



“Action Construction Equipment Limited Q2 FY21
Earnings Call hosted by Emkay Global Financial
Services”

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**MANAGEMENT: MR. SORAB AGARWAL – EXECUTIVE DIRECTOR,
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**MODERATORS: MR. ANAS DADARKAR – EMKAY GLOBAL FINANCIAL
SERVICES**



Moderator: Ladies and Gentlemen, Good day and welcome to the Q2 FY21 Earnings Call of Action Construction Equipment Limited hosted by Emkay Global Financial Services. We have with us today Mr. Sorab Agarwal – Executive Director and Rajan Luthra – CFO. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal for an operator by pressing ‘*’ and then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anas Dadarkar from Emkay Global. Thank you and over to you, sir.

Anas Dadarkar: Good evening everyone. I would like to welcome the management and thanks them for giving us this opportunity. I would now hand over the call to the management for opening remarks. Over to you, sir.

Sorab Agarwal: Good evening everybody. This is Sorab Agarwal from Action Construction Equipment Limited. Last quarter has been a pleasant surprise for us. In the wake of slowdown and economic slump brought about by COVID-19 pandemic. The month of August brought some respite and revival in demand and we were able to attain similar revenues on year-on-year basis and improvement in profitability in the last quarter. The green shoots of economic revival and increased order flows have continued and further improve going into the current quarter.

Owing to the positive trend, I would like to bring on record that we have been further able to better our October month sales by about 20% as compared to the month of September. Our revenues for quarter ended September ‘20 was similar to Quarter 2 of September FY20 and we were able to regain our revenue levels post the after month of lockdown. We were also able to better our profitability margins in the last quarter as compared to the same period last year and now our EBITDA margins stands at 9.7% versus 8.2% of the last year and PBT margins profit before tax margins stand at 7.1% versus 5.8% last year and we have seen growth of 18% in our EBITDA earnings which are now at 26 crores versus 22 crores for the same period last year.

Similarly, our profit before tax has increased to 19 crores versus 15.58 crores for the same period last year. Even though our revenue levels for both quarters were similar at about 268 crores. It should not be out of place to mention that owing to certain supply chain constraints we were not able to fully capitalize on the potential of revenue increase in the September quarter otherwise our top line, bottom line and profit margins could still have been better than may be around 10%, 15%.

Looking at the improvement in economic activity and demand trend, we would like to revive our revenue guidance for the whole year and has projected in August instead of 30%, 35% revenue degrowth for the current year we are hopeful that is the current momentum of economic activity sustains we should be in touching distance of last year sales definitely with better profitability and margin expansion and our EBITDA margin can also go into double



digit. In the increase we continue to take all possible liquidity preservation and cost control measures. We feel we have overcome the short-term turbulence being faced by the company and going forward we are really confident of improving our revenues for the second half of this year as compared to last year. Provided no major further disruption takes place in the current scenario and we are very optimistic about the medium to long term prospects of the company accompanied by top line, bottom line and margin expansions. Thank you. I think we can open for question and answer.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Santhosh Reddy from Bull Securities. Please go ahead.

Santhosh Reddy: Is the company getting any new dealers for chain harvesters?

Sorab Agarwal: We make combined harvesters mounted on track here chain harvesters and our demand we have definitely seen it growing in the last two, three months.

Santhosh Reddy: Is there any plans of manufacturer loaders attachment for tractors or something, etc.?

Sorab Agarwal: See we already manufacture backhoe loaders we already do loaders that we make, but as of now to fit an attachment on the chain harvester we have definitely not planned as of now.

Santhosh Reddy: What is the highest ever sales of backhoe loader is it correct March sales is correct?

Sorab Agarwal: I have not been able to understand your question you want to know the backhoe loader sale for last quarter in March also?

Rajan Luthra: We have been able to do 104 backhoe loaders.

Sorab Agarwal: I think he is also trying to ask how many did we do in the March quarter?

