April 25, 2025

Action Construction Equipment Ltd.: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term/ Short-term – Fund-based limits	195.00	175.00	[ICRA]AA(Stable)/[ICRA]A1+; reaffirmed
Long-term/ Short-term – Interchangeable limits	(150.00)	(110.00)	[ICRA]AA(Stable)/[ICRA]A1+; reaffirmed
Long-term/ Short-term – Non-fund based limits	461.00	461.00	[ICRA]AA(Stable)/[ICRA]A1+; reaffirmed
Long-term/ Short-term – Unallocated limits	-	20.00	[ICRA]AA(Stable)/[ICRA]A1+; reaffirmed
Total	**656.00**	**656.00**	
Commercial paper	**35.00**	**35.00**	[ICRA]A1+; reaffirmed

**Instrument details are provided in Annexure I*

Rationale

The rating reaffirmation continues to take into consideration Action Construction Equipment Ltd.'s (ACE) strong operational and financial performance, aided by its well-established market position in the crane and forklift segments. ACE's strong business profile is supported by a well-diversified portfolio spanning applications in infrastructure, industrial and agriculture sectors. The company's presence in the infrastructure sector is especially strong and it is a market leader in the mobile and fixed tower crane segment. In this segment, the company has a 60-65% market share, which is supported by the well-established ACE brand, wide product offerings, frequent product innovations and cost-competitive products. Besides its leading market position in the cranes segment, ACE is also one of the leading players in the material handling segment. The strong market position across product segments provides healthy earning visibility and is likely to help the company maintain a strong credit profile. Even as the company's revenue growth prospects over the near term may remain constrained by a moderation in demand on account of a revision in emission norms (and resulting increase in prices across a majority of the product range), the strong Government focus on the infrastructure sector is likely to aid its revenue growth prospects over the medium term.

The ratings further take into consideration the company's strong financial risk profile with Interest coverage of 12.7 times and Total Debt/ OPBITDA of 0.3 times during April–September FY2025. Aided by healthy cash accruals and limited capital expenditure over the last few years, the company has maintained a net-negative debt position. Further, the company's liquidity profile is supported by surplus cash and liquid investments (~Rs. 385 crore as of February 29, 2025) and buffer in the working capital facilities, against which it has nil long-term debt repayments and moderate capex requirements. Going forward, ICRA expects ACE's credit profile to continue to be healthy, aided by gradual scale-up of operations and comfortable profitability indicators. Its capex requirements (estimated to be Rs. 150-200 crore/annum over FY2026–FY2027) are expected to be largely funded from internal accruals and available cash and investments, thus keeping dependence on incremental borrowings low.

During April–December FY2025, the company's sales volume grew by ~11% YoY (despite the impact of the General Elections and moderation in tractor volumes) aided by the Government's increased thrust on the infrastructure sector and healthy demand across the industrial, manufacturing, logistics and agriculture sectors. Although its market share in construction equipment (CE; wherein it offers products such as backhoe loaders, soil compactors, graders and piling rigs) and tractor segments remain low at present, ACE has maintained its focus on improving its presence in these two segments by upgrading its products, strengthening its financial tie-ups and expanding its dealership network. Going forward, the company's business prospects are expected to be aided by the Government's continued focus on infrastructure spending as well as ACE's efforts to improve its presence in the agricultural equipment and CE industries. A strong operating performance is expected to translate into healthy earnings for the company, thereby aiding it in maintaining its strong financial risk profile.

The ratings remain constrained by ACE's exposure to the cyclicality of its end-user industries, primarily in the cranes, material handling and CE segments (together constituting ~93% of its revenue), wherein growth is directly related to infrastructure investments and indirectly to the country's economic growth. The company also remains exposed to stiff competition from other established players, especially in the CE and tractor industries. Its profit margins, although significantly improved over the past two years, still lag some of its peers as some of its products, such as backhoe loaders and tractors, are priced at a discount, compared to market leaders in the respective segments. Nevertheless, its profitability indicators in the CE and tractor segments are likely to improve over the medium term, aided by expectations of an increase in the scale of operations and benefits of operating leverage.

