Action Construction Equipment (ACTCON)

CMP: ₹1168 | Target ₹ 1515(30%) | Target Period: 12 months | BUY

November 16, 2026

Robust demand & pricing actions supports profitable 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.

Q2FY27 performance: ACE reported healthy consolidated revenue growth of 18.9% YoY to ₹885.1 crore in Q2FY27 compared to ₹744.2 crore in Q2FY26. Operating EBITDA increased 22.9% YoY to ₹133.9 crore from ₹109.0 crore, with operating EBITDA margin expanding 59 bps YoY to 15.1% from 14.6%, indicating improvement in operating profitability. Consequently, PAT increased 82.4% YoY to ₹164.3 crore compared to ₹90.1 crore in Q2FY26.

Investment Rationale:

- **Strong domestic demand, market leadership, and healthy earnings growth to drive core business performance:** ACE is well positioned to benefit from sustained government infrastructure spending, increasing mechanisation and recovery in construction activity. The company delivered its best-ever Q2FY27 performance, with consolidated revenue growing 18.9% YoY to ₹885 crore and EBITDA increasing 22.9% YoY to ₹1134 crore. EBITDA margin expanded 59 bps to 15.1%, reflecting improved operating leverage, pricing actions, and product mix. The core cranes, metal handling and construction equipment segment contributed 89% of revenue at ₹788 crore (+13.5% YoY), while volumes increased 20% YoY to 2,812 units. Management has retained its FY27 revenue growth guidance of 18–20%, with expectations of stronger H2 performance. Further, existing manufacturing capacity can support revenue of ₹5,500–6,000 crore, providing room for growth without significant near-term capacity constraints.
- **KATO JV, defence and new product launches to unlock the next leg of growth:** ACE is expanding into higher-value heavy cranes through its strategic 50:50 JV with Japan-based KATO Works, with domestic sales of upgraded ACE-KATO machines expected to commence in FY28. Management targets initial revenue of approximately ₹150 crore in FY28, with medium-term revenue potential of ₹300–400 crore. Additionally, the company has a defence order book of over ₹500 crore, executable over 1.5–2 years, with defence expected to contribute 5–6% of FY27 revenue. New product categories, including aerial work platforms, container reach stackers, and piling rigs, each offer potential revenue opportunities of ₹150–200 crore over 2–3 years. These initiatives, along with export opportunities, provide revenue diversification and scope for sustainable growth beyond the core pick-and-carry crane business.

Rating and Target Price: We expect Revenue and PAT to grow at 16.7% and 20.3% CAGR respectively over FY26-FY28E & recommend **BUY** on ACE with a revised target price of **₹1515 per share (based on 30x FY28E EPS)**

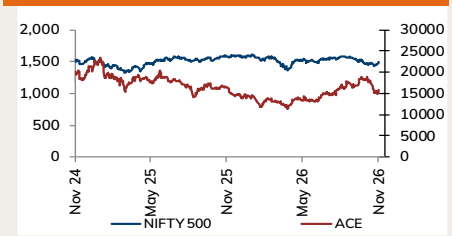
Particulars

	₹ (in crore)
Market Capitalisation	13904
Total Debt (FY26)	0
Cash and Inv. (FY26)	122
Enterprise Value	13782
52-week H/L (Rs.)	1268/745
Equity capital	23.82
Face value (Rs.)	2

Shareholding pattern

%	Dec-25	Mar-26	Jun-26	Sep-26
Promoter	65.4	65.4	65.4	65.4
FII	10.4	9.6	7.8	8.5
DII	1.8	1.8	2.6	3.1
Others	22.4	23.2	24.2	23.1

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 Financial Summary

Rs. in crore	FY24	FY25	FY26	2 Year CAGR (FY24-FY26)	FY27E	FY28E	2 Year CAGR (FY26-FY28E)
Revenue	2,914	3,327	3,280	6.1	3,781	4,465	16.7
EBITDA	403	506	504	11.8	583	726	20.1
EBITDA margin (%)	13.8	15.2	15.4		15.4	16.3	
Net Profit	328	409	415	12.5	483	601	20.3
EPS (Rs)	27.6	34.4	34.9		40.5	50.5	
P/E (x)	42.4	34.0	33.5		28.8	23.1	
EV/EBITDA (x)	33.3	26.7	26.3		22.0	16.9	
RoCE (%)	44.2	43.8	35.3		30.2	29.5	
RoE (%)	26.7	25.3	20.6		19.5	19.8	