Rajan Luthra: In the March quarter we did 89 numbers.

Moderator: Thank you very much. Next question is from the line of Sanjay Dam from Old Bridge Capital Management. Please go ahead.

Sanjay Dam: Your guidance is like as you see it is sometimes become very bleak sometimes becomes very pleasant so we are now in the pleasant part of it so from a 35% degrowth we are now at flat YoY?

Sorab Agarwal: Yes for the last quarter yes and hopefully the situation remains it seems that by the end of the year we should be able to catch up to our last year revenue or maybe with a small deficit at



max of 5%, 6% looking at the current order flow and the momentum unless and until something really happens again.

Sanjay Dam: So basically, when you say flat YoY you guided for the balance of the year is it?

Sorab Agarwal: Yes. I guided with respect to the whole year in totality so last year we did close to about 1,150 crores so hopefully we should be touching that revenue or may be at max a gap of 50 crore, 60 crores that would be let us say 5%, 6% lower than last year, but we should be in touching distance of last year revenue as it appears.

Sanjay Dam: That is what I understood so I thought let me again kind of doubly cross check with that.

Sorab Agarwal: And everything going well currently it seems that we should be in position to exceed our Quarter 3 revenue in the current quarter as well.

Sanjay Dam: So what is driving this I mean which part of the business is driving this?

Sorab Agarwal: See obviously cranes have been a little slow and actually they were really not slow in August, September, but unfortunately because of some supply chain unexpected supply chain issues where we could have never imagined that there will be problems and they cropped up and so the cranes were lagging in the last quarter I am sure they will cover up in this quarter and definitely our other segment which have been slow in the past especially construction equipment material handling and even agri so all of them contributed and construction equipment we were able to grow handsomely if we talk on year-on-year basis even material handling was about a 30%, 31% even agri was about 55%. So it was a combined effort of the other three smaller segments. Cranes was a little laggard, but primarily due to the supply chain part and looking at the scenario now hopefully this month crane should also be back on track in this quarter.

Sanjay Dam: So that supply chain problem is solved sir?

Sorab Agarwal: It is still there, but we are none to live with it and found ways and means around it. The problem is there but it is being tackled.

Sanjay Dam: But is that something which is very specific to ask or are all your competitors facing?

Sorab Agarwal: See some of it would be common to our competitors also, but primarily our main deterrent was supply of engines from one of our major engine suppliers because unfortunately they supply similar engines to their tractor also I am talking of amalgamation group company **(Inaudible)** 11.09. So TAFE, Massey Ferguson tractors also use the similar engines so their priority was their own company so that also led to a little debacle, but yes we have mended and sorting out so they have committed to come back on track as soon as possible.



Moderator: Thank you very much. Next question is from the line of Suraj Nawandhar from Prithvi Finmart. Please go ahead.

Suraj Nawandhar: Sir my question is regarding the tractor sales if you can quantify what is a market share in total tractors sales and if you can give you the number how my tractors be sold this quarter and compared it with the quarter-on-quarter and year-on-year?

Sorab Agarwal: Yeah we can definitely give you our numbers what we sold this quarter or maybe last quarter, but if you talk of the market share it is minuscule because now the market is definitely being expanding in the last three, four months and we were doing all of close to about 4,000 tractors annually. So in the market size of 8 lakh, 9 lakh tractors that is pretty minuscule, but with respect to our numbers what we did in the current quarter and the quarter before that Luthra sir if you can elaborate?

Rajan Luthra: If you look at in tractors we have been increasing every quarter in the month of March we did see 70 numbers in the June we did 382 numbers and the September quarter we did 589 and every quarter we are increasing as compared to previous quarter and as of now which is very heartening is the sale of harvesters in this quarter we did 66 numbers as compared to 22 in the last quarter and as compared to 49 in the March quarter. So probably by the end of this year we may be number one in the combined harvester business because we may become a number one is the combined harvester business.

