Action Construction Equipment Limited

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

Date: July 24, 2026

To,
The Manager Listing
BSE Limited
5th Floor, P.J. Towers,
Dalal Street,
Mumbai-400001
Scrip Code: 532762

The Manager Listing
National Stock Exchange of India Ltd.
Exchange Plaza, Bandra Kurla Complex,
Bandra (E),
Mumbai-400051
CM Quote: ACE

Subject: Earnings Call Transcript Q1FY27.

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 (Q1FY27) 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 FY27 Earnings Conference Call"
July 21, 2026

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. ANIKET JAIN – ANAND RATHI SHARE AND STOCK BROKERS LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Action Construction Equipment Limited Q1 FY27 Earnings Conference Call hosted by Anand Rathi Share and Stock Brokers Limited. As a reminder, all participants line up for 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. Aniket Jain from Anand Rathi. Thank you, and over to you, sir.

Aniket Jain: Good afternoon, everyone. I would like to invite the management of Action Construction Equipment and thank them for this opportunity. Today, we have with us Mr. Sorab Agarwal, Executive Director; 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.

Sorab Agarwal: Yes. Thank you. Good evening and welcome, everyone, to this earnings conference call for discussing the results for the quarter ended June 2026. Along with me in today's earnings con call, we have our CFO, Mr. Rajan Luthra; and our President, Mr. Vyom Agarwal.

I hope you have had an opportunity to review the company's financial statements and the earnings presentation, which has been circulated and uploaded on the stock exchanges. I will now take you through some of the key highlights of our performance during the quarter.

Following the normalization witnessed during the second half of previous financial year, demand across the construction equipment industry remained stable during the quarter, and we have maintained our growth momentum. The financial year has begun amid an unpredictable domestic economy as the global operating environment has become increasingly uncertain. India's macroeconomic fundamentals continue to remain strong.

However, escalating geopolitical tensions in West Asia, volatility in energy markets, firm steel prices, elevated freight costs and inflationary pressures across most of the industrial commodities have added to cost volatility and supply chain uncertainty for manufacturing businesses worldwide.

Against this backdrop, our company registered its best-ever Q1 performance with continued focus on disciplined execution, operational excellence and maintaining a healthy balance between growth and profitability.

Our continued emphasis on product quality, manufacturing efficiencies, cost optimization and calibrated pricing actions enabled us to record our best ever Q1 performance in terms of revenues and profits. Now to brief you on the financial performance for quarter 1 FY27 on a stand-alone basis.

On a yearly stand-alone basis, the total income grew by around 19% to INR836 crores, with an expansion of 12 basis points in EBITDA margin to 20.40%. The EBITDA during the quarter increased by 19.66% to INR170.58 crores as against around INR142 crores.

The PBT expanded by 73 basis points and grew by 23.81% to approximately INR156.79 crores. The PAT expanded by 41 basis points and grew by 22.47% to INR118.59 crores as compared to 96.83 crores in the last year's corresponding quarter.

The PBT and PAT margins now stand at 18.75% and 14.18%, respectively, for the quarter. On a sequential basis, that is, on a quarter-on-quarter basis. And as per our past trends, the total income recorded a drop of 18.15%, and the EBITDA, PBT and PAT have expanded sequentially by 438 basis points, 395 basis points and 353 basis points, respectively.

Moving on to the segmental business performance. The company has sustained its growth momentum across all operating segments. In the Cranes, Construction Equipment and Metal Handling segment during the quarter gone by, we registered consolidated revenue of INR738.37 crores as compared to INR605.43 crores in quarter one FY26, which is an increase of around 22%.

The volumes grew by 17.25% year-on-year. The margins also expanded to INR134.09 crores versus INR107.83 crores, thereby registering a growth of 24.35% year-on-year. The Agri Equipment division clocked a revenue of INR42.67 crores while registering a margin of INR4.34 crores.

Our performance during the quarter reflects continued operation discipline and prudent cost management. Going forward, we continue to closely monitor commodity markets and remain focused on protecting profitability through sustainable operational improvements rather than relying solely on price actions.

The strategic joint venture with KATO Works Limited announced during the previous quarter will commence by end of July, and it marks another important milestone in our long-term growth strategy. This partnership combines ACE's manufacturing strength and domestic market leadership with KATO's globally recognized technology and footprint in the heavy crane segment.

The joint venture provides an excellent platform to expand our domestic presence in truck cranes, crawler cranes and rough terrain cranes, while also supporting technology upgradation, localization and export opportunities over the medium to long-term. This initiative further strengthens our positioning in the higher value-added heavy crane segment and complements our existing leadership across pick and carry cranes and tower cranes.

Our defense business also continues to progress steadily, and we have started manufacturing rough terrain forklifts in the current quarter. Further, we remain committed to developing specialized products for defense applications and expanding our participation in this strategically important sector.

Over the past few years, we have consistently invested in expanding manufacturing capacity, modernizing our facilities and strengthening automation across our plants. These investments have significantly enhanced our manufacturing flexibility, product quality and operational efficiency.

With our existing capacities and improved manufacturing capabilities, we remain well-positioned to cater to future demand across our product portfolio while maintaining disciplined capital allocation.

Coming to margins. Commodity prices remained volatile during the quarter, owing to continuing geopolitical developments and fluctuations in the global energy market. Commodity prices like steel, rubber, oil and all its derivatives, along with freight costs and currency movements continues to be at elevated levels.

