Target Update

Action Construction Equipment Ltd.

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Investment Thesis:

Structural export upcycle provides a new growth lever: India's construction equipment exports are projected to rise 19% YoY to 20,700 units in FY27, following a 32% increase in FY26 and more than 70% growth over the past three years. The shift in global demand towards India is being supported by developed-market demand, FTAs and Stage V emission norms, while ACE's exports have already grown 29% in the first four months of FY27. With exports currently forming only a mid-single-digit share of revenue, the growing acceptance of Indian construction equipment globally provides a meaningful runway for ACE to diversify beyond the domestic cycle.

Market share gains reinforce ACE's competitive positioning: ACE has established a leading position in India's mobile and tower crane segments, while FADA data shows its wheeled construction equipment volumes grew 41% YoY to 556 units in Aug'26, outpacing the industry's 31% YoY growth to 5,166 units and driving market share up 71 bps YoY to 10.76% from 10.05%, highlighting continued share gains as the industry recovers.

Operating leverage and premiumisation can sustain profitability: Despite the normalization in industry volumes after FY25's pre-buying ahead of CEV-V emission norms, ACE maintained a strong margin profile, with FY26 crane, material handling and construction equipment margins at 18.6%. Management expects recovery in the underlying equipment cycle, while higher-model mix, cost efficiencies and increasing exports and defence contribution provide additional avenues for margin resilience. The company entered FY27 with a defence order book of around ₹500-550 Cr, while the international opportunity is expanding as ACE upgrades product quality to meet global standards. This creates an increasingly diversified growth profile, with domestic infrastructure and industrial capex complemented by exports and defence.

KATO JV expands ACE's addressable market in heavy cranes: The newly established 50:50 ACE-KATO JV combines ACE's manufacturing and distribution capabilities with KATO's heavy-crane technology, with truck cranes, crawler cranes and rough-terrain cranes being transferred into the JV. The partnership provides ACE with access to higher-end technology, greater localization potential and an opportunity to participate in the increasing infrastructure and industrial capex cycle, while also strengthening its export proposition.

Outlook:

India's construction equipment market is witnessing a strong recovery, with FADA's wheeled construction equipment volumes rising 31% YoY to 5,166 units in Aug'26, while ACE outperformed the industry with volumes up 41% YoY. The medium-term outlook is further supported by exports, with India's construction equipment exports expected to grow 19% YoY in FY27, following 32% growth in FY26 and >70% growth over the past three years. ACE's exports have already grown 29% in the first four months of FY27. With domestic infrastructure and capex recovery, continued market-share gains, rising exports, and additional growth opportunities from defence and the KATO JV, ACE appears positioned to sustain volume growth.

We project Revenue/EBITDA/PAT CAGR growth of 22%/24%/24% over FY26-FY28E, with DCF based methodology we arrive to a TP of ₹1,537, implying an upside of 24.8%, with BUY rating for the stock.

CMP: ₹1,232
Reco: BUY
Target Price: ₹1,537

Stock Info	
BSE	532762
NSE	ACE
Sector	Construction Equipment
Face Value (₹)	2
Equity Capital (₹ Cr)	23.8
Mkt Cap (₹ Cr)	14,690
Avg volume (1 year)	3,62,655
Dividend yield (%)	0.17
52w H/L (₹)	1,240/ 745

Source: Company filings, PESB research

Shareholding Pattern (June 2026)	
Promoters	65.42%
FII	7.82%
DII	2.59%
Public	24.12%

Source: Company filings, PESB research

New Estimates:

Year	FY26	FY27E	FY28E
Revenue	3,280	3,897	4,879
EBITDA	504	614	770
PAT	415	514	643

Old Estimates:

Year	FY26	FY27E	FY28E
Revenue	3,280	3,838	4,740
EBITDA	504	605	748
PAT	415	506	624

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Q1 FY27 Management Commentary:

Demand Environment: Management stated that demand remained stable during Q1 despite an uncertain macro environment. While monsoon season has naturally softened activity entering Q2, the company expects growth to resume in H2 as construction activity improves. Hydra crane demand has started recovering after last year's disruption caused by BS-V emission norms and price increases, while construction equipment, forklifts, road machinery and tower cranes continue to witness healthy demand. However, management will wait until September before providing full-year growth guidance due to geopolitical uncertainties and demand visibility.

Pricing & Competitive Landscape: Competitive intensity remains largely unchanged across product categories. The primary challenge is recovering higher input costs without affecting demand. Management noted that customer acceptance of multiple price hikes remains difficult in the current environment, particularly during the seasonally weak monsoon period, although ACE believes its strong market position allows it to navigate these pressures better than many peers.