Suraj Nawandhar: And sir in the tractor businesses are you focusing more on at or we are focusing more on the construction equipment where we are more dominant I mean they were not of the agri reforms that are going on so the demand on the tractors and the equipments that is being used by the farmers might increase, so we focusing in that area or we are focusing on our core strength of cranes and construction equipment?

Sorab Agarwal: See cranes and construction equipment and material handling is our core focus and that is our forte. The company started with it expanded into material handling like forklift and further into construction equipment like backhoes and road machinery. So obviously that is the main DNA of our company and we also started doing tractors some years back five, seven, eight years back, but we have enough focus and are also reasonably determined to expand our agri business also and it was some sort news to me when I was not aware that we just might start to do the largest numbers of harvesters in the country very soon. So I am sure we are very much focused on tractors apart from our core business appraise.

Moderator: Thank you. Next question is from the line of Shaleen Seth from Seers Fund Management. Please go ahead.

Shaleen Seth: Sir it seems we had gained some market share in the pick and carry segment?



Sorab Agarwal: I presume so we were hovering around 62%, 63% for a good one or two years and last quarter it appeared that we have increased by 3%, 4%. So I think we have increased our market share by 2%, 3% I really cannot substantiate it because I do not have data. Our companies and ourselves really do not share data amongst ourselves, but yes we have increased a little market share yes.

Rajan Luthra: Just to add on I think the thought in the presentation has said they lost market with 3.6% so that does come to us only.

Sorab Agarwal: They have already agreed that we have got market share.

Shaleen Seth: Yeah that is right they said they have gone market share dip by 3% more than 3%.

Shaleen Seth: Sir I have two questions first is on the employee base I just wanted to compare the YoY employee base the corresponding quarter we had 21 crores as employee cost now we have 18 with the same revenue so can we continue at the same level of employees?

Sorab Agarwal: Yes I think so we have work towards being more effective and efficient and mainly that would have been dealt away with and but especially I would say in our agri segment wherein we were trying to just somehow get more people can do more and it was not working out so we brought our focus back to profitability and increasing numbers subsequently. So I am sure it is possible we would be remaining in a similar board for quite some time now at least for the next two, three quarters yes.

Shaleen Seth: Second question is regarding the construction equipment so I was just noticing there is a very un-linear fashion of our results, our EBIT is at 1.3% right now it has gone up to 3% in last quarter, so could please throw some more light on that?

Sorab Agarwal: Yes even I was little surprised when I noticed this just like you have noticed it and so what has happened is we had to write off some inventory on account of certain new modifications and introduction of a new model which we get in the market in upgraded version. So on account of that you see this 2%, 3% loss although the revenue has increased, but going forward I am pretty confident that we should be able to match our company average of about maybe 7% to 10% somewhere with respect to EBITDA level for this business I am sure this start happening from Quarter 3 onwards.

Shaleen Seth: 7% plus from construction equipment standard term?

Sorab Agarwal: I am saying is EBITDA level or let us say EBIT level in the construction equipment business should start to reach 7%, 8%, 9%.

Shaleen Seth: I will just request you to give the machinery sale numbers?