Source: Company, ICICI Direct Research

Q2FY27 Earnings call highlights

- **Financial highlights**
  - ACE reported healthy consolidated revenue growth of 18.9% YoY to ₹885.1 crore in Q2FY27 compared to ₹744.2 crore in Q2FY26. Operating EBITDA increased 22.9% YoY to ₹133.9 crore from ₹109.0 crore, with operating EBITDA margin expanding 59 bps YoY to 15.1% from 14.6%, indicating improvement in operating profitability. Consequently, PAT increased 82.4% YoY to ₹164.3 crore compared to ₹90.1 crore in Q2FY26.
  - Segment wise: The core cranes, metal handling and construction equipment segment contributed 89% of revenue at ₹788 crore (+13.5% YoY), while volumes increased 20% YoY to 2,812 units. However, Agricultural Equipment volumes declined 17.1% YoY to 436 units from 526 units in Q2FY26. Overall, combined volumes increased 13.0% YoY to 3,248 units.
- **Revenue growth and demand outlook**
  - Management maintained its FY27 revenue growth guidance of 18–20%, supported by healthy demand across cranes, construction equipment, and material handling.
  - Management expects Q3FY27 to be stronger, particularly in backhoe loaders and construction equipment.
  - The company recorded sales of 2,812 units across cranes, metal handling and construction equipment in Q2FY27, registering 20% YoY growth.
- **Pricing and raw material cost pressure**
  - ACE has implemented cumulative price increases of approximately 7–8% across its equipment portfolio over the past 6–8 months.
  - The blended realization benefit during H1FY27 was slightly above 3%, as the latest price increases were implemented towards the end of September.
  - Steel prices increased from approximately ₹48–50/kg earlier in FY27 to ₹66–67/kg in October, creating additional input cost pressure.
  - Management indicated another 3–4% price hike, potentially around January 2027, depending on further steel price movements.
- **KATO JV – Higher-capacity crane opportunity**
  - The ACE-KATO JV has commenced operations, with upgraded machines incorporating Japanese technology and components. Domestic deliveries of ACE-KATO branded machines are expected to commence in early FY28.
  - Management expects revenue of approximately ₹150 crore in FY28 from the higher-capacity crane business, compared with the earlier ₹50–60 crore revenue base. Medium-term revenue potential is estimated at ₹300–400 crore over the next 2.5–3 years.
  - Management is targeting approximately 15% operating EBITDA margin in the domestic business. Initial margins could be 10–12% in FY28 before normalising towards 15%.
- **Defence business and order visibility**

- The defence business is gaining traction, with deliveries of rough-terrain forklifts, telehandlers and heavy recovery vehicles having commenced.
- The defence order book stood at slightly over ₹500 crore, scheduled for execution over the next 1.5–2 years.
- Management expects defence to contribute around 5–6% of FY27 revenue. Exports are also expected to contribute around 6%, taking the combined contribution of the two businesses to approximately 11–12%.

- **Capex plans:**
  - ACE is setting up a new plant within its existing premises, primarily for defence machines and new products, involving capex of around ₹40–50 crore. The facility is expected to become operational around January–February 2027.
  - Another ₹30–40 crore is planned towards robotics, automation and continuous improvement, along with approximately ₹20 crore of maintenance capex.
  - The company may additionally spend around ₹130 crore on land, subject to completion of regulatory and payment formalities.
  - A larger tower-crane capacity expansion is being evaluated. The project could involve around ₹400 crore of capex, over and above the approximately ₹50 crore already spent on land. The decision has been deferred by 1–2 months, with execution potentially commencing in Q4FY27 or Q1FY28 depending on market conditions.
- **Management commentary & outlook**
  - Capacity utilisation in cranes and construction equipment stood at around 55% at the end of Q2FY27, while agricultural equipment utilisation was around 25–30%. Management indicated that overall utilisation has subsequently increased to around 70–75%.
  - Inventory increased during the quarter, partly due to preparation for the seasonally stronger H2 and government defence orders for rough-terrain forklifts and heavy recovery vehicles, where inspections are undertaken in larger batches at raw-material and finished-goods stages.
  - Management indicated that the outcome of the anti-dumping duty matter remains awaited and could become clearer over the next 1–2 months.

