Action Construction Equipment Limited

Corporate & Registered Office
Dudhola Link Road, Dudhola, Distt. Palwal-121102, Haryana, India

Date: February 13, 2025

To,

The Manager Listing	The Manager Listing
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Dalal Street,	Bandra (E),
Mumbai-400001	Mumbai-400051
Scrip Code: 532762	**CM Quote: ACE**

Subject: Earnings Call Transcript Q3FY25.

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 (Q3FY25) of the Company.

Kindly take the above in your record.

Thanking You.

Yours faithfully,
For Action Construction Equipment Limited

ANIL KUMAR
Digitally signed by ANIL KUMAR
Date: 2025.02.13 11:39:00 +05'30'

Anil Kumar
Company Secretary & Compliance Officer

Corporate Office: Phone: +91-1275-280111 (50 Lines), Fax: +91-1275-280133, E-mail: works2@ace-cranes.com
Mktg. H.Q.: 4th Floor, Pinnacle, Surajkund, Faridabad, NCR-121009, Phone: +91-129-4550000 (100 Lines), Fax: +91-129-4550022, Email: marketing@ace-cranes.com **Customer Care No.:**1800 1800 004 (Toll Free), **CIN:** L74899HR1995PLC053860, **Website:** www.ace-cranes.com

“Action Construction Equipment Limited

Q3 FY '25 Earnings Conference Call”

February 10, 2025

MANAGEMENT: **MR. VYOM AGARWAL – PRESIDENT – ACTION CONSTRUCTION EQUIPMENT LIMITED**
MR. RAJAN LUTHRA – CHIEF FINANCIAL OFFICER – ACTION CONSTRUCTION EQUIPMENT LIMITED

MODERATOR: **MR. CHINMAY KABRA – EMKAY GLOBAL FINANCIAL SERVICES**

Moderator: Ladies and gentlemen, good day, and welcome to Action Construction Equipment Limited Conference Call hosted by Emkay Global Financial Services. 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 an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Chinmay Kabra from Emkay Global Financial Services. Thank you, and over to you, Mr. Kabra.

Chinmay Kabra: Good evening, everyone. On behalf of Emkay Global Financial Services, we are pleased to invite you to the Q3 FY '25 Earnings Call of Action Construction Equipment. I would like to welcome the management and thank them for this opportunity.

We have with us today Mr. Rajan Luthra, Chief Financial Officer; and Mr. Vyom Agarwal, President. I shall now hand over the call to the management for their opening remarks. Over to you, sir.

Vyom Agarwal: Thank you, Chinmay. Good afternoon, everyone, and welcome to this earnings conference call for discussing the results for the quarter and 9-month ended 31 December 2024. We take this opportunity to wish all of you a fabulous new year with good health and happiness.

Unfortunately, our Executive Director, Mr. Sorab, is under the weather and down with seasonal flu, hence he could not join the call today. Along with me in today's earnings call, we have our CFO, Mr. Rajan Luthra. We hope that all of you have had an opportunity to look at the company's financial statements and the earnings presentation, which have been circulated and uploaded at the Stock Exchanges.

With continued focus on customer centricity, execution and agility in operations, we have set ACE on the course of a predictable and sustained high performance trajectory. And today, we have the opportunity to highlight our execution rigor through our best-ever performance in the quarter gone by. Further, in the recently announced union budget of FY '26, the Government of India has sustained its intra focus with their capex spending estimated to remain above 3% of the GDP for the third consecutive year.

Productive capex to create infra assets is crucial for amplifying productivity, which will further fuel economic growth, enhance global competitiveness and accelerate development in the country.

Now to brief you on the financial performance for the third quarter of FY '25. On a stand-alone basis, operational revenue grew by 15.93% on a Y-on-Y basis from INR753.15 crores to INR873.1 crores, which is our best ever quarterly revenue so far. The EBITDA margins of the company grew by 27.4% to INR160.38 crores as against INR125.89 crores in the corresponding quarter last year.