- Rajan Luthra:** The numbers are for this quarter are cranes is pick and carry cranes is 891, mobile tower crane 6, fixed tower crane 42, crawler cranes 4 numbers, tractors I have already told 589, backhoe loader is 104, forklift 266, 11 compactors, 3 graders, 7 truck mounted cranes, 66 harvesters, 308 Rotavator and 4 pilling rigs.
- Moderator:** Thank you very much. The next question is from the line of Rajeev Maheshwari from Praj Investments. Please go ahead.
- Rajeev Maheshwari:** In fact in the last call based on the percentage I had asked you whether we will be able to cross 200 crores so you had told me it will be more than that in fact even I did not expected to reach to 16 crores considering what all went on March and April and May it is good to see.
- Sorab Agarwal:** In September we had started thinking we can cross 300, but we were not able to.
- Rajeev Maheshwari:** In fact as you told there was some supply chain concerns I think and the number which you have given that we may touch the last year same so I did a calculation so it is coming in the range of 325 to 350 crores finger crossed?
- Sorab Agarwal:** You are talking for Quarter 3.
- Rajeev Maheshwari:** I am talking for Quarter 3 and Quarter 4 both?
- Sorab Agarwal:** Quarter 3 definitely think we will definitely exceed Luthra sir what is our last Quarter 3 number for last year.
- Rajan Luthra:** Last year the Quarter 3 we did 289 crores.
- Sorab Agarwal:** I think if everything goes well, we will exceed it by 20%, 25%.
- Rajeev Maheshwari:** And it is good to see you are sounding much more bullish this time, after a long time may be two, three, four quarters.
- Sorab Agarwal:** Post-COVID we just did not know what will happen how it will happen.
- Rajeev Maheshwari:** It was quite uncertain nobody was clear what will happen, how it will happen, but it is really a good effort from your side. The only concern is like you told that because of the supply chain concern we had an impact, so what was the impact on sales and did we carry forward those sales or we lost on it or how was it like?
- Sorab Agarwal:** See we lost at least 10% to 15% revenue in the last quarter on account of supply chain. So this revenue could easily be I have been looking like a 300 crore and there were two, three main big suppliers from where we got trouble. One of them was a Sundaram Group company and other was a big hydraulic supplier rather cylinder supplier in NCR and another was an engine.



So we have not thought totally overcome the problem still supply chain problems and disruption may be this three, four main components was happening within October also, but yes it is coming into control and it is on an improvement trend. So we are very confident by end of November, middle of December it will be solved and we will be able to achieve the revenue which I have focused.

Rajeev Maheshwari: So basically, going forward we do not expect fall in sale because had we got this 10%, 15% results would have been much better than what we expect now?

Sorab Agarwal: And as a policy in our company we only get stuck once we do not get stuck in the same problem again and again we will definitely come out of it.

Rajeev Maheshwari: And where do you see this momentum coming from right now suddenly the increase in the sales on the other three section like the material handling and the tractors and all, so what exactly has changed suddenly that things are picking up in these areas because in some areas we have shown may be 30%, 40%, 50% increase compared to last year?

Sorab Agarwal: See basically the segment we work in primarily it is a construction sector and then definitely the heavy engineering and the industrial sectors which uses lot of cranes and material handling and then because of our tractors and harvesters the agri sector. The construction sector definitely was like I had mentioned in my last call also that because of heavy monsoons and longer monsoon and the migrant labor problem or the labor shortage. A lot of these projects were sort of just turned off for two, three months and were to be restarted in September, October once the rain is finished and the labor might start to return that was the anticipation and that is what has happened. So most of the construction projects of the company which were on a slow mode or practically shut off for two, three months let us say June, July, August for some company even May, June, July, August so those came on board and the construction activity has sort of normalized and regained that is the industrial activity very surprisingly has really even I was caught unaware that the way it bounce back in the last two, three months and the basic reason behind that I really cut out answer because the industrial activity has increased more or less all across.

Rajeev Maheshwari: We are even in the steel companies have raised their prices suddenly the car sales have picked up so suddenly it is that nothing has happened in last quarter just looking at that?

Sorab Agarwal: So industrial activity is generally picked up and a lot of cranes are required right from handling of steel in every cycle whether is the iron ore mine or whether it is the plants or further the rolling mills or the stockyards or transportation so it has just picked up. Cars and automotive and scooters I think it is more to do with how many people will prefer more personal mobility than being on the transportation, but it has helped everything all around it.



Rajeev Maheshwari: It has helped the entire industry as such, but one final part is in the last call there was some discussion in terms of the small players in the pick and carry cranes would be literally left with nothing, so are the only two dominant players ourselves ACE and the other competitors are there primarily two players or still we see the smaller players eating into the shares of how we would like the market scenario?