Financial summary

Exhibit 1: Profit and loss statement ₹ crore

(Year-ended-March)	FY25	FY26	FY27E	FY28E
Revenue	**3327**	**3280**	**3781**	**4465**
Total Raw Material Costs	2273	2214	2563	3023
Employee Expenses	138	160	184	212
Other expenses	409	402	450	504
Total Operating Expenditure	2821	2776	3198	3739
EBITDA	**506**	**504**	**583**	**726**
EBITDA Margins	15.2%	15.4%	15.4%	16.3%
EBITDA Growth %	25.4%	-0.4%	15.7%	24.6%
Other Income	100	110	129	147
Interest	29	22	30	30
PBDT	577	592	682	844
Depreciation	28	35	38	42
PBT before Excep item	549	557	644	801
Total Tax	140	142	161	200
PAT before MI	409	415	483	601
PAT	**409**	**415**	**483**	**601**
% Growth	24.7	1.4	16.3	24.5
EPS	34.4	34.9	40.5	50.5

Source: Company, ICICI Direct Research

Exhibit 2: Key Ratios

(Year-ended-March)	FY25	FY26	FY27E	FY28E
Per Share Data				
EPS	34.4	34.9	40.5	50.5
BV	135.6	168.8	208.4	255.3
Dividend per share	2.0	2.0	2.6	3.5
Dvidend payout ratio	5.8	5.7	6.5	7.0
Operating Ratios				
EBITDA Margin	15.2	15.4	15.4	16.3
PAT Margin	12.3	12.7	12.8	13.5
Return Ratios				
RoE	25.3	20.6	19.5	19.8
RoCE	43.8	35.3	30.2	29.5
RoIC	53.0	45.7	44.8	50.9
Valuation Ratios				
EV / EBITDA	26.7	26.3	22.0	16.9
P/E	34.0	33.5	28.8	23.1
EV / Net Sales	4.1	4.0	3.4	2.7
Turnover Ratios				
Asset turnover	2.1	1.7	1.4	1.3
Debtors Turnover Ratio	12.6	11.5	13.0	13.0
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	2458	3017
Total Shareholders' funds	1615	2011	2482	3041
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**	**2504**	**3063**
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	621	734
Debtors	265	284	290	343
Loans and Advances	0	0	0	0
Other Current Assets	112	97	132	156
Cash & Equivalent	55	77	148	275
Investments	376	560	960	1360
Total Current Assets	1323	1624	2152	2868
Current Liabilities	1067	1218	1197	1414
Net Current Assets	256	406	955	1455
Application of Funds	**1644**	**2034**	**2504**	**3063**

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement ₹ crore

(Year-ended-March)	FY25	FY26	FY27E	FY28E
Profit after Tax	**409**	**415**	**483**	**601**
Add: Depreciation	28	35	38	42
Interest	29	22	30	30
(Inc)/decrease in CA	(99)	(95)	(57)	(189)
(Inc)/decrease in CL and prov	148	159	(21)	217
CF from Operations	**514**	**535**	**472**	**701**
(Inc)/decrease in Fixed Assets	(150)	(92)	(199)	(199)
Others	417	313	129	147
CF from Investing	**268**	**221**	**-70**	**-51**
Issue/(Buy back) of Equity	-	-	-	-
Inc/(dec) in loan funds	11	(15)	-	-
Dividend paid & dividend tax	(24)	(24)	(31)	(42)
Others	(824)	(696)	(300)	(480)
CF from Financing	**-837**	**-734**	**-331**	**-522**
Net Cash flow	(55)	22	71	127
Opening Cash/Cash Equivalent	110	55	77	148
Closing Cash/ Cash Equivalent	55	77	148	275

Source: Company, ICICI Direct Research

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