The EBITDA margins expanded by 154 basis points to 17.76%. The PBT grew by 26.49% to INR144.93 crores against INR114.58 crores and stood at 16.05%. The PAT grew by 21.05% to INR107.15 crores against INR88.52 crores and stood at 11.87%. The PBT and PAT margins expanded by 129 and 46 basis points, respectively, on a year-on-year basis. We are delighted to share that these are our best ever quarterly revenues, EBITDA, PBT and PAT numbers in the history of our company.

For the 9 months ended FY '25, the operational revenue grew by 13.75% as compared to a similar period of last year and stood at INR2,361.07 crores with EBITDA of INR428.07 crores, which is a 30% growth. Our PBT grew by 27.37% to INR382.61 crores.

The PAT stood at INR285 crores, which grew by 24.29% on a Y-on-Y basis. The EBITDA margins expanded by 202 basis points to 17.46%. PBT expanded by 151 basis points to 15.60%, and PAT margins expanded by 86 basis points to 11.63%.

Now let me give you a sequential perspective. For the third quarter of FY '25, the operational revenues grew by 15.74% on a quarter-on-quarter basis. The EBITDA grew by 12.79%, PBT increased by 14.79% and PAT during the quarter grew by 13.54%.

The company sustained its growth momentum across all operating segments during the quarter gone by. In the Cranes, Material Handling and Construction Equipment segment, we have registered revenue growth of 15.19% year-on-year to INR795.73 crores. The margins also expanded by 375 basis points year-on-year to INR154.38 crores vis-a-vis INR108.1 crores by registering a growth of 42.81% year-on-year. The company recorded sales of 3,539 units in the quarter, which is up by almost 18% year-on-year.

The Agri segment clocked a revenue growth of 24% at INR77 crores, while maintaining margins at 4.73%. Going forward, with adequate water reservoir levels and government's focus on agri productivity, the company expects the farm mechanization needs to continue creating demand momentum in the agri space.

Our consistent strong all round performance is a testimony to our strategic clarity, strength of our brand, our capabilities, our execution skills along with the agility in running the business, and most importantly, the determination and passion of our talented and purpose-driven team members.

On the operational side, the growth momentum in India continues to be strong and the recent repo rate cut by RBI will provide further relief to the borrowers. The global economy remains uncertain, and the recent tariff war has heightened the geopolitical risks further. India remains a bright spot amidst the global economy with a real GDP growth for next financial year projected at 6.7%. The risks are evenly balanced.

Commodity prices, especially steel, remained stable in the quarter gone by and the consumer sentiment remains healthy. As discussed during the last con-call, our capex plans are on target and the ongoing expansion will bring our total capacity to approximately INR5,000 crores by the end of Q4 of this year.

With this enhanced capacity, the company remains optimistic about the medium- to long-term prospects and remain focused to deliver on its sustainable growth agenda. Further, our honorable finance minister has presented the union budget '25-'26 which set out realistic and inclusive vision for the nation. A mix of judicious and bold policy moves while maintaining fiscal discipline, lays down a strong foundation of a Viksit Bharat.

The share of capital expenditure outlay in total budget has been stepped up to 22.1% in FY '26 from 15.6% in FY '22. The government is focused on infrastructure, manufacturing, power, logistics and housing sector development, which augurs well for our company. Going ahead, with our capacities build up, we are well prepared, future-ready and remain optimistic about the prospects of the company in medium to long term.

Also, we would like to reiterate our guidance of around 16%-plus growth in Cranes, Material Handling and Construction Equipment segment for the current year and expect Agri segment to remain flattish during this year. On the whole, we are looking at a growth of around 15%-plus with a stability in EBITDA margins at current levels.

With this, I would like to open the call for question-and-answers. Thank you.

Moderator: The first question comes from the line of Rohan Mehta with Ficom Family Office.

Rohan Mehta: So what is the current duty structure for cranes below 100 MT? And if in case there are any, what are your expectations going forward with respect to the changes in this?