Amid these evolving market conditions, we remain focused on protecting profitability through a combination of operational efficiencies and calibrated pricing actions wherever necessary. Our endeavor continues to be maintaining the right balance between volume growth and sustainable profitability while maintaining and preserving our margin profile.

This disciplined approach has remained consistent over the past several quarters and continues to be central to our operating philosophy. Looking ahead, the structural growth drivers for the Indian construction equipment industry remain firmly intact.

Continued government emphasis on infrastructure creation, investments in roads, railway, urban infrastructure, manufacturing and logistics, together with sustained public capital expenditure continue to provide a strong foundation for long-term industry growth. In addition, increasing private sector investments, expanding industrial activity and continued focus on domestic manufacturing are creating new opportunities across several end-user sectors that we serve.

Historically, our business has exhibited a seasonal pattern with approximately 40% to 45% of our revenue being generated during the first half of the financial year and the remaining 55% to 60% during the second half, supported by post monsoon project execution, improved construction activity and the festive season.

Our healthy balance sheet, expanded and upgraded manufacturing capacity, diversified product portfolio and strong market position provide us with a solid platform to create sustainable long-term value for our stakeholders.

With this, now I would like to request the moderator to open the floor for the question-and-answer session. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Shivam Gupta from Trinetra Asset Managers.

Shivam Gupta: My question is how much did defense and export order contribute to this quarter revenue? And what's the order book visibility in this segment for the rest of FY27?

Sorab Agarwal: See, I think for the current quarter, exports has been slightly subdued because of the shipping issues and the prices that have really gone up. And all our Middle East orders, especially Saudi Arabia, we have not been able to ship them in the last quarter. Some were pending from March onwards.

I think as a percentage of this quarter, export sales is close to 3%, but I'm sure it will catch up because all these orders are live and pending. And I don't really have a number for defense. Luthra sir, do we have a number for defense as a percentage for this quarter?

Rajan Luthra: This quarter was around 4%, 5%.

Sorab Agarwal: Defense was around 5%. Export was close to 3% and defense was 5%. And as a matter of fact, on a whole year basis, we are looking at, at least a 6%, 7% contribution from export, if not more, and about a 5%, 6% contribution from defense. So totally, it will go somewhere between 10% to 12%.

Shivam Gupta: Okay, sir. And my second question is, can you give a progress update on the KATO JV?

Sorab Agarwal: More or less all the formalities are complete and the JV should become functional in end of July. So JV will start having some revenue from quarter 3 onwards. And quarter 3, quarter 4, a lot of time will be spent on upgrading our products. It's already in process. It will further be speeded up. So actual meaningful revenue from the joint venture will start to come only next year onwards, FY28 onwards.

Moderator: The next question is from the line of CA Garvit Goyal from Serene Alpha.

Garvit Goyal: Hello, am I audible?

Sorab Agarwal: Yes, you are audible.

Garvit Goyal: Sir, how are you seeing the demand and supply chain situation? Sorry, if you have answered it in the opening remarks, I missed that. So I just wanted to understand like what is the current demand and supply chain situation during Q2 FY27 and onwards?

And how should we think in the terms of the growth at company level for rest of the year? I just wanted to understand it because last year, we did not grow, right? So can we make up for the last year -- entire last year FY26 and FY27?

Sorab Agarwal: See, this is one question, especially with respect to demand and supply chain, which rather I would like to put to all of you people on the lighter side. Demand had been very strong till May, June. And obviously, traditionally, it slows down a little in the rains. So that is what we are experiencing, but we experience this every year.

And supply chain, so far, we have not experienced any major problem. But yes, we did face problems with our engine supplier and the casting suppliers and especially castings for the engines in the last 1 month or so, but our suppliers have found ways and means to overcome that. And hopefully, that should further out in July.

Apart from that, I don't think there was any major supply chain issue so far apart from the inflation and the costs. And as far as the demand or the growth scenario, we can talk of. We had mentioned in the last con call also that sometime for end of September, we would like to give a full year growth target with respect to our revenue. and we still maintain that.

But in saying this, I would like to say that we are definitely looking at growth because what we see that growth is going to come to us from 3, 4 different avenues. And primarily, the Hydra type of crane market, which was very much subdued due to price increase and technological changes last year, that has started improving. So that will add to our numbers.

Then as it is, let's say, apart from Hydra, our construction equipment numbers, our road machinery backhoe numbers, forklift numbers, tower cranes. Here, we are definitely looking at growth in numbers within this year, obviously, coupled with cranes, but especially hydra type of cranes. And I think we'll get some extra revenue on account of inflation.

We will get extra revenue on account of the big defense order we got. So the execution is getting started in August onwards. So August should be the first lot supplied. So we are looking at growth. But to put a number to growth is slightly difficult because we are in unpredictable times with so much geopolitical things happening.

And another thing we want to wait till September end before we give out a whole year guidance is primarily that we have increased prices 3x already in the first 6 months of this calendar year. So it was January and then we again increased prices in May. And then again, the biggest chunk came in June, which is still underway.

So we see, obviously, there is a lot of resistance. And this is coupled at a time when the market is at its leanest because of rains. So the buying sentiment because of rains, as it is, subdued and there is a phenomenal price increase on top of it, which has been posted 1 month back. So on the whole, we will grow.

