

Action Construction Equipment Limited

Corporate & Registered Office

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



Date: February 13, 2024

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,
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Subject: Earnings Call Transcript Q3-FY24.

Dear Sir/Madam,

Pursuant to Regulation 30 and 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith, Earnings Call Transcript (Q3-FY24) of the Company.

Kindly take the above in your record.

Thanking You.

Yours faithfully,
For Action Construction Equipment Limited

Anil Kumar
Company Secretary & Compliance Officer



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Action Construction Equipment Ltd.
Q3 FY24 Earnings Conference Call

Event Date / Time : 07/02/2024, 16:00 Hrs.
Event Duration : 69 mins 07 secs

CORPORATE PARTICIPANTS:

Mr. Sorab Agarwal
Executive Director

Mr. Rajan Luthra
Chief Financial Officer

Mr. Vyom Agarwal
President and Head of Investor Relations

Mr. Mohit Kumar
ICICI Securities Limited

Q&A PARTICIPANTS:

1. **CA Garvit Goyal** : Invest Analytics
2. **Nishant Parikh** : Individual Investor
3. **Amol Rao** : Kitara Capital Pvt Ltd
4. **Rashmika Srikanth** : Rika Enterprises
5. **Nihar Shah** : Crown Capital
6. **Suhrid Deorah** : Paladin Capital
7. **Puneet Zaveri** : Individual Investor
8. **Arushi Shah** : Shushil Financial Services Pvt Ltd
9. **Ashwin Dsouza** : Individual Investor
10. **Sarika K** : Individual Investor

Moderator

Good evening, ladies, and gentlemen. I am Pelsia, moderator for the conference call. Welcome to Action Construction Equipment Limited Q3 FY24 Earnings Conference Call. As a reminder, all participants 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 * and then 0 on your touchtone telephone. Please note this conference is recorded. I would now like to hand over the floor to Mr. Mohit Kumar from ICICI Securities Limited. Thank you and over to you, sir.

Mohit Kumar

Thank you, Pelsia. Good evening. On behalf of ICICI Securities, I would like to welcome you all for Q3 FY24 earnings call of Action Construction Equipment. To discuss the result today, we have with us Mr. Sorab Agarwal, Executive Director; Mr. Rajan Luthra, Chief Financial Officer and Mr. Vyom Agarwal, President. I will hand over the call to the management for his opening remarks post which we will start Q&A. Over to you, sir.

Sorab Agarwal

Good evening, everybody and welcome to this earnings conference call for discussing the results for the quarter and nine months ended 31st December 2023. I take this opportunity to wish all of you a fabulous new year with good health and happiness. Along with me, in today's earnings con call, we have our CFO Mr. Rajan Luthra and our Head of Investor Relations, Mr. Vyom Agarwal. I hope that you all have had a chance and opportunity to look at the company's financial statements and the earnings presentation which have been circulated and uploaded at the stock exchanges.

Over the last few years guided by our focus on customer-centricity, execution, and agility in operations, we have been able to set our company on the course of a predictable and sustained high performance trajectory. And today, we have the opportunity to highlight our execution rigor through our robust performance. To brief you on the financial performance of the Q3 of FY24 on a standalone basis. The operational revenue grew by 36% on a YoY basis from INR 555 crores to INR 753 crores which is our best ever quarterly revenue so far. The EBITDA of the company grew to INR 125.89 crores as against INR 67.67 crores in the corresponding quarter last year. The EBITDA margins expanded by 415 basis points to 16.22%. The PBT stood at 14.76% at INR 114.58 crores and PAT margin was 11.41% at INR 88.52 crores. The PBT and PAT margins expanded 400 and 340 basis points respectively on a YoY basis.

I am delighted to share that these are best quarterly revenues, EBITDA, PBT and PAT numbers in the history of our company. For the 9M ended FY24, the operational revenue grew by 34.34% as compared to a similar period of FY23 and stood at INR 2,076 crores with EBITDA of INR 329 crores which is 98% growth on a yearly basis. Our PBT grew by 105% to INR 300 crores. PAT stood at INR 229 crores, which grew by 110% on a yearly basis. The EBITDA margins expanded by 480 basis points to 15.44%, PBT expanded by 470 basis points to 14.09% and PAT margins expanded by 377 basis points to 10.77%.

Now, let me give you a sequential perspective. For the Q3 FY24, the operational revenues grew by 12% on a QoQ basis, the PAT during the quarter increased by 20% on a QoQ basis and the PBT and EBITDA numbers registered a growth of approximately 19% respectively with further expansion in profit margins. The Company sustained its growth momentum across all operating segments during the quarter gone by. In the Crane segment, we fortified our dominant market leadership position and registered revenue growth of 43% YoY to INR 552 crores with margins of 16.24% which expanded by 280 basis points. The Construction Equipment segment clocked revenue growth of 45% to INR 90.35 crores with EBITDA expansion of 143 basis points leading it to 11.7%.

The Material Handling segment grew by 9% and recorded a revenue of INR 48.3 crores with margins at 16.3% which expanded by 65 basis points. The Agri division was more or less flat and registered revenue of INR 62.4 crores while maintaining margins at 3.85%. Our consistent strong all-round performance is a testimony to our strategic clarity, strength of our brand capabilities, execution skills along with agility in running the business; and most importantly, the determination and passion of our talented, purpose-driven team members.

