

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Construction Vehicles	Rs 1398.4	Buy in Rs. 1384-1412 band and add on dips in Rs. 1236-1261 band	Rs. 1537	Rs. 1632	2-3 quarters

HDFC Scrip Code	ACTCONEQNR
BSE Code	532762
NSE Code	ACE
Bloomberg	ACCE:IN
CMP Sep 20, 2024	1398.4
Equity Capital (Rs Cr)	23.82
Face Value (Rs)	2
Equity Share O/S (Cr)	11.91
Market Cap (Rs Cr)	16655
Book Value (Rs)	103.3
Avg. 52 Wk Volumes	4,64,757
52 Week High	1695
52 Week Low	654

Share holding Pattern % (Jun, 2024)	
Promoters	65.41
Institutions	11.92
Non Institutions	22.67
Total	100



**HDFCsec Retail research
stock rating meter**
for details about the ratings, refer at the end of the report

* Refer at the end for explanation on Risk Ratings

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Our Take:

Action Construction Equipment Limited (ACE) is one of the established players engaged in manufacturing and marketing of Cranes, Construction Equipment, Material Handling and Agricultural equipment. The company is a major player of Mobile & Tower Cranes and has more than 63% market share. ACE is also largest manufacturer of pick and carry cranes. It is also one of the few players in manufacturing of Forklifts. The revenue of the company is well diversified in various segments, and has a strong order book from the Defense sector for manufacturing and supply of specialized equipment. Its revenue comprised of 94% from Crane, Construction Equipment, Material handling segment and 6% from Agri Equipment respectively.

ACE is a market leader in cranes in the domestic market and is in a well position to capitalize on the strong capex outlook in infrastructure, manufacturing and real estate. With a strong diversified portfolio and a lean cost structure, company is poised to achieve its targeted revenue by 15-20% YoY and ultimately increase its bottom line by backward integration. Continuous order inflow from the defence sector and increasing exports, ACE plans to grow 15-20% by volume over FY24-27E. Its planned foray in larger size equipment through JV with Kato Works Limited presents long term upside. It is also expanding its business by carrying out more Capex by way of both organic and inorganic expansion. The company is also expanding its capacities in cranes as well as material handling segment. ACE has strong financial position with no long term debt and strong revenue generation capabilities.

On account of its healthy order book and diversified product portfolio, strong revenue forecasts and market share in cranes segment, foray into defence sector and increased revenue share of exports leading to improvement in EBITDA margins, we remain positive on the stock.

We had issued an initiating coverage report on ACE on January 23, 2023 ([link](#)) and the given targets were met.

Valuation & Recommendation:

ACE offers a strong long term outlook and revenue growth in the upcoming years on account of capex and expansion. We expect revenue/EBITDA/PAT to grow at a CAGR of 19.6%/20.9%/18.1% over FY24–26E. **We think the base case fair value of the stock is Rs. 1537 (40x FY26E EPS) and the bull case fair value is Rs.1632 (42.5x FY26E EPS) over the next 2-3 quarters. Investors can buy the stock in the band of Rs.1384-1412 (36.4x FY26E EPS) and add more on dips to Rs. 1236-1261 band (32.5x FY26E EPS).**