Vyom Agarwal: I'm sorry, Rohan, the line was a little disturbed. Can you please again go ahead.

Rohan Mehta: Yes. So I wanted to know the current duty structure for cream below 100 MT and what are your expectations regarding any changes going forward?

Rajan Luthra: See, basically, I understand you are talking about custom duty. That's right?

Rohan Mehta: Yes. That's correct.

Rajan Luthra: See, right now, the basic custom duty on import of fully finished crawler cranes is 7.5%. And as we have mentioned in the last con-call also that there has been a lot of dumping of these products by the Chinese company in India, especially heavy cranes related to crawler crane or truck mounted cranes having capacity of more than 40 ton and above. So -- we have -- the Government of India has already initiated inquiry against -- to find out whether the Chinese players are dumping their products from India or not.

They are already in an advanced stage, and we are also partly helping the government in their investigation. It is already gone for investigation and there have been summoned to give their the costing and all those things. We're expecting a favorable reply somewhere in the, you can say, probably March end or mid of April, in which we expect the government will be putting an antidumping duty on those products.

Rohan Mehta: Got it. And one final question. How do you assess the current demand environment for your products? Essentially, are you seeing any sort of a slowdown in the demand for cranes?

Vyom Agarwal: Yes, Rohan, so the current scenario, the demand scenario remains quite healthy, as I have mentioned in my address. India is in a very bright spot. And with the current budget, we have seen that government has reiterated their stand on infra, allocating more than 3% of the entire GDP and especially the -- these reforms which are coming in the housing sector with Pradhan Mantri Awas Yojana coming in and more and more reach going to the rural areas along with water and sanitation facilities getting upgraded.

So the whole urban infra space is getting revamped. And the demand scenario remains healthy on the infra side. But most importantly, apart from infra, the kind of products that we make are also very widely used in manufacturing industry. So we believe that certain steps, which have been taken that will revive the private capex also going forward.

And our equipments are used wherever there is lifting and shifting. So whether it is logistics, whether it is manufacturing or infra, we believe that we are in a very good shape going ahead. And the demand scenario definitely remains healthy at the ground level.

Moderator: Next question comes from the line of CA Garvit Goyal with Nvest Analytics Advisory LLP.

Garvit Goyal: I want to understand on our export. While we understand domestic demand is driven by infra, manufacturing and real estate. But considering the geopolitical tensions and expected trade war, do you see any risk to our internal targets? Because I think while giving the medium-term guidance, we are accounting for exports in a decent manner. So can you put some color on that? Like how exports are going to shape up from here?

Vyom Agarwal: Yes. So definitely, going back a few quarters, we had set our targets for the export and the defence business to reach somewhere around 15% to 20% of our overall this thing. So this was made as a conscious effort to move the company towards a countercyclical domain. And we are very much on target there.

However, in this year, because of -- for various factors, whether it was sea freight, whether it was geopolitical issues going on and now the recent tariff things. This year, exports have been slightly sticky. And last year, however, we were able to close at around 8%. This year, it will be slightly less than that. But from a medium- to long-term perspective, I think 15% to 20% coming from defence and exports seems very much on track for us.

Garvit Goyal: Looking at the current environment, so do you see the situation is going -- situations are going to improve in FY '26 as far as the exports are concerned?

Vyom Agarwal: Yes, we are very hopeful that it should happen. And in fact, we are very confident that it should happen because it seems to be a very temporary phenomenon. And moreover, from January '25, the revised emission norms which is CEV 5 norms have also kicked in. So once we have started manufacturing these cranes and other equipment as well, apart from agri, they are migrated to CEV 5. And now we can think about taking these equipment to the mainland Europe as well as America.

So this, I believe, in FY '26, the situation will further improve. And as I said that in the medium term, going from 15% to 20% from export and defence seems very much achievable.