On the operational side, the global economy remains sluggish largely due to structural weakness in the Chinese economy and in advanced economies. Growth is set to slow to 1.2% in 2024 from 1.5% in 2023 as per World Bank estimates. India remains a bright spot amidst slowing global economy with real GDP growing by an impressive 7.6% YoY in Q2 FY24. This was driven by multidimensional and purposeful policy interventions by Government of India with particular focus on Infrastructure and Manufacturing sector. The growth momentum India continues to be strong. We have taken global headwinds and higher interest rates in our stride. Consumer sentiment remains healthy and with improved capacity utilization across sectors for industries. These factors are ideal for an uptick in private CapEx and will continue to aid our future growth. This makes us believe that the demand scenario for our products should be further strengthened and will continue to provide strong growth momentum to our company in the medium to long term.

As discussed during the last con call, our CapEx plans are on target and the new manufacturing facility for higher capacity SLU cranes, that is truck cranes, crawler cranes and rough terrain cranes along with

expanded capacities for pick and carry cranes, forklifts and tower cranes have been made partially operational in the previous quarter and shall become fully operational by end of Q4 of the current year.

Looking at the buoyancy in the Indian economy and keeping in mind our future expansion plans, the company has finalized to acquire additional 80 acres of land in close vicinity of our existing manufacturing setup as our existing land parcel of around 100 acres would have limited our growth prospects beyond INR 5,000 crores of revenue.

Looking ahead, we would like to upgrade our previous guidance and expect a growth of at least 30%-plus in Crane segment for the current year and reiterate our growth rates around 50% in Construction Equipment segment and 15% to 20% growth in Metal Handling and Agri segments during the year. On the whole, we are now looking at growth in excess of 32% with consolidation in margins at current levels for the company.

Further, our Hon'ble Finance Minister has presented the Interim Union Budget which sets out realistic and inclusive vision for the nation. A mix of judicious and bold policy moves has placed India in a sweet spot which bodes well for our Company in the medium to long term. The capital expenditure outlay has been stepped up by 11.1% to INR 11.11 lakh crores in 2024-2025. Allocation towards capital expenditure and infrastructure layout will enhance opportunities for investment in sectors like railways, roads, urban infra housing and defense. With equivalent focus on the Manufacturing sector, our country is on the move and is moving fast to realize our Hon'ble Prime Minister's vision of making India the third largest economy in the world within the next five years. I recall his famous words for all of us Yahi Samay Hai, Sahi Samay Hai, Bharat ka Anmol Samay Hai. We would like to assure all stakeholders that we are well prepared, future ready and remain optimistic about the medium to long-term prospects of the Company and believe that our building blocks are firmly in place for sustainable growth in all of our four business segments.

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

Q&A

Moderator

Thank you, sir. Ladies and gentlemen, we will now begin the question-and-answer session. If you have a question, please press * and 1 on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing * and 1 again. Ladies and

gentlemen, if we have any questions, please press * and 1 on your telephone keypad. First question comes from CA Garvit Goyal from Invest Analytics. Please go ahead.

CA Garvit Goyal

Good evening, sir. Congrats for a good set of numbers.

Sorab Agarwal

Thank you.

CA Garvit Goyal

My first question is on your guidance for FY24 actually and for next three to four years as well. So, looking at first 9Ms numbers and you also mentioned 32% growth for FY24. So, it seems you are comfortable to achieve INR 2,800 crores kind of revenues in FY24. So, what are the underlying factors across our segments that give the management the confidence in reaching the ballpark number of INR 5,600 crores in next three to four years as per the earlier guidance?

Sorab Agarwal

First of all, you have to understand that our Company is operating in infrastructure and manufacturing space, apart from Logistics and Agri. But obviously, Infrastructure and Manufacturing being more prominent. I think the entire country's focus and the government's focus is on creating assets, doing capital expenditure, and focusing on increasing India's manufacturing progress. So, owing to all that in FY21 we had thought that, we were at INR 1,200 crores revenue approximately, we plan to double it by FY24, that is, make it INR 2,400 crores. But by FY23 we had already achieved INR 2,200 crores. So, it was much faster than what we had anticipated.

Going forward, looking at the momentum, looking at the growth prospects, looking at the overall scenario in the economy and let's say utilization levels of all companies Manufacturing sector and government's focus on Infra, we feel that this momentum is here to stay. Let's say, if we take FY23, INR 2,200 crores as our base, so we should easily be able to double it to INR 4,400 crores by FY26. So, from FY23 to FY26, easily INR 4,400 crores. And going forward, yes, what you just said, that's also possible by FY27 doing somewhere close to INR 5,500 crores, INR 5,600 crores.

CA Garvit Goyal

Looking at like Infra growth you mentioned. So, how do you see our product basket catering the different aspects of this expenditure? That is one. Considering that this CapEx growth is non-recurring in nature. Do you see any kind of demand slowdown after one-and-a-half year or two years for our products?

Sorab Agarwal

I really cannot comment on that. But like I said, let's say if I talk about the core portfolio cranes, they are used both infrastructure as well as manufacturing. So, about 50%, 60% is towards infrastructure and construction, including real estate. And balance is hardcore manufacturing. Both these things are growing. And the machines have a life, depending on the machine between 8 years to 12, 13 years depending on the usage and let's say the maintenance of the machine. I think in our country, not for the next three, four, five years. I don't think we expect a slowdown. Rather the whole world is focused in a way that India is one of the best investment opportunities with respect to growth. We also have a population which is consuming and it is pretty big in size. So, I don't see. That's why we have about 100 acres industrial park where we are currently set up and we have consumed about 80, 85 acres there with our recent expansions. We realized that which has given us a capacity today of achieving revenue up to INR 4,000 crores. And we realized that the additional land which was available, we could only go up to INR 5,000 crores. So, keeping in mind our future plans, that is why even we have decided to go ahead and buy about 80 acres more land parcel, so that land availability in chunk is not a hindrance to our future growth.

