

# **Action Construction Equipment Limited**

## **Corporate & Registered Office**

Dudhola Link Road, Dudhola, Distt. Palwal-121102, Haryana, India



**Date: August 16, 2023**

To,  
The Manager Listing  
BSE Limited  
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**CM Quote: ACE**

**Subject: Earnings Call Transcript Q1-FY24.**

Dear Sir/Madam,

Pursuant to Regulation 30 and 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith, Earnings Call Transcript (Q1-FY24) of the Company.

Kindly take the above in your record.

Thanking You.

Yours faithfully,  
**For Action Construction Equipment Limited**

**Anil Kumar**  
**Company Secretary & Compliance Officer**



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**“Action Construction Equipment Limited Q1-FY-24  
Earnings Conference Call”**

**August 11, 2023**



**MANAGEMENT: MR. SORAB AGARWAL – EXECUTIVE DIRECTOR,  
ACTION CONSTRUCTION EQUIPMENT LIMITED  
MR. RAJAN LUTHRA – CFO,  
ACTION CONSTRUCTION EQUIPMENT LIMITED  
MR. VYOM AGARWAL – SENIOR VICE PRESIDENT,  
ACTION CONSTRUCTION EQUIPMENT LIMITED**

**MODERATOR: MR. JINESH GANDHI – MOTILAL OSWAL FINANCIAL  
SERVICES**



**Moderator:** Ladies and gentlemen good day and welcome to Q1 FY24 Earnings Conference Call for Action Construction Equipment Limited hosted by Motilal Oswal Financial Services Limited.

As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal operator by pressing ‘\*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Jinesh Gandhi from Motilal Oswal Financial Services. Thank you and over to you, sir.

**Jinesh Gandhi:** Good evening, everyone. On behalf of Motilal Oswal Financial Services, I would like to welcome you all to discuss 1QFY24 Earnings of Action Construction Equipment. ACE is represented by Mr. Sorab Agarwal -- Executive Director; Mr. Rajan Luthra -- Chief Financial Officer and Mr. Vyom Agarwal -- Senior Vice President.

I'll hand over the call to Mr. Sorab Agarwal for his opening remarks, post, which we will start Q&A. Over to you, Mr. Agarwal.

**Sorab Agarwal:** Thank you. Yes, good evening and welcome everyone to this earnings conference call for discussing the results for the quarter ended June '23.

Along with me in today's earnings call, we have our CFO, Mr. Rajan Luthra and our Head of Investor Relations, Mr. Vyom Agarwal.

The company's financial statements and earnings presentation summarizing the performance of Q1 FY24 have been circulated and uploaded on the stock exchanges. And I will take you through some of the key highlights of our performance in the quarter gone by.

The company has maintained Its growth momentum in the first quarter of the current fiscal year. This has been yet another quarter of strong and resilient performance by our company. And I'm delighted to share that the financial year has started strongly for us. We were able to record our best ever quarterly performance in terms of revenues and profit. And also, for the first time ever our Q1 results have surpassed the preceding Q4 numbers.

To brief you on the financial performance of the first quarter FY24 on a yearly standalone basis, that is year-on-year basis, the agri revenues grew by more than 30% to Rs.650 crores with an EBITDA margin of 15%. The EBITDA during the quarter increased by more than 113% to Rs.97.5 crores as against Rs.45.72 crores. The PBT grew by 125% to Rs.89.23 crores and PAT grew by 133% to Rs.67.26 crores as compared to last year corresponding quarter. The PBT and PAT margins now stand at 13.72% and 10.34% respectively for the quarter on a standalone basis.



On a sequential basis, quarter-on-quarter, the revenues are up by 6%. This is one of our most robust performances given the anecdotal evidence of our sales trend in the first quarter. The EBITDA, PBT and PAT have increased sequentially by 20%, 22.5% and 29% respectively.

Moving on to the segmental business performance, the company has sustained its growth momentum across all operating segments. In the crane segment during the quarter gone by, we retained our dominant market leadership position and registered revenue of Rs.441 crores which is up by 26% year-on-year. In volume terms, the crane business has grown by 17% year-on-year to Rs.1,856 crores in the last quarter.

