

# **Action Construction Equipment Limited**

## **Corporate & Registered Office**

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**Date: August 06, 2024**

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**Subject: Earnings Call Transcript Q1FY25.**

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 (Q1FY25) 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’25 Results Conference Call”

August 01, 2024



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

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



**Moderator:**

Ladies and gentlemen, welcome to the Q1 FY '25 Results Conference Call of Action Construction Equipment Limited, 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 would now like to hand over the conference to Mr. Chinmay Kabra, Emkay Global Financial Services. Thank you, and over to you, sir.

**Chinmay Kabra:**

On behalf of Emkay Global Financial Services, I would like to welcome you all to discuss Q1 FY '25 earnings of Action Construction Equipment. The company is represented by Mr. Sorab Agarwal, Executive Director; Mr. Rajan Luthra, Chief Financial Officer; and Mr. Vyom Agarwal, President.

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

**Sorab Agarwal:**

Yes. Thank you. Good afternoon, everybody and welcome to everyone to this earnings conference call for discussing the results for the quarter ended June '24. Along with me in today's earnings con call, we have our CFO, Mr. Rajan Luthra; and our President, Mr. Vyom Agarwal. The company's financial statements and earnings presentation summarizing the performance of quarter 1 FY '25 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. Despite the big event of general elections, we have been able to register our best ever Q1, that is April to June quarterly performance. It is the best ever in the company's history. This has been a quarter of resilient performance by our company, and I'm delighted to share that the financial year has started positively for us even in the wake of general elections.

We continue to focus on improving product security, while fortifying our execution prowess and distribution strength to reinforce our competitive position. We're able to sustain our growth in terms of revenues and profits on a yearly basis. In the last two years, we have delivered high growth across our business segments and have improved our key operating metrics that are the best in the industry now.

Further, as a company, we have built long-term competitive advantage to our capabilities of doing complex operations in-house efficiently. We have a great level of fungibility in our back-end operations, such as fabrication shops, machining centers, paint shops, etcetera. These plants are equipped with state-of-the-art machines which are capable of doing operations that make two different products that we manufacture.

Hence, for better and efficient allocation of expenses, and as advised by statutory auditors, BSR and Company, that is KPMG as popularly known, we have merged our crane, construction equipment and metal handling segment into one segment for all our future

accounting and communication activities. This has been done since all our segments were growing significantly, with similar margins, and the exact allocation of back-end expenses and accounting was getting complicated due to the fungible nature of our operations.

Now to brief you on the financial performance of Q1 FY '25 on a yearly stand-alone basis. The operational revenues grew by 12.82% to INR734 crores with an expansion of 212 basis points in EBITDA margin to 17.11% from 15%.

The EBITDA during the quarter increased by more than 28% to INR125.50 crores as against INR97.5 crores. The PBT grew by 24.87% to INR111.42 crores and PAT grew by 24.46% to INR83.71 crores as compared to INR67.26 crores last year. The PBT and PAT margins now stand at 15.19% and 11.41%, expanding by 147 basis points and 107 basis points, respectively, for the quarter on a stand-alone basis.

Margin expansion continued, driven by operating leverage, better product mix and improved price realizations, efficient cost control measures and favourable commodity prices. This is one of our most robust performances given the anecdotal evidence of our sales plan in the first quarter.

On a sequential basis, that is quarter-on-quarter, the revenues recorded a drop of 12% on account of tepid business momentum owing to general elections. The EBITDA, PBT and PAT have contracted minorly sequentially by 85 basis points, 70 basis points and 33 basis points, respectively.

Moving on to the segmental performance. The company has sustained its growth momentum across all operating segments. In the crane construction equipment and metal handling segment during the quarter gone by, we registered consolidated revenue of INR619.67 crores as compared to INR575 crores in Q1 of FY '24.

Both the revenue and volumes are up by 20% year-on-year. The margins also expanded to INR103.76 crores vis-a-vis INR83.66 crores, thereby registering a growth of 24%. The agri division clocked revenue of INR42.96 crores while registering a margin of 3%. Going forward, with further advancement of monsoon across the country, adequate water reservoir levels, better liquidity and consumer credit availability, we expect the demand momentum to improve in the agri space.

On the operational side, we wish to inform you that in-principle agreement has been reached with Kato Works Limited, a Japanese global construction equipment manufacturer of mobile cranes and excavators, to establish a 50-50 joint venture in India. The joint venture intends to produce medium and large-sized cranes, mainly truck cranes, crawler cranes and rough terrain cranes, for the growing Indian market. And in future, the JV also plans to utilize the technology which will be cultivated by the expertise of ACE and Kato to introduce a wide range of value-added products for the export market.

This joint venture will help us to establish a business foundation for the larger crane segment, which will steadily grow as a pillar of our medium- to long-term growth strategy. Our Union

Finance Minister presented the first budget of Modi 3.0 government, largely an extension of the existing budget aimed at realizing the vision of Viksit Bharat by 2047.

In line with this vision, the central government adopted fiscal discipline and invested strategically in capital expenditures, prioritizing long-term economic growth through investment in infrastructure, rural development, employment and skilling.

The central government moved to keep capex spending unchanged at 3.4% of GDP, amounting to INR11.11 lakh crores, along with a provision of INR1.5 lakh crores to the states, as long-term interest-free loans will aid infrastructure development and the central assistance of INR2.2 lakh crores under the PM AWAS Yojana Urban 2.0 augurs well for our company as we stand to benefit significantly from these allocations.

Looking ahead, India remains as one of the fastest-growing economies and prospects remain very strong for the period ahead. Cranes, construction equipment and metal handling business has done well and is poised well for future growth with government thrust on attaining sustainable growth in manufacturing and focused on faster execution of infrastructure projects. We expect the demand for cranes and CE segments to gain buoyancy and accelerate post monsoons.

