



“Action Construction Equipment Limited Q3 FY18
Earnings Conference Call”

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**MANAGEMENT: MR. SORAB AGARWAL – EXECUTIVE DIRECTOR
MR. RAJAN LUTHRA – CHIEF FINANCIAL OFFICER**

Moderator: Ladies and Gentlemen, Good Day. And Welcome to the Action Construction Equipment Limited Q3 FY18 Earnings Conference Call. We have with us on the call today Mr. Sorab Agarwal – Executive Director, and Mr. 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 an operator by pressing ‘*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded.

I would now like to hand the conference over to Mr. Sorab Agarwal. Thank you and over to you, sir.

Sorab Agarwal: Good afternoon, everybody. I am Sorab Agarwal – Executive Director at ACE, and with me is Mr. Rajan Luthra – our CFO.

We have had a very good December quarter and we have seen the momentum building up. This is how we were able to deliver a good quarter, good numbers and the momentum seems to be continuing. Going forward, I think the speed is definitely there and we are seeing a lot of growth in our order books, especially in last one and half months. In the December quarter we have been able to increase our sales by around 48%, which is about Rs. 279 crores, profit before tax by 264% which is Rs. 22.4 crores and profit after tax by 236% which is Rs. 16.41 crores. We feel that coupled with normalizing in GDP and consumption story picking up, along with improved industrial and infra activity in the last couple of months, the order flow growth is here to stay as of now.

On the sector front, we have again been able to grow in our cranes business by around 70% in a year-on-year basis. In the construction equipment business, which is predominantly road machinery, by about 57%. In the material handling segment which is primarily driven by forklifts, about 46%. And about 3% growth on the agri side. Accordingly, our profitability has also sort of normalized in our weaker segments and going forward as we see growth in our construction equipment and forklift and agri segments, I am sure that our profitability in these segments will also start to increase.

I think we can open for questions.

Moderator: Sure. Ladies and Gentlemen, we will now begin with the question-and-answer session. We have the first question from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

Pritesh Chheda: Sir, my first question is, on a QoQ basis for the delta change in revenue. The delta change in profitability is much higher, so it seems that the incremental revenue is generating some 30% type PBT margin. So, first of all, is there any mix change or now is this the nature of the

business where you would generate those kinds of leverages on every incremental sale that you do? So that is my question one. My question two is, you initially in the opening remark gave some color on the order inflow backlog looking good, so if you could peg some indicative thought process as to what kind of growth is there in the backlog which would give us some idea on the growth in FY19?

Sorab Agarwal:

With our numbers increasing further I am sure that our profitability and our profit percentages are going to improve further. In the current quarter, there is definitely some pressure because of steel prices which we have started experiencing quite a lot in the month of January, but I am sure we will tide over them because in the month of February we have decided to increase our prices accordingly. So, in February and March we will be pushing our price increase. Hopefully with increase in business and our fixed cost remaining more or less certain, our profitability should increase with revenue increasing.

To answer the second question of yours regarding order flow, in the last one and a half months, we have been seeing orders more than what we expected. As a matter of fact, we are looking at a 50% growth in the number of orders that we are getting as compared to what we were getting in the month of October, November and December. So, going by that I can very easily say that increase of about 40% - 50% from here in the current quarter looks evident. Currently we are coping up with the manufacturing side because obviously we have to immediately ramp-up our production plans. We do have our capacities in place, but yes there is a slight lag in ramping it up and bringing it to that level, and we are already working on that. Hopefully we will be able to capitalize on this aspect as well with respect to our increase in order flows.

Pritesh Chheda:

Do you see these growth rates sustaining in FY19?

Sorab Agarwal:

Yes, as a thumb rule and what we have always seen is, about 55% to 60% of the business is done in the second half. And the second side is that generally what we are able to do in the quarter four is replicated in the next whole year on annualized basis.

Pritesh Chheda:

Next whole year?

