting >15% combined contribution (vs ~9% in FY26), supported by ~₹500 crore defence orders under execution. Coupled with sustained infrastructure capex, improving EPC execution and policy support under the CIE PLI scheme, these levers enhance medium-term growth visibility while reducing cyclicality. We expect Revenue and PAT to grow at 15% and 18% CAGR respectively over FY26-FY28E.

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 19x P/E on FY28E 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 ₹1166 per share (based on 25x FY28E EPS)

Key Financial Summary

Rs. in crore	FY23	FY24	FY25	2 Year CAGR (FY23-FY25)	FY26E	FY27E	FY28E	2 Year CAGR (FY26-FY28E)
Revenue	2,159.7	2,913.8	3,327.1	24.1	3,304.3	3,823.4	4,352.9	14.8
EBITDA	220.9	403.3	505.8	51.3	470.9	555.1	639.2	16.5
EBITDA margin (%)	10.2	13.8	15.2		14.3	14.5	14.7	
Net Profit	173.0	328.2	409.2	53.8	397.6	474.7	555.3	18.2
EPS (Rs)	14.5	27.6	34.4		33.4	39.9	46.6	
P/E (x)	59.6	31.4	25.2		25.9	21.7	18.6	
EV/EBITDA (x)	45.5	24.4	19.5		20.5	16.7	13.7	
RoCE (%)	30.6	44.2	43.8		35.0	32.7	30.5	
RoE (%)	18.8	26.7	25.3		19.9	19.5	19.0	

Source: Company, ICICI Direct Research

ACE

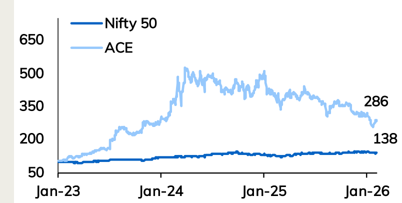
Market data

Particular	Rs. (in crore)
Market Capitalisation	10399
Total Debt (H1FY26)	134
Cash and Inv (H1FY26)	34
Enterprise Value	10499
52 week H/L (Rs.)	1390/775
Equity capital	23.82
Face value (Rs.)	2

Shareholding pattern

%	Mar-25	Jun-25	Sep-25	Dec-25
Promoter	65.41	65.41	65.42	65.42
FII	11.57	11.44	10.36	10.4
DII	1.97	2.05	1.83	1.76
Others	21.04	21.08	22.39	22.41

Price chart



Key risks

(i) Slowdown in domestic & global capex

ii) increase in commodity prices

iii) Increase in competition

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Result Update

ICICI Securities – Retail Equity Research

Key result and call highlights

- Consolidated revenue declined 2.4% YoY to ₹854.6 crore, primarily due to a 4.0% YoY contraction in the Cranes, Material Handling & Construction Equipment (CMCE) segment. This was partly offset by strong 14.1% YoY growth in the Agri Equipment segment. Despite lower revenues, EBITDA margin remained largely stable at 15.2% (down 23 bps YoY), while PAT grew 4.2% YoY to ₹116.4 crore, with net profit margin expanding 85 bps YoY to 13.6%, supported by cost control and operating efficiencies.

- CMCE business continued to dominate the revenue mix (~90% share in Q3FY26), though volumes remained under pressure due to prior-year pre-buying and delayed project execution. The Agri Equipment segment delivered strong growth (+14.1% YoY in Q3FY26) driven by higher contribution from harvesters, which carry significantly higher realisations than tractors.

- Sustained gross margin improvement (33–34% range) was driven by higher realisations, favourable mix towards higher-tonnage and new-generation cranes, automation-led cost efficiencies and pricing power. Management highlighted that price acceptability for CEV5 products is now fully absorbed by the market, supporting margin sustainability.

- Exports contributed ~6–7% of revenue in FY26, while defence contributed ~2%. The company has ~₹500 crore of defence orders under execution, with ₹150–200 crore expected to be executed next year, supporting a gradual increase in defence contribution to ~4–5% of revenue. Management targets combined exports and defence to exceed 10% of revenue in FY27, moving towards a 15% medium-term mix.

- Company Q3FY26 volumes improved sequentially with sales of ~2,710 units. Management indicated that demand softness post BS3/BS4 to CEV5 transition was temporary, stabilised in Q2FY26 and returned to near-normal levels in Q3FY26, despite a higher base last year due to pre-buying.

- Tower crane volumes remained resilient, with ~500 units sold in 9M FY26 versus ~650 units in FY25. Full-year FY26 volumes are expected at ~680–700 units, implying ~8–9% YoY growth. Current fixed tower crane capacity of 800–900 units is nearing ~80% utilisation, prompting plans to expand capacity to ~1,100 units via a new facility.

- Company introduced AI-assisted pick-and-carry cranes, advanced telematics and patented fail-safe systems enabling machine learning-based operator grading and safety controls. Management noted these features are first-of-their-kind in the segment and are supporting premium pricing and improved competitiveness.

- Chinese players remain aggressive in large cranes through predatory pricing and credit terms; however, ACE's core mobile crane business faces limited Chinese competition. Anti-dumping duties are yet to be notified by the government. Management expects the upcoming Construction & Infrastructure Equipment (CIE) PLI scheme to act as a structural positive, especially for heavy cranes and import-substitution categories.