CA Garvit Goyal

Understood, sir. Coming on the innovation side, like you mentioned, the electric crane. So, what is the status of that product and what are the development on this side? That is one. And secondly, what kind of demand outlook do you see in the upcoming quarter for this particular product?

Sorab Agarwal

We have had a lot of interest in the last 8, 10 months, ever since this machine has been available with us. Everything is ready. We are ready to go to the market. We have been ready for the last three, four months, totally. Unfortunately, as mentioned in the earlier con call, we are still awaiting the CMVR, Central Motor Vehicle Rules, to be formulated for electric construction equipment which have been pending. As of now, they're pending at Ministry of Road Transport and Highways. And we expect that to

go through any time. So as soon as that happens, we can start delivery. Maybe it can happen in this quarter. That's what it appears to be. Apart from that, our other technical innovation which is also first in India is the aerial work platforms, self-propelled aerial work platforms, 21 meter and 27 meters height. Going forward, obviously, we'll be adding more models to it, a 40 meters, 44 meters model. So, there also, we are ready to go to the market and we expect to start deliveries within February or early March.

CA Garvit Goyal

So, this February and early March?

Sorab Agarwal

Yes.

CA Garvit Goyal

So, are these rules any kind of certification? What kind of these things are like? Can you put some color?

Sorab Agarwal

I will. Yes, I've understood your question. See any vehicle which flies on the road, which travels on the road like a car, commercial vehicle, HCV. So, they need to have a registration number, an RTO number. To get a registration number, you need to be certified as per CMVR rules, Central Motor Vehicle Rules, that your vehicle is safe and meets all the regulations for motor vehicles so that it can safely fly on the road. So, the rules are CMVR rules and the certification is given by Automotive Research Institution of India, ARAI or ICAT and other three, four such agencies. So, we are just waiting for the CMVR rules. As soon as we get it, we have the draft rules and our machines totally comply with it. So, once the final rules are gazetted, we will just take a certification from ARAI after the inspection, and we can sell our machines so that they can also travel on road and they can have a registration number.

CA Garvit Goyal

Understood, sir. And one last question, then I'll go back to the queue. We have observed a significant improvement in our margin profile QoQ, for last, I think four to five quarters. So, could the management elaborate on the reasons behind this improvement? Furthermore, do you believe the current margin can be sustained as we scale towards the revenue target of say INR 5,500 crores in next three years?

Sorab Agarwal

The main reason behind this is the company's hard work and obviously operating leverage, which has played in our very strict and well-monitored cost controls in place with respect to any type of cost that we incur. I think this year, we expect to finish with a 15.5%-plus EBITDA level on a whole year basis, which is definitely much better, 11.33% was the EBITDA level last year. Going forward, I think it is sustainable. Obviously, there are some caveats. Unless and until there is some huge fluctuation in commodity price, I think that is the biggest risk that I see with respect to margins.

But on the better side, I would say that with every about INR 400 crores, INR 500 crores increase of annual revenue, I think we can look at further expansion of around 75 to 100 basis points with respect to our margins going to operating leverage. So, once from current years, let's say even if we do a 32%, maybe upwards of INR 2,800 crores, maybe touching close to INR 2,900 crores, obviously that will unfold by end of March and going up to INR 5,000 crores and beyond. So, I feel that with every INR 500 crores-odd of additional revenue our margins still have a scope to expand further.

CA Garvit Goyal

All the best, sir. Thank you very much for the opportunity.

Sorab Agarwal

Thank you.

Moderator

Thank you. I request the participants to restrict with two questions in the initial round and join back the queue for more questions. Next question comes from Nishant Parikh, an Individual Investor. Please go ahead.

Nishant Parikh

Good afternoon, sir. Congratulations, great set of numbers. I want to understand. How are we planning to foray into the defense sector and what products are we looking over there?

Sorab Agarwal

We have already started supplying to defense sector in the last three, four years and in a reasonably meaningful fashion with respect to our plans, especially in the last one, two years. Currently 2-2.5% of our revenue we are already garnering from the defense sector. If I talk of the types of machines, which is the orders are under execution. The last big order under execution was about a INR 500 crores or INR 550 crores. It was an MPT. It's a multipurpose tractor. It was a 4x4 special purpose built with different type of attachments which the army required. So, that we have executed in the last one year. And currently, there are some special 8-ton forklifts, about 60 numbers which is under execution.

There's special purpose-built cranes for Medium Range Surface to Air, MRSA project on each of them costing about INR 70 lakhs, INR 80 lakhs which is under execution. Then there are 60-ton truck mounted crane which is purpose built on the army 8x8 special vehicle. 8x8 or 6x6, I'm forgetting. So, each one of them costing about INR 1.5 crores to INR 2 crores. These are used for the bigger missile handling like Agni, Prithvi, the heavier missiles. So, they need a 60-ton crane at a particular radius. Similarly, on a regular basis, we are about to receive an order of around 99 and another order of around 66 two-ton, three-ton forklifts. Very recently Army, which is a very big win for us, that the requirement is more than 330 units of forklifts which we had supplied this similar model to them six-seven year back, seven-eight years back.

So, about 330 units of this forklift, and this has come under proprietary. So that means we are the only bidders and obviously inflation adjusted, we can quote over the last seven, eight-year price and the army will buy from us. So, this is repeat business of something we did six, seven years back, seven, eight years back. As of now, one of the biggest requirements where we are working with the army is for 1,800 numbers of, it is called a RTFLT, Rough Terrain Forklifts. It's really not an RTFLT. They call it that. It is a special purpose telehandler, wherein our company and one of the other bigger manufacturers in the country, two of us participated on an NCNC basis. No Cost, No Commitment. We made the prototype machines over the last one year and these machines were fielded in the month of November, December.