We are pleased to update that the growth momentum in the CE segment has sustained, and we have again surpassed our projected growth targets. The segment has registered volume growth of 80% year-on-year. Further, as compared to last year's corresponding quarter, the construction equipment segment clocked revenue growth of 78% and we achieved revenue of Rs.92 crores with margins in excess of 14%. This is a testimony to our clear and compelling strategy, backed by the strength of our brand.

The material handling segment recorded revenue growth of 10% and stood at Rs.41 crores with margins at 10.17%. And our agri division registered revenue of Rs.75 crores while recording margins at 6%, thereby registering a growth of close to 30% year-on-year. Further, we were able to attain good traction in the overseas markets and increase our exports. We are on track to attain around 10% contribution to our revenue in the current year from export sales.

On the operational side, India has remained stable in the continuing global macroeconomic volatility. The domestic activity in Q1 FY24 has remained resilient as reflected by various economic indicators. The healthy balance sheets of corporations, normalization of supply chains and stable commodity prices are favorable for continued growth in the sectors where we operate in.

The manufacturing activity in the country has been on the upswing, aided by positive geopolitical scenarios in favor of our nation, and continued focus of our government to increase the manufacturing progress of our country.

According to data released by S&P Global Market Intelligence, India's manufacturing activity, as measured by Purchasing Managers Index (PMI) was at 57.7 in July as demand scenario improved and new orders increases. The enhancement in the manufacturing capabilities and capacities of our country will further aid in the growth story of our company as manufacturing segment is one of the prime consumers of our cranes and material handling segment equipment. The infrastructure growth story continues to play a significant role in the economic growth, and we'll have a multiplied effect on the economy.

We believe that going forward, the strong demand scenario for our products should sustain itself, supported by government's unwavering focus on urban infra and rural development. And



the front loading of capital expenditures announced in the Union Budget 2023 will further aid in the current year. We continue to be a debt-free company with sufficient availability of liquidity for future growth.

The envisaged Brownfield CAPEX of 90 to 100 crores for the current year is already under implementation and we expect to make the expanded as well as the new facilities operational by Q3, Q4 of the current financial year. This CAPEX will expand our capacities and will enable us attain revenue in the range of Rs.4,000 crores at full utilization levels.

Looking ahead, India is one of the fastest growing economies and its prospects remain very strong for the period ahead. With continued focus of government on infrastructure development and efforts to strengthen the manufacturing sector, we hereby upgrade our earlier guidance and expect a growth of at least 20% to 25% on a consolidated basis. In the cranes and agri segment for the current year, we foresee a growth of 18% to 20% at least. Further, we expect the construction equipment segment to grow by at least 45% to 50% and material handling to grow by 15% to 20%. We hope that we are in a position to revise these projections by the third quarter, which will predominantly depend on the overall macroeconomic scenario, especially the monsoons and the commodity prices. Further, we remain optimistic about the medium to long term prospects of our company and remain focused to deliver on our growth agenda. We will continue to drive cost savings harder and take calibrated pricing actions whilst ensuring we protect and grow our markets. We believe that our building blocks are firmly in place and are on path of sustainable growth in all our segments where we operate, leading to expansion in top line, bottom line and margin profile of the company.

With this, I would request the moderator to open the call for a question-and-answer session. Thank you.

**Moderator:** We will now begin the question-and-answer session. Our first question is from the line of CA Garvil Goyal from Invest Analytics. Please go ahead.

**CA Garvil Goyal:** My question is basically on the demand outlook on the end industry. So, basically, in your opening remarks you mentioned the near-term outlook. So, how do you see at the medium term and long-term perspective like you mentioned in Q3 and Q4 you are going to do a CAPEX that will give you a revenue potential of I think INR4,000 crores. So, how do you look at next three to four years down the line, sir?

**Sorab Agarwal:** If I talk of the demand scenario, currently our major end segments are infrastructure and manufacturing. And luckily, the situation in our country is poised as of now. The government is very much focused on manufacturing, which is very evident and with all the PLI and China Plus One, plus XYZ. And apart from that, we are also getting a lot of to be very frank outsourcing opportunities in the export markets for manufacturers for some other countries. So, a lot of things are happening. The domestic demand and a lot of our cranes and material handling everything goes through the manufacturing as well as infrastructure side.