To put a number to it, I think September -- let's say, August beginning -- sorry, I think September beginning, middle of September or the final figure we can give by September end. And like I mentioned in my initial address, generally 40%, 45% of our revenue happens in the first half. So obviously, whatever we do in quarter 2, which will definitely be better than last year and which should be similar to our current quarter 1 because quarter 1, quarter 2 are similar.

So if you just apply the 40%, 45% ratio in first half and 50 -- 55%, 60% in the second half, so you will be able to get a range in any case. But to put a number to a percentage growth we want to refrain from doing this, keeping in mind our conservative nature and in light of prudence. That's what I'd say. Thank you.

Garvit Goyal: Got it. Got it. Got it. And secondly, how the competitive landscape is shaping us for now in the industry? Have you seen any kind of increase in competition for us, specifically in the domestic market in the last maybe 3 or 4 months?

Sorab Agarwal: Not really. I mean we have had players in the segments for a long time. And the competitive intensity remains the same. But yes, like I said, the biggest challenge -- current challenge and going forward is inflation because of 2 things. A, inflation will make things expensive and our products is expensive.

So obviously, making customers to realize and to get that price increase is a difficult task. It's a time-consuming task. And sometimes in some few percentages, you're really not able to recover that also.

And another part is if the inflation is increasing and generally everything is becoming expensive, so it can depress the economic growth somewhere, which is also evident from different forecasts of leading banks and financial institutions, which have been coming, they have already reduced India's GDP forecast a little bit.

So I think the biggest challenge is inflation and competitive intensity remains same, and we have been doing a good job of it in the last so many years. So I'm sure that is not an issue at all.

Garvit Goyal: And lastly, are you people seeing any kind of issues in terms of contractors getting the payment from the government department or government projects? Is there any kind of issue prevailing right now?

Sorab Agarwal: See nothing in particular that comes to us, comes to our knowledge. But yes, in some cases, especially state government level, sometimes there are issues, but they generally get sorted out. So it is a part and parcel of being an EPC company or a contractor. Certain things can get delayed or postponed or preponed. But we really don't see a problem or an issue on that front.

Moderator: The next question is from the line of Aditya from Old Bridge Mutual Fund.

Aditya: Congratulations on a good set of numbers. Sir, my first question is regarding the pick and carry cranes market structure. So you said you expect a good volume uptick coming in the hydra segment. Sir, my sense was that post the CEV-V norms emission implementation, a lot of market has shifted to the new generation cranes.

And that is why we are seeing mix improvement as well in our crane construction equipment volumes. So going ahead, what kind of trend we should be seeing in that market? Will the mix keep improving towards the new generation? And if not, then will we see a detrimental impact on our mix coming up going ahead if Hydra cranes pick up much faster?

Sorab Agarwal: See, I would say, let's talk of last year or the year before that. I'm talking of FY25. So the hydra type of cranes were close to 60%, 65% and new generation was 30%, 35%. Last year, because Hydras went straight from BS III to BS V emission norm, so their price increase was much more as to new generations, which went from BS IV to BS V.

And last year, the market was somewhere around -- I would say, Hydra was a little less than 60% and new generation was a little more than 40% overall volume share. But see hydra as a machine forms a core with respect to our all the industrial areas and industrial bases in the country and which is used as the main pick and carry lift and shift machine, whereas new generation forms a core for most of the infrastructure and construction activity.

And obviously, even after the price increases, there is still, I would say, about a 40% price gap -- 35% to 40% between -- just a second, maybe I'm a little wrong, maybe 30% to 35% between a new generation and a hydra type of crane.

What happened last financial year that when the new emission norms came, so the retail segment, which primarily uses hydra cranes and gives it out on rent even to the industrial areas, they were a little skeptical about the electronic engines and the change in technology, coupled with a sizable price increase with respect to all the emission norm changes.

So -- but all of that has settled in the last, I would say, 7, 8 months. And I feel that in this year, the Hydra to NG will again go back to 60-40, where 60 is Hydra, 40 is NG. So this is one part of your question. The second part is that going forward, we feel that Hydra and NG share would eventually maybe in the next 1 or 2 years, maybe 3 years, land up at around 50-50 and should stabilize there.

But here, what I'm saying is the number of absolute cranes, Hydra, which were sold last year, reduced mainly because the retail segment was skeptical. That skepticism has gone. So that's why we feel the numbers of Hydra, which have already started increasing in the last 3, 4 months. So they will come back, and they will also bring growth to our company because the numbers will increase.

Aditya: Okay. Okay. So like if the -- so part of my question was, so if we see hydra mix improving this year, then will we have some negative impact on realizations as well?

Sorab Agarwal: I don't think so. Realization will only increase for two reasons. That even in the hydra, we are seeing a shift towards higher tonnages. And in the last 3 years, 4 years, we've also launched models, which are 18 tons, 20, 25 tons bigger. So there, again, we are seeing a shift happening. In any case, prices of hydras have increased last year because of emission norm changes.

So -- and the product mix, both hydra and NG, and within new generation itself, we are again seeing higher tonnages gaining traction. So on the whole, I think our average selling prices are only going to increase within the pick and carry segment.

Aditya: Okay. Okay. And sir, you said 3 price increases have taken place so far. So first question is regarding, is this price increase across the product segments you have taken? And what would be the quantum of this price increase taken till now?