I'm very happy to tell you that we have been technically qualified after all the trials that happened in Leh Ladakh, very rigorous trials. They also open up the strip down the machine, put it together, do everything apart from checking the endurance in minus 20-30 degrees. So, we are very hopeful that over the next six months. So, this will be our biggest order in terms of value from the army, which we are expecting, which can be close to anywhere between plus minus INR 700 crores.

Nishant Parikh

So, Army orders will be double-digit as a percent of revenue going ahead? I mean, around 8%, 9% to 10%, you can say.

Sorab Agarwal

It is also increasing very fast, if you see. Looking at that, I think what we are targeting is upwards of 5% to be conservative but we are working on most of the special requirements which the army has, which they were earlier importing or those requirements are not fulfilled. So, it can be anybody's guess, but I would peg it at 5% going forward over the next two, three years.

Nishant Parikh

Great sir. Last question. Are we seeing any organic opportunities going ahead? Sorry.

Sorab Agarwal

Sorry, I'll just finish. I just forgot something. Apart from that, we are currently executing rough terrain cranes special orders. Each machine costing between INR 1.5 crores to INR 2.5 crores for the Indian Navy. That is under execution. As a matter of fact, 5, 10 of these cranes would be supplied within this quarter itself.

Nishant Parikh

Oh wow. To the Navy as well.

Sorab Agarwal

Yes. Navy, Air Force, Army, all three. Apart from DRDO plus, plus, plus the base workshop, everywhere.

Nishant Parikh

Great. My last question regarding, are we exploring any inorganic opportunities going ahead?

Sorab Agarwal

Yes, we were looking at, we have two small ones we have finished. That was one year back, one and a half years back. We discussed a lot on the past con call. We were looking at one more. But I don't think it is going to happen because we are not able to meet the price expectations of the seller. But going forward, we are looking for inorganic growth within the country and we feel that we'll have one very big opportunity coming soon over the next six months, one year. I really can't say. So, which will be a game changer for our company, especially in the Train segment. If something like that happens and we have indications that there's a possibility. Apart from that, we are now also looking at some acquisition in Navy mainland Europe.

Nishant Parikh

Great. Thank you, sir. And all the best for the future.

Sorab Agarwal

Thank you.

Moderator

Thank you. Next question comes from Amol Rao from Kitara Capital Private Limited. Please go ahead.

Amol Rao

Good afternoon, sir. Congratulations. It's a super performance once again and made a habit of delivering great numbers. Sir, just taking you up on the quarter. From last quarter, you mentioned that there was a slight pile up of inventory because of the festive season which was being cleared up. That has been cleared up and that situation hasn't reoccurred, right?

Sorab Agarwal

Yes. As a matter of fact, we were short of machines eventually, by end of December.

Amol Rao

That's a good point in that.

Sorab Agarwal

So, what I meant to say is that we could have done even more revenue. Apart from that, to be very frank with you, I think it's been about a year, a little more than a year, we had KPMG as our statutory auditors and now we have E&Y as our internal auditors last six months. These guys have also changed the process of reporting sales and made it maybe the strictest possible in the country. I do not know only for us. So, they have also been instrumental for reducing our sales that we report for the last two, three quarters. But nevertheless, the inventory is in control, and we expect to bring it down to a level which we had planned earlier. I think last year we finished at 99 days. Hopefully, we should be lower than that by end of this year. Maybe our target is about 90 days and our receivable days end of last year were about 26 days. So, we are already currently at about 21 days and we are happy about it that were able to do a good job there. Creditors, it floats between plus-minus 90 days, 85-90 days. So, we are very much on target.

Amol Rao

Excellent. Sir, one observation about this quarter. Sir, our material handling business, we had our CapEx which we have been doing for the last six, eight months. Sir, is this jump in material handling dispatch is because of this CapEx, some capacity has come in dispatches?

Sorab Agarwal

Dispatches of material, not metal handling

Amol Rao

Sir, even the forklift business was supposed to get some additional capacity.

Sorab Agarwal

Yes, I've understood your question. Definitely, it is adding to that because we made it partially operational, this CapEx in the last quarter. So that also helped us in achieving better numbers. And our crane dispatches have definitely increased because of that. And further, by end of March, it will be further streamlined when they're fully commissioned. To be very frank with you, the last leg, which will happen by June end that will I think now eventually make us capable for 1,200 cranes in a month. Currently, we are at 900 to 1,000. For material handling, because we were setting up a new plant for some other product so the capacities were to get unlocked here. So that has also happened and I'm sure

going forward even metal handling numbers you'll see much better growth than 15%, 20% on a yearly basis.

Amol Rao

All right. sir, you also alluded to some clarity coming on the emission norm deadline. Has that clarity emerged or is it still not clear whether the government is going to stick to this?

Sorab Agarwal

No, the draft notification has already come through. It happened, I think, in end of December and it was to be gazetted end of January. I'm sure it would have been gazette, and as per that the new emission norms for construction equipment, that is CEV V from CEV IV will become applicable now from. It has been delayed by nine months. So, from 1 April, it has been shifted to 1 January 2025.

Amol Rao

Excellent. Thank you so much and wish you all the best. I'm sorry, one question if I can squeeze in.

Moderator

I'm sorry to interrupt you, sir. Could you please join back the queue, sir?

Amol Rao

Sure. I'll do.

Moderator

Okay. Thank you, sir. I request the participants to restrict with two questions in the initial round and join back the queue for more questions. Next question comes from Rashmika Srikanth from Rika Enterprises. Please go ahead.

