

Result Update

Q2 FY26

Action Construction Equipment Ltd.

Institutional
Research

Action Construction Equipment Ltd.



BP WEALTH

Construction Vehicle | Q2FY26 Result Update

10th November 2025

Early signs of recovery amid transition-led softness

Action Construction Equipment Ltd. (ACE) reported a steady set of numbers for Q2FY26, reflecting early signs of recovery in demand despite a challenging operating environment. The company posted revenue of Rs. 741 crores, down 1.7% YoY but up 13.7% sequentially, aided by normalization in demand trends following the transition to CEV5 emission norms and improved activity in the construction equipment segment. Gross profit stood at Rs. 243 crores, up 4.3% YoY and 10.6% QoQ, translating to a gross margin of 32.8% (up 191 bps YoY / down 90 bps QoQ). The YoY improvement was primarily driven by better product mix and realization gains, though sequential softness reflected a marginal increase in input costs and normalization in price benefit pass-through. EBITDA for the quarter came in at Rs. 111 crores, up 2.5% YoY and 20.9% QoQ, with operating margin improving to 14.9% (up 61 bps YoY / up 90 bps QoQ), supported by operating leverage and ongoing cost optimization. Reported PAT stood at Rs. 104 crores, up 10.1% YoY and 7.3% QoQ, reflecting stable execution and disciplined cost control. On the volume front, Construction Equipment sales stood at 2,348 units, down 18.0% YoY but stable sequentially (+0.5%), as the company continued to navigate the impact of the emission norm transition and extended monsoons. Agri Equipment volumes came in at 526 units, declining 27.3% YoY and 10.7% QoQ, largely due to a high export base in the prior year and delayed execution of specific orders.

Valuation and Outlook

ACE's Q2FY26 performance underscores operational resilience and positions the company on the cusp of recovery following a transition-heavy first half. While topline growth remained muted due to the emission norm shift and extended monsoons, the sequential rebound in profitability and stabilization in volumes reflect improving underlying demand trends. Management commentary points to a stronger second half, supported by accelerating infrastructure activity, improved liquidity, and softening interest rates, all of which are likely to stimulate equipment demand, reaffirming the outlook of a gradual recovery in FY26, with revenue expected to remain flattish to single-digit growth and margins showing modest expansion versus last year. The quarter marked an inflection point as operational normalization and improving realizations began offsetting the impact of softer industry volumes. Management commentary suggests demand momentum should strengthen from mid-Q3 onward, driven by improved project execution, easing liquidity conditions, and a pick-up in infrastructure spending. On margins, ACE continues to focus on cost efficiencies and a favourable product mix to sustain profitability, with further upside expected as operating leverage improves. The company's guidance of medium-term revenue reaching Rs. 4,000-4,400 crores by FY27 remains intact, supported by capacity readiness, diversification into higher-value products, and an improving export and defence contribution. Additionally, the anti-dumping duty on Chinese cranes and the upcoming JV with a Japanese partner are likely to provide structural margin and market share benefits.

Key Highlights

Particulars (Rs. Cr)	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)
Net Sales	741	754	-1.7%	652	13.7%
Gross profit	243	233	4.3%	220	10.6%
Gross margin (%)	32.8%	30.9%	191 bps	33.7%	-90 bps
EBITDA	111	108	2.5%	92	20.9%
OPM (%)	14.9%	14.3%	61 bps	14.0%	90 bps
Adj. PAT	104	94	10.1%	97	7.3%
PAT Margin	14.0%	13.4%	65 bps	15.0%	-99 bps