Sorab Agarwal: I would say 95%, 96%, 97% of the market is between Scott and ACE for cranes obviously we are also dominant player and there are two, three, four rather sometimes there are two, sometimes there are three, four which just keep on waking up, sleeping. There are two, three players who have been little active with the 2%, 3%, 4% market share obviously they are still existing, so they have not been knocked out as of now. Let us see how things unfold, it is very difficult for me to answer that question, but they continue to remain where they were.

Rajeev Maheshwari: And one final question how is the export scenario after the COVID in terms of the exports to the African countries or the South Asian countries?

Sorab Agarwal: I think it has resumed already and last year we did close to about a 6% revenue from export and we were hoping to get to 8%, 10% and then finally to 15%, 20% going forward in the year. So I think we are on track to take our revenue to 7%, 8% within this year it appears to be like that.

Moderator: Thank you very much. Next question is from the line of Naresh Kataria from MoneyCurves Investments. Please go ahead.

Naresh Kataria: I wanted to ask on margins I have heard that you are looking at potentially much better margins close to double digit what are the levers which will come into play is it just volume growth or are you seeing better pricing what exactly how do we read this very positive statements on margins?

Sorab Agarwal: See it is a combination of lot of factors, so I think primarily the margins depend on the selling price and the raw material cost. So because the steel prices has gone up and accordingly we have increased our selling prices to some extent in the month from 1st November onwards and going forward from January we will further increase our prices to set off the material cost aspect so that takes care of that and on the contrary we are very hopeful that our operating leverage with our numbers going up that will definitely contribute to our margin expansion. Apart from you know because of COVID the various control measure that have been put in place and whatever we have been able to do and whatever we see we can do further. So I am sure that 1.5% to 2% expansion in margins on account of cost control which we have been able to do which might be a little more going forward that is definitely in place and operating leverage we have further bring in margin expansion so that actually gives us a lot of confidence that we should be I am as sure as can be that Quarter 3, Quarter 4 would be double digit margin at EBITDA level and we just might be able to do it on a whole year basis also.



Naresh Kataria: My last question is on dividend distribution I see that we have been distributing 10%, 11% so with better times could we look at and our debt levels are also quite comfortable would we be looking at slightly better distribution?

Sorab Agarwal: I am sure and as a matter of fact we have been distributing with the policy of distributing at least 30%, 40% of the money that we can every year. So I am sure with the profit margin increasing and the availability of cash buffer in the company and yes our reducing debt levels unfortunately March seem to be a little higher just because our working capital was put in a mess, but definitely with time our dividend yield or dividend this thing will definitely be going up.

Moderator: Thank you very much. The next question is from the line of Sanjay Dam from Old Bridge Capital. Please go ahead.

Sanjay Dam: Sir, two questions one is in the last call you were kind enough to explain how big crane market is adjustable space for us and what was the construction machinery market and I recall you saying that you know the crane market was about 1,700, 1,800 crore and 9 times the construction market was kind of about 8,500, 9,000 crore types. So going by the addressable space do you think that we will catch up with at least we are just the larger space in the construction equipment revenue will kind of do justice our revenues will be justice to the opportunity size?

Sorab Agarwal: I am as sure as I can be now, and I will answer your question again in two parts A with respect to cranes and B with respect to construction equipment. In cranes, we are already in a majority market share and I am sure we will continue to work hard to increase it, but with reference to lot of virtual meetings and discussions which I have had with some of the key players with respect to construction and in the country. The impression that some of them has really seen a people who are also well connected in the circuit with respect to what is happening, what is not happening that one of them told me sir that you just might see one of your best years next year. So should I give the confidence that the crane market will further expand it has to with growth, with infrastructure, with activity, with economic activity, with mechanization happening. The only problem with our country has been that I do not know what happens every one or two or three years something happens and then things goes down and then catches up then it goes down then it catches up and this time when the revival had started happening December onwards unfortunately Corona caught up. This is the statement which I got from one of the leading players not from one I have from two, three of them that next year could be one of your best year so far because of the amount of traction they are seeing in the construction activity and the crane market size accordingly we will have to expand this is first part. Second part with respect to construction equipment we have been struggling and toiling for so many years and touchwood I can very confidently tell you that for the first time even in my own heart I have got the confidence that we can go anywhere not just somewhere we can go anywhere we have already started heading in the right direction and God willing I used to say