Rashmika Srikanth

Hi, congratulations on an excellent quarter. I have a few questions for you. My first question is, in the previous conference call you indicated that we'll be selling the large crane, the crawler crane, the

altering crane that we are entering into at EBITDA margins of 10%-plus. Our overall EBITDA margins are at least 15%-plus. So, if we are going to sell these large cranes at EBITDA margins of 10%-plus. Does it mean that they'll be margin dilutive? Does it mean that they'll be margin dilutive and not margin accretive? That is my first question.

Sorab Agarwal

What is the second question? Should I answer the first question? Okay, I'll do that. Crawler cranes and truck mounted cranes, we are already...

Rashmika Srikanth

What about my first question?

Sorab Agarwal

Yes, that's what I'm answering now. The crawler cranes and truck cranes business currently is around 10% margin and we've expanded our capacities from the capability of seven, eight cranes per month. Now, we can do about 30-40 cranes in a month which will become totally functional in this year and I'm sure from doing five, six cranes in a month. Once we go to 20, 30 cranes in a month, or let's say 200, 300 cranes on annual basis, 400 cranes. The operating leverage will again kick in here, like you've seen in all other businesses, whether it was the backhoe loader, or whether it is the pick & carry cranes, or the tower cranes. And the margins will fall finally in sync with the company at about 15%, 16%. Apart from that, the Chinese have been dumping these cranes for the last five, six years at ridiculous prices.

That is the reason that the margins are here at about 10%. But obviously, they cannot continue to do so going forward. Only for the reason, because they are suffering very much in their own countries and their other markets because of the slowdown within China and especially in the construction and real estate sector. So, all that will play very well for us. Hopefully, I believe that in the next one and a half years, our margins should stabilize along with the company. That's my belief. Apart from that, there is something else which I really can't disclose to you. So, we should be in a position to making some really good announcement over the next one to two months, which will change the game for bigger cranes, for our company and for our country as well.

Because right now our country has become dependent on the Chinese machines in the last four, five, six years for the bigger cranes. I think that will start to change in the next year and we would lead that change. So, I really can't disclose more than that. So, maybe in the next one to two months, we'll come

out with a very good announcement. And this announcement will also help us improving our margins. So, that's all I can tell you at the current juncture.

Rashmika Srikanth

Okay. My second question is, the excellent performance of this quarter was almost completely driven by cranes. I am talking QoQ, not YoY. Now, QoQ, what went wrong? Firstly, what went wrong with the construction equipment segment? Why was there a degrowth in this particular quarter compared to the previous quarter? And secondly, what specific steps are you taking to increase the sales growth of materials handling and Agri equipment segment? Specific steps is what I am looking for.

Sorab Agarwal

Okay. So first, to answer your question on backhoe. I don't think anything went wrong. Because if you look on YoY basis, we were able to grow around 45%. So that means same time last year and this December we grew 45%. Yes, on QoQ basis, there were 15%, 16% dip in the revenue. That was primarily because most of the backhoe loaders are sold in the retail market. All the retail buyers and hirers, they are very conscious that they do not want to buy the machines in December, they want to buy them in January. So that was one of the reasons that QoQ basis, we witnessed a small dip. But if you look at the YoY basis, I think we are very much on track. We forecasted about 40%, 50% growth in this segment, and we are very much on track.

I think when the year finishes, we would be 50% plus again in this segment. Metal Handling, we had projected 15-20%. Agri, we had projected 15-20% and we are very much on track. So, if you look at the 9M growth for metal handling, we have grown by about 14%, 15% already. If you look at Agri, we have grown about 18%. So, I fail to understand from where you get the idea that it's not growing.

Moderator

Thank you, sir. Next question comes from Nihar Shah from Crown Capital. Please go ahead.

Nihar Shah

On the overall basis, I understand that we have 32% growth expected. I missed your introduction commentary where you even guided for crane and construction revenue growth. Can you just give me that number, please?

Sorab Agarwal

Let me pull out that paper. See, overall basis, we should be growing maybe slightly more than 32% in this year, but let's say 32%. Crane would be 30%, construction equipment would be 50% and both metal handling and agri would be 15% to 20%.

Nihar Shah

Okay, sir. Going forward, do you expect any one particular segment to be more concentrated on?

Sorab Agarwal

Traditionally, we started as a crane company and we had the first mover advantage. So even till-date, crane is our biggest segment. And the country is growing, the market is growing, the economy is growing. So, it is definitely a little biased towards the cranes. But we feel that the growth, yearly growth in our construction equipment segment would generally be much faster than crane segment. So, even if you look at the nine months in the current year, I think the crane has grown by 33% so far. But construction equipment has grown by 72%. But the overall contribution of cranes to our revenue is much more at about 70%-plus as compared to 12% of construction equipment. But the growth rate of construction equipment will be faster than cranes because there our base is already much bigger and we are already at about 63%, 64% market share. Because we are the market leaders and we are growing with the market. But in construction equipment, we have an opportunity to even take up some market share from competition.

Nihar Shah

Okay, sir. Just to reconfirm that by FY26, we are hoping to do INR 4,400 crores in revenue?

Sorab Agarwal

FY26, INR 4,400 crores, and if everything goes well, FY27 plus-minus about INR 5,500 crores.

Nihar Shah

Okay. Thank you and all the best.

Sorab Agarwal

Thank you.

Moderator

Thank you. Ladies and gentlemen, if you have any questions please press * and 1 on your telephone keypad. Next question comes from Suhrid Deorah from Paladin Capital. Please go ahead.

Suhrid Deorah

Hi, good afternoon, sir, and congrats on another excellent quarter. I just have two clarification questions. I didn't catch, you mentioned some INR 700 crores order from the army. What is this for?