Sorab Agarwal:

Yes, on an annualized basis. So, I am sure that we can easily take those presumptions with respect to the revenue that we are going to have in quarter four and we multiply it by four so that is what we should be targeting at least. The order flow seems to be heavy and sustained. The main part is, it is coming from all across, not just infra sector. Seems about 60% - 70% of our revenue is indirectly connected to the infra sector, balance is connected to hardcore industry and manufacturing and we are seeing a big revival there. As of now we are very confident that this flow will maintain, because in the end of 2016 obviously demonetization did slowdown the things a little. In April 2017, the BS-IV moving on did slow down the things for one or two months because there was confusion regarding construction equipment and commercial vehicles. Then obviously GST did slowdown things a little in the first quarter. So,

it is only that even though we could see signs of growth and demand, things have really started to pan out in the last three to four months.

Pritesh Chheda: Why is the agri equipment growth so soft and what is the progress you have made in backhoe loader segment?

Sorab Agarwal: In the agri side we had planned to grow at 15-20% in the current year. Yes, we have been a little bit off the mark there but we are very hopeful that in the last quarter we will be able to grow by about 15% - 20%. Next year again we will embark on our journey to stream our growth there. In the last quarter we have done a 57% increase in the top-line on a year-on-year basis with respect to backhoe loader. So that speaks for itself. I am sure that with our seeding of machines throughout the country which has been happening in the last one and a half year on a continued basis, including our board machinery, we should be able to grow this segment by at least 70% - 80%, if not more in the next year.

Moderator: Thank you. We have the next question from the line of Payal Malwania from Wow Investments. Please go ahead.

Payal Malwania: Sir, with every 5% addition in utilization, how much could it affect your top-line and bottom-line, can you please put a light on this?

Sorab Agarwal: 5% increase in utilization would be approximately Rs. 70- 75 crores of revenue.

Payal Malwania: On a YoY basis, sir?

Sorab Agarwal: This is on the company basis. For last year we were working at about 35% - 40% utilization. Our utilization has improved drastically in the last quarter and they will be improving further. But still there are sections like construction equipment and forklift and agri where our utilizations are still available with us, around 50%.

Payal Malwania: Okay. So that can be a 10% utilization rise in that area?

Sorab Agarwal: I think it will be more than that, because we are looking at healthy increase again the cranes segment even in this quarter and going forward as well. But we have enough capacities to overall reach the turnover of around Rs. 1,500 crores - Rs. 1,600 crores with capacity that we have in place now. And second part of your question which was regarding profitability, I would say that approximately for every about Rs. 100 crores increase in revenue we increase our profit before tax about 15% - 16%, that is about Rs. 15 crores - Rs. 16 crores.

Payal Malwania: Right, so that would be Rs. 15 crores - Rs. 16 crores approximately?

Sorab Agarwal: At least Rs. 100 crores of top-line year-on-year.