The Stable outlook on the long-term rating reflects ICRA's opinion that ACE will maintain its market leadership in the cranes segment, with healthy cash accruals helping it maintain a strong financial risk profile despite material capex plans.

Key rating drivers and their description

Credit strengths

Well-diversified product portfolio spanning infrastructure, industrial and agricultural sectors – ACE has a diverse portfolio across applications in infrastructure, industrial and agricultural sectors. Its presence in the infrastructure sector is especially strong and it is one of the few companies to offer an entire range of products for the sector. In addition, ACE has been ahead of the market in introducing new models/variants for specific applications, such as the electric mobile crane, crawler crane with 180T capacity, the NX series multi-activity cranes, li-ion electric forklift and multi-purpose tractors.

Market leader in cranes segment; among top three players in forklift segment in India – ACE is the market leader in the crane segment with ~60-65% share in the pick-and-carry and fixed tower crane products. It has been continuously innovating and launching new product offerings to keep its product portfolio fresh and relevant. It is also among the top three players in the forklift segment in India, along with Godrej & Boyce Mfg. Co. Ltd. and Kion Group AG. Given the increasing demand from the e-commerce sector, ACE has expanded its product offerings to include new products, such as electric stackers, fork-over-manual stackers, semi-electric stackers and heavy-duty electric pallet trucks, among others.

Strong credit metrics characterised by low leverage and strong liquidity profile – The company has strong credit indicators supported by low capex in the past few years and healthy improvement in its scale and profitability. During April–December FY2025, the company's interest coverage indicator remained strong at 13.8 times. Its financial profile is supported by surplus cash and liquid investments (~Rs. 385 crore as on February 29, 2025) and buffer of Rs. 90-100 crore in working capital facilities against drawing power. Going forward, ICRA expects the company's credit profile to remain strong, aided by scale-up of operations and comfortable profitability indicators; its moderate capex requirements are expected to be funded from internal accruals and available cash and investments, thus keeping dependence on incremental borrowings low.

Credit challenges

Exposed to cyclicality in end-user industries – ACE is exposed to the underlying cyclicality of its end-user industries, primarily in the CE and cranes segments, wherein growth is directly related to infrastructure investments and, in turn, to domestic economic growth. Nevertheless, supported by the Government's focus on increasing infrastructure spending, construction activity is expected to see growth in the coming quarters, which will support volumes for the cranes and CE segment and, in turn, support ACE's revenues as well. Further, with a change of emission norms for the wheeled CE segment, the volumes might be impacted in the near term as there was significant pre-buying in Q4 FY2025. The prices of the equipment are expected to materially increase on account of the revision in emission norms, which may constrain near-term demand.

Stiff competition from established foreign and domestic players, especially in CE and tractor industries – The company faces stiff competition from established foreign and domestic players in the CE and tractor industries. In the CE industry, it faces intense competition from JCB India in the backhoe loader segment, and from Escorts Kubota India, Volvo Construction Equipment and Hitachi Construction Machinery in the soil compactor segment, apart from Caterpillar and Leeboy in the motor grader segment. The tractor segment is dominated by incumbents, such as Mahindra & Mahindra (M&M), Tractor & Farm Equipment Limited (TAFE) and International Tractors Limited, and ACE faces significant competition from them. Nevertheless, ACE has been focusing on improving its presence in these two segments by upgrading its products, strengthening its financial tie-ups and expanding its dealership network.

Profitability indicators lag peers owing to limited scale in certain segments; ability to pass on commodity price hardening to customers remains monitorable – The company's profit margins lag behind some of its peers in segments such as CE (backhoe loaders) and tractors as its products are priced at a discount, compared to the market leader in the respective segments leading to small scale of operations in these spaces. Nevertheless, ACE's OPM improved to 14.5% in 9M FY2025 from 13.9% in FY2024 and 10.6% in FY2023, supported by cost-control measures and improvement in scale of operations in the cranes segment leading to operating leverage benefits. Going forward, its profitability indicators are likely to remain at comfortable levels, aided by expectations of improvement in the scale of operations as well as by the company's cost-control initiatives.