Manufacturing is booming. The export potential we are capitalizing on and the opportunities are only increasing, and infrastructure, everybody is aware of what is happening. What is happening, infrastructure is again leading to more steel, more cement, leading to more of everything. It's a continuous cycle. So, things seem to be on a roll as of now. And it's been some time that we have on a monthly basis not being able to fulfill the amount of clearances or dispatches which were required across cranes and even construction equipment, and we've been on a tremendous pressure and that's why we are expanding this Brownfield expansion, which we are doing. So, hopefully a very small part of it should start functioning in September, most of it coming in October, November, and finally by Jan, Feb this should be functional properly. So, this will definitely help us increase our revenue going forward in Q3 and especially in Q4, both of them, but I would feel more in Q4. And the way things are poised that and the feeling and the sense that I get and even from real estate sector, which is 10% contributor within our crane segment which is about 67%, 68%. We require to make double the number of cranes what we've been doing and we've already started reaching that level. So, things are looking great. If I talk of it, only one bullet train construction project had started and the second phase has been awarded very recently. And very actively, another 6-7 DPRs are already on the way. This is just one bullet train. So, I think a lot is happening. The government is really focused on developing the country, developing the infrastructure and I can say that in some sort even the CAPEX cycle with respect to even the small and medium industries started happening. So, when I look around even our vendors and a lot of our customers, most of them seem to be on the expansion drive. So, they again require more cranes and more material handling even when they are trying to expand or do the CAPEX. Then finally to run that capacity, they again need more machines. So, the scenario seems to be very buoyant. And to be very frank with you, the markets like I said in Q1 going from Q4 it always squeezes a little 15%, 20%, 25%, but we saw the contrary rather we were able to increase our revenue by 6% in Q1 against Q14. And again, in Q2 which we are currently running into, the monsoons tend to slow down and the demand. I've been with the company since 1998. Company started in 1995. And from day one, I was also involved in sales. So, I have never seen this type of momentum in monsoon. We were thinking that we will load up, make some extra machines so that we are able to cater properly in Q3, Q4, but even the month of June, the month of July, we have been loaded, we couldn't save anything, rather we under-delivered with respect to what we could have delivered. So, the momentum is very strong now. Your main question in the last 3-4 years, I think the type of scenario which has been created in our country and the potential also not only for us even for the whole country with respect to manufacturing, with respect to exports and looking at alternative solutions, the world is looking against China, I think we are greatly poised... the entire country is greatly poised to grow and I hope things remain like this.

**CA Garvil Goyal:**

And secondly, sir, you mentioned about the export, right, you are saying, you will reach out to 10% of the overall revenue. So, what are those countries basically we are exporting to, like in Europe there are, there are some headwinds going on, so there may be lower demand might be there, that is not the area that we are targeting.



**Sorab Agarwal:**

Practically, there are no headwinds for us because 3-4 years back you were hardly exporting anything. And this has evolved in the last 3-4 years and it's still continuing to grow on it, and our medium-term target I would say is 10% to 15% of revenue contribution. And I think comfortably we should be at 9%, 10% if not more within this year. And we are focused on some Middle Eastern countries, some African countries, recently Turkey, Mexico, Argentina and Brazil in the South American continent, also, some ex-CIS countries. Even Uzbekistan, Kyrgyzstan and even Russia. And we have 37 countries now. So, I have just given you some names. I mean there are many more names which are smaller buyers. See, these things started happening in the last 2-3 years. So, we're building upon the product, building upon the service, building upon our brand in those countries. And this will all further grow from where we are, not only our footprint in other countries where we think there is potential, but even within these countries. Entering a market and establishing your products and your service and then growing it takes one year, two years, three years and it continues to grow. So, I think in certain countries we have started to grow and then things are looking good. And like I mentioned, we are also getting a lot of outsourcing opportunities from the developed world. It's something like that which we are sure will materialize over the next two, three quarters. That can again add in a very reasonable way to our top line with respect to export, so that potential also very much exists and we are actively working on it apart from what we are actually manufacturing in India. We are also for the first time making a couple of new products... I mean we already made similar products, but we are upgrading them with technology and even the styling and quickly finishing which other countries where there is demand like it will. And that activity could also happen by December, January. So, I think some part of it in Q4, but starting from next year onwards, these new backhoe loaders and new semi handlers, which are very much suitable for every part of the world, developed or undeveloped, because that is what they are used to using and with their standard with respect to performance as well as the look, feel, styling part of it. So, I think next year should be even better for us. And also, our Ghana initiative with respect to export. Unfortunately, it got delayed by about two quarters. So, let's see the final confirmation you've got that something should start to happen in Q3. So, we were expecting that will contribute in the current year to some extent with respect to our export initiative, but that is not delayed, so maybe some part of it might come in the second half of this year but the major chunk will start to happen from FY25 onwards. That will again add to our initiative and all of this might lead us to 15% for export contribution, which this year I'm sure we go to 10%.