Garvit Goyal: Understood. And sir, like half of Q4 has already gone. So looking at the current environment, where do you see like FY '25 ending up from here in the terms of top line, sir?

Vyom Agarwal: So again, in the address, we have already reiterated our guidance. In fact, so we are looking at around 16% plus growth in Cranes, Material Handling and Construction Equipment segment. Agri to remain flattish. And overall, we are looking at a 15% to a little ahead from that with stability in EBITDA margins, yes.

Garvit Goyal: In Agri segment, earlier quarter, I think we were guiding for some growth, right or I'm wrong?

Vyom Agarwal: Yes. So actually, if you see, we have done well in agri when it comes to last quarter. But the first quarter of this year was quite slow compared year-on-year because there was a base effect of a big export order, which we were executing last year Q1. So we are still to catch up with that.

And hopefully, we can grow in agri, but for the time being, we are saying that we would remain flattish. That time will tell if we can grow in agri, yes.

Garvit Goyal: And the guidance of doubling our top line of FY '23 in FY '26, that is intact, right?

Vyom Agarwal: So we said that whatever we had achieved in FY '23, we are going to double that by FY '26. More or less, that's the medium-term guidance, and we are sticking to that as of now.

Moderator: Next question comes from the line of Rashmika with Rika Enterprises.

Rashmika: I have a few questions. This quarter has been heavily influenced by pre-buying. To that extent, demand will be flatter in the future. Also in the latest budget, the government has reduced capex expenditure from INR11.5 lakh crores to INR11.2 lakh crore. That is a negative for us. So how do you see demand going forward in the next 12 months?

And how has demand behaved in this particular quarter 4? We are already halfway through the quarter that is why I'm asking. So how has demand behaved in this quarter and how do you see demand going forward in the next 12 months?

Vyom Agarwal: Thank you, sir, for the appreciation for the numbers. And as I've said that the demand on the ground remains healthy. As far as to answer your prebuying thing, if we see Q3 year-on-year for Cranes, Material Handling and Construction Equipment, we have delivered a growth of around 18% in terms of volume.

And for Agricultural Equipment, we have delivered a growth of 24.36%. On a blended basis, our volumes have grown by 19%. And on a 9-month comparison, our blended volume growth has been close to 10.5%. So we would -- there is no reason to believe that this growth will not continue in the future.

Going ahead, these numbers can even better from where they are. And going on to the budget thing, see, government is very much focused on developing infra for which they have allocated a reasonable amount of capital, which is in excess of 3%, and they have been doing it for the last 3 consecutive years.

And there is another metric to look at it. Now the share of capital expenditure outlay in the total budget that has stepped up from FY '22, it was around 15% and to FY '26, it has gone up to 22%. So this spending is going to hit the markets -- I mean, to hit the ground.

And at the same time, because of last year, the government came out with revised numbers because the spending target could not have achieved because in the first quarter, we had the general election thing. So now with everything off the back, the spending is going to continue from here, and it gives us real confidence that going ahead, our growth trajectory will be sustained.

And the private capex is also going to pick up with the announcements in the budget, I believe that the consumer sector is also going to benefit quite a bit from there. And with manufacturing segment picking up, I believe that the growth story is here and the kind of portfolio that we have, the cranes, the forklifts, warehousing equipment, they will show and continue to improve on their growth trajectory going ahead.

Now with respect to this prebuying thing. See, it is very difficult to pinpoint the reason for the growth in Q3. Was it because of the festive demand? Was it because of the prebuying? Or was it because of the pent-up spending that hit the market post monsoon season? So we would like to believe that the demand scenario is very much in place and quite healthy on the ground.

Moderator: Next question comes from the line of Mudit with IIFL Capital.

Mudit: Yes. So if you see your gross margins, so your gross margins has itself expanded, if you see both Y-o-Y and Q-o-Q and almost that has flowed into your EBITDA margin. So in your commentary, you mentioned that steel prices have almost remained stable. And if you look derived blended realization, it has slightly fallen if you see on a Q-o-Q basis. So what has led to this gross margin expansion?