Keeping in mind the continuous focus on government infrastructure development and efforts to strengthen the manufacturing sector, we hereby reiterate our earlier guidance and expect a growth of 15% to 20% on a consolidated basis with sustained margins. We hope that we are in a position to revise these projections by end of second quarter, which will predominantly depend on the overall macroeconomic scenario.

Further, with our capabilities built up and process optimizations in place, we remain optimistic about the medium- to long-term prospects of the company and remain focused to deliver on our sustained growth agenda.

With this, I would like to request the moderator to open the call for question and answer session.

**Moderator:** The first question is from the line of CA Garvit Goyal from Nvest Analytics Advisory LLP.

**Garvit Goyal:** Congrats for a good set of numbers. My first question is on the EBITDA margin. So if I calculate your EBITDA margins excluding other income, there is impact of 300 basis points on a Q-on-Q basis. So I want to understand the reason for the same, because as I remember in the previous con call, while answering to my question on EBITDA margins, you said we will sustain 16% EBITDA margin in the coming quarter. So what happened suddenly that there is a fall in our EBITDA margin, sir?

**Sorab Agarwal:** If you compare it to the last quarter, I think the margins have gone down by about 80 basis points.

**Garvit Goyal:** So I think you are including other income for the purpose of calculation. If I exclude other income, then I calculate, then there is a dip, that's what I -- I'm trying to understand.

- Sorab Agarwal:** How much is the EBITDA margin coming out as per your calculation?
- Garvit Goyal:** With 13%, sir. If I exclude other income.
- Sorab Agarwal:** 13%. Luthra, can you answer this one? Because I am a little confused right now.
- Rajan Luthra:** In regard -- in this quarter, there have been some additional -- the material cost has slightly gone up and beside that some expenses related to admin expenses have slightly gone up, which -- I think which will be taken care of in the coming days, and we have made some -- normally, we make provisions in the slow moving and other inventories in the second half and the third quarter. So -- but we are keeping in view that we have started making provisioning it from the first quarter itself. So these are the reasons for the slight dip, but these are only -- I should say the temporary...
- Sorab Agarwal:** Is the gentleman referring to quarter-on-quarter or year-on-year?
- Rajan Luthra:** Quarter-on-quarter.
- Sorab Agarwal:** I think another reason is that about INR100 crores of revenue due to a tepid quarter because of elections, which we had forecasted also. So a little off the operation, deleveraging has happened. But on the whole, what I see is that our PBT, the PAT margins and the way we calculate are more or less similar. The INR100 crores will definitely have some effect on the margin, so that could have also added to.
- Rajan Luthra:** Yes.
- Garvit Goyal:** And sir, what is included in other income? Major portion of...
- Sorab Agarwal:** Yes. Carry on...
- Rajan Luthra:** Other income is typically more of income from the investments of what we do, plus some rental incomes.
- Garvit Goyal:** So are these going to be sustainable in upcoming 9 months, or what is the case?
- Sorab Agarwal:** As the market is growing, and I think we know the math and most of the investments are on the debt funds and bonds and also. So I think the margins will be -- the income is sustainable, other income is sustainable.
- Garvit Goyal:** And sir, you mentioned material cost increase. So are we able to pass on the same in upcoming quarters?
- Sorab Agarwal:** All our material costs, they're able to pass on. There was a slight increase in price of steel, but luckily, again, it has gone down in the last 1, 1.5 months, so I don't think we will do an interim passing on offset increase in steel price, which happened in the last 2,3 months. So it is again cooled off in the current month. But going forward, we do our annual price increase, which we will do in the coming month of January, or 1st of January onwards. This will also be coupled with price increase on account of CEV V BS V norms where the costs are going down.

- Garvit Goyal:** Got it, sir. Sir, secondly, we are currently at 85% utilization in crane segment. So are we looking to add further capacity in FY '25 for cranes?
- Sorab Agarwal:** No. Currently, we are not at 85%. In the last quarter, we were at about 65% utilization in the cranes sector.
- Garvit Goyal:** If I take the run rate of the quarter to the annualized basis, that's how I was calculating it. You're saying it is 65%.
- Sorab Agarwal:** I'm telling you we are at 65%. So you will have to believe me on that. We can make 13,200 cranes. And -- yes, yes, yes. So we are -- in the last quarter, we were at about 65% utilization. So we have enough leg room. But in any case, the capex which is also currently happening, by quarter 3, our cranes capacity will increase to anywhere between 15,000 to 18,000 cranes. So we will have further additional capacity available to be used maybe quarter 4 onwards and especially in the next year.
- Garvit Goyal:** Got it. Got it. And sir, lastly, on the agri segment, our volumes are getting reduced, so are you witnessing any tough competition in this category? Or it is only the demand-related issues and in the coming -- like we are expecting good monsoon here, so the demand will recover?
- Vyom Agarwal:** Yes. Garvit, Vyom this side. See, the growth in our agri segment has been somewhat subdued. And even the tractor industry is experiencing a flat trajectory. And the industry, as per CRISIL estimates, is also expecting a single-digit growth in the current financial year.
- Despite this, as a company, we are projecting around 15% growth in this segment, and we remain optimistic that with the increase in the MSP for crops, along with the good monsoons which are -- we are witnessing across the country and improved liquidity and consumer credit availability, along with the initiatives which the government has taken in the recent budget, all these factors will enhance demand momentum, particularly during the festive months of September and October.
- So going ahead, yes, we are very hopeful that this segment will perform well, and we'll be able to register a growth in tune of 15% going ahead. Competition, there is no such competition because our numbers are very small. So the industry size is huge. So we have a complete industry to go ahead and play along.
- Garvit Goyal:** Got it, sir. Got it. That's it from my side, sir. All the best for the future. I hope you will always -- like you are always doing, you will outperform your numbers.
- Sorab Agarwal:** So I would just like to say here that I'm just looking at the segment also, and I'm a little surprised how you calculated 300 basis points. But I think we will also work this out.
- Garvit Goyal:** Sir, actually, I think my calculation is correct, so -- we can do it offline also. That's not a problem.
- Moderator:** Thank you. The next question is from the line of Jasdeep Valia from Clockvine Cap. Please go ahead.