**CA Garvil Goyal:**

Sir, lastly on the margin side, so we are doing a decent EBITDA right now. So, how sustainable these margins are for the next 2-3 years like you were mentioning with more than 20% growth for this year and next year also even better? And secondly, what is your view on the competitive landscape for you in this industry?

**Vyom Agarwal:**

With respect to margins, I think for the last 2-3 quarters I've been mentioning that double-digit is there to stay for us and now that we have reached 14.5%, 15%. I think they are very sustainable. And all our efforts include the operating leverage which we are getting coupled



with our cost reduction initiatives and cost control initiatives and also a mix which we are trying to move towards the better margin products. I think all of these coupled together; these margins are here to stay. And I feel that there is still scope to improve these margins. But it will be better if we improve them and inform you rather than saying that, yes, we are working on improving them further. You asked about the competitive landscape. So, obviously the market is very competitive. It is the survival of the fittest and our simple strategy is the right product, right price, right service and we are very much focused there with respect to whatever we do. And we have been doing it well for the last 25, 26 years and now with operating leverage and our revenues going to a certain level, I think market sales has a lot of information now. There is a simple rule of sales the more it is visible, the more it sells and we turn to make sure we are seen everywhere so we sell more. So, we make sure whoever not seen us we show them. So, I think we are on the right track.

**Moderator:** Our next question is from the line of Aman Shah from Jeetay Investment. Please go ahead.

**Aman Shah:** My first question is on backhoe loaders. Now, we are seeing good traction from last two, three quarters. Of course, our guidance is also quite good. What is your outlook now, what are we seeing? The way the volume growth that is at least as you said, more the visibility, more the salability. So, scale benefit is not clearly visible to us in backhoe loaders?

**Vyom Agarwal:** Obviously, our numbers are small; it is a market of 35,000 to 40,000 units. And this year, if everything goes well, we will be in there about 1,000 units, maybe a little less, but in all probability more than that. And we would easily be growing at least 45%, 50%, if not more. So, this is again a thing that “more the visibility, more the salability” and our teams are working hard, we're adding on teams, we're adding on new locations even within the country, we are also focused on export. So, I believe that this is one of our segments which can actually be the fastest growing segment for us for the next 5-7 years at least, and we can look at very handsome growth here in this segment on a year-on-year basis. And so, as an example, even in the last quarter which we have finished, I think on a segment basis we've been able to clock a 78% growth. So, I mean this is one of the, let's say, a really good quarter, but on a whole, I would say 45%, 50% or more than that it is doable and we're working in the right direction. And I'm sure 2-3 years down the line, it will come to a state that we will not have to sell the product, the project will sell on its own, so that is the foundation we've been able to lay in the last 2-3 years and I'm sure with our continued efforts, we'll further increase our market share from 1%, 1.5%, we've gone to nearly 3%. And going forward, I think doing 8%, 10% in the next three, four, five years should not be difficult, that means 4000 units annually multiplied into the selling size and crossing of thousand Rs.1,500 crores worth of backhoe within the next 3-4 years, I think should be really doable. If we are able to perform better, it can even be faster than this. And just adding here, we are also working on upgrading this product to international levels with respect to styling and look, feel, fetty, finish and hopefully that project of ours should be over by December, January. So, Q4 onwards, the product which we will be offering





in the market would feel like as good as a European product, even for Indian market and even for our exports. So, hopefully we'll see even better days in the next financial year.

**Aman Shah:** On exports currently, just want to know like the main product that you would be exporting would be grease. Second you also said in exports we are doing some outsourcing opportunity. So, is it like we are rehandling the branding, or will be done by someone else?