Sorab Agarwal: See we pushed 1%, 1.5% in January, then 3%, 4% across the range in March and in June, another 5%, 6%, depending on models and products. So the June price increase is still work in progress. So hopefully, it should be totally realized within the month of July. And so if you put all of this together, it's close to about 10%, in which the last 4%, 5% is under implementation as of now.

Aditya: All right. All right. One last question, sir. Sorry, second last. This quarter over last year, we have seen a gross margin contraction of almost 140 basis points. So is this all related to commodity cost headwinds that we are facing? Or is it something related to mix as well?

Sorab Agarwal: I think in all probability, it will be related to commodity cost only, but I think Mr. Luthra or Mr. Vyom would be able to give a better answer on this if they differ.

Rajan Luthra: Yes. Basically, it is commodity prices, impact of commodity prices because the steel -- as you are aware that the steel prices have gone up by nearly 20%. And not only steel, all other commodities like tire, belt, rubber, plastics, everything has gone up and because of all the geopolitical tensions and the prices of -- everything is going up and up.

So that is what -- which has led to the decrease in the gross margin. But we are taking necessary actions to mitigate this increase by increasing selling prices so that we maintain our margins for the full year.

Sorab Agarwal: And this is the first time, maybe the second time that each and every possible commodity or any input material or component that we were buying. I'm saying any, practically, prices have increased all across the chain. This is a massive commodity increase. Rather our -- I'm sure for all other companies as well, the procurement and the vendor development teams have been totally busy over time in terms to satisfy, pacify the vendors and manage the least possible increments.

Aditya: Right, right. Okay. Just one last question, sir, from my side. So we were looking to -- we were moving to increase our tower crane capacity. What's the progress on that new facility? Are we -- have we made any progress or sites have been finalized? Or what would be a progress on that?

Sorab Agarwal: We have already taken a plan for that and all our plans are ready. And as a matter of fact, we wanted to begin work from April onwards. But unfortunately, this war unfolded in March. So we are -- we will be waiting till September, and we'll finally take a call on the timing of the expansion in September.

So maybe we'll start it off immediately looking at the market scenario or we might defer it by another 6 months. But it can start in October or it can be deferred by another 6 months. So that we will decide only in September.

But in saying this, last year, what we had done, we further did some minor arrangements, rearrangements and also did rent a small factory premises very close to our existing. And so we've actually, in the last 1 year, have been able to increase our capacity to about 1,000 cranes now. So that should suffice in the current scenario with respect to demand.

Aditya: Okay. What would be the location of this plant?

Sorab Agarwal: This plant will be very close to our existing facility about 4, 5 kilometers.

Moderator: The next question is from the line of Suraj Malu from Catamaran.

Suraj Malu: How many backhoe loaders were sold this quarter and last quarter and last quarter of previous year?

Sorab Agarwal: I think we've been averaging close to 150, 160 units backhoe loaders close to about construction equipment close to about 150 plus 150, 160.

Suraj Malu: Thank you. And sir, how do you see this segment evolving over the next 3 years?

Sorab Agarwal: We are very hopeful, yes. I mean we have not tested success so far, but we see a tremendous potential with respect to exports of backhoe loaders as well as domestic market. And we are very hopeful that going forward, this could and this will be one of our fastest growing segments within the crane construction equipment.

Moderator: The next question is from the line of Raksha Srivastava from Narnolia Finance.

Raksha Srivastava: Congratulations on a good set of numbers and thank you for the opportunity. In last quarter, you had mentioned that the specific proof-of-concept regarding the backhoe loader segment would be ready by June or July. Can you share the outcome of this initiative? And also what kind of volume and revenue contribution we can expect from this in this financial year?

Sorab Agarwal: See, it is a work in progress as of now. But yes, we have tested success by something we were trying to do around finance company. And hopefully, by July and August, we should have full clarity, but it's definitely working in the right direction. We had implemented it in 3, 4 specific pockets.

So hopefully, that should help us increase our numbers at a much faster pace. And that is what in the previous answer I just mentioned that, that gives us a lot of confidence that, yes, backhoe loaders, especially could be our fastest-growing segment going forward.

Moderator: The next question is from the line of Aman Saifee from Stallion Asset.

Aman Saifee: I hope I'm audible?

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

Aman Saifee: Yes. Sir, what has been our volume in pick and carry segment for this quarter?

Sorab Agarwal: Luthra sir, you have the exact volume data? Aman, if you can just send us an e-mail, I think we will send you all the volumes.

Rajan Luthra: I think that will be better if I can send an e-mail to them.

Aman Saifee: Okay. Sure, sure. And sir, when I see our unit economics and realization per unit, how much of it for the last 2, 3 quarters has been due to price hike? And how much is it due to the mix change?

Sorab Agarwal: See, the price hike we did in January was all of 1%, 1.5%. So the realization increase in Q4 of last year would have been primarily the product mix. And even in the last quarter, our -- let me just -- so I think it is a combination of both, but especially in Q1, more to do with the, I would say, price increase. But yes, that also happened May onwards. So the effect was only in June.

So you will see a substantial improvement in quarter 2 with respect to further the price increase that was done in May and June. In this current quarter, Q2, you will see even -- we should also see even a better average pricing. I hope I've been able to answer your question. So if you want to ask something more otherwise we move on to the next question.

Moderator: Sir, he has left the queue. I will take the next question. The next question is from the line of Preet from InCred AMC.