- The ACE continues to operate with manufacturing capacity of ₹5,000–5,500 crore revenue potential, sufficient to support growth over the next 1–2 years. The company remains debt-free with ~₹1,200 crore available for deployment. Management guided for flattish consolidated revenue in FY26 with improved margin profile, and reiterated its medium-term consolidated revenue target of ₹6,000–7,000 crore by FY29–30.

Financial summary

Exhibit 1: Profit and loss statement ₹ crore

(Year-ended-March)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	**2914**	**3327**	**3304**	**3823**	**4353**
Total Raw Material Costs	2023	2273	2224	2581	2938
Employee Expenses	121	138	159	183	211
Other expenses	367	409	450	504	565
Total Operating Expenditure	2511	2821	2833	3268	3714
EBITDA	**403**	**506**	**471**	**555**	**639**
EBITDA Margins	13.8%	15.2%	14.3%	14.5%	14.7%
EBITDA Growth %	82.5%	25.4%	-6.9%	17.9%	15.1%
Other Income	77	100	120	144	173
Interest	23	29	30	30	30
PBDT	457	577	561	670	783
Depreciation	23	28	31	37	42
PBT before Excep item	434	549	530	633	740
Total Tax	106	140	133	158	185
PAT before MI	328	409	398	475	555
PAT	**328**	**409**	**398**	**475**	**555**
% Growth	89.7	24.7	-2.8	19.4	17.0
EPS	27.6	34.4	33.4	39.9	46.6

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement ₹ crore

(Year-ended-March)	FY24	FY25	FY26E	FY27E	FY28E
Profit after Tax	**328**	**409**	**398**	**475**	**555**
Add: Depreciation	23	28	31	37	42
Interest	23	29	30	30	30
(Inc)/decrease in CA	(142)	(99)	(21)	(143)	(146)
(Inc)/decrease in CL and prov	264	148	(21)	164	168
CF from Operations	**496**	**514**	**417**	**562**	**648**
(Inc)/decrease in Fixed Assets	(130)	(150)	(178)	(178)	(178)
Others	146	417	120	144	173
CF from Investing	**17**	**268**	**-57**	**-33**	**-4**
Issue/(Buy back) of Equity	-	-	-	-	-
Inc/(dec) in loan funds	(2)	11	-	-	-
Dividend paid & dividend tax	(24)	(24)	(36)	(47)	(56)
Others	(425)	(824)	(313)	(480)	(480)
CF from Financing	**-451**	**-837**	**-349**	**-527**	**-536**
Net Cash flow	61	(55)	11	1	108
Opening Cash/Cash Equivalent	49	110	55	66	67
Closing Cash/ Cash Equivalent	110	55	66	67	175

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet ₹ crore

(Year-ended-March)	FY24	FY25	FY26E	FY27E	FY28E
Equity Capital	24	24	24	24	24
Reserve and Surplus	1206	1591	1977	2404	2904
Total Shareholders funds	1230	1615	2001	2428	2928
Minority Interest	2	2	2	2	2
Other Non Current Liabilities	13	13	13	13	13
Total Debt	4	15	15	15	15
Sources of Funds	**1249**	**1644**	**2030**	**2458**	**2957**
Gross Block	751	917	1095	1272	1450
Acc: Depreciation	192	220	251	288	330
Net Block	560	697	831	944	1052
Capital WIP	44	28	28	28	28
Total Fixed Assets	603	724	859	972	1080
Non Current Assets	293	664	664	664	664
Inventory	553	515	543	629	716
Debtors	164	265	253	293	334
Loans and Advances	0	0	0	0	0
Other Current Assets	75	112	116	134	152
Cash & Equivalent	110	55	66	67	175
Investments	370	376	576	976	1376
Total Current Assets	1273	1323	1554	2098	2753
Current Liabilities	921	1067	1046	1211	1378
Net Current Assets	352	256	508	888	1374
Application of Funds	**1249**	**1644**	**2030**	**2458**	**2957**

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios

(Year-ended-March)	FY24	FY25	FY26E	FY27E	FY28E
Per Share Data					
EPS	27.6	34.4	33.4	39.9	46.6
BV	103.3	135.6	168.0	203.9	245.8
Dividend per share	2.0	2.0	3.0	4.0	4.7
Dvidend payout ratio	7.3	5.8	9.0	10.0	10.0
Operating Ratios					
EBITDA Margin	13.8	15.2	14.3	14.5	14.7
PAT Margin	11.3	12.3	12.0	12.4	12.8
Return Ratios					
RoE	26.7	25.3	19.9	19.5	19.0
RoCE	44.2	43.8	35.0	32.7	30.5
RoIC	66.8	53.0	43.8	47.4	51.0
Valuation Ratios					
EV / EBITDA	24.4	19.5	20.5	16.7	13.7
P/E	31.4	25.2	25.9	21.7	18.6
EV / Net Sales	3.4	3.0	2.9	2.4	2.0
Market Cap / Sales	3.5	3.1	3.1	2.7	2.4
Price to Book Value	8.4	6.4	5.1	4.2	3.5
Turnover Ratios					
Asset turnover	2.4	2.1	1.7	1.5	1.4
Debtors Turnover Ratio	17.7	12.6	13.0	13.0	13.0
Creditors Turnover Ratio	4.2	4.1	4.2	4.2	4.2
Solvency Ratios					
Debt / Equity	0.0	0.0	0.0	0.0	0.0
Current Ratio	0.9	0.8	0.9	0.9	0.9
Quick Ratio	0.3	0.4	0.4	0.4	0.4

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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