that there is a potential to grow 70%, 80% everywhere on a CAGR basis next five, five years with respect to our construction equipment business and for the first time I am fully confident that we are on the right track and it just might happen whether it happens or does not happen obviously I do not know, but we will do justice to the construction space the size and the quantum available with respect to our company I am very confident.

Sanjay Dam: In the 1,700 crores space you have got a 60% share thereabout so unless we do kind of in 7,000, 8,000, 9,000 crores?

Sorab Agarwal: I can just tell you that in the coming three to five years 8,000, 9,000 crore this will be 10,000 to 12,000 or even more and everything falls in place we should do around 1,000, 2,000 or even 2,500 crore we will definitely do because if we will not do we will be foolish than anybody else will do.

Sanjay Dam: Just putting that I will just extend what we just said that this 9,000 becomes 12,000 crore and we could do 2,000, 2,500 crores out of that?

Sorab Agarwal: So over the next three to five years yes.

Sanjay Dam: I am just saying that year after year we are kind of seeing our dominant share and cranes being there, but we kind of not been reaching anywhere in the construction space so this 12,000 crore space so would you be kind enough to kind of break this up into opportunities which are there and what are the things that we could address?

Sorab Agarwal: Last time also we might have discussed the figure of around 8,000, 9,000 that was primarily with respect to our addressable market space which was backhoe loaders, motor grader, and soil compactors with the market size is about 8,000, 9,000 crores which eventually with time go to 10,000 and 12,000 crores that is what it looks like. So if we see from this I would say the majority of the portion is backhoe loaders and yes there are motor grader may be worth about 400, 500, 600 crores and soil compactors may be worth about another 800, 1,000 crores so out of 8,000, 9,000 crore 1,200 crore machinery and balance is backhoe loaders. I think we will be going into both of these places and taking 10%, 20% market share in both of these places it looks doable it will not happen in like I said in this year or the next year, but over the next three to five years it will happen. We have already been able to position ourselves, get acceptability, cover the obstacles, improve the machines, do whatever that needed to be done and we are already at some level and acceptance and from here on I am sure it will continue to increase.

Moderator: Thank you. The next question is from the line of Adil Khan from ICICI Direct. Please go ahead.



Adil Khan: So I have just two questions the first one being that the last quarter we talked about a launch of new products so that product had a market size of around 300 to 400 crores, so what is the outlook in the second half of the year for that sir?

Sorab Agarwal: You know we wanted to come out with that product with this year and as of now we are on track so if everything goes well, we should bring it around sometime in February, March. So the actual effect of some sales and the revenue and profitability increasing would be coming in next year only because February, March sometimes we are able to bring around that product. So we are on track and we will bring it this year I mean yes the addition to our bottom line, top line will start happening only next year.

Adil Khan: And sir what will be an outlook on debt position for FY21?

Sorab Agarwal: See our position before COVID was very simple that we need to go debt free as soon as possible and if you look at the trend for the last four, five years we have been able to steadily reduce our debt which has primarily been our working capital short term and end of March we are left at 81 crores. So if everything goes well I think we should be able to get a 50, 60 crore by end of this year or even better because of this disruption and working capital and our working capital getting disrupted for nearly three, four months so we might not be able to bring it down more than that, but I think we should be down to 50, 60 crores levels that is what we are planning.