Preet: Congratulation on good set of results. I just wanted to ask on the commodity cost pressure. What was the commodity cost inflation for our mix we saw in this quarter? And what kind of pressure do we expect in the next quarter Q2?

Sorab Agarwal: We've seen a lot of pressure in the last 3, 4 months ever since the war started. And the pressure was tremendous. Like I did mention in our last con call also, I think in the month of May, led by steel because steel is one of our biggest inputs. So we feel that the overall inflation is going to be somewhere in the tune of the final effect, which hopefully should be finally settled in July or latest by August with respect to reflection in our costing would be anywhere between 11%, 12%.

And we've already pushed around a 9%, 10% price increase. So maybe going forward, if further volatility happens and there is any further push because of all the unforeseen things which are happening in the world and the Iran war further escalating and maybe some more choke points being created. So I mean, yes, we are expecting it to be around 11%, 12%. We have already booked towards a 10% price increase. We might have to do another 2%-odd going forward. Yes.

But if there is any further pain that comes into the system over the next 1, 2 or 3 months, which cannot be ruled out. So I think our next price action will be depending on what happens in the month of August and September.

Preet: Sure, sir. That was helpful. And sir, despite 11%, 12% price hike in the commodities, we were able to maintain our gross margin. And you mentioned that in the last half of the June, we have taken another 4%, 5% price hike. So are we expecting margin improvement from quarter 2 onwards?

Sorab Agarwal: No, no, that is not the aim. The aim is just to be able to recover our costs. We are not looking at margin expansion. It just happens that basically some 2, 3 months of inventory is generally rolling in the system at the vendor end. So the price increase happens in 1 month, 2 months, 3-month lag depending on the different suppliers.

And obviously, there is some inventory available with us also. So in rotation, the full effect comes generally in 2, 3 months. So our final price increase would have become effective totally by July end. Final impact of inflation will also happen by July and September -- sorry, July and August. So it should more or less marry each other.

So there will not be -- we are not expecting or planning for any net increase in our margins. We are just planning currently to maintain and sustain our profitability, and that is our aim.

Preet: Got it, sir. And sir, if you could just give me a breakup of how much raw material cost inflation we have seen in quarter 1 and how much we would be seeing in quarter 2 out of that 11%, if you could just break it up?

Sorab Agarwal: Vyom if you want to break that 11%, 12%?

Vyom Agarwal: So, Preet, we may not have the exact number, but close to around 5% to 6% could be there in Q1. And going ahead, we have to see the impact coming in Q2.

Sorab Agarwal: More than that has flowed down.

Vyom Agarwal: Yes.

Sorab Agarwal: 7%, 8% has flowed down.

Vyom Agarwal: Flowed down in Q1. So some of them will spill over in Q2 now. Because the price increases happened with a lag with some price increasing happening in April, some of them happening in June. So the complete effect will hit us in Q2. So as you...

Sorab Agarwal: Price increases are -- and some price increases are still pending, which will happen in July and early August.

Vyom Agarwal: Yes. So that is why our pricing actions in the market as well as the price increases that we have taken with our vendors will marry each other in the next couple of months.

Preet: Got it, sir. And sir, do we expect to maintain the same 15%, 16% kind of margins for the full year? Or what would be our guidance on the margin?

Sorab Agarwal: Yes. Last year, on an operating EBITDA level, we did a little over 15% and that is our aim to be able to maintain and sustain. And that is our primary aim in quarter 2 and maybe even in quarter 3 to maintain our profitability.

Moderator: The next question is from the line of Aniket Madhwani from Steptrade Capital.

Aniket Madhwani: Hello, am I audible.

Sorab Agarwal: Yes, you are audible.

Aniket Madhwani: So I just wanted to understand your defense segment. So are you still on the track of delivering around INR200-odd crores of order in FY27?

Sorab Agarwal: Yes, I think we should be doing more than that. It could be another 10%, 15% more than maybe slightly more.

Aniket Madhwani: And what will be the segment mix at the end of the FY27?

Sorab Agarwal: I think what we are seeing is somewhere between 40%, 45% will be manufacturing and logistics, somewhere between 40%, 45% will be infrastructure and construction, including about 10%, 12% in real estate, about 6%, 7% exports, 3% -- sorry, it will be 5%, 6% from defense and about 6%, 7% from agri. So whatever I just said might add up a little more than 100%, but that's why I said 40%, 45% and 40%, 45% for infra and manufacturing.

Aniket Madhwani: So overall, we can conclude that the defense will be contributing around 5% to 6% of your overall revenue?

Sorab Agarwal: Yes, yes. That's we are confident about.

Aniket Madhwani: And any orders received in this particular year from previous quarter I mean around INR570-odd crores from defense?

Sorab Agarwal: Can you just come to that question again, please?

Aniket Madhwani: So have you received any new orders in this quarter?

Sorab Agarwal: See, not any really big order, but yes, small ones keep on happening every month. So INR2 crores, INR5 crores, INR1 crores keep on happening, but yes, not a big one. We are expecting a repeat of a big order, which should be more than INR100 crores, hopefully, in the next 2, 3 months because the execution of the initial order has started in the last quarter. So I think in the next 1 or 2 quarters, we are expecting a repeat order of one of the bigger orders. So that is one good size order in pipeline.

Aniket Madhwani: And the new facility you are targeting this September, October around. So what revenue are you expecting from that facility?