Sorab Agarwal

It's a special-purpose machine. It's called a RTFLT, Rough Terrain Forklift. Actually, the product is called a telehandler. So, Army had this requirement of a very special, very compact, one-and-a-half, two tons lifting capacity. Each machine costing somewhere between average about INR 35 lakh plus taxes about INR 40 lakhs, INR 45 lakhs. And they wanted 1,800 numbers because this is a special purpose-built, the specifications, the height, the gradient capability, and the overall dimensions. This product was not available off the shelf. So, it was specially evolved for this requirement by us, and it was fielded in the Army for trial. These trials are called NCNC. No Cost No Commitment trials. We have been technically everything has gone through. The technical approval is more or less happened. I mean, the paperwork is happening. Over the next three to four months, already, the bid and everything is in place. So, we are very confident it will commercially go through because we are the only Indian bidder and our competition is with a foreign company. So, we are very hopeful it will go through. So that is about 1,800 units, an average price around INR 35 crores. You can very well multiply and calculate.

Suhrid Deorah

This one order will be a one-time order or this is something that will be repetitive?

Sorab Agarwal

Just like forklifts, normal forklifts, just like other machines which the army repeats. I'm sure this is one of those products because this is going to be the future of main metal handling in Army bases, camps, apart from underground ammunition dumps.

Suhrid Deorah

Okay. And this is to be executed over what period of time?

Sorab Agarwal

Can you just repeat your question, please? Pardon me, please. I couldn't understand the question.

Suhrid Deorah

This order is to be delivered over what period of time?

Sorab Agarwal

I think we'll get two to three years. That is what. I don't remember the exact bid documents, but I think there's two to three years. So, if it goes through over the next, let's say three to six months. Let's take six months. So, let's say by July, August or whenever. So, I'm sure we can start execution by Q3.

Suhrid Deorah

Got it. My second question was referring to a comment you had made on a previous call, you were earlier talking about some international deal or either an M&A transaction or some sort of agreement where there will be contract manufacturing or something of that nature. Is there any progress on that?

Sorab Agarwal

Yes. In the recent past we have started supplying backhoe loaders to an American company, North American company, which is selling it in the South American continent, and we are doing contract manufacturing for them, for backhoe loaders. It's basically OEM. They have picked up one of our standard export models and we have configured it for them. Something similar has already initiated in Turkey where we have just supplied the first units now. So obviously it will totally go through over the

next three, four months. But again, in Turkey we have also started doing this OEM or let's say white labeling for tractor segment. We've already supplied some units and that too they were supplied in CKD form. I think this has started. So, this is some sort of, let's say contract manufacturing or OEM manufacturing or white labeling.

But apart from this, more importantly, I would say that we are about to tie up with one of the world players for a product category to be made India for the Indian market and also for the global market, which I think in that product segment can be a game changer. Unfortunately, I cannot say more than that. If everything goes well, we should be in a position to announce this maybe as early as March because most of everything is already negotiated and done with.

Suhrid Deorah

Okay. I think that is very clear. Thank you so much and I really wish you all the best. Thank you so much again.

Sorab Agarwal

Thank you. Bye-bye.

Moderator

Thank you. Next question comes from Puneet Zaveri, an Individual Investor. Please go ahead.

Puneet Zaveri

Thank you for the opportunity and congrats on a very good set of numbers. Just wanted to check on an update on the order with the Republic of Ghana. What has been the status and is there any update on that?

Sorab Agarwal

Yes, we were very hopeful as the indication given to us that the money would have come through in December, January. Our agreements with executing banks are in place, but unfortunately, Ghana has defaulted on some of the payment obligations and their IMF loan has come through about, I think 1.8 billion. First trans is already released. I think it'll take another two, three, four months before the system normalizes and they are able to. But we are on priority number one with respect to this project from

India, even in the Indian embassy in Ghana. That's what I understand. We are just waiting for the payments to come through because we do not or cannot start any execution in Africa without payment certainty. Some companies like JMC and AFCON, their money is stuck in Africa.

Puneet Zaveri

Understood. This is a little broad view question on material handling and agri. Specifically, we've seen construction equipment do very well over the past two years. I think the way that you guided QoQ construction equipment has come back very well. Can you give us some granular details on material handling? What do you see in the next few quarters? Or where do you see it going? Do you see this growth rate to come up from 15%, 20% to higher rate, which we've seen in cranes and construction equipment at a much higher rate?

Sorab Agarwal

Yes, I think it should start to happen in the next year from Q2 onwards, but especially Q4 onwards next year. Because we are working at totally upgrading our range of equipment, metal handling equipment to world-class levels with respect to every aspect of the machine. These products, we expect to launch Q3 latest by Q4, because work has just started on that. So, I think that will further help us garner more market share and obviously take advantage of increasing market. But till such time, yes, we are very much focused on further strengthening our infrastructure. With respect to that, the sales are not increasing at the pace we would have wanted them to be. But yes, in saying that also I would say that we've been projecting 15%, 20% and we've been getting that. But yes, just believe me, I'm more dissatisfied than what you are.

Puneet Zaveri

All right, so that's all my questions. Thank you so much for your time and all the best for the next year.

Sorab Agarwal

Thank you.

Moderator

Thank you. Next question comes from Arushi Shah from Sushil Financial Services Private Limited. Please go ahead.

Arushi Shah

Hi, thank you for the opportunity. I have two questions. In our agricultural segment, we have seen a dip in the volume. So, is that supposed to come up like the volume degrowth, turning into a growth trajectory? And also, there has been a rise in the price realization.

Sorab Agarwal

Ma'am, if you can repeat your question again and be a little louder? Something is not right with your line.