**Jasdeep Valia:** So the scale-up in the Construction Equipment segment has been a little bit lower versus the expectations you had from this business, let's say, 2, 3 years back. So what are the issues you faced in scaling up this business in line with your aspirations? Is there a problem in product performance, or you find it difficult to build distribution and service network?

**Sorab Agarwal:** I would slightly differ here again, because last year I'm not wrong we did about 45% to 50% increase in this segment, in construction equipment. And this year, with respect to special construction equipment, backhoe loaders and those, we are looking at least a 30% growth. So we are definitely growing from our base with respect to our numbers. The issue is not product performance at all.

The product is performing well and very well accepted. It is just that, obviously, there is a market leader and as much as it shows, it sells simple logic is working. But I think we are very close to coming out of that barrier and hopefully soon we can become number 2 in this segment, we are very confident. We are on track. Last year, we grew 40%, 50%. Exactly, I don't remember. 30%, 45%, 50% something like that. And this year, we will again be growing about 30% -- that's our plan -- if not more.

**Moderator:** Thank you. The next question is from the line of M.B. Mahesh from Kotak Securities. Please go ahead.

**M.B. Mahesh:** Just a slightly different question. When you look at your -- when you speak to your dealers and channel partners, has there been any indication of a tightness in credit supply from lenders for both the construction equipment as well as for the agricultural products? And if yes, was there any geography which they seem to be worried about?

**Sorab Agarwal:** Not really, not in the last quarter. I don't think on account of financing. I think the quarter before that, there was some indications, but there was no indication from our channel partners or other people because we also do some direct sales in some pockets like Bombay City as well as Delhi NCR. So I don't think we experienced anything like that.

**M.B. Mahesh:** So no tightness in -- no tightness in underwriting or credit rejections and stuff?

**Sorab Agarwal:** No, not with respect to our line of business, but I can maybe relate to let's say, the biggest competition in the construction equipment segment that we had, because as I explained earlier, they might be facing some problem because their NPA levels are much higher as compared to our portfolio. Our portfolio is obviously very small because the cost of their machine and the viability has been going down over the last 5, 6 years. They have been increasing NPS with our competition the largest one. So maybe this news that you are hearing might be from their end.

**M.B. Mahesh:** Okay. So I'm just saying, is that causing some slowdown to business and stuff?

**Sorab Agarwal:** No, I don't think so.

**Moderator:** Thank you. The next question is from the line of Ashish Golechha from Growth Sphere Ventures LLP. Please go ahead.



**Ashish Golechha:** Congratulations for walking the talk. Sir, my first question was if you could give us some, what you should say, background. We will -- you had basically given that by Q2 or Q3, you would be basically in talks with respect to an acquisition which you said that you are working. And the second thing we wanted to know with respect to the exports percentage as a percent, what are the prospects going ahead with respect to the export market and the defense, sir?

**Sorab Agarwal:** Yes.

**Ashish Golechha:** I hope my questions are clear, sir, and I'm audible.

**Sorab Agarwal:** Yes, yes. See, with respect to the acquisitions that we had in mind out of India. So work is already progressing on that, and if everything goes well, maybe -- I think we have mentioned quarter-to-quarter, so maybe over the next 1 or 2 quarters we might have some news for you. But in the interim, we have already announced our finalization of joint venture, principal finalization with Kato Works wherein within this year, the agreements and everything will be finished and the partnership will be formed, and will start to function in the next year. And what is the second part of your question?

**Ashish Golechha:** Sir, second part of the question was with respect to exports and on the defense side, what are the prospects going ahead?

**Sorab Agarwal:** Yes. See, on the export side, last year, we increased about 8% with regards to the revenue contribution. And hopefully this year, again, it should be close to 8%, if not slightly more. Obviously, on an increased base, it will grow again 15%, 20% because the company is expected to grow at least 15%, 20%. With respect to defense, last year our contribution from defense team at 2.5% of revenue.

And this year, we are hopeful that it might be in excess of 3.5% at least. It could be much more than that. It totally depends on a slightly bigger order we are expecting from defense in the next -- maybe within quarter 2 or quarter 3. It totally depends on the timing of the order. If we are able to put -- if we get it in quarter 3, then the execution will be more -- certainly much more than 3.5%, 4%, 4.5%. But if you get it in quarter 3, it will be limited to maybe 3.5%.

**Ashish Golechha:** Sir, I wanted to understand, you said that the exports you are basically targeting between 15% to 20%. And how many years we can expect this target to get achieved?

**Sorab Agarwal:** I think this 15% to 20% target, we can look at in the next 3 to 4 years.

**Ashish Golechha:** Sir, one last question before I wrap up. Sir, before 2 or 3 con calls, you had mentioned that if anything with respect to the budget or infrastructure activity from the government, if anything gets slowed down, how are we basically taking that into consideration for our next 3 years plan? Because if anything happens on that front, that can be a significant, what you should say, hit for us? And how are we basically taking that risk into account?

**Sorab Agarwal:** That is why about -- like we said we had started diversifying a little into defense, a little into exports. And today, infrastructure contributes about 35% of our revenue, 10% is real estate. So that's about 45%, 50% from infrastructure and real estate, and with real estate is 10%. Yes,

there is a slowdown on account of government spending with respect to infra. I'm sure there will be some effect on us.