Sorab Agarwal: This particular facility, which we are currently already under construction. And hopefully, in the next 2 quarters, I mean, by end of December, we should be making it functional, let's say, end of quarter 3, early quarter 4, whenever. So this facility will be dedicated for defense manufacturing, the special machines.

And apart from that, a couple of other products which we are currently designing and validating. So I think from this facility combined together, where we are investing close to about INR40 crores, INR50 crores, eventually, we should be able to do a turnover of, just a second. Maybe close to about INR500 crores.

Aniket Madhwani: Sorry, INR500 crores from facility itself?

Sorab Agarwal: Yes, yes, that facility will have a capacity of around -- turnover capacity of close to INR500 crores. And we are doing it in our existing complex only where we had land available. So this is actually the last meaningful chunk of land within our existing complex, close to about 100 acres.

So after this, the existing complex will be more or less full. But yes, by doing some more modifications here and there, a little capacity can further be increased. But yes, practically, the land will be exhausted in our current complex.

Aniket Madhwani: And lastly, what will be the total capex for that facility?

Sorab Agarwal: This one is INR40 crores, INR50 crores, we call it plant 9 within our company. And for the whole year, I think our capex should be somewhere around INR200 crores to INR250 crores, in which the major chunk will go to take over that about INR130 crores, INR140 crores to take over the land, which we had contracted for about 1.5, 2 years back.

And INR40 crores, INR50 crores in this facility and another INR50 crores, INR60 crores in upgradation and some more robotics and automation and coupled with some routine capex maintenance and all that. So somewhere between INR200 crores to INR250 crores should be the figure.

Moderator: The next question is from the line of Lakshminarayanan from Tunga Advisors.

Lakshminarayanan: One question regarding your demand plan. Traditionally, bottom-up demand planning in construction machinery relies heavily on periodic dealer projections. And over the last 3 years, just want to understand how have you integrated the real-time dealer inputs?

And what are the changes you have done from a demand planning perspective to ensure that there is limited channel stuffing or it can also optimize your factory production runs. Just want to understand how your demand planning has actually evolved. And what are the changes you have done in demand planning?

Sorab Agarwal: See, obviously, demand planning plays a very important role. And in our company, it's a very dynamic process. So obviously, we plan for 6 months, 3 months with respect to production numbers, tentative numbers, but we keep on fine-tuning them on a monthly basis. And apart from that, just to cater to some additional demand, which unfortunately, fortunately can -- which is a good thing to happen, goes beyond our plan for the month.

So we -- what we are doing is with respect to our inventory of semi-finished and finished goods with respect to each plant. We do carry a 10%, 20% extra inventory in that category every month to cater to any upward fluctuation. And obviously, if, for example, there's a downward fluctuation, then it gets adjusted in the subsequent months.

Lakshminarayanan: Got it. And how you improved the predictability in the last 4, 5 years because we've had a good growth in the last 3, 4 years. So how have you improved your demand planning predictability?

Sorab Agarwal: Predictability is the only problem that has been in problem in the last 1, 1.5 years, especially after the war last year that operations and do things subdued, then Mr. Trump tariffs just playing with the sentiment of everybody around and now the Iran war. So I think when these special situations arise to be -- and that's one of the main reasons why we're not giving a growth number. We know there will be growth.

We want to give that number. So -- but I think it will be most prudent for us to be able to give a growth number also sometime middle of September, end of September because the answer will be very short. So predictability is one big thing, which we have been suffering from because of these unknown reason or whatever these events you can call them. And that's a real pain as of now.

Lakshminarayanan: Got it. Sir, my second question is regarding the growth drivers. I mean, of course, there are several growth drivers we actually mentioned in our PPT. But if you can just call out 2 or 3 very specific growth drivers, which you think would shape up for the next 3 years, what would they be in which you are really focusing your efforts on?

Sorab Agarwal: See, I feel -- yes, current year, our country's growth might be subdued. So I think our -- but let me go in sequence of possibilities. I think our biggest 2 growth drivers going forward would be inorganic growth and growth in exports. We feel these are going to be really big growth drivers for the company, inorganic growth as well as exports.

Then at number 2, I would place, let's say, the growth which is happening within our country, 6.5%, 7% GDP, whatever, which will lead to growth with respect to our business. And obviously, last 1 or 2 years have generally been troubled because of various factors. But as soon as we see some stability, we feel that this is going to be another major driver, which has traditionally been a major driver, which will help us grow further.

And this ACE KATO joint venture, this will also help us 2 to 3 years from now once the export-ready products, which are totally built on lines of KATO base in Japan. So they will also contribute. But like I said, inorganic growth and exports in the current scenario, we feel are going to be the major drivers.

Yes, over a time frame of 3 years apart from these, the growth of our country, basically our infrastructure growth, our manufacturing growth, our logistics growth. Just look at everything, even data centers. So they've also started contributing about 1.5%, 2% to our revenue, which I noticed. The growth in some form will be happening in our country.

Lakshminarayanan: Just on that because these are all something which is already there in top down, you can look at India growth, etcetera. But is there any specific things you're looking at if you want to call out? I mean, for example, in defense is something which you already called out. I'm saying is there like 2 or 3 things, okay, x state will actually grow well or any specific things? That's what I was looking at.

And also on the KATO joint venture, I want to understand what is the localization plan. And then at the end of, let's say 3 years, what percentage of our production would be localized?