Arushi Shah

Hello? Better now?

Sorab Agarwal

I think so, yes.

Arushi Shah

So, we've seen a degrowth in the agricultural equipment volume. So, when is that supposed to turn around and turn into a growth trajectory? And also, have we taken a price increase for the agricultural equipment? And my second question is, what are CapEx plans agreement short-term and medium-term? If you can give some color on that?

Sorab Agarwal

Let me first answer your first question because your second question, in any case, I was not able to make out. We will discuss it after first. There is really no degrowth in terms of revenue from the Agri sector. Yes, the numbers have been a little down because I think in the last quarter we were focused more on, let's say, last two quarters on the bigger horsepower tractors. So, that was the reason. So overall, revenue growth has been there, but maybe the number growth might seem to be muted or on a little lower side. And price increase, obviously, because we are a small player in the Agri or the tractor segment, as compared to all other people. So, we follow suit with respect to other big players. And time and again, alongside, we do a price increase in the same thing. What was the second question?

Arushi Shah

Can you give me an outline of your CapEx plans for short and medium-term?

Sorab Agarwal

In the current year, I think we'll be doing to close to about INR 100 crores plus-minus. And next year, I would say, with respect to expansions further, it'll be close to INR 50 crores, INR 60 crores. And apart from some maintenance CapEx. So maybe totally, it can go up to. Luthra, totally next year, maybe INR 8,000 crores again?

Rajan Luthra

Excluding land, what all are we doing, this is excluding land.

Sorab Agarwal

Yes. Apart from that, I just mentioned that we have finalized to take over a big chunk of land. So, that would be close to about INR 160 crores and INR 170 crores of expenditure, some part of it will go through within this year. Most of it in the next year. That is separate, because that is for future expansion.

Arushi Shah

Okay. If I could just squeeze on a macro question, like, if at all, what are the headwinds we see for our business? I'm sure we are very well braced with the infrastructure policy of the government. But what are the basic headwinds, if at all, and how are we positioned?

Sorab Agarwal

I really do not see any much headwinds at the current juncture. But obviously, there is always a slip between the cup and the lid. Maybe if Vyom or Luthra would want to answer this, if something comes to your mind?

Vyom Agarwal

Yes, sir. I think the major headwind could be the commodity, commodity inflation, something that we had seen post-COVID. There was a huge rise in the commodity prices, specifically steel.

Sorab Agarwal

But, Vyom, luckily, if there is huge fluctuation with a lag of two, three months, we are generally able to pass it on to the customers. Right?

Vyom Agarwal

Yes, of course.

Sorab Agarwal

What other thing comes to your mind, Luthra?

Rajan Luthra

I don't think so. Right now, geopolitical situation, I don't think so, it is moving in an advised direction. But that is the only thing, what we can think of.

Sorab Agarwal

And that can affect our export, future export targets a little bit especially. Because we've seen a little slowdown in export only in the last quarter. Especially because of logistics. Because logistics costs increased two, three times and certain orders were delayed for execution. So, yes, geopolitical things, especially happening at the seas, apart from a little slow down here and there in the world, can affect our export plans, where we want to go to 10% and then 15%. That is a small risk, yes.

Arushi Shah

Okay. And our dividend policy continues to remain in place?

Sorab Agarwal

Yes. I'm sure with company growing further and earlier we were distributing between 5-10% of our net profits. So going forward, we will go, I think, from 10% to maybe even higher up to 15%, 20% of our profits.

Arushi Shah

Okay. Thank you so much, sir, and best of luck and congratulations for the numbers.

Sorab Agarwal

Thank you.

Moderator

Thank you. I request the participants to restrict with two questions in the initial round and join back the queue for more questions. Next question comes from Ashwin Dsouza, an Individual Investor. Please go ahead.

Ashwin Dsouza

I just want to inquire about the land parcel that we are planning to acquire. Like, is it already done or is there some expected time frame by which it will be confirmed?

Sorab Agarwal

See, the agreements are already done, the advances have been paid and the final payments, and let's say the transfer of title deeds and all that is expected to go through some part of it within March this year and the transaction to be finished by May of this year.

Ashwin Dsouza

Okay. My second question is more related to maybe new products. I am sorry if somebody has already asked this, but I just wanted to understand. Are there any new segments? The infrastructure profile of the country is changing, okay, where new things have been done. Are we looking at maybe creating new products from our perspective to address to such opportunities?

Sorab Agarwal

Yes, definitely, we are working on that. And in the same breadth, I would say that our electric crane, which we introduced, is a totally new segment in terms of nobody. It's like a blue-sky territory. So, that hopefully should get commercialized with this quarter. Aerial work platforms, we will be the first India and always have that first mover advantage. So that again is getting commercialized in this quarter. Apart from that, another new product, Telehandler, that again we expect to commercialize within this quarter. Rough terrain cranes. Right now, we have started with a 45 tonner and a 75 tonner. So obviously we have started delivering them in this quarter, especially to the Indian Navy, like I mentioned. Going forward, we will also have a 20-ton, 25-ton and a 30-ton model to further and a 50-ton, 55-ton to augment the entire range. As of now, practically nobody's doing that India. We have to depend on imports.

We are also working on another new product called a Reach Stacker, which is used for container handling. Loaded container handling, 40-tons, 45-tons weight up to four or five high. So, with import-export increasing, especially, I would say going forward, exports increasing. So, the logistics and the container stations, already they use such machines. They're big machines, each costing about INR 2.5 crores, INR 3 crores. So, we are right now working at evolving the technology for the same, and it has already been done. So hopefully, the prototyping will be done over the next one year, and then maybe one and a half years down the line that will come up.