But everybody is looking at the revival of private capex. So I'm sure just in case if any such thing happens, which I don't foresee because the government in the last 4, 5 years has only tripled its budget on infra. I think from INR3 lakh crores, INR4 lakh crores, now it is nearly INR11 lakh crores this year. So I see no reason why the budget will be going down with the country -- if the government wants the country to grow and to create assets.

And -- but just in case if anything like that happens, in any case, there is already revival in private capex, and going forward, it is expected to increase. So that will chip in because machines are required for all type of construction or development activities. And yes, if the government budget remains or keeps on increasing, the rate has been at a 10%, 20% every year or even faster. And with private capex kicking in, I see that going forward, the -- let's say, short-term, 1 to 2 years, maybe some 2 to 3 years, it is going -- it should ideally be a great run because then we will be firing on all cylinders.

**Moderator:** Thank you. The next question is from the line of Krishna, Niveshaay. Please go ahead.

**Krishna:** Yes. Sir, so my first question was like your view on the pick and carry markets. And on the same, I wanted to ask of the pick and carry crane...

**Sorab Agarwal:** Your voice is a little garbled. I do not know, maybe because a speakerphone or something. If you can be a bit clearer.

**Moderator:** Yes. He's got disconnected. I will be connecting the next line. It's from the line of Aman Soni from Nvest Analytics Advisory LLP. Please go ahead, sir.

**Aman Soni:** Sir, what is the status of EV cranes?

**Sorab Agarwal:** EV cranes, I think last time, as we had mentioned, everything is ready. We have sold some units, but the government CMVR approvals are still awaited. We should be getting them any time, that is the indication we have. Whether it happens this month or next month is anybody's guess. But we are ready, but there is a lot of interest. Very recently, we had a big team of L&T construction visiting us at our plants. So they were also very keen on that when companies like Tata Projects and the Reliance Industries. Everybody is very keen. We're just waiting for the CMVR go ahead. Hopefully, it should happen this month, next month.

**Aman Soni:** But what time line will you give?

**Sorab Agarwal:** I mean it's not in our hands. The Gazette has to be approved regarding the registration guidelines for electric vehicles under the central motor vehicle rules. So we are expecting it to happen. The indication that we have, it should happen anytime. So whether it happens this month or next month, we really can't comment.

**Aman Soni:** Understood, sir. And sir, you mentioned the next 3 to 4 years export target is to be 20% of the total revenue. I think last year, we did 8.5%. So what is the target for this year?

- Sorab Agarwal:** This year again, it's similar, 8%, 8.5%, obviously on an increased base. And I think it will be start increasing further in the next year. This year, I think it will remain at about 8%, 8.5% of the increased revenue base.
- Moderator:** Thank you. The next question is from the line of Vinay Kumar Daggolu. he is an individual investor. Please go ahead.
- Vinay Kumar Daggolu:** Can you elaborate a little bit on this electric crane thing. Is there a chance that the margins would be better for the company if it takes off and business really takes off in that segment, that's number one. Number two is, can you also elaborate a bit how your defense business is panning out?
- Sorab Agarwal:** Which business is panning out? What do you say?
- Vinay Kumar Daggolu:** Defense.
- Sorab Agarwal:** EV Cranes, margins. And second was?
- Vinay Kumar Daggolu:** Defense.
- Sorab Agarwal:** Defense. See EV crane, I think with respect to revenue, it is going to be definitely better, 60%, 70% more for the crane, because the cost of electric machines are better. And the customer is able to recover this for a lower cost of operation on account of fuel. So I think it will be a 3-year payback period. And our margins would also be better compared to our conventional diesel engine things with respect to electric cranes. And we are very hopeful that -- there's been a long wait, last nearly 1 year and then the elections came and obviously, that Aachar Sanhita was there and so I think if you get to -- because the -- it just has to go through -- the government has to go electric. The ARAI has already proposed to the government 1-year back, 1 and half year back.
- With respect to defense, we have been increasing our business and our, let's say, medium- to long-term target is 5% to 10% revenue generation contribution from defense. So this year, hopefully, from 1.5%, we should be able to be somewhere between 3.5% to 4% in the current period.
- Vinay Kumar Daggolu:** Can I ask a follow-up question, sir?
- Sorab Agarwal:** Yes, yes.
- Vinay Kumar Daggolu:** Is there anything that has changed after the full budget last week for you as a company?
- Sorab Agarwal:** Nothing has changed. We would have loved things to have started moving faster. But I think it is raining very heavily in so many parts of the country, that -- but I'm sure 15<sup>th</sup> August onwards things will start to look better with respect to our business in particular.
- Moderator:** Thank you. The next question is from the line of Kaushik Poddar from KB Capital Markets. Please go ahead.