Rajan Luthra: See, basically, these margins expanded because of a number of factors. One is the product mix. If you talk about the net realization has been -- come down because this quarter, we had a volumes of smaller cranes, 14 tons, 15 tons are much more because of shifting from BS III to BS V norms, that slightly pulled down the average price realization overall.

But because of cost efficiencies and the operating leverage and other factors, cost reductions and whatever we have done and value engineering, etcetera, so that has contributed to the increase in the gross margins.

Mudit: Okay. So -- but if you see the percentage increase in gross margin, it has not completely flowed into EBITDA margin, excluding other income, if you see. So is there has been some expenses one-off or...

Rajan Luthra: Yes, there were some expenses -- one-off expenses in the current quarter because normally, the third quarter is slightly on a higher side because of Diwali and other festivals, yes.

Mudit: Okay. Okay. Got it. And any update on KATO JV, so going on track and any progress upon that?

Rajan Luthra: See the -- that is going on the right track, as we mentioned in the previous calls also that this has been some delay on account of some unavoidable circumstances, which we are -- which will be beneficial for the company in the long run. So that has been delayed. But the negotiations and that process is already on. Probably that may -- we will be able to complete either by March or you can say -- or it may spill over to next quarter. But I'm sure it will not spill over the second quarter of this FY '26, but probably it will be concluded in the coming -- this quarter or mid of next quarter, maximum.

Mudit: So revenues will start flowing into from second half of FY '26?

Rajan Luthra: Yes, definitely.

Vyom Agarwal: Here, Mudit, I would like to just add a little bit that we intend to start the production in this JV by, let's say, Q3 FY '26 or maybe Q4 FY '26. So somewhere those lines, these time lines are similar to what we had mentioned in the last con-call. So things are on track with respect to that. The full steam production will happen in FY '27. There will be some revenue, which can be recognized in next financial year, maybe 2, 3 months there, that time will tell, but FY '27 should be a full stream revenue.

Moderator: Next question comes from the line of Aman Soni with Nvest Analytics Advisory LLP.

Aman Soni What is the margin guidance for Q4 and FY '26?

Vyom Agarwal: Sorry, Aman, can you please repeat that, we didn't catch it?

Aman Soni: Margin guidance -- EBITDA margin guidance for FY '26 and Q4 FY '25?

Vyom Agarwal: So we would like to have a little bit of stability in the current EBITDA margins. Of course, there is a scope because of operating leverage and pricing actions. There is a scope of a little bit of expansion also, but as of now, we would like to guide that the EBITDA margins will remain stable at the current levels.

Aman Soni: And when you say current levels, it is Q3, current quarter levels, right?

Vyom Agarwal: Yes.

Rajan Luthra: That's right.

Moderator: Next question comes from the line of Vijay Pandey with Nuvama.

Vijay Pandey: Congratulations for a good set of numbers. Sir, I wanted to check with you what are the main export markets are you targeting to get North America, Europe and in Europe, which major countries? That will be my first question.

Vyom Agarwal: Yes. So basically, we are exporting to countries like Latin America, some of the CIS countries, some African countries and, of course, Southeast Asia and Middle East. So that is the segment where we are currently exporting. Mainland North America and Mainland Europe, as I mentioned, that there is an emission gap.

Now from January in the current quarter only, India has migrated to CEV 5 norms. Now our machines are at par and can be sold in these nations. So once we get our machines certified, we will definitely be opening our territories there. But as of now, we developed Mainland Europe and Mainland America, we do not have it. But having said that, we have started doing our groundwork there.

Vijay Pandey: Okay. Okay. That's helpful. And secondly, sir, in the third quarter, I think that there's been a big jump in other expenses of around INR18 crores or INR19 crores. If you can help me understand where that difference coming from, that will be very helpful?

