

Shubh Nivesh



Poised for a sustainable healthy growth...

About the stock: Action Construction Equipment (ACE), established in 1995, is India's leading manufacturer of cranes, material handling and construction equipments. Company is world's largest Pick & Carry cranes manufacturer and has 60%+ market share in mobile cranes & tower cranes

- Company has an annual manufacturing capacity of 13,200 cranes, 1800 construction equipments, 2400 material handling equipments and 9000 agriculture equipments
- In FY24, cranes contributed ~72% to total revenue followed by construction equipment (~13% of total), agri equipment (~8% of total) & material handling (~6% of total)

Investment Rationale:

- **Robust capex scenario augurs well for company's products:** We believe that buoyant capex scenario across the manufacturing & infrastructure segments, presents substantial opportunity for the company's products in cranes, construction equipments, material handling etc. The company, already a market leader in cranes segment with 60%+ market share, is well poised to capture the Industry's strong growth potential. Also, rise of India as a capital goods equipments manufacturer, provides a sizable opportunity to company to increase its exports
- **Focus on increasing capacities and improving product portfolio:** ACE is increasing its cranes capacity to 15000-18000 (from 13200 at present) with a focus on expanding product range like medium to large sized cranes through JV with Kato (Japan). Moreover, with pivoting towards electric focused products and expansion into other existing product segments also (like forklifts, backhoe loaders, telehandlers), we believe company would be able to improve its market shares in both domestic & export markets and expanding reach into other higher growth segments like defence
- **Poised for a strong growth ahead across the key segments:** Management is optimistic about the healthy growth across the segments and guides 30%+ growth in construction equipments and 15-20% growth in cranes, material handling & agri equipments. By FY27E, company aims to reach revenue of ₹ 5500-5600 crore which implies ~24% CAGR (FY24-27E). In terms of exports, company intends to increase its exports share to 15-20% of revenues in medium term (from ~8% at present). EBITDA margins are also expected to improve as the company gains market share in construction equipments and scales up further in cranes segment

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 improve significantly in the coming period
- We recommend BUY on ACE with a target price of ₹ 1700 (based on 42x P/E on FY26E EPS)

Key Financial Summary

Rs Crore	FY20	FY21	FY22	FY23	FY24	3 Year CAGR (FY20-FY24)	FY25E	FY26E	2 Year CAGR (FY24-FY26E)
Revenue	1,156.2	1,227.0	1,629.6	2,159.7	2,913.8	26.0	3,455.1	4,120.7	18.9
EBITDA	91.6	119.4	151.4	220.9	403.3	44.9	481.5	592.3	21.2
EBITDA margin (%)	7.9	9.7	9.3	10.2	13.8		13.9	14.4	
Net Profit	52.5	80.2	105.0	173.0	328.2	58.1	390.7	482.1	21.2
EPS (Rs)	4.6	7.1	8.8	14.5	27.6		32.8	40.5	
P/E (x)	56.7	196.4	157.3	95.5	50.3		42.3	34.3	
EV/EBITDA (x)	33.1	131.8	108.5	73.6	39.8		32.7	25.9	
RoCE (%)	19.3	24.0	19.9	30.6	44.2		40.2	37.7	
RoE (%)	11.9	15.3	13.9	18.8	26.7		24.2	23.4	

Source: Company, ICICI Direct Research



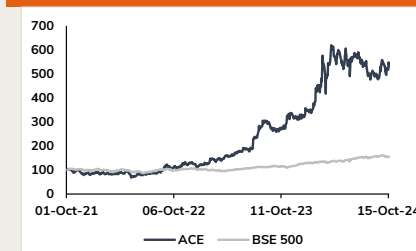
Particulars

Particular	Amount
Market Capitalization	16,555
Total Debt (FY24) (Rs crore)	4
Cash and Inv (FY24) (Rs crore)	624
EV (FY24) (Rs crore)	16,471
52 week H/L	1695 / 657
Equity capital (Rs crore)	23.8
Face value (Rs)	2

Shareholding pattern

	Dec-23	Mar-24	Jun-24	Sep-24
Promoters	66.8	66.8	65.4	65.4
FII	8.8	9.4	10.1	10.5
DII	2.6	2.2	1.8	1.6
Others	21.8	21.7	22.7	22.5

Price Chart



Key risks

- slowdown in domestic & global capex
- increase in commodity prices
- shortage of skilled labour

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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