- Kaushik Poddar:** My question is Kato is in the similar line of business as you are. So what is the strategic significance of having a JV with Kato?
- Sorab Agarwal:** Can you just repeat your question? So the initial part what you said I think I missed out to understand.
- Kaushik Poddar:** Yes, the strategic significance of having a JV with Kato, though you are in the similar line of business.
- Sorab Agarwal:** Yes. See, we are doing cranes, crawler cranes and truck cranes, obviously, technology evolved by us, and see in the bigger cranes, there is a learning curve, and then the technologies upgrading, machines are becoming more sophisticated. Kato is one of the prominent names all over the world. If we talk about strategic significance because this joint venture is envisaged to produce these high-end cranes and even increasing our range beyond 200 tons with respect to truck cranes and especially crawler cranes.
- We have bigger capacity cranes and proven technology -- access to proven technology to make these cranes. Second is these cranes for the Indian market, which is growing in tonnage as well as in numbers. Most importantly, these cranes, which are going to be evolved. So there are going to be export-specific models also, which will be sold globally through Kato network.
- Kaushik Poddar:** Okay. Okay, okay. And you have given a guidance of tripling your turnover in 5 years? I mean, is that..
- Sorab Agarwal:** We have discussed this in the last conference call. It seems doable, doing a 3x in the next 5 years.
- Moderator:** Thank you. The next question is from the line of Murali Marpina, she's an individual investor. Please go ahead.
- Murali Marpina:** Congratulations on a good set of results. I have 2 questions, actually. How is the momentum going on now, and what is the size of the order book as of now?
- Sorab Agarwal:** Momentum and order book, right?
- Murali Marpina:** Yes, yes.
- Sorab Agarwal:** The momentum since April, May, has been a little tepid. And unfortunately, it has been too much in the month of July. There's definitely some improvement, but definitely, we expect better. So hopefully, by 15th August and the rains have subsided substantially, things will start to look up, and it has been the same for us in the last 29 years of operations. So whenever it rains heavily, the things are generally slow, and it starts to turn sometime around 10 to 15th of August. So I think it's like in 10, 15 more days. And order booking with respect to the current business scenario is okay. So I mean, obviously -- yes, I won't say that the momentum is great as of now. But like I said, it will start improving around 10 to 15th of August. That's how it happens every year.

**Murali Marpina:** Yes. Okay. My second question is regarding this Kato Works. How is that -- how is, is like this 50-50 JV or like importing cranes? How are you doing like actually JV?

**Sorab Agarwal:** 50-50 joint venture and the cranes will be manufactured in India. So it is going to be made in India for the Indian markets. And also they are going to be exported outside using Kato network. And then just to answer a little more on the first part of your question. In any case, about 55% to 60% of our business happens in the second year -- second half of the year. So first half is around 40%, 45%. So generally starts to pick up around middle of August.

**Murali Marpina:** Okay. Yes, when can we expect this 4-figure revenue mark? Is it Q3 or Q4?

**Sorab Agarwal:** I think earlier we were thinking of Q3. I'm still hopeful that we are in position to achieve it in Q3. And I think it should be possible because we expect, because the emission norms are changing from BS IV to BS V for construction equipment, and they are called CEV IV to CEV V. So we expect prebuying to happen in quarter 3 starting from September. So I hope we are able to do it in quarter 3 only.

**Moderator:** Thank you. The next question is from the line of Krishna from Niveshaay. Please go ahead.

**Krishna:** I'm audible now?

**Sorab Agarwal:** Yes, yes, you're audible.

**Krishna:** Okay. Sir, so my first question is a bit on the Pick-n-Carry industry size and what products of yours are considering Pick-n-Carry? So if there is lorry, loader, crane, truck crane, so are these all under we can carry? And if we see in India right now, about 15,000 cranes would be selling -- 12,000 to 15,000. And in China, this number would be about 1.5 lakh to 2 lakh. So do we see that kind of growth in India? And in India, if we see, the most cranes are about 15 tonnage of crane. But in our developed or the Chinese market, it's more about more than 30 tons crane. So what's your view on this industry? And similarly on the tower crane side?

**Sorab Agarwal:** Last year -- first of all, the categorization, I think pick and carry crane is a crane, which is on tires and is able to move with the load. It can pick and carry the load. So lorry loader cranes or truck cranes or crawler cranes are not part of the pick and carry category. Pick and carry crane is a very specific machine on tires, which can move on the load, which is our biggest segment also. So within cranes, I would say that 90% of our cranes that we do are pick and carry, approximately 90%. So that's the category answer.

Last year, the market size was a little over 14,000 with respect to pick and carry cranes. And we cater to that. Chinese market, you are right, but I think with respect to cranes should be the domestic markets a little over a lakh crane. So going forward, India is developing. India is developing fast, and we have a good 5, 7 years ahead of us and maybe, as the vision given by the government, of 2047 being a developed country.

So yes, the numbers can increase. The numbers can increase very fast because cranes are a very basic necessity for lifting, shifting, erecting, moving, loading, unloading, doing any activity where development is happening or even -- to make a factory run, you need lifting,

shifting loading and unloading. So definitely, crane numbers in our country are going to increase. First thing.

**Krishna:** So does China sell about 1 lakh to 1.5 lakhs of crane per year? If you could just give me clarity on that, if you have that information?

**Sorab Agarwal:** So obviously, the Indian market is going to increase, and that's what I said, it's going to be faster, hopefully, than what it is with growth coming in. Again, something simple. \$3 trillion or 3.5 trillion or \$4 trillion economy but we are going to be adding this size every 4, 5, 6 years. So you will need more lifting, shifting, loading, unloading of everything. So the crane market has to grow if the economy is bound to improve. There is no doubt in that aspect. Going to the segment, yes, in India, 15 tons is most popular. And I think in China, it's 30, 35 ton category.

I think last year, we evolved a 35-ton crane, Pick and carry. Also, a 45-ton crane is under the planning with respect to pick and carry. And apart from that, we are doing truck cranes up to 60 tons. And this is where we are further -- we set up the new joint ventures, forthcoming joint venture with Kato, where we will also be producing even bigger cranes, truck cranes and crawler cranes.

So obviously, the market has been shifting, which we've already seen that in the last 1, 1.5 years. Already, there is a traction moving from 15 tons going to 20, 25 tons cranes, that is happening. So the share in total sale of 20, 25 tons has gradually started increasing. So going forward, it will go to 30, 35 tons as the projects become bigger, the loads become heavier. So that's the trend. That's how it happens. If you talk of the Indian market, when we started making cranes, the most popular was the 8-ton category.

And then by 2000, it was a 10-ton category. By 2005, it was a 12-ton category. By 2010, 2015, it was a 15-ton category, maximum selling. And now there's a shift towards the bigger size. So opening in the next 2, 3 years out the 20, 25 tons might become the most popular category.