I'm sure there are some more products in every category that we do. I'll have to just quickly revisit my mind if I missed something. I'm sure there are one or two things I would have missed. But if you talk of a segment, I would say Aerial Work Platform and Telehandler and Rough Terrain Cranes and Reach Stacker. They're totally different segments in which we were not there.

Ashwin Dsouza

Okay. Thank you very much and congratulations to the management and the entire company on the excellent performance that you guys have been delivering. Okay. Keep it up for the future. Thank you very much.

Sorab Agarwal

Thank you.

Moderator

Thank you. Next question comes from Sarika K, an Individual Investor. Please go ahead.

Sarika K

If you can share the volume growth under crane segment strategically?

Sorab Agarwal

What do you want from us? Earning growth?

Sarika K

Volume.

Sorab Agarwal

I've not been able to understand your question, I'm so sorry.

Sarika K

Okay. What had been the share of the volume growth in 43% has been the overall the growth under crane segment for this quarter. How much had been on account of volume?

Sorab Agarwal

Okay, on account of volume. You're talking with respect to only the crane segment?

Sarika K

Yes.

Sorab Agarwal

Do we have answer to that, Vyom? With respect to your earnings presentation, I'm sure you give the crane numbers. I don't have the earnings presentation in front of me unfortunately.

Vyom Agarwal

I'll just give the volume numbers.

Sorab Agarwal

Just give me the volume numbers.

Vyom Agarwal

Yes. So, cranes, nine monthly volume numbers have grown from 4627.

Sorab Agarwal

No, not nine monthly. She's talking about the 45% growth in cranes. So, we are talking about December 2022. No, not this. What am I saying?

Vyom Agarwal

Just a second. I'll fetch that.

Sorab Agarwal

December 2022 number for cranes. Do you have that earnings presentation?

Vyom Agarwal

No, we have given the 9M on the presentation, but I will just fetch that.

Sorab Agarwal

Nine months. So, let's answer on the nine months. Sorry. What are the crane numbers?

Vyom Agarwal

On the nine monthly basis, compared to last year, the number was 4627. And currently, 9MFY24 number is 6135.

Sorab Agarwal

So, this seems to be in sync.

Vyom Agarwal

Yes. For the construction equipment, the number has grown from 490.

Sorab Agarwal

Let's stick to this. 1,508 divided by 4,627. So, we have seen 33% increase in numbers and same is the growth with respect to revenue. More or less similar. Maybe there is a 1% difference in the revenue part.

Sarika K

Okay. So, I believe majority actually of the jump which we actually have captured has been on account of the higher range cranes which have been introduced off late, and the pickup which we have actually captured.

Sorab Agarwal

No. What I'm saying is, for cranes of all types for us, in the first nine months we have sold 32.5% more in numbers. In revenue terms, it is 33.15%. So, more or less they correlate. So that means either whether because of product mix or whether because of pricing., the number of cranes sold is more or less equivalent to the number of the revenue that has increased.

Sarika K

Okay. So, the new cranes which we actually aspire to introduce. What's been the impact of those cranes and overall revenue that crane does?

Sorab Agarwal

Yes, they will help us increase the average price realization.

Sarika K

For that reason, I actually wanted to understand, how much had been on account of volume in the Q3 and how much further we can go from here on?

Sorab Agarwal

I think we will do a separate call. We can organize this with Mr. Luthra or Mr. Vyom. Because we have limited time on this call to start calculating data right now.

Sarika K

No issues. Secondly, coming to the capacity utilization in the construction equipment segment. Where do we stand now?

Sorab Agarwal

We are currently at about 50-60%. We can do about 2,400 units of these machines annually. And currently, we are at 50-60% utilization.

Sarika K

Right. And when we aspire foreign acquisition, what would be the size? Is it going to be closer to INR 1,000 crores?

Sorab Agarwal

See, there are two like I said. One would be a much smaller one which we are looking at in Europe. We are also looking at some. There's a consultant in place. And we are looking at some different targets, talking to a lot of companies, so that we have a base in Europe and we can make some machines for the European market in India and sell them through this company. One is that. And second, I really can't put a number to INR 1,000 crores. But I think it is going to be a big acquisition. The one in India, if at all it happens.

Moderator

Thank you, sir. That was the last question for the day. Now I hand over the floor to management for closing comments.

Sorab Agarwal

I think a lot of interesting questions today. And a lot of you congratulated us for our numbers. I hope and pray that the country keeps on doing well. We also fall in track like we already are. And keep on performing the way we have been doing in the past, in fact in the last two, three years. I would say that our economy right now is very buoyant, especially owing to manufacturing and infrastructure sectors and focused. Our company is very well placed to capitalize on the growth and the buoyancy which is there currently in the market. We are expecting at least a 32% revenue growth in the current year with around a 15.5%-plus EBITDA margin on a whole-year basis.

Our capacities have increased and will be more or less fully commissioned by end of March which will help us further grow our business. Our defense business has been reasonably robust and the orders that we got in the past, some of them have been executed, balance are under execution. New bigger orders are in pipeline for the next year. I believe that our short-term and medium-term prospects are very well in place. We are very confident for the long-term prospects of the company. As conveyed earlier between FY23 and FY26, again keeping FY23 as base from INR 2,200 crores, we really expect to double ourselves by FY26 to INR 4,400 crores and going forward to up to INR 5,500 crores in FY27. With that I would like to thank you all for joining the call and thanks a lot. Bye-bye.

Rajan Luthra

Thank you. Thank you everybody.

Moderator

Thank you, sir. Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you and have a good day.

Sorab Agarwal

Thank you.

Moderator

Thank you, sir.