Commodity Inflation & Margins and Volumes: Steel and virtually every major input material witnessed significant inflation during the quarter, with overall raw material inflation expected to reach 11-12%. ACE has already implemented nearly 10% cumulative price hikes across products and may take another small increase if commodity inflation persists. On the operating front, the Cranes, Construction Equipment & Material Handling segment reported volume growth of 17.3% YoY in Q1, while backhoe loader sales remained steady at ~150-160 units during the quarter. Management expects Q2 volumes to remain slightly weak due to monsoon seasonality and customer resistance following multiple price hikes. However, volumes are expected to strengthen in H2 FY27, supported by a recovery in Hydra crane demand, commencement of defence order execution from August, and improving construction activity.

Kato Joint Venture: The strategic JV with Kato Works, Japan, is expected to become operational by end-July. Initial revenues should begin from Q3 FY27, although meaningful financial contribution is expected only from FY28. The partnership will focus on truck cranes, crawler cranes and rough-terrain cranes, bringing Japanese technology, product upgrades, localization and export opportunities. ACE targets 50-60% localization for dedicated Kato export models while also supplying components from India to Kato's global operations.

Defense Business: Execution of the large defense order is set to begin from August, with rough-terrain forklift manufacturing already commencing during the current quarter. Defense is expected to contribute 5-6% of FY27 revenues, while exports should contribute another 6-7%, taking their combined contribution to around 10-12%. Management also expects repeat defense orders over the coming quarters as execution progresses.

Exports: Export revenues were temporarily weak during Q1 due to shipping disruptions and logistics issues, particularly affecting deliveries to Saudi Arabia. Management emphasized that these orders remain intact and expects exports to normalize over the coming quarters, targeting 6-7% revenue contribution for FY27. Over the medium term, exports remain one of ACE's biggest growth priorities, particularly with support from the Kato JV.

Capacity Expansion & Capex: ACE has already increased crane manufacturing capacity to around 1,000 cranes through optimization and leased facilities. The planned greenfield expansion remains ready for execution but management will decide in September whether to proceed immediately or defer by six months depending on market conditions. FY27 capex is expected at ₹200-250 crore, including land acquisition, automation, robotics and a new defense manufacturing facility capable of generating around ₹500 crore of annual revenue over time.

Backhoe Loaders: Management remains optimistic about the backhoe loader business despite modest current volumes of around 150-160 units per quarter. A financing-related proof of concept implemented in select markets has shown encouraging results, and management expects backhoe loaders to become one of ACE's fastest-growing product categories over the next few years, supported by both domestic demand and export opportunities.

Consolidated Financials

INCOME STATEMENT

Particulars (₹ Cr)	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Revenue from Operations	1,630	2,160	2,914	3,327	3,280	3,897	4,879
Expenses							
Cost of Materials	1192	1580	2023	2273	2214	2631	3293
Employee Expense	85	100	121	138	160	170	210
Other Expense	222	303	367	409	402	482	606
EBITDA	**130**	**177**	**403**	**506**	**504**	**614**	**770**
EBITDA Margin	***8%***	***8%***	***14%***	***15%***	***15%***	***16%***	***16%***
EBITDA Growth rate		***36%***	***128%***	***25%***	***0%***	***22%***	***25%***
Depreciation and Amortization	15	18	23	28	35	43	53
EBIT	**115**	**159**	**380**	**477**	**469**	**572**	**717**
EBIT Margin	***7%***	***7%***	***13%***	***14%***	***14%***	***15%***	***15%***
EBIT Growth rate		***38%***	***140%***	***26%***	***-2%***	***22%***	***26%***
Finance Cost	10	10	23	29	22	27	37
Other Income	11	41	77	100	110	146	182
Exceptional items	0	0	0	0	0	0	0
EBT	**116**	**189**	**434**	**549**	**557**	**690**	**863**
EBT Margin	***7%***	***9%***	***15%***	***17%***	***17%***	***18%***	***18%***
EBT Growth rate		***63%***	***129%***	***27%***	***1%***	***24%***	***25%***
Tax expense	32	61	106	140	142	175	219
PAT	**84**	**129**	**328**	**409**	**415**	**514**	**643**
PAT Margin	***5%***	***6%***	***11%***	***12%***	***13%***	***13%***	***13%***
PAT Growth rate		***54%***	***155%***	***25%***	***1%***	***24%***	***25%***
EPS	***7***	***11***	***28***	***34***	***35***	***43***	***54***