**Krishna:** Okay. So how would the realization improve as per tonnage?

**Sorab Agarwal:** Yes. We will improve because the prices of cranes in India are anywhere between 1 lakh, 1.5 lakh per ton. Let's say, an average 1 lakhs, 1.5 lakhs per ton. So less than 20 tons, it is approximately a 1 lakh a ton and 20 tons are bigger, it is approximately 1.5 lakh a ton. So the price utilization on the higher tonnage is definitely better because the metallurgy and the components and the engines and the hydraulics they become much heavier and the costs are higher. So let's say, a 15-ton crane, a pick and carry hydra type would cost about 15 lakhs, 16 lakhs. So that's about 1 lakh a ton. But a similar type of crane in a 20-ton we are talking about is 20 lakhs, 30 lakhs.

**Krishna:** And sir. So like as there are 2 type of crane now, the hydra or the Faranna that we talk about. And then there are some new generation Crane which has similar tonnage...

**Sorab Agarwal:** Hydra Crane Is a nickname for the new generation Crane.

**Krishna:** Okay. So there is how much price difference? Because I think Faranna has more safety features. So that's why corporates are preferring that. So how much is the price difference? And if you could have some view on the rental difference as well.

**Sorab Agarwal:** The price difference approximately between an old generation and a new generation or, let's say, a hydra to a new generation is, for a similar tonnage, approximately 50% to 60% more. And market in the last 8, 10 years has been shifting. Earlier, the share of new generation crane was only, let's say, 5%, 10%. Now today, it is close to about 35%. In the last 7, 8 years, the market for new generation cranes within the pick and carry segment has become 35%, which is also slightly higher price, like I said, 50%, 60% more expensive than single tonnage.

Because of the -- generally, they are 4 x 4 drives, so they are more efficient. And also with respect to safety, the operator cabin is in the front. So let's say, the operator -- and it's definitely better for safety because visibility is better. And then they are equipped with sophisticated electronic overload systems, these cranes. As the market is also moving towards the new generation crane, the price realization here again will increase.

And within this segment, they are also moving towards, like I said, 20 ton-plus category. So there, again, a price increase possibility. So going forward, I can tell you that in value terms, there will be more growth price terms rather than volume. Volume will grow, will grow fast also for some years, but the value growth will be more.

**Krishna:** Okay. And sir, on the rental, if you have something in terms of hydra versus new crane.

**Sorab Agarwal:** Again, similar. See, when the price of the machine increases by about 50% to 60%. That's how the rentals also -- rentals of new generation cranes are higher about 50% to 60%.

**Krishna:** Okay. So that is similar. So the rental would be higher for that.

**Sorab Agarwal:** Yes. That is similar.

**Krishna:** Okay. And if you could speak something on the tower crane market, that would be great.

**Sorab Agarwal:** The tower crane market is again booming. Most popular is 5 to 6 tons range because that is used standard. But with the -- in the last 3 years, 5 years, a lot of prefabricated construction and especially steel structure construction has started happening to shorten the delivery times of the projects. So there are the 10 ton and 16 ton tower cranes have become very popular. So our numbers in tower cranes have been steadily increasing. And this year again, I think if everything goes well, we should do a 20% to 30% increase in our tower cranes, if not more, particularly tower crane numbers.

Last year, we produced 500-something. And this year, we are very hopeful to be somewhere around 700 to 800 mark. The year before that was 300-something. The tower crane market is going fast. In tower cranes, I would say primarily 90% of the cranes are used in the real estate segment or in civil construction. That's about 90%. 10% are also used for other type of construction or different types of civil structures. And even, for example, any type of civil

sector, I would say, like a metro station or a bullet train station or anything else. But 90% is hard core real estate. And I think real estate is also flying in our country as of now.

**Vyom Agarwal:**

And Krishna, Vyom this side, I would like to just add a little bit to the new generation and the traditional hydra that you had asked. Now see, the market is also shifting towards new generation cranes, and we are pioneers in that crane. And we have also launched our NX series, which is our multi-activity cranes, which would mean that the owner can do 2 operations with one crane. So at ACE we are changing the way craning is being done in India.

And we will patent to these technologies, which cannot be done by any other competition. So we have a clean runway and a great lead over all our competition outside. And tower crane, as Mr. Sorab has already explained, it's a booming industry in India, and it's -- it's a very complicated equipment to engineer because of the aerodynamics involved in the operations of the machine. And we are pioneers in this as well.

**Sorab Agarwal:**

So I think adding to your NX point, I missed that. See, we have these gone ahead of all type of cranes or new generation cranes. And in the last 3, 4 years, we've introduced even the cranes, it is called NX, which is even further more advanced as compared to new generation, a multi-activity crane. So they do pick and carry as well as, let's say, a man basket, man lift operation, a pick and carry or, let's say, a truck crane type 2 operations. So they're multi-activity cranes. So we're changing the way India cranes actually in those things.

**Krishna:**

So if I could just have a last question if you allow?

**Sorab Agarwal:**

And all these NX cranes and even the EV crane. So obviously, we have exclusive patents. So nobody can think of trying to copy our designs.

**Krishna:**

So can I just have a last question if possible?

**Sorab Agarwal:**

Yes, yes, please.

**Krishna:**

Maybe my question is like how do you see -- see the like construction equipment business. So like say, backhoe loaders are selling about 60,000 in India, but cranes are only about 16,000. So can that pick up to backhoe loader? And why backhoe loaders volumes have grown so fast rather than cranes? Can I have some clarity on that?