**Vyom Agarwal:** Both your questions first one first. We are currently with respect to export focused on three things; one is crane, second is backhoe loaders and third is tractors and we are seeing traction all across. And recently we've opened up Turkey also. So, we have sent some backhoe loaders and let's say another 300-odd tractor are expected to go by December. That is the plan of the buyer and our plan. And again, slightly special bigger tractors the standard ones which are sold in India, with higher horsepower tractors with cabins and four-wheel drive. So, like I said, cranes, backhoes and our tractors, especially the higher range. And with respect to outsourcing, I'm sure all of you are aware that China has been playing a big role in the outsourcing part of the world for even finished machines. So, we have a reasonable amount of opportunities available on this front. And unfortunately, we were really not taking them forward because we were limited in our capacity to feed our domestic with respect to what we produce, which is our mainstay business. Now, within our capacities, I think over the next two, three quarters we will accelerate this effort and hopefully, we'll start doing some different products and one or two of them are really big global opportunities, which could also be in a joint name. So, that all commercial things are going on and hopefully over the next two three quarters we should be able to inform everybody once things go out well. Because the scale and size of the opportunities is huge what I'm talking about, and even the margin profile is even better than what we're doing currently.

**Aman Shah:** Right now, what exports we are doing is not having any outsourcing agreement in it, right?

**Vyom Agarwal:** Right now, no, right now, it is direct selling in our own name through our dealers and distributors, it is export of our own products. But now we are talking of making things jointly or making things for somebody else. But that is the respect to the main products. But these companies also produce in their own countries. So, to be frank with you, they are also looking at us to supply them some high-end components and some other things so that they can also save some cost in their respective countries. So, it is a mix of complete machines and even some bigger components. And I'm talking of the developed world, so the 1,003 continents, I'm sure you can imagine.

**Aman Shah:** Can you give the number of the multi-activity cranes in crane segment for this?

**Vyom Agarwal:** Can you just repeat your question please?

**Aman Shah:** Multi-activity cranes, the new product line that we have and the big tonnage cranes?



**Vyom Agarwal:** Multi activity, I don't have a ready number in front of me, but I know for sure that we've been averaging around 23 every month, so, so that would be about 60-70 cranes in the last quarter, that is the multi activity thing, so which would actually come into maybe 3-4% approximately. For the bigger cranes, I'm excluding power cranes here because those are different and I think about 22, let's say the heavy cranes, about 23 units of forklifts we have done in the last quarter approximately, and we have done 148 tower cranes and another about 27 mobile tower cranes, put together. 175 tower cranes and the like. I mentioned 22 heavy forklifts.

**Aman Shah:** So, roughly 4% to 5% in multi-activity is coming from?

**Sorab Agarwal:** Out of 600 pick & carry, If I talk of 60, 70, close to about 3% to 4% is multi activity, but yes, I think I did mention in my last call, I think over the next one or two years this will go to 10% 20% at least off the pick & carry.

**Aman Shah:** At that level, they should also yield better margins and current company margins?

**Vyom Agarwal:** In margin, two things are happening. Obviously multi-activity cranes will be margin accretive. But within our pick & carry segment... our core segment there is upgradation happening. So, the 15 tons guys customers are buying 20 tonners then the 20 tonners guys are buying 25 tonners then the 25 tonner guys are buying 30 tonners and there is also a reason that recently we introduced the 35 channels. And going forward, over the next, let's say six months to eight months, we will also have another bigger model. So, even the margin profile and let's say the revenue profile is changing within pick & carry crane, 12 tons, four years back was the maximum selling category, now it is the 14, 15 tons which is moving towards 17, 20 tons. And you see, everything is growing bigger in size. So, the pricing, revenue and the margin, everything is moving in the right direction.

**Moderator:** Our next question is from the line of Suraj Nawandhar from Sampada Investments. Please go ahead.

**Suraj Nawandhar:** What is the amount of Brownfield CAPEX that we are doing?

**Vyom Agarwal:** As of now, we are close to about 90 crores, can be slightly go up to 100 crores, wherein we are expanding our fabrication facilities, we have had enough land available with us over the last 8, 10 years. We're expanding our fabrication capacities, we are expanding our assembly lines, we are setting up some new assembly lines, and we are setting up standalone facility for the bigger slew cranes, because we intend to do at least 20-30 every month. In the last quarter we did 22, but our intention is to take it to 60, 70, 80 units in a quarter, and the market there again is growing and the market has developed and evolved. In the process, what is also going to happen is that certain things are moving to new lines. So, they will vacate space for certain other things to grow. So, on the whole, somewhere we are increasing our capacity by 70%, 80% somewhere around 40%, 50% and most of this should be in place by December. With respect to backhoe loaders, I think that should also happen by Q4.