Vyom Agarwal: So I think Luthra saab can take this question in a little bit more detail. But as we have just mentioned that traditionally, Q3, we have a little bit more expenses, which happens on account of the festive season. But Luthra saab?

Rajan Luthra: Yes, right. As already explained in the previous question that third quarter, we actually now have dealer meet and festive expenses comes into picture because we start planning for the next year also in the third quarter. So that is what it is. But I think going forward, it will normalize and will be in line with the last quarter only.

Moderator: Next question comes from the line of CA Garvit Goyal with Nvest Analytics Advisory, LLP.

Garvit Goyal: Sir, can you give us an update on the e-cranes, like what is the kind of developments happening at that side? Like is it going to contribute significantly in the upcoming year ?or where is the status now?

Vyom Agarwal: So Garvit, if I've got the question correctly, you're talking about the electric cranes, right?

Garvit Goyal: Yes, sir. Electric cranes only.

Vyom Agarwal: Yes. So as you are aware that we are already ready with the product and we are awaiting the CMVR guidelines, which is pending some final paperwork. So once that is through, I think we'll be able to take our machines to the markets for that. And as far as the enthusiasm in the customer space goes, we are pretty excited about this product.

Some of the big companies who are particularly bothered about the ESG scores, they have given us a very encouraging review of these cranes. And apart from that, there are a lot of manufacturing sectors which would need a crane, which does not run on an internal combustion engine. So the feelers from the market space and the customers are very, very encouraging. As soon as we have the CMVR guidelines, I think we'll be good to go.

So this space is very much active here. As of now, we have sold a few numbers in areas where there is no registration required. So for example, if the crane is running in a closed territory, there is no registration required. So in those segments, some very few single-digit numbers have gone and the customers are pretty happy with the result.

Garvit Goyal: And sir, who are the other players in India doing the same like electric cranes and how big the market size is?

Vyom Agarwal: So as of now, I think we are the only ones who have the electric mobile crane. In fact, we are the first in India to launch a fully electric construction equipment. That's the reason I believe the government was also not ready with the exact CMVR guidelines because these are different when it comes to vehicles and passenger cars, the construction equipment follows a different path.

So we are the only ones who have it. And as I said, the market size, as of now, it is very difficult, the whole crane market size is open, but how much of the customers can migrate, that time will tell.

Moderator: Next question comes from the line of Shaleen Seth with Seers Fund Management Private Limited.

Shaleen Seth: I have 2 questions. First is on the capex. You -- can you put some color on the capex for this year and next year?

Vyom Agarwal: Yes. So in 9 months FY '25, we have done a capex of close to INR90 crores to INR95 crores. And with this, we are expected to reach a capacity of INR5,000 crores to INR5,100 crores. Now this will hold us in a good space. But with nominal capex, we can further increase this INR5,100 crores to, let's say, INR600 crores more. That is possible in the near future. So as of now, the current capacity by the end of this quarter, which will be operational, will be close to INR5,000 crores to INR5,100 crores.

Shaleen Seth: Okay. And any color on the land deal of 82 acres in total?

Vyom Agarwal: So in that 82 acres, somewhere around 22 acres is already there, done. It is there in the books. And for the balance 60 acres the agreements are going on.

Shaleen Seth: Okay. Perfect. If I can take one more question?

Vyom Agarwal: Yes, please.

Shaleen Seth: Sir, JCB very recently announced that they're coming up with hydrogen engines. And I think TAV is definitely going to be a market for them. So do you have any perspective on that?

Vyom Agarwal: See, these -- whether it is hydrogen engine, whether it is electronic cranes, these are alternative energy sources, which definitely as a country, we have to adopt. And definitely, that's the way forward. Because fossil fuels are not the things of future. Having said that, our powertrains that we have, we buy engines from almost everyone in India whether it is Tata Motors, Ashok Leyland, Volvo Eicher. You can name a company who manufactures engines in India, we buy it from them, courtesy our equipment, which ranges from a 15-horsepower tractor to 180 ton crawler crane.