**Sorab Agarwal:**

The backhoe loader market is not 60,000, I would differ there. I think the backhoe loader market in India is about 40,000 to 50,000. And definitely crane numbers will increase further, like I said, with the economy growing and if India is to add \$3 trillion, \$4 trillion, \$5 trillion every 5, 6 years to its economy. So you can very well imagine the number of cranes or how they're going to increase. And further on, there is a life -- there's a 10, 12-year life attached to either a construction equipment or even a crane. With the numbers increasing down the line, the replenishment market will also keep on increasing.

**Moderator:**

The next question is from the line of Ashwin Albert Dsouza, an Individual Investor.



**Ashwin Albert Dsouza:** Yes. Sir, I don't know if I'm repeating this question, but this was related to the new land that was acquired in the beginning of the year. My questions on that is like what's the current status? And do we have any near-term or medium-term, long-term plans as to when we will be operationalizing the land and production will be commenced, okay? That was the only question, sir.

**Sorab Agarwal:** Yes. See, in quarter 4 last year that was, we made agreements to secure this land, 2 pieces of land totaling about 82 acres approximately. And hopefully, within quarter 2, these lands will come into our possession and will be capitalized in our books. Most probably in quarter 2. There is very rare chance that slides to quarter 3. And out of this -- the smaller chunk, around 22 acres, we intend to start development there as early as maybe quarter 4 within this year to increase our capacity for certain type of cranes further.

**Moderator:** The next question is from the line of CA Garvit Goyal from Nvest Analytics Advisory LLP.

**Garvit Goyal:** Just one question. How is this quarter going on in terms of any slowdown due to monsoon? So do you see any major impact as compared to same period last year?

**Sorab Agarwal:** Definitely we should be doing better than same period last year. Now how much better, that time only will tell. Things are looking okay. Definitely, the month of July has gone by, and it was definitely pretty okay and healthy as compared to last year. So things are on track.

**Garvit Goyal:** Do you see any upbeat Q-on-Q?

**Sorab Agarwal:** Do we see any...

**Garvit Goyal:** Outperforming Q-o-Q because this quarter also was affected due to elections, right? So that's why I was asking.

**Sorab Agarwal:** Yes. See, as of now, if you ask me the current scenario, let's say, sitting on 1st of August, I think it should be somewhat similar with respect to growth. But -- but like I said, 15th August onwards, things start to change, and there is a prebuy also, which is -- which will kick in in September, October this year, Diwali is also earlier, it is in October. So it can definitely be faster, but I think for the whole year, and I think end of August, end of September is the best time to judge the whole year.

**Moderator:** The next question is from the line of Kamlesh Jain, Lotus Asset Managers. Please go ahead sir.

**Kamlesh Jain:** First, one question on the part of, let's say, our proposed JV with Kato. So on that, regard, like I say, what addressable market you are looking at? Currently that they are operating in? So we are pioneers and the leaders in the cranes part. But what additional markets like we are looking and how much incremental revenues we can be targeting more next couple of years or 3,4 years?

**Sorab Agarwal:** See, we are leaders in pick and carry cranes, tower cranes in the country. But unfortunately, we are not leaders in truck cranes or crawler cranes in the country, primarily because in about 5, 7 years, this market has been dominated in the Chinese players because of very sharp costing

and bringing in the latest technologies. So basically what we'll be looking to target here is 3 types of cranes, Truck Cranes, Crawler Cranes and Rough Terrain Cranes. In the tonnages of around, I would say, about 50 tons going up to 200 tons, which has also become a growing market in India now. So that is the addressable market here with respect to the tonnages. With respect to revenue, this JV should become functional sometime next year.

And I think achieving the INR300 crores to INR400 crores turnover over a period of 2, 3 years from inception could be possible even that is the market is available. And with exports also kicking in, because the JV is also going to make cranes which are going to be exported. So the eventual potential should be upwards of at least about INR1,000 crores over the next 4, 5 years, I think.

**Kamlesh Jain:**

And lastly, sir, on the -- so there is a lot of buzz about this automation in the warehousing, so a lot of, like say, self-operated cranes, all those equipments are getting a lot of traction in the warehousing. So are we looking to expand our footprint there as well?

**Sorab Agarwal:**

The automation in the warehouse, we are talking more of AGVs, which are automatic guided vehicles, and racking systems which are automatic loading and unloading. So we are definitely not in that line of business, but we are into warehousing, so you never know what happens in 1 or 2 years down the line.

**Moderator:**

The next question is from the line of Rajiv Maheshwari from Raj Investments. Please go ahead.

**Rajiv Maheshwari:**

My question is more from the shareholders' perspective. We had a stock split, I think, some saying 15 or 16 years back. So with the prices rising over last couple of years, do we have any plans or have you discussed anything in terms of the stock split going ahead?

**Sorab Agarwal:**

Yes, our stock is already at INR1. So...

**Rajiv Maheshwari:**

The stock rate is INR2.

**Sorab Agarwal:**

Sorry, INR2. I'm so sorry. But I'm sure patient shareholders will be rewarded over time. Our Board keeps on discussing that time and again because there is nothing concrete that has been formulated or approved by the board, so I really can't talk about it. But yes, going forward, we can expect it.

**Rajiv Maheshwari:**

That discussion has been going on. So in when would it come? It's again a question of once the decision takes place. But if it's done, it's beneficial for the long-term shareholders also and it gives more liquidity to the counter itself because it's already closed to 1,200, 1,300, but anyway since it's in discussions, so I just wanted to know that. Second part is we had some promoter selling some time back. So was it more on the account to ensure some marquee investors or FIIs is getting into it? Or it was just into a usual course or how was it like? What was the reason?

**Sorab Agarwal:**

See, it was more to do with marquee investment coming in because liquidity was less on the counter like you mentioned. And first of all, your idea about stock split is well taken and let

me take it to the board. And yes, it was marquee investor who entered to the company and the promoters sold close to a little over 1%. I think it was 1 or 2 months' time.