ESG related comments

Environmental considerations: Construction/ agricultural equipment original equipment manufacturers (OEMs) remain exposed to climate transition risks emanating from a likelihood of tightening emission control requirements, with the Government focused on reducing the adverse impact of vehicular emissions. Accordingly, the OEM's prospects remain linked to its ability to meet tightening emission requirements. Industry players may need to invest materially to develop products that meet regulatory thresholds and expected transition to electric vehicles (EVs), which may have a moderating impact on their return and credit metrics. The exposure to litigation/ penalties from issues related to waste and water management for manufacturers remains relatively low.

Social considerations: Construction/ agricultural equipment OEMs have a healthy dependence on human capital and retain human capital, maintaining healthy employee relationships as well as a supplier ecosystem remains essential for disruption free operations. Another social risk that such OEMs face pertains to product safety and quality, wherein instances of product recalls and high warranty costs may not only lead to financial implications but could also harm the reputation and create a more long-lasting adverse impact on demand.

Liquidity position: Strong

ACE's liquidity profile is expected to remain **strong**, supported by healthy cash flows, cash and liquid investments of ~Rs. 385 crore as on February 29, 2025 (of total cash and investments of about Rs. 950 crore) and undrawn working capital limits of ~Rs. 82 crore against the drawing power of ~Rs. 101 crore as of February 2025. In relation to these sources of cash, ACE has nil debt repayments and capex requirements of ~Rs. 150-200 crore in FY2026 against expected retained cash flows of ~Rs. 300.0 crore per annum. Overall, ICRA expects ACE to meet its near-term commitments through internal sources of cash, available cash balances and available lines of credit and yet be left with healthy cash surpluses.

Rating sensitivities

Positive factors – ICRA could upgrade ACE's long-term rating in case of scale-up in business in the agriculture equipment and CE segments through meaningful market share traction, while maintaining its strong position in the overall cranes segment in India. A sustained improvement in profitability indicators, while maintaining strong credit metrics, could also lead to an upgrade in the ratings.

Negative factors – ICRA could downgrade ACE's rating in case of weakening of financial risk profile led by working capital deterioration or large debt-funded capex that results in credit metrics such as Total Debt/OPBDITA remaining above 1.2 times, on a sustained basis. Additionally, weakening of profitability and return indicators such as ROCE, on a sustained basis, could lead to a downgrade in the rating.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Construction vehicles Tractors
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the consolidated financial statements of the company. As on December 31, 2023, ACE had four subsidiaries who are enlisted in Annexure II.

About the company

Action Construction Equipment Limited, incorporated in 1995, is one of the leading cranes and material handling manufacturers in India, with market leadership in the mobile and fixed tower cranes segment. Over the years, the company has diversified its presence by foraying into the CE (backhoe loaders, soil compactors, graders and piling rigs), material handling (forklifts) and agriculture equipment (tractors and harvesters) industries. The cranes segment remains the mainstay of the company, contributing ~78% to its turnover in 9M FY2025, followed by construction equipment (~8%), agriculture equipment (~7%), and forklifts (~7%). In India, ACE is a market leader (60-65% share) in the mobile and fixed tower cranes segment, which find applications in sectors like metro construction, mining, manufacturing, industrial development and the railways. The company's market position is supported by its well-established brand, ACE, its diverse product offerings as well as its extensive and cost-competitive after-sales footprint. Apart from cranes, the company has emerged among the top-three players in the forklift segment in India. However, its share in the CE and tractor segments remains low at present, where it faces stiff competition from foreign and domestic players, respectively.

ACE is promoted by Mr. Vijay Agarwal, a first-generation entrepreneur with over 50 years of industry experience. Mr. Agarwal is supported by his son, Mr. Sorab Agarwal, who is responsible for overall marketing and new product initiatives. ACE has four manufacturing units with the mother plant located in Palwal (Haryana), two fabrication units and an R&D centre in Faridabad (Haryana). The company went public in 2006 and is currently listed on both the Indian stock exchanges with the promoters controlling 65.4% stake as on December 31, 2024.