Source: Company, BP Equities Research

Sector Outlook

Neutral

Stock

CMP (Rs.)	1,003
BSE code	532762
NSE Symbol	ACE
Bloomberg	ACCE IN
Reuters	ACEL.BO

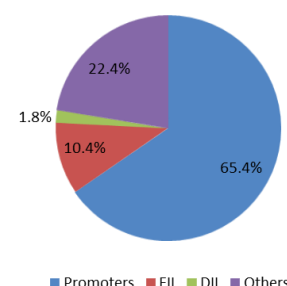
Key Data

Nifty	25,574
52 Week H/L (Rs.)	1,600 / 917
O/s Shares (Cr)	11.9
Market Cap (Rs. Cr)	11,938
Face Value (Rs.)	2

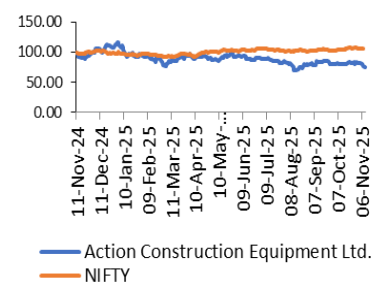
Average Volume

3 months	582,400
6 months	410,240
1 year	380,110

Share Holding Pattern (%)



Relative Price Chart



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Key Concall Highlights

Industry Landscape

The construction equipment industry began FY26 on a soft note, impacted by emission norm transitions (BS3→BS5) and extended monsoons.

ACE noted that Q2 marked the first signs of recovery, with stabilization after a weak Q1.

Management believes the worst is behind, supported by macro tailwinds: softer interest rates, better liquidity, policy continuity, and the government's infrastructure push.

The anti-dumping duty recommendation on Chinese cranes is seen as a structural positive, encouraging fair competition and strengthening local manufacturing.

"Management tracking order bookings and project mobilization as early recovery signs."

Business Outlook and Guidance

Management expects flattish to low single-digit growth in FY26 due to high base effect and gradual recovery.

FY26 margin profile to expand modestly, driven by operating leverage and cost efficiencies.

Medium to long-term revenue guidance remains unchanged: FY27: Rs. 4,000 - Rs. 4,400 crore; FY29 - FY30: Rs. 6,000– Rs. 6,200 crore

Margins expected to improve slightly over H1 levels as volumes recover in H2.

Export contribution currently 4–5% of revenue, targeted to reach 8–9% medium term.

Dividend payout to rise steadily; no immediate buyback plans.

"Traditionally, 55–60% of annual revenue is generated in H2, reinforcing optimism"

Segment Highlight

Construction Equipment

Pick & Carry Cranes and Construction Equipment contribute the majority of revenue.

Realization improved 15–20% QoQ due to BS3 to BS5 migration and richer mix (new-gen cranes now ~45–50% of sales).

Market share in the Backhoe Loader segment at ~2.5%, targeted to reach 5-6% in the medium term and double digits over time.

"Government infra orders, improved liquidity, and GST cuts in cement and other inputs improving sentiment"

Agri Equipment

Near-term softness due to loss of prior export orders; domestic expansion ongoing.

Expect catch-up in H2 with fresh export orders and volume recovery.

Focus on expanding dealer network and financing capabilities at the local levels.

Heavy Cranes

Anti-dumping duty of 26–52% on Chinese imports seen as major long-term benefit.

The company expects a 50% market share in 3–4 years (current share 3–4%), led by anti-dumping duties on Chinese competitors.

Defense Business

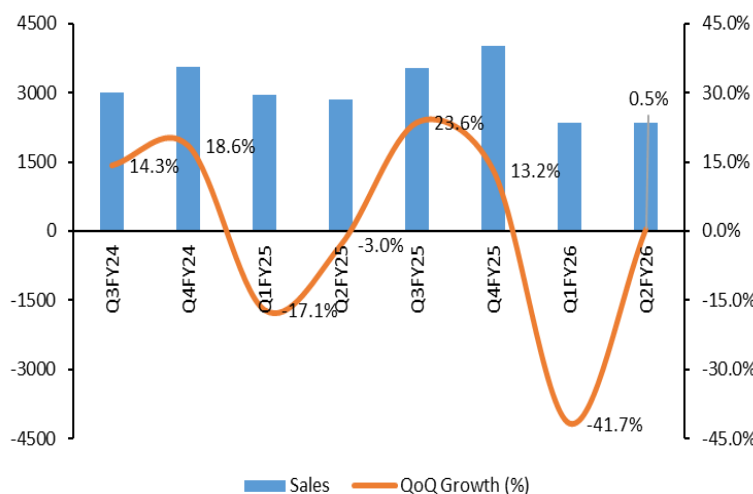
Executing multiple defence projects with DRDO, Ashok Leyland, and Tata Advanced Systems.

