CMP: ₹1035 | Target ₹ 1320 (28%) | Target Period: 12 months | **BUY**

July 22, 2026

Demand recovery strengthens earnings outlook...

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.

Q1FY27 performance: Action Construction Equipment Ltd. (ACE) reported a healthy Q1FY27 performance, with consolidated revenue increasing 20.5% YoY to ₹785.7 crore (vs. ₹652.1 crore), driven by the Cranes, Material Handling & Construction Equipment segment, which grew 22.6% YoY to ₹742.4 crore, while the Agriculture Equipment segment declined 6.4% YoY to ₹45.7 crore. EBITDA increased 27.0% YoY to ₹117.9 crore, with EBITDA margin expanding to 15.0% from 14.2% in Q1FY26. PAT rose 22.3% YoY to ₹119.5 crore, while PAT margin improved to 15.2% from 15.0%. Construction equipment volumes increased 17.2% YoY to 2,740 units.

Investment Rationale:

- **Volume recovery gains traction as CEV-V transition impact eases:** After a subdued demand environment following the transition to CEV Stage V emission norms, customer acceptance has improved, leading to a recovery in equipment demand. Construction equipment volumes grew 17.2% YoY to 2,740 units in Q1FY27, while realizations increased 4.6% YoY to ₹27.1 lakh/unit, reflecting improving pricing power and a favourable product mix. With a strong leadership position in the mobile crane segment and sustained government infrastructure spending, ACE remains well placed to deliver healthy volume-led earnings growth.
- **Margin resilience supported by pricing actions and emerging growth drivers**: Despite elevated raw material costs, including a ~20% increase in steel prices, management expects to sustain operating EBITDA margins above 15% through calibrated price increases (~10%), operational efficiencies and product mix improvement. Additionally, the company expects defence (5–6%) and exports (6–7%) to contribute 10–12% of FY27 revenue, supported by execution of a repeat defence order (>₹100 crore), commissioning of a dedicated defence manufacturing facility with ~₹500 crore revenue potential, and meaningful contribution from the KATO JV from FY28, providing incremental growth beyond the domestic construction equipment business.

Rating and Target Price: We expect Revenue and PAT to grow at 14.7% and 16.3% CAGR respectively over FY26-FY28E & recommend **BUY** on ACE with a revised target price of **₹1320 per share (based on 28x FY28E EPS**

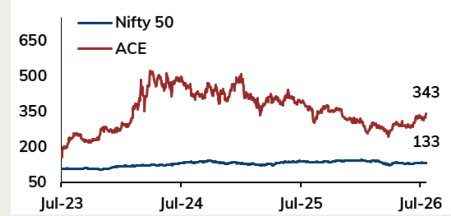
Particulars

	₹ (in crore)
Market Capitalisation	12376
Total Debt (FY26)	0
Cash and Inv. (FY26)	122
Enterprise Value	12254
52-week H/L (Rs.)	1170/745
Equity capital	23.82
Face value (Rs.)	2

Shareholding pattern

%	Sep-25	Dec-25	Mar-26	Jun-26
Promoter	65.4	65.4	65.4	65.4
FII	10.3	10.	9.5	7.8
DII	1.8	1.7	1.8	2.5
Others	22.3	22.4	23.1	24.1

Price Chart



Key risks

(i) Slowdown in domestic & global capex

(ii) increase in commodity prices

(iii) Increase in competition

Research Analyst

Chirag J Shah
Shah.chirag@icicisecurities.com

Dilip Pandey
Dilip.pandey@icicisecurities.com

Gourav Aggarwal
Gourav.aggarwal@icicisecurities.com

Key Financial Summary

Rs. in crore	FY24	FY25	FY26	2 Year CAGR (FY24-FY26)	FY27E	FY28E	2 Year CAGR (FY26-FY28E)
Revenue	2,913.8	3,327.1	3,280.4	6.1	3,770.5	4,315.8	14.7
EBITDA	403.3	505.8	504.0	11.8	579.9	678.1	16.0
EBITDA margin (%)	13.8	15.2	15.4		15.4	15.7	
Net Profit	328.2	409.2	415.1	12.5	480.0	561.1	16.3
EPS (Rs)	27.6	34.4	34.9		40.3	47.1	
P/E (x)	37.6	30.1	29.7		25.7	22.0	
EV/EBITDA (x)	29.4	23.5	23.2		19.4	15.8	
RoCE (%)	44.2	43.8	35.3		30.0	28.1	
RoE (%)	26.7	25.3	20.6		19.4	18.7	