**Rajiv Maheshwari:** So going ahead, do you have any such arrangement to get some more investors in, or it's done for the moment as of now?

**Sorab Agarwal:** I think it is done for the moment because promoters -- we are holding more than 65% stake in the company, and I -- and there is no intention of any reduction in the stake holding of the company at the current even in the short term or I would say medium term.

**Moderator:** The next question is from the line of Krishna from Niveshaay.

**Krishna:** So my question was like how much higher tonnage cranes we are right now producing? And how do you see the higher tonnage market in India? And just a brief on that.

**Sorab Agarwal:** You're talking about the truck crane, crawler cranes or you're talking pick and carry.

**Krishna:** On the pick and carry and the truck and crawler cranes.

**Sorab Agarwal:** See, we are producing, I think, about 10% of our production should be higher than the 20 tons and above. I don't have the exact number as of now. Obviously the bigger cranes, the 50-ton, 100-ton, the total market size has gone to 700, 800 cranes. I'm talking about the truck cranes and crawler cranes in the country. And there, we are -- like I said, we do about 40, 50 cranes annually. We are looking at 300, 400 cranes annually. And pick and carry crane, like I said, market will move to high tonnages. It was already moving and new generation is already about 35%, 40% of the market.

**Krishna:** So right now, what's the highest tonnage of crane that we are making?

**Sorab Agarwal:** Currently, we are doing a 35 -- you're talking about pick and carry or...?

**Krishna:** In all segments?

**Sorab Agarwal:** In pick and carry, we are doing a 35 ton, which is the biggest crane. In tower cranes, we are about to launch a 20-ton -- 25-ton crane. Currently, it is a 16-ton crane. In lorry loaders, we are doing a 50-ton meter crane. In truck cranes, we are doing up to 60 tons. We want to take it to 110 tons. In crawler cranes, we're doing up to 80 tons. We have introduced 180 ton, but obviously we'll come out with a new 100 ton, 150 ton and a 250 ton. And truck cranes, like I said, is about 110 tons. So these are tonnages we are looking.

**Krishna:** Okay. And how do you see this market growing, because a lot of Chinese cranes are coming in right now?

**Sorab Agarwal:** Yes, the market has grown pretty well in the last 5, 7 years. And see what was happening in India, until 6, 7, 8 years ago as these bigger cranes were mainly used cranes being imported into the country. So -- and the Chinese have converted this into a market of new cranes by offering very special pricing. So the market has actually grown in the last 7, 8 years. And Indian manufacturers were left waiting, especially TIL and all. But I think we have taken the

chance on ourselves to start selling about 300, 400 cranes over the next 3, 4 years in this market. The bigger crane market, the truck crane, the crawler crane, the heavy cranes I would say.

**Moderator:** The last question is from the line of Rashmika from Sai Enterprises. Please go ahead.

**Rashmika:** I have a couple of questions. My first question is -- the joint venture with Kato in Japan, what is the joint venture for? The joint venture manufactures cranes. What kind of cranes can be manufactured by the joint venture? I thought we manufactured the entire range of cranes from small cranes to large cranes. So why do we need this joint venture? What is going to be our percentage holding in it? Is it focused on export or on the domestic market? And what is the projected revenue of the joint venture in 2027?

**Sorab Agarwal:** The joint venture is a 50% -- 50-50 joint venture between both our companies. I've actually answered most of your questions during the call, but I'll answer them again. It is a 50-50 joint venture. The joint venture will be producing bigger capacity cranes, in truck cranes and crawler cranes and rough terrain segments, which we are not producing currently. So that means 150-ton crane and 200-ton cranes, which we are now doing 110-ton cranes and 80-ton crane in truck crane category.

And the joint venture is for both domestic as well as international markets. So with this joint venture, we intend to make cranes for the domestic industry as well as for export through Kato network, which I had earlier confirmed -- conveyed in one of my answers. The revenue expectation is close to INR300 crores to INR400 crores. The 2, 3 years -- see the joint venture will start to function next year by FY '26. By FY '28, we expect INR400 crores and maybe in 5, 6 years maybe crossing even INR1,000 crores.

**Rashmika:** Sir, my second question is, couple of conference calls back, you said that there will be an announcement about the large crane business which will be a game changer for both India and ACE. The announcement was due in 1 month. But it has still not been made. Is an announcement still on the anvil? And when is it likely to be made?

**Sorab Agarwal:** So this is about this Kato crane only, that we'll start producing bigger cranes of better technology in bigger numbers for India and outside India market. It is the same announcement you're referring.

**Rashmika:** The joint venture will be focusing on what type of cranes? What type of cranes will be manufactured by the joint venture?

**Sorab Agarwal:** It will focus on truck cranes, crawler cranes and rough terrain cranes. And maybe down the line, even all-terrain cranes, but that has not been planned so far. But yes, definitely, 3, 4 years down the line, even all-terrain cranes.

**Moderator:** As there are no further questions from the participants, I now hand the conference over to the management for closing comments.



**Sorab Agarwal:**

Yes. Thank you. Like I mentioned in the beginning, we were able to do pretty well, even beyond our expectations, looking at our capex quarter, especially due to elections. And going forward in the current year, we are hopeful of at least 15%, 20% growth, if not more. We should definitely be in a position to further advise with respect to our -- revise our projections by end of quarter 2 or early quarter 3, and we are hopeful that we have positive news for you.

And we look forward to growing in this year with a 16% to 17% EBITDA margin, which looks really sustainable. And we are expecting good sales in quarter 3 on account of prebuy because of transition to BS V norms. And the short-term, medium-term, long-term fundamentals and potential of the company seem to be on track with respect to our growth agenda. And with this, I would just like to end the call. Thank you.

**Moderator:**

On behalf of Emkay Global Financial Services, that concludes this conference. Thank you for joining us, and you may now disconnect your line.