So given the product range that we have, our requirement of engines of various power and various stock combinations is huge. So we are in touch with almost all the engine manufacturers, and we'll be very open to adopt any stable technology as and when it hits the market.

And it will not be out of place that we were the first ones in India to actually get going on electric equipment. So as soon as some of the manufacturers have a stable hydrogen cell or hydrogen-powered technology for a powertrain, we are very much interested in that going ahead.

Ultimately, Shaleen, it is not only about we launching a crane with the technology; ultimately, it's about the operation of that cranes also. So just for the announcements sake, I don't think so that's the right approach. But how far the entire infrastructure is ready to run that crane on the road, on the site, that's also very important.

Moderator: Next question comes from the line of Vishal with Svan Investment.

Vishal: Sir, my question is regarding the CEV products, what kind of increase in the realization we expect with these products across the lines?

Vyom Agarwal: So it totally depends upon the equipment. But generally, what we expect is around 8% to 15%, let's say, in that range.

Vishal: Okay. And by when -- what time we will -- we are expecting to fully move our product line to CEV 5?

Vyom Agarwal: So we have started manufacturing CEV 5 equipment. And as soon as our -- there is some inventories, which are lying with us. And as soon as we are done with them, we'll be completely moving on to the CEV 5.

Vishal: Okay. So when we say 8% to 15%, so similar kind of cost increase also there or is it moving towards CEV 5 will be a bit slightly margin-accretive for our side?

Vyom Agarwal: See, as of now, we would say that we would like to stabilize our margins at the current place because in the last 3, 4 years, you must have seen that we have expanded our bottom line quite swiftly. And now it is totally up to us that whether we want to keep focusing on competitive landscape, produce cost-effective equipment or keep on pushing the price increases.

So I believe in the next 2, 3 quarters, we will start to take a price calibrated approach. But as of now, the thing that is on the top of our mind is to stabilize the margin profile of the company where we stand and if possible, it can expand a little bit from here.

Vishal: Okay. And don't you think with the rise in exports because the opportunity for us in CEV 5 size will increase in export markets, so then it is -- it will be a price-accretive business. Am I right in this understanding?

Vyom Agarwal: Yes. Because see, when we talk about CEV 5 norms, it is not only about the emissions. Along with CEV 5 migration comes a host of safety features as well as electronic communications, which are integrated with the machine. And the market is also now getting feature-sensitive. So going ahead, when you add a lot of electronics to the machine with enhanced features and as you correctly said that the export markets, which will also open up in years to come, I believe that overall, on the overall, on the medium to long term, this movement should be favorable for us from the bottom line perspective.

Vishal: Okay. Can you also throw some light on our KATO JV, what kind of tonnage products we will be launching through this JV? What will be the realization we are targeting, things like that?

Vyom Agarwal: Yes. So I will give the line to Luthra saab for that, please.

Rajan Luthra: See, basically, the JV, what we are planning with KATO WORKS is related to heavy cranes. When we say heavy crane, it is the crawler cranes, truck mounted cranes and rough cranes. These are products which we are already manufacturing. So what we are expecting to do is that once -- and we are competing with the Chinese players who are dumping these products in the market at a very throwaway prices, so it is difficult to match their prices.

Although we are making money in this product, but not to that level of what other cranes and what we are doing on. So that is why we are selling less. So with the whole objective of making JV was to first introduce Japanese technology in these products because they command -- Japanese technology will command a premium over the Chinese player, the first part. Second is by government putting anti-dumping duties on Chinese products and their cost will increase, which will give us more leeway for increasing our sales.

What we are doing is, this JV has 3 components. One is that they will be improving the technology of these products and so they become a Japanese product, which is selling in India, plus we will be manufacturing those cranes which are not right now in our product portfolio, 200-ton cranes to 250-ton cranes or a better technological product, which will be exported by the KATO WORKS to all the countries where right now we are manufacturing and selling.