	FY23 - 25	FY26 - 28E
Revenue CAGR	24%	22%
EBITDA CAGR	69%	24%
PAT CAGR	78%	24%

Source: Company filings, PESB research

BALANCE SHEET

Particulars (₹ Cr)	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Assets							
Net Block	440	476	563	702	767	1109	1383
Capital WIP	24	24	44	28	49	49	49
Other Non Current Assets	23	38	48	101	89	89	89
Inventories	333	419	553	515	605	678	849
Investments	92	150	242	558	723	723	723
Trade Receivables	189	169	164	265	284	278	423
Cash and Bank	14	49	110	55	77	206	440
Other Current Assets	166	275	445	487	657	657	657
Total Assets	**1,282**	**1,600**	**2,169**	**2,711**	**3,252**	**3,790**	**4,613**
Equity							
Equity Share Capital	24	24	24	24	24	24	24
Other Equity	731	896	1208	1593	1987	2502	3145
Total Equity	**754**	**920**	**1,232**	**1,616**	**2,011**	**2,525**	**3,168**
Liabilities							
Borrowings	1	1	0	1	7	7	7
Other Non Current Liabilities	16	16	13	12	16	16	16
Borrowings	30	7	4	15	1	4	1
Trade Payables	413	501	688	809	917	938	1120
Other Current Liabilities	69	155	232	258	300	300	300
Total Equity and Liabilities	**1,282**	**1,600**	**2,169**	**2,711**	**3,252**	**3,790**	**4,613**

Source: Company filings, PESB research

RATIOS

	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Margin Analysis							
Gross Margins	27%	27%	31%	32%	32%	33%	33%
EBITDA Margin	8%	8%	14%	15%	15%	16%	16%
PAT Margin	5%	6%	11%	12%	13%	13%	13%
	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Profitability							
ROA	7%	8%	15%	15%	13%	14%	14%
ROCE	15%	17%	31%	29%	23%	23%	23%
ROE	11%	14%	27%	25%	21%	20%	20%
	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Liquidity and Solvency							
Current ratio (x)	1.6	1.6	1.6	1.7	1.9	2.0	2.2
Quick ratio (x)	0.9	1.0	1.0	1.3	1.4	1.5	1.6
fixed asset turnover (x)	3.5	4.3	4.8	4.6	4.0	3.4	3.4
Total Debt/ Equity (x)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest Coverage Ratio (x)	12.1	15.4	16.4	16.7	21.2	20.9	19.4
	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Valuation Ratios							
EV/EBITDA (x)					29	23	19
P/E (x)					35.4	28.5	22.8
P/B (x)					7.3	5.8	4.6
EV/Sales (x)					4.4	3.7	3.0

Source: Company filings, PESB research

CASH FLOW

Particulars (₹ Cr)	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Net cash from operations	104	274	433	412	417	541	597
Net cash from Investing	-201	-218	-368	-383	-350	-385	-326
Net cash from Financing	71	-41	-39	-29	-52	-27	-37

Source: Company filings, PESB research

Industry Sales Data:

Wheeled - Construction Equipment OEM	Aug'26	Market Share (%) Aug'26	Aug'25	Market Share (%) Aug'25
ACTION CONSTRUCTION EQUIPMENT LTD.	**556**	**10.8%**	**395**	**10.1%**
JCB INDIA LIMITED	2,605	50.4%	2,126	54.1%
ESCORTS KUBOTA LIMITED (CONSTRUCTION EQUIPMENT)	412	8.0%	246	6.3%
AJAX ENGINEERING LTD	282	5.5%	218	5.6%
BULL MACHINES PVT LTD	173	3.4%	88	2.2%
CATERPILLAR INDIA PRIVATE LIMITED	121	2.3%	109	2.8%
TATA HITACHI CONSTRUCTION MACHINERY COMP. PVT LTD	117	2.3%	97	2.5%
CASE NEW HOLLAND CONSTRUCTION EQUIPMENT(I) PVT LTD	106	2.1%	54	1.4%
M/S SCHWING STETTER (INDIA) PRIVATE LIMITED	92	1.8%	74	1.9%
INDO FARM EQUIPMENT LIMITED	73	1.4%	19	0.5%
LIUGONG INDIA PVT. LTD	62	1.2%	7	0.2%
DOOSAN BOBCAT INDIA PVT LTD	49	1.0%	33	0.8%
Others	518	10.0%	464	11.8%
Total	**5,166**	**100%**	**3,930**	**100%**

Source: FADA august report, PESB research

Disclosures and Disclaimers:

Rating Guide:

Stock Rating	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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