Rs. 420 crore rough-terrain forklift order delayed pending emission-related NOC; likely to begin execution in Q4FY26 or spill into FY27.

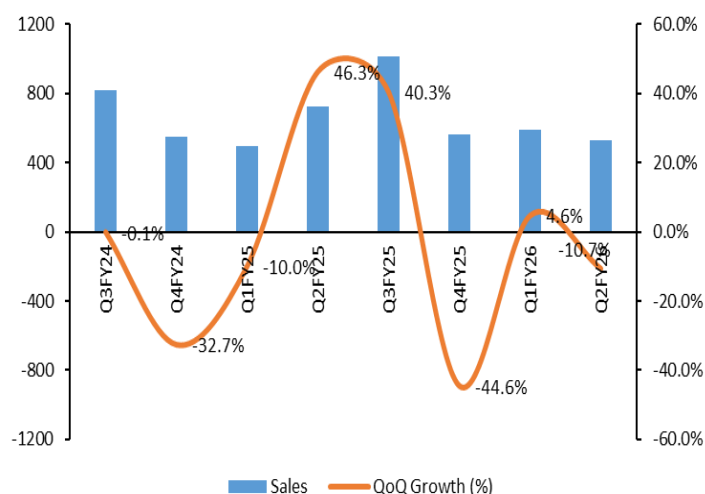
In the medium-term, the company targets 5-8% from defence.