Source: Company, ICICI Direct Research

Q1FY27 Earnings call highlights

- **Financial highlights**
  - Action Construction Equipment Ltd. (ACE) reported a healthy Q1FY27 performance, with consolidated revenue increasing 20.5% YoY to ₹785.7 crore (vs. ₹652.1 crore), driven by the Cranes, Material Handling & Construction Equipment segment, which grew 22.6% YoY to ₹742.4 crore, while the Agriculture Equipment segment declined 6.4% YoY to ₹45.7 crore. EBITDA increased 27.0% YoY to ₹117.9 crore, with EBITDA margin expanding to 15.0% from 14.2% in Q1FY26. PAT rose 22.3% YoY to ₹119.5 crore, while PAT margin improved to 15.2% from 15.0%.
- **Operational highlights**
  - The Construction Equipment (CE) segment delivered 21.2% YoY growth, with segment margins of 18.2%.
  - Construction Equipment, Cranes & Material Handling sales volume increased to 2,740 units in Q1FY27 from 2,337 units in Q1FY26 (~17% YoY growth).
  - Agricultural equipment volumes declined to 440 units from 589 units in Q1FY26, indicating continued weakness in the agri segment.
- **Management commentary & outlook**
  - **Exports & Defence:** Exports were weak in Q1FY27 due to shipping disruptions, contributing ~3% of revenue. Management expects exports to contribute 6-7% and defence 5-6% of FY27 revenue. Execution of a major defence order starts in August, with another ₹100+ crore repeat order expected over the next 2-3 months.
  - **Defence expansion:** The company is investing ₹40-50 crore in a dedicated defence manufacturing facility, expected to become operational by Q3/Q4 FY27, with an eventual revenue potential of ~₹500 crore.
  - **Pricing strategy:** ACE implemented three price hikes (January, May and June) aggregating around 10% and may take another ~2% increase if commodity inflation persists. Focus remains on protecting profitability rather than expanding margins.
  - **KATO JV**: The KATO joint venture is expected to be operational by end-July, with upgraded products launching during FY27 and meaningful revenue contribution beginning from FY28.
  - **Inorganic growth:** Management highlighted M&A as a key long-term growth driver, supported by a strong cash position. It is evaluating acquisition targets with scalable businesses capable of 3x-6x growth over time.
  - **Capex:** FY27 capital expenditure is guided at ₹200-250 crore, including land acquisition, defence capacity expansion, automation and robotics.
  - **Demand outlook:** Construction equipment demand remained healthy until May-June before the seasonal monsoon slowdown. Management remains positive on long-term opportunities in nuclear, energy storage and infrastructure.
  - **Guidance:** Management deferred FY27 revenue growth guidance until September 2026 due to an uncertain demand environment and recent price hikes. It continues to target operating EBITDA margin above 15% for FY27.

Financial summary

Exhibit 1: Profit and loss statement ₹ crore

(Year-ended-March)	FY25	FY26	FY27E	FY28E
Revenue	**3327**	**3280**	**3771**	**4316**
Total Raw Material Costs	2273	2214	2556	2922
Employee Expenses	138	160	184	212
Other expenses	409	402	450	504
Total Ope. Expenditure	2821	2776	3191	3638
EBITDA	**506**	**504**	**580**	**678**
EBITDA Margins	15.2%	15.4%	15.4%	15.7%
EBITDA Growth %	25.4%	-0.4%	15.1%	16.9%
Other Income	100	110	128	142
Interest	29	22	30	30
PBDT	577	592	678	791
Depreciation	28	35	38	42
PBT before Excep item	549	557	640	748
Total Tax	140	142	160	187
PAT before MI	409	415	480	561
PAT	**409**	**415**	**480**	**561**
% Growth	24.7	1.4	15.6	16.9
EPS	34.4	34.9	40.3	47.1