Sorab Agarwal: Okay. So that KATO question, I'll pick up separately. See, looking at particular states, I really can't comment because every state is doing something or the other. South Indian states and Maharashtra are doing much more than others even Gujarat. So there's continuous activity happening, and it's an ongoing process.

But yes, I mean, if you talk of prospects, I think further -- the first high-speed rail is already under construction and hopefully, something should be started in the next 1 year. So another 7 more DPRs are under planning. So that will be a very big boost. Going forward, these data centers will further add some boost.

And I'm sure that even the energy storage, especially oil storage facilities are to maintain the reserve levels. So that is going to add a big boost and even nuclear energy going forward. Solar is already currently giving a big boost if I talk of a segment.

But if you look at the revenue of our company to -- just to have an extra spike, I think inorganic growth will -- apart from all other growth factors, would be one of the significant ones. Inorganic growth, I think, in the next 1 to 2 years because we also have a lot of available on the books, and we have to put it to meaningful use.

But obviously, we do not want to take any decision, which is where the business we are acquiring does not have a competitive moat or let's say, the future prospect of 3, 4x, 6x the possible growth in that business. We have identified some opportunities. We are working on them. And hopefully, they should get through. So things are happening, and we feel inorganic will give us a lot of help in our effort.

Lakshminarayanan: Localization of KATO business?

Sorab Agarwal: Yes. See, KATO business will have 2 types of things, the joint venture. First is our existing cranes and some new models for India are under evolution and they will be upgraded and made equivalent with respect to technology and things with respect to the KATO technology and the standards.

So -- and in this, further localization is going to happen because the quantities are going to improve, I would say, some hydraulic components and certain other high value, yes. But with respect to 100% KATO models, which are also going to be used for exports apart from the domestic models.

There, I think the regionalization level, I feel that because these models will start to roll out approximately 2 years from now, the specific export models, which are based on Japanese design. There, I think we will be -- our aim is to reach a localization level of close to 50%, 60%. And we think it's easily possible.

Then in this venture, there is another feature that KATO Japan because KATO is a big manufacturer not only of crane, but they also do other construction equipment. So they will also be sourcing components and material from India for which ACE is supposed to render those services. So that will again be a revenue stream with respect to ACE. So there will be a lot of impetus on localization and manufacturing locally.

Moderator: The next question is from the line of Divyam Jain from 360 One Capital.

Divyam Jain: So one question on the KATO JV. Sir, how much capital is KATO Japan contributing to the JV? Or is it a technology partner?

Sorab Agarwal: Yes. Total investment envisaged is about INR200 crores. And INR100 crores is being put in cash by KATO. And our portion of INR100 crores is in kind in form of the current machine models, technology and the infrastructure.

Divyam Jain: Right. And sir, by when do we expect to begin the production of those heavy-duty cranes with KATO? Also any technology included?

Sorab Agarwal: The current Indian models, which we have will remain in production. And sometime quarter 4 onwards, these Indian models when the upgrades are ready with KATO technology. So hopefully, the upgraded products as per Japanese standards, we should be able to bring out as early as Q4, and it will be a continuous process.

So it will keep on happening for 1, 1.5 years after that, starting from Q4 of this year. And in about 1 year from now, we will start making dedicated KATO models in India or Indian market as well as exports. So that will happen in year 1 to 2.

Divyam Jain: Right. And no royalty on it, right, since we are only selling to KATO Works?

Sorab Agarwal: There is no royalty on the machines which are being made for India. There is a small royalty, I think, 2%, 3%. That is for KATO-specific design models, which KATO will make in India in the joint venture for the export markets. But then the pricing there is nearly double of Indian pricing. So I think Luthra, 2% royalty or 3%?

Rajan Luthra: 3%.

Sorab Agarwal: 3% on the net selling price of the JV to KATO, right?

Rajan Luthra: That's right.

Divyam Jain: Right, sir. Thanks for that. Lastly, any -- can you throw some light on the anti-dumping duty or any news you have on that?

Sorab Agarwal: Have to be a bit louder, please.

Divyam Jain: So any leads on the anti-dumping duty being notified by the...

Sorab Agarwal: No leads so far, but we are still trying to do whatever best we can. And we feel -- still there is a ray of hope somewhere. So we have not put down our guns totally. We still feel there is a ray of hope.

Divyam Jain: So just one small counter on that. Any reason you think why would they have withdrawn the process because I guess the government was the one who are insisted the industry to apply for the anti-dumping duty, right?

Sorab Agarwal: See, the process, we were motivated by Ministry of Heavy Industry, which is Government of India that why are these Chinese and imported cranes flooding the Indian market. So then obviously, Ministry of Commerce to DGTR, they did the complete investigation and the duty was recommended. And Finance Ministry is the implementation agency with respect to these duties. And it is only in the last leg, the Finance Ministry didn't do it.

So it's like Government of India wanted. Government of India did all the investigation and provided the duty. Finance Ministry did not. I think it is more to do with certain geopolitical things because the whole of last year and especially second half of last year, our country was in line of fire with respect to American tariffs. And I think our country was posturing that we are becoming a little pally with China.

And that's why I think the government has so far avoided to put or implement custom duties. That is my best guess because apart from that, there is no other logical reason why Finance Ministry should not make these duties because every second day, third day, fourth day, you see an article in one of any of the leading newspapers. India is looking for to be Atmanirbhar, self-reliant manufacturing in India, export from India, import substitution.