**Suraj Nawandhar:** Sir, is there any further land available after this CAPEX because the kind of the commentary that you are giving, it seems like even next year we'll have to do some capacity expansion.

**Vyom Agarwal:** We will have some more land available, but I would say that we would have used a reasonable portion of it and we are already in discussion with two state governments to take a 50, 60-acre chunk at whatever best price is, just to ensure that after two years when we need more land, so what to do. We are already under discussion, we are already in advanced stage, so in all probability over the next 2-3 months, either we will move close to our set up in the state of UP or maybe Madhya Pradesh.

**Suraj Nawandhar:** Can you give me debt and cash number in our books as at the end of Q1?

**Vyom Agarwal:** I think we hardly have any debt. About 35 or 40 crores of working capital, if at all we are using. And we have cash of Rs.455 crores.

**Moderator:** Our next question is from the line of Gaurav Gandhi from Glorytail Capital. Please go ahead, sir.

**Gaurav Gandhi:** Just one observation, agriculture division recorded revenue of 75 crores which is a growth of almost 29% YoY even though the sale of agri equipment significantly came down from 976 units to 761 units. Can you explain what has happened here?

**Vyom Agarwal:** Basically, we supplied certain bigger horsepower tractors. So, the product mix change happened, first thing, and also some export order got executed along with some army orders which were again higher horsepower and 4x4. So, basically because of the price, the product mix, the overall revenue seems to be good. But in saying this, I think this is going to be maintained now. So, now you will see the numbers also up and the price also up going forward.

**Moderator:** Our next question is from the line of Chinmay from Emkay Global. Please go ahead.

**Chinmay:** I just wanted to know in terms like if you could just give an understanding of the couple of months of Q2 which have gone by, have we been functioning at 100% capacity utilization because sir was previously mentioning that we weren't able to like find enough time to focus on the CAPEX and were really busy in completing the order. So, I just wanted to know the capacity utilization.

**Sorab Agarwal:** So, for the crane segment, we have been working at around 85% to 90% of the capacities because practically there are certain inefficiencies in the system and our capacity generally gets defined by the fabrication capabilities that we have. Because we are working at higher utilization levels, we are looking to expand in that area. With respect to the backhoe loaders and the construction equipment, we are working at around close to 55% of our capacity and agri is currently working at 40% to 45% and material handling is also close to 70% to 75% of



the capacity utilization. So, post this expansion which will happen in the crane segment specifically for the higher tonnage cranes like crawler cranes and heavy slew cranes which will move to a new plant, we will see a capacity expansion also happening for tower cranes as well as forklifts.

**Chinmay:** And the other thing I wanted to know in terms of like again the previous fellow person had asked the question regarding the -

**Sorab Agarwal:** If you could be a little bit louder, please?

**Chinmay:** I just wanted to know that in the agriculture the way in that we have grown by 29% YoY in revenue, if you could maybe just give a much more detailed understanding of how is this going to be sustainable going ahead because a lot of the previous quarters, we have seen really slow growth in terms of revenue in the agriculture division?

**Sorab Agarwal:** So, Chinmay, we totally accept what you are saying that we have been slightly lethargic in our agri growth, but over the last 2-3 years, our fundamentals have been put in place and our focus is basically on three things, which is #1, strengthening our distribution channel domestically, so which we feel that now we are in a position to project around 10% to 15% growth annually, which will come from our strengthened distribution channel. This will help us to get some increased coverage for our agri product line. Second, the focus is on deepening our product range. So, in the agri, we are coming out with the ultra-light combine and we have also developed certain export focused range of tractors which are especially in the 5,200 HP range. That is where we are seeing some good numbers coming through. And, most importantly, we are focusing on export market which earlier in the call we have already explained. So, all in all, we firmly believe that our fundamentals are strongly in place for future growth, and what you have just seen in the first quarter is, we believe, quite sustainable going forward.

**Vyom Agarwal:** Just to add to what you said and just to specify a little more. I would not take the name of the country, but we got some confirmed orders to be executed within this year... a reasonably good amount of orders that is for export. And it is slightly unfortunate that the Ghana opportunity did not play out in this year so far. So, if that would have happened, then the numbers and the profile of the agri would have started to look very different. And I'm sure if not this year, starts in Q3, Q4, will definitely happen in the next year. So, that will also be one of the mainstays apart from our domestic increasing further exports increasing and exports in dollar increasing.