Quarterly Snapshot

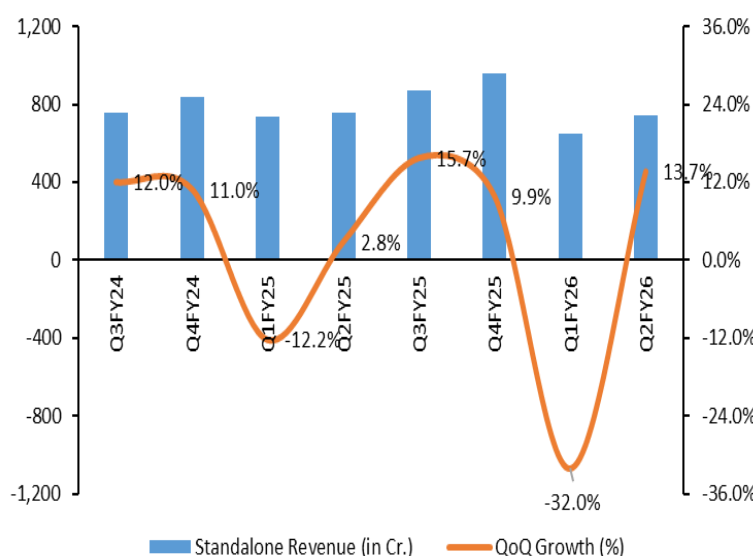
Construction Equipment Volume



Agri-Equipment Volume



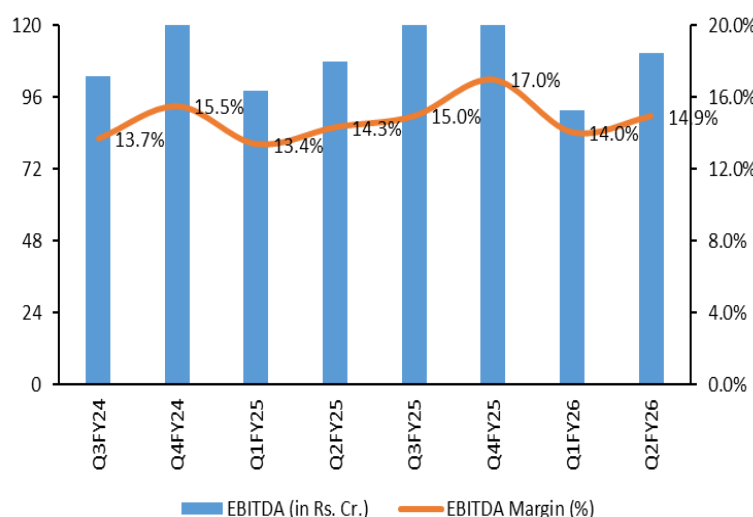
Revenue Trend



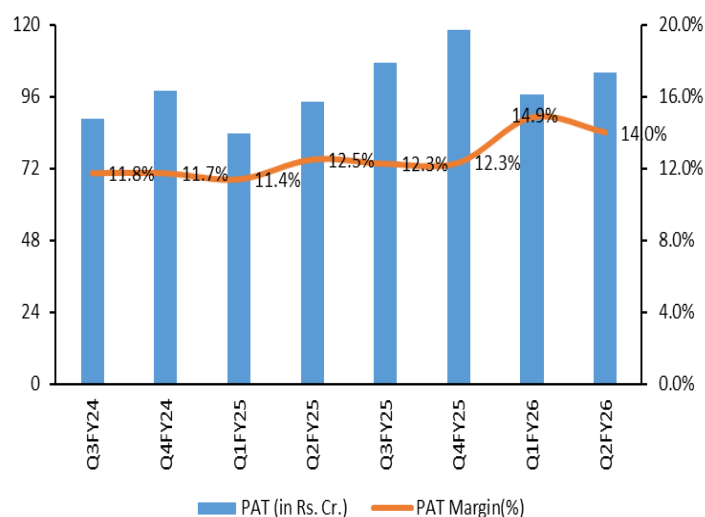
Gross Profit and Gross Margin



EBITDA and EBITDA Margin



PAT and PAT Margin



Source: Company, BP Equities

Key Financials						
YE March (Rs. Cr.)	FY22	FY23	FY24	FY25	FY26E	FY27E
Revenue	1,630	2,158	2,912	3,320	3,569	4,069
Revenue Growth (Y-o-Y)	32.9%	32.4%	34.9%	14.0%	7.5%	14.0%
EBITDA	152	225	403	500	560	663
EBITDA Growth (Y-o-Y)	-11.7%	47.6%	79.3%	24.0%	12.1%	18.4%
Net Profit	106	161	328	404	446	533
Net Profit Growth (Y-o-Y)	32.1%	52.2%	103.3%	23.2%	10.5%	19.5%
Diluted EPS	8.9	13.5	27.5	33.9	37.5	44.8
Profitability Ratios						
EBIDTA (%)	9.3%	10.4%	13.8%	15.0%	15.7%	16.3%
NPM (%)	6.5%	7.5%	11.3%	12.2%	12.5%	13.1%
ROE (%)	14.0%	17.7%	26.9%	25.3%	26.5%	30.6%
ROCE (%)	17.4%	22.6%	31.1%	29.3%	30.9%	34.3%
Valuation Ratios						
P/E (x)	112.8x	74.0x	36.4x	29.6x	26.7x	22.4x
EV/EBITDA (x)	78.5x	53.1x	29.5x	23.8x	21.3x	18.0x
Market Cap/Sales (x)	7.3x	5.5x	4.1x	3.6x	3.3x	2.9x

Source: Company, BP Equities

Disclaimer Appendix

Analyst (s) holding in the Stock : Nil**Analyst (s) Certification:**

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