So it has got both components -- win-win position for both us and KATO because with this, the cost will go down overall for the KATO also and for us, it will not only improving the technology, improving our market share in this line, but also export opportunity directly opens through KATO WORKS because they will be selling this product in the international market.

Vishal: Fantastic, sir. Sir, so in the current market, can you roughly estimate what would be the market size of these kind of products which you want to explore through KATO?

Rajan Luthra: See, if you look at the market size of these -- last year, the overall India -- in India, it was 900 cranes, all put together, between 900 cranes to 1,000 cranes.

Vishal: Okay. And roughly, what will be the realization per unit for these cranes, it will be close to INR80 lakhs, INR90 lakhs, INR1 crores or plus or...

Rajan Luthra: It will be more than INR1.2 crores.

Vyom Agarwal: Vishal, approximately the market size in terms rupees will be close to INR1,500 crores, plus/minus. And we have just addressed the market size in India.

Moderator: Next question comes from the line of Kewal Shah with MK Capital.

Kewal Shah: I joined the call a bit late, so I just wanted to ask, in your previous quarter con-call, you are expecting some defence order. So can you throw some light on that, update on it?

Vyom Agarwal: Yes. So we are expecting one of our biggest defence orders. It should have come by now, but it is just held up with some paper works and should be here, I believe, within this quarter.

Kewal Shah: So any ballpark revenue expected from that order, if you can give?

Vyom Agarwal: So once we get this order, we will be having approximately 24 to 30 months to execute, and we firmly believe that the revenue will start flowing in from next financial year.

Kewal Shah: Okay. And the second question is that how much revenue growth we have seen because of this quarter because of BS V compliance? So any revenue increase we have seen in this quarter because of that?

Vyom Agarwal: No. Because up till 31st of December, the earlier emission norms were active. So barring a few proto machines, we have not sold them because the regulation came into effect from 1st of January. So till the 9 months, CEV 5 was not into the picture.

Kewal Shah: So because of this, have you seen any prebuying in this quarter?

Vyom Agarwal: Yes, definitely, there has been some action, but it's very difficult to pinpoint and quantify the numbers, but the market has been very, I would say, the undercurrents are very, very strong. The market is healthy and the sentiments remain good.

Moderator: Next question comes from the line of Ravindra, an individual investor.

Ravindra: My question is, what is the average work life span of a pick-and-carry cranes? And what is the demand on account of these cranes being phased out in volume terms?

Vyom Agarwal: Sorry, sir, can you please repeat the question?

Ravindra: Sure. My question is, what is the average work life of a pick-and-carry cranes? As the replacement demand -- what are the current cranes procured on account of replacement in the current fiscal?

Vyom Agarwal: Yes. So a typical life span of a pick-and-carry crane is around 7 to 8 years. It totally depends upon the way you use them and the way you maintain them, can also extend up to 9 to 10 years if you're using them properly. But unfortunately, in India, the kind of environment in which these machines operate in, it's very challenging.

So typically, a span of 8 to 9 years is very fair to assume. Going by that volume numbers, I think if we date back 8 to 9 years, I would say we don't have an exact number of how much market is coming from the replacement side, but I would say around 15-odd percent should be there, 15% or maybe, let's say, 20%, but I don't have the exact number. But I'm framing my answer on the basis of the volumes, which were there 8 to 10 years back.

Moderator: Next question comes from the line of Nirmal, an Individual Investor.

Nirmal: Sir, in the last con-call, you talked about that you have put foreign acquisition on hold and you are pursuing something better in India. So any development on that part?

Vyom Agarwal: Sir, we are still working very actively. And as soon as something concrete happens, of course, everyone will be made aware of the development.

Nirmal: So can it happen by next quarter?

Vyom Agarwal: Very difficult to pinpoint. But as I said that as soon as something concrete happens on the ground, I think we would be very happy to share it with everyone.

Moderator: Thank you. On behalf of Emkay Global Financial Services, that concludes this conference. Thank you for joining us. You may now disconnect your lines.