**Chinmay:** The other question which I had was in terms of units, if you can maybe give a perspective on the unit expansion that is happening? I mean, the expansion in terms of the revenue, I mean what will be the expansion in terms of units you could maybe give a -

**Vyom Agarwal:** Cranes have capacity to produce about 1,000 units in a month, so that will be about 12,000 units annually. Construction equipment, which is currently at about 150 units, we will have



capacity to produce about 250 units a month, which is about 3,000 units in a year. In material handling from 175 forklifts, we will have capacity to produce about 250 units per month, which is again about 3,000 units in a year. And on the agri side, even as of today about 40% or 45% utilized. So, I think we have enough space and scope to continue. There is no practical change happening with respect to agri. And in saying this, our tower cranes where we could produce about 350, 400 units, so we will have a capacity which will go up to 800, 900 units annually. And crawler truck cranes where we had a capacity to do about 50 units, that will go to 250 to 300 units annually.

**Chinmay:** I just wanted one more clarification. The market expansion that we stated that we are currently at 3% of the market is held by us. Is that in the domestic?

**Vyom Agarwal:** Can you be a little louder, please so that your question is very clear. I think we can go to the next question and maybe you can come back again.

**Moderator:** Our next question is from the line of Naman Shah from Monarch Network Capital Limited. Please go ahead.

**Naman Shah:** My first question would be, can you give us some update on the utilization of cash? I read we were looking for some inorganic growth. My question is like what kind of acquisition are we open to, is it specific to India or even global?

**Vyom Agarwal:** To be very frank with you, I'll start with the work we had planned. We've already taken over two much, much smaller companies in the last 1-1/2 years I would say, that is finished. And we are looking at two; one was backward, one was forward, unfortunately both of them seemed to have settled down. The forward one is still there, but it's really not moving anywhere. And apart from that, we are looking at some opportunities within the country, and also, one opportunity outside the country. And that is why we are creating this war chest of liquidity to enable us in our organic endeavors as well as inorganic endeavors.

**Moderator:** Our next question is from the line of Suhrid Deorah from Paladin Capital. Please go ahead.

**Suhrid Deorah:** I have two questions. One is actually a follow-up to the previous participant question. You said you are looking at M&A opportunity outside of India. Could you explain what the purpose of that would be?

**Vyom Agarwal:** I would love to, but I would refrain with respect to our proposed business strategy, but it would be more to utilize a developed country name to sell in the developed country.

**Suhrid Deorah:** And actually, my second question was something that you mentioned earlier about outsourcing opportunity and JVs and you said it could be a very big opportunity. I was not entirely clear on that. So, I think both the questions are very closely tied for. If you can give me some more color on that, that would be very helpful.



**Vyom Agarwal:** Like I did mention that there are opportunities from the European continent, American and even lesser developed in Asian side to tie up together and produce for those countries, and we are working on that and we are in advanced stages, and I think some of them should close in the next two, three quarters. So, that will also help us utilize our capacity which we are creating faster and open up the export market which is in a much-organized way with consistent schedule projection in numbers. And it is happening... I think I should not be speaking more than that at this juncture.

**Moderator:** Our next question is from the line of Chinmay from Emkay Global. Please go ahead.

**Chinmay:** If you could just, please give me the guidance for FY24 once again on the segmental level and maybe on an overall company level?

**Vyom Agarwal:** As of now, at a company level, we are looking at a 20% to 25% growth, with maybe some more upside, but that we can only confirm by Q3. And on the segment level, cranes and agri, we are looking at least 18%, 20%... and I'm adding the word at least. Material handling is 15% to 20% and construction equipment is 45% to 50%... and again I'm adding the word at least.

**Chinmay:** In terms of margins, we will be able to maintain the double-digit margins going ahead, right?

**Vyom Agarwal:** Yes, yes. So, what we have delivered in this quarter, I think that is sustainable. 20, 30, 40 basis points here and there, I really can't guarantee. And with our other endeavors which are in place with respect to our costs, we have also created a separate team headed by one of the veterans in the industry to further work on our costing and our purchase and cost control. Really, we expect that over the next two, three quarters we should get another 1% to 2% advantage on our buy. So, similar other endeavors are also already in place. So, there is a scope to further better what we're doing.