Source: Company, ICICI Direct Research

Exhibit 2: Key Ratios

(Year-ended-March)	FY25	FY26	FY27E	FY28E
Per Share Data				
EPS	34.4	34.9	40.3	47.1
BV	135.6	168.8	208.2	252.0
Dividend per share	2.0	2.0	2.6	3.3
Operating Ratios				
EBITDA Margin	15.2	15.4	15.4	15.7
PAT Margin	12.3	12.7	12.7	13.0
Return Ratios				
RoE	25.3	20.6	19.4	18.7
RoCE	43.8	35.3	30.0	28.1
RoIC	53.0	45.7	44.5	47.5
Valuation Ratios				
EV / EBITDA	22.6	22.2	19.4	15.8
P/E	28.9	28.5	25.7	22.0
Market Cap / Sales	3.6	3.6	3.3	2.9
Turnover Ratios				
Asset turnover	2.1	1.7	1.4	1.3
Debtors Turnover Ratio	12.6	11.5	13	13
Creditors Turnover Ratio	4.1	3.6	4.2	4.2
Solvency Ratios				
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	0.8	0.8	0.9	0.9
Quick Ratio	0.4	0.3	0.3	0.3

Source: Company, ICICI Direct Research

Exhibit 3: Balance sheet ₹ crore

(Year-ended-March)	FY25	FY26	FY27E	FY28E
Equity Capital	24	24	24	24
Reserve and Surplus	1591	1987	2455	2977
Total Shareholders funds	1615	2011	2479	3001
Minority Interest	2	0	0	0
Other Non-Current Liabilities	13	23	23	23
Total Debt	15	0	0	0
Sources of Funds	**1644**	**2034**	**2502**	**3024**
Gross Block	917	988	1186	1385
Acc: Depreciation	220	255	293	336
Net Block	697	733	766	873
Capital WIP	28	49	49	49
Total Fixed Assets	724	781	814	922
Non-Current Assets	664	846	846	846
Inventory	515	605	620	709
Debtors	265	284	289	331
Loans and Advances	0	0	0	0
Other Current Assets	112	97	132	151
Cash & Equivalent	55	77	145	224
Investments	376	560	960	1360
Total Current Assets	1323	1624	2146	2776
Current Liabilities	1067	1218	1194	1366
Net Current Assets	256	406	952	1410
Application of Funds	**1644**	**2034**	**2502**	**3024**

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement ₹ crore

(Year-ended-March)	FY25	FY26	FY27E	FY28E
Profit after Tax	**409**	**415**	**480**	**561**
Add: Depreciation	28	35	38	42
Interest	29	22	30	30
(Inc)/decrease in CA	(99)	(95)	(54)	(151)
(Inc)/decrease in CL and prov	148	159	(24)	173
CF from Operations	**514**	**535**	**469**	**655**
(Inc)/decrease in Fixed Assets	(150)	(92)	(199)	(199)
Others	417	313	128	142
CF from Investing	**268**	**221**	**-70**	**-56**
Inc/(dec) in loan funds	11	(15)	-	-
Dividend paid & dividend tax	(24)	(24)	(31)	(39)
Others	(824)	(696)	(300)	(480)
CF from Financing	**-837**	**-734**	**-331**	**-519**
Net Cash flow	(55)	22	68	80
Opening Cash/Cash Equivalent	110	55	77	145
Closing Cash/ Cash Equivalent	55	77	145	224

Source: Company, ICICI Direct Research

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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

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Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal

Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Jeetu Jawrani Email address: headservicequality@icicidirect.com Contact Number: 18601231122

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