Moderator: Thank you. The next question is from the line of Bharat Parekh from CLSA. Please go ahead.

Bharat Parekh: Sorry to dig deeper but having seen the space for a decade what I observed right now on the ground is that except for one Madhya Pradesh based construction company average order backlog of all the construction companies including the largest company in India is actually running negative right now while we appreciate that things will bounce back from a low base, but until order backlog starts to grow because they already have a construction equipment right now so which is at sub segment which you see is sort of in a way bullish because reach up to all the industries companies while volumes are back, but CAPEX is on freeze as far as FY21 is concerned if not cut by 20%, 30% sorry I do not want to make you negative I am just trying to understand better in terms of real scene from the ground which you did better than us in terms of where do you see this positive delta coming from as a sectoral perspective and secondly if you can give us a perspective that was your base low last year that we are having such a robust growth right now in October four questions will be really helpful to get your perspective?

Sorab Agarwal: See what is happening that if you talk of the construction sector it is broken up into a lot many things whether it is roads, metro, bullet train, urban infra, ports xyz and if we look at the recent changes in the standing norms which have been done by the road ministry wherein they are allowing even smaller players with a slightly lower revenue base and things I am sure you would have read that article. See the market with respect to infra development and construction



even the government does not want should be controlled by 4, 5, 6, 10 fewer people rather smaller companies who have the potential to become bigger should also be able to play in the infra story, should also get worse otherwise it is limited to 5, 10, 15 players bidding or getting a tender and creating a backlog or increasing their size or because the size has grown too big because of the inefficiency delaying the project or you understand what I am saying. So may be the order book of the bigger companies might not increase, but you also have to understand that a lot of middle size companies or companies which are on the verge of being called bigger construction infra companies are on the verge of getting more orders now and in future so that is the first submission I would say with respect to what you just said. Apart from that if you look at the construction activity with respect to metro it is practically starting in every big cities it has already started or happening and once it starts it is only going to increase, increase and increase because just that putting one or two lines or one or two pages metro network can really work or we complete it and projects like your bullet train which is now nearly under award and the actual need of urban or civic infra in the very cities where all of us stay I really do not know whether you are from Bombay or from Chennai or Bangalore or let us say Tier-2, Tier-3. So, the scope has been immense a lot of things have been happening in the last 10, 12 years. Fortunately, unfortunately the speed at which they were happening and the speed at which they were required to be developed to cater to the actual requirement there was a lag, the requirement was increasing faster than what the creation was and in case the base of the creation of the infra was already lagging. The biggest question mark which is going to come in from where all this will be funded so that is one question I really do not have an answer to if that question the government is able to answer whether it is or whether with private players coming in whether getting money at lower cost or for example just like the bullet train project getting and funding from or the dedicated trade corridor getting and funding from countries with lower or very less interest cost so that is one question I really cannot answer, but yes with respect to the potentials I think it is enormous that is all I can tell you, but another thing which I just said our country is basically all predictable and if things seem to be coming on track then they get derailed this time the derailment was more to do with COVID after the IL&FS debacle and one and half years of slowness was there things are getting back on track December, January onwards and then COVID happens again they seem to be coming back on track so that is something which is definitely much beyond our control influence we just have to bear with it and if you talk of yes, definitely last year was a little slowing year for most of the equipment manufacturers and same was for us and we did degrow a little in the last year post IL&FS and then the market slowing down and then the elections and whatever, whatever. So yes, the base was definitely a little smaller last year so that is why you see that we did 268 crores same quarter last year, same quarter this year. So that is also a reason that you might see some growth, but I really do not know how quickly, how fast, how bigger the infra construction or the industrial landscape will grow in our country. See another thing with respect to our company especially at about 60% of our revenue I am talking of infra and industrial breakup 60% or let us say have a crane business comes from the infra side and balance coming from the industrial or heavy engineering or general manufacturing at large. So right now, we are seeing



traction on both the ends and good monsoons and everything and India is primarily an agricultural-based economy with respect to the size or the contribution agriculture has in our economy and our population. So we are in all the three segments and if the country grows we grow so yes if somebody believe that the country will not grow and will start to languish in some time or will just taper off then obviously we will also taper off I am being very frank, but yes if somebody can bet on India then I am sure we are more or less in most of the hardcore place.