**Chinmay:** The current market share that we have is 3% and with the potential increase that we'll have with the expansion coming in, let's assume if we ramp it up to 100%, then what could be the incremental market share that we could probably acquire with the units that we are going to set up?

**Vyom Agarwal:** Capacity in construction equipment will go to 3,000 units annually, so that can take us to 8%-9% market share. Capacity increase which I'm talking about is keeping single shift operation in mind. So, with a little tweaking we can easily take it up to maybe even 350, 400 which will translate into even 12% to 13% market share possibility with the facilities that will become functional end of this year for construction equipment.

**Moderator:** Our next question is from the line of Naman Shah from Monarch Network Capital Limited. Please go ahead.



**Naman Shah:** Other income is slightly higher this time. Could you give me some breakup of the other income like what does it consist of?

**Vyom Agarwal:** Yes, I think Mr. Luthra is the right man, but I'll try and answer it. See, what happened in the last year, we were reporting some mark-to-market losses which got translated into some mark-to-market benefits in this quarter. And coupled with that, our investments over the last one year also increased. So, that also provided some extra revenue. So, it is primarily to do with that.

**Moderator:** next question is from the line of Sarika who's an investor. Please go ahead.

**Sarika:** It's hard to understand the replacement cycle for the forklifts. Could you help me?

**Vyom Agarwal:** Replacement cycle is hardly a focus, if used for more than 12 hours a day, I think it will conk off in about six-seven years. And if they were maintained very well and run less than 12 hours a day, maybe about eight years. So, I think 8 years I would say would be an average replacement life for a forklift.

**Sarika:** Probably, if you can help me understand the breakup between the ESG replacement and the fresh demand for this quarter?

**Vyom Agarwal:** I don't think we have analyzed here with respect to this, but I know for sure that with our electric crane which we had not commercialized only because of the current load on the plant with respect to regular structure. So, we are seeing good traction, even some of the L&T divisions, with respect to their own ESG, they want to move on to electric cranes including Reliance and even Tata. But I think we will start to evaluate that once we are into that. But yes, for sure in the last one or two years, we have seen more traction in numbers towards electric forklifts that we do. So, in our kitty of forklifts that we do that has a result of 20%, 25% in our numbers, and going forward, I think it will go up to 50%, in our portfolio of let's say the numbers that we do for forklifts. Also, for the reason that next year the industry will be moving to tier 5 standards. And the smaller engine forklifts, the most popular fleet and the cost increase is going to make a similar price to an electric forklift. And the option of using electric will eventually become cheaper for the customers because electricity is cheaper than fuel. So, I think I would say after one year the demand for electric forklifts is further going to increase and accordingly, we are further strengthening our portfolio of electric forklifts as well as lithium ion-based forklifts.

**Moderator:** Ladies and gentlemen, due to time constraints, that was the last question of our question-and-answer session. I would now like to hand the conference over to the management for closing comments.

**Vyom Agarwal:** Yes, thank you. I think we've discussed most of everything. The country seems to be in a buoyant scenario. The entire world focus is on India. Manufacturing is growing, infra is



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growing. And even for manufacturing and infra, we are indirect beneficiaries with respect to our end customers mostly being placed in these two segments. And we are looking forward to at least a 20%, 25% growth in this year with sustained EBITDA margins at 14.5% to 15% with definitely a scope to possibility of upsizing or upscaling from here. And in the last about let's say in FY21, we had planned and thought that we will double up our revenue and take it to Rs.2,500 crores. And I think we are very much on track and we should be able to achieve that by at least 5%, 10%, 15%, the time will tell. And again, we have a sense and a feeling that from FY24 and going to FY27, we should be in a position to double up our revenue again and even better margin profile in place and in this year in the second half, we are looking at the new product instruction in commercialization, our electric crane, our aerial work platforms and even our 35-tonner pick & carry crane 4x4, and also looking at the materializing some like I mentioned export outsourcing opportunities. So, all in all, I think this year can end up being one of our best, biggest and brightest year, and lay the foundation for our doubling up process over the next three years again. And good evening and thank you. That's all from my side.

**Moderator:**

On behalf of Motilal Oswal Financial Services Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.