And here, in a small way only fiscal -- this current account deficit is only going to be catered. Apart from that, for any machine which is going to get imported into the country, the government and the finance ministry is going to get some revenues in form of additional custom duty. So there is no practical explanation.

I think even with the Finance Ministry, why we will not do it. If it is in the interest of the country, if it is in the interest of the manufacturer, it is a win-win situation. But as luck would have had it, I think the timing of our DGTR order with the recommendations was just after Mr. Modi had visited China. So I really can't comment. I don't want to go that far. But I see no reason.

Everybody gains by just implementing the duty. And our country's capacity and capability with respect to bigger crane is not only going to remain intact, it's going to grow much faster. So I think it is a totally uncalled for indecision or a wrong decision, which is currently happening. These are my views.

Moderator: The next question is from the line of Aditya from Old Bridge Mutual Fund.

Aditya: My question is just one, sir. So you said the mix of the cranes in the showing 50-50 towards hydra and new generation.

Sorab Agarwal: Going forward?

Aditya: Yes, going forward. Yes. So what do you think will be the incremental factors contributing to this because the pricing differential will still be there, right?

Sorab Agarwal: Yes. See, what will happen is the new generation type of cranes are more stable. They are presumed to be more safer. They are safer as compared to the old generation of hydra type. So I believe that certain industrial users, at least the bigger ones will also move towards the new generation. And that's why I feel that it will go and stabilize around 50-50.

Aditya: Okay. And for us also, the mix is 60-40 in our volumes, correct?

Sorab Agarwal: Yes. And last 2 years, we have been leaders in new generation segment also. And if everything goes well, we will expand our market share in the new generation segment within this year.

Moderator: The next question is from the line of Madhur Chaturvedi from MAIQ Investment.

Madhur Chaturvedi: Congratulations on a good quarter. I would just like to ask a couple of questions, sir, that you mentioned regarding recent events. Sir, when we take a price hike based on commodity pricing, once the commodity price historically normalizes, do the price hikes stick? So how does that generally work across maybe a 3-, 4-year cycle in our business?

Sorab Agarwal: See, generally what happens if the commodity cycle rolls back, let's say, in the preceding 6 months, 8 months. Then obviously, a certain portion of that needs to be passed back and that will be prudent. But if the commodity price increase ticks on for longer than that 6, 8 months, then generally, there is a tendency in the industry not to give it back because even our vendors also don't really pass it back.

Madhur Chaturvedi: Understood. So the 6-, 8-month threshold is what we measure this. Sir, and secondly, just another small question on recent events. For us, generally, given the nature of the monsoon, as you've also guided, Q1 is generally leaner versus -- first half is generally leaner than the second half because of the monsoon and the construction activity.

So in a year like this, where the monsoon has been erratic or it might get delayed, does that change plans? Or does this -- again, is this only if it persists for a longer period of time, does this change your clients' purchasing patterns generally?

Sorab Agarwal: It does. See, to be very frank with you, even our economy as a country, if the monsoons are normal, sufficient is the right word, then the economy tends to do well. But yes, if the monsoons are efficient, then somewhere there is definitely a hit, especially in the, I would say, Tier 2 or the rural areas because construction and cranes and things even do go there.

So that side of the business definitely takes a hit if the monsoons are deficient. But I'm not -- when I say hit, I don't mean something new, but yes, it can lead to a 5%, 7%, 10% up and down if the monsoons are not full or effectively.

Madhur Chaturvedi: Understood, sir. That makes sense. And this hit and it is an aggressive word or this variability.

Sorab Agarwal: I also tried to tone it down.

Madhur Chaturvedi: Yes. I understood. I understood your point. Sir, this variability, sir, generally, this impact we can see in the same calendar year in the same season? Or is this something that comes I'm just trying to understand the purchase patterns of our clients. So then, is it -- does it affect...

Sorab Agarwal: It happens in the second half of the same year.

Madhur Chaturvedi: Understood. So they generally get deferred.

Sorab Agarwal: And it becomes evident in quarter 3 itself.

Moderator: Thank you. Ladies and gentlemen, due to time constraints, that was the last question for today. I would now like to hand over the conference to the management for closing comments. Over to you, sir.

Sorab Agarwal: India's economy growth, everything. And we believe that currently, we are in turbulent times. And I think each of the nations in the world and especially India being such a fast-growing economy, everybody is looking forward to energy security. And in the meantime, all of this mess is causing a lot of inflation.

And we are, I think, reasonably uncertain with respect to -- not reasonably uncertain, I would say that there is uncertainty with respect to the growth in demand going forward. But even in light of the inflation and the demand forecasting being in a little jeopardy, we believe that we are on a growth track within this year.

And how much we'll be able to grow, I think definitely end of quarter 2, we should be able to project and then come to a conclusion. And all our building blocks with respect to our medium-term to long-term growth are in place. Our capacity is in place.

We are even continuously working on our cost and process and system upgradation and even as we speak. And hopefully, future will hold good things for the country and also for our company, along with all other companies. And I think going forward, we should be able to create even better value for our stakeholders. Thank you.

Moderator: Thank you. On behalf of Anand Rathi Share and Stock Brokers Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.

Sorab Agarwal: Thank you.

Rajan Luthra: Thank you.