Bharat Parekh:

Secondly just wanted your perspective that there is a big narrative on currently in Make in India and Atmanirbhar Bharat and lot of focus on that, can you help us understand was important equipment especially from China was a threat at all in your business and do you see some action on the ground in terms of government tenders coming out with Make in India as a prerequisite and stuff like that how do you see is it still a narrative or you see reality on the ground?

Sorab Agarwal:

Unfortunately, while answering my last question I think I should have covered this as well, but good you ask it. With respect to supply chains China with respect to small, big components and even fully finished machines it is not only construction equipment, but most of everything was catering to the world and even though the biggest of the companies globally. One thing is for sure which I am seeing, feeling and let us say a couple of our venders and our my friends rather who are in the automotive space or let us say component space because most of the people globally are looking for an alternate supply chain to at least 30% to 50% extent which needs to move away from China so that is a fantastic opportunity for India and like I said talking to some people who are really big in these cases and who also supply little to us and some of them are friends they are already seeing this, hearing this and they are on the verge of deciding whether to expand more or not with respect to CAPEX or capacities so that is one thing for sure which is happening. Coming to your second part of your question Chinese equipment companies did establish a decent amount of presence in India especially in the bigger segment of machines like the bigger crawler cranes or the bigger tower cranes or the bigger truck cranes and they unfortunately Indian companies are at a slight disadvantage because the cost of money they get through Hong Kong so they have been able to offer one or two year credit period for these bigger machines and there was really no player in the country, but yes in the past in the last one and half years we have developed a series of cranes to compete with the bigger truck cranes. We have now tower cranes which are even bigger competing with the Chinese wherein we are selling more than the Chinese now in our country. In the smaller tower cranes business Chinese used to exist from 2004, 2003 onwards we sort of overtook them by 2010, 2011 and today we have about 65%, 70% market share in tower cranes and the Chinese for the smaller models are nearly out, but they continue to exist in the bigger models where the quantities were less in our country and they were being imported. So we have also become reasonably dominant there as well with our bigger range of tower cranes. So yes China has been there is there and for how many let us say for bigger crawler cranes. So we



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are about to make a bigger machine which will be around a 160 tons, but yes there is requirement of 250 tons and 600 tons there is nobody doing in India and obviously the Chinese are much more cost effective as compared to the Japanese or the European so that space will still be open to them. In bits and pieces spaces will be open to them which are not being catered by anybody in the country, but as soon as somebody starts to cater that space in the country with reasonably quality and a good price things starts to roll back which we have seen in the past and I am sure will happen again.

Moderator: Thank you very much. As there are no further questions I now hand the conference over to the management for closing remarks. Over to you.

Sorab Agarwal: Like we discussed we have been lucky enough to do a similar revenue as compared to last year which was slightly beyond our expectation and the economic activity and the momentum it seems is nearly at the same level where we left with Pre COVID where the situation appear to be a growth situation. So our order booking, our order flow everything seems to be well on track. I just hope and pray this momentum continuous and countries able to fight of COVID as soon as possible and maybe the vaccine might be out in January, February that is what I hear. So let us hope and pray that all of us are able to fight of COVID and come back to economic normalcy and then grows from thereon and definitely we are looking at may be touching our last year revenue even though the first quarter was a total wash out so I feel in a way that is growth happening in the company and let us see where we are able to go from there.

Moderator: Thank you very much. Ladies and gentlemen on behalf of Emkay Global Financial Services Limited that concludes today's conference call. Thank you all for joining us and you may now disconnect your lines.