Key financial indicators

Consolidated	FY2023	FY2024	9M FY2025*
Operating income	2,159.7	2,913.8	2,366.1
PAT	173.0	328.2	290.7
OPBDIT/OI	10.6%	13.9%	14.5%
PAT/OI	8.0%	11.3%	12.3%
Total outside liabilities/Tangible net worth (times)	0.7	0.8	NA
Total debt/OPBDIT (times)	0.5	0.5	NA
Interest coverage (times)	22.3	17.4	13.8

*Source: Company, ICRA Research; *Based on Limited audited financials; All ratios as per ICRA's calculations; Amounts in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

		Current (FY2026)			Chronology of rating history for the past 3 years					
			FY2026		FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Commercial paper	Short term	35.00	**Apr 25, 2025**	[ICRA]A1+	Apr 29, 2024	[ICRA]A1+	Apr 26, 2023	[ICRA]A1+	Apr 07, 2022	[ICRA]A1+
Fund based limits	Long term and short term	175.00	**Apr 25, 2025**	[ICRA]AA (Stable)/ [ICRA]A1+	Apr 29, 2024	[ICRA]AA (Stable)/ [ICRA]A1+	Apr 26, 2023	[ICRA]AA (Stable)/ [ICRA]A1+	Apr 07, 2022	[ICRA]AA (Stable)/ [ICRA]A1+
Non fund-based facilities	Long term and short term	461.00	**Apr 25, 2025**	[ICRA]AA (Stable)/ [ICRA]A1+	Apr 29, 2024	[ICRA]AA (Stable)/ [ICRA]A1+	Apr 26, 2023	[ICRA]AA (Stable)/ [ICRA]A1+	Apr 07, 2022	[ICRA]AA (Stable)/ [ICRA]A1+
Interchangeable	Long term and short term	(115.00)	**Apr 25, 2025**	[ICRA]AA (Stable)/ [ICRA]A1+	Apr 29, 2024	[ICRA]AA (Stable)/ [ICRA]A1+	Apr 26, 2023	[ICRA]AA (Stable)/ [ICRA]A1+	Apr 07, 2022	[ICRA]AA (Stable)/ [ICRA]A1+
Unallocated limits	Long term and short term	20.00	**Apr 25, 2025**	[ICRA]AA (Stable)/ [ICRA]A1+	-	-	Apr 26, 2023	[ICRA]AA (Stable)/ [ICRA]A1+	Apr 07, 2022	[ICRA]AA (Stable)/ [ICRA]A1+

** Withdrawn*

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term / Short-term – Fund based – Cash credit	Simple
Long-term / Short-term – Interchangeable limits	Simple
Long-term / Short-term – Non fund based	Simple
Long-term / Short-term – Unallocated limits	Not applicable
Commercial paper*	Very simple

*The complexity indicator for the CP Programme is based on ICRA's assumptions and is subject to change when the terms are eventually finalized.

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Fund based limits	NA	NA	NA	175.00	[ICRA]AA(Stable)/[ICRA]A1+
NA	Non fund-based facilities	NA	NA	NA	461.00	[ICRA]AA(Stable)/[ICRA]A1+
NA	Interchangeable limits	NA	NA	NA	(110.00)	[ICRA]AA(Stable)/[ICRA]A1+
NA	Unallocated limits	NA	NA	NA	20.00	[ICRA]AA(Stable)/[ICRA]A1+
NA	Commercial paper	Yet to be placed			35.00	[ICRA]A1+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA]

Annexure II: List of entities considered for consolidated analysis:

Company Name	Ownership	Consolidation Approach
Action Construction Equipment Ltd.	100.00% (rated entity)	Full Consolidation
SC Forma SA, Botosani (Romania)*	89.52%	Full Consolidation
Namo Metals (Partnership Firm)	90.00%	Full Consolidation
Crane Kraft India Private Limited	100.00%	Full consolidation
Action Construction Equipment Limited Employees Welfare Trust	100.00%	Full consolidation
ACE Emergency Response Service Trust	100.00%	Full consolidation

*Source: ACE financial results for 9M FY2025; Under liquidation**

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