- Payal Malwania:** Yes. And how about the utilization of capacity right now. You are at 75%?
- Sorab Agarwal:** No, with respect to cranes we are at 60% utilization, with respect to construction equipment we are at 30% utilization, with respect to material handling we are at 50% utilization and with respect to agri we are at 50% utilization. So, we practically have capacity available to nearly double up from here in a stretch scenario, but yes doing a Rs. 1500 crores - Rs. 1600 crores revenue out of this existing capacity in the next year should be very easy.
- Payal Malwania:** Are you are looking for capacity utilization increase at the rate of 10% in all areas?
- Sorab Agarwal:** No, we are looking at slightly more than that. We are looking at more than that because if we talk of the fourth quarter which we are already into, we feel that we are looking at a 40% - 50% growth on a year-on-year basis Going forward in to the next year again we are looking at a 25% - 30% growth. So, I think we are looking at utilizing about 60% - 70% of our capacities.
- Moderator:** Thank you. We have the next question from the line of Ram Modi from Prabhudas Lilladher. Please go ahead.
- Ram Modi:** Sir, can I have the volumes for this quarter?
- Sorab Agarwal:** For pick-and-carry cranes we have done about 1216 units, for mobile tower cranes and tower cranes put together we have done about 64 units, for tractors we have done about 1024 units and for forklifts we have done 215.
- Ram Modi:** When we had met you last time, you had guided us in regards to increase in the distribution for tractors. So, how is our presence now in terms of markets?
- Sorab Agarwal:** Our presence predominantly has been in Haryana, UP and some other parts of North India. But in the last one and half years we have increased our distribution focus in the eastern, southern and western parts of the country. I am sure we will be looking at incremental results from these areas in the next year. Apart from that we have also developed bigger horsepower tractor, 75 horsepower and 90 horsepower tractor especially for the export market. We had put a dedicated export division in place six months back. So we are very hopeful that in the next year we should also be exporting these bigger horsepower tractors especially to Africa in reasonable numbers.
- Moderator:** Thank you. We have the next question from the line of Anupam Goswami from Stewart & Mackertich. Please go ahead.
- Anupam Goswami:** First of all, I wanted to check on a piece of news wherein it was mentioned that Action Construction Equipment has lined up with PNB for selling farm equipments. How is that coming up?

- Sorab Agarwal:** That is panning out very well. As a matter of fact, this was mainly to facilitate our increase in our tractor numbers and harvester numbers, because 90% - 95% of agri machinery is sold on credit and PNB being one of the leading banks and available more or less in every nook and corner of the country. So this is a very big shot in our arm with respect to our tractor sales in times to come. Apart from that there is a very recent development. In the coming days, we will be a member of TMA, Tractors Manufactures Association of India. All the leading finance companies, especially the private companies mainly are focused towards TMA members with respect to funding of agri machinery. So going forward, even the private financers are supposed to handhold us with respect to the credit they offer in the market for financing. This should really help us in increasing our numbers next year.
- Anupam Goswami:** Will this directly benefit you?
- Sorab Agarwal:** Yes. This TMA membership is going to help us get easy tractor financing for our customers and farmers in most of the areas, which will obviously convert into more sales.
- Anupam Goswami:** Going ahead for the next year, how much growth are you seeing in different sectors and what is your focus on budget outlook over the next coming years?
- Sorab Agarwal:** I will talk first in respect to Company's growth first. We have more or less made it clear that in quarter four we are looking at growth of around 40% on a year-on-year basis. After that for the next year again doing a 25% to 30% growth should not be a problem. It can only be faster, because when we started our current year, that is FY18, we were planning and projecting 18% - 20% growth. We are now looking at about 40% in the current year itself after projecting 18% to 20%. So, realistically 25% to 30% should be easily done. With respect to the budget we are very hopeful, because infrastructure, industrial activity and agricultural are the three main focus which as of now the Finance Ministry has and luckily we are working in all those three domains.
- Moderator:** Thank you. We have the next question from the line of Aksh Vora from Praj Financials. Please go ahead.
- Aksh Vora:** Sir, the growth which you have seen in different category, is it just for our company or this is a trend across the industry? Are we seeing uptrend in this order inflow growth across industry or it is just we are doing something great?
- Sorab Agarwal:** With respect to cranes I can definitely tell you we are doing great, because I have a fair enough idea about our competition. So with respect to cranes we have definitely been able to grow faster than our competition and within the next 20 - 30 days we will have a fair enough idea of the last quarter numbers of our competition, precise competition. So we can judge how much market share we have been able to gain further. But yes, with respect to if I talk of road machinery or the backhoe loaders or forklifts, yes the whole industry is doing well because

things seem to be back on track. More or less other people are also growing in similar numbers.

Aksh Vora: We are roughly at around 50% to 60% utilization in various segments. At peak utilization what can be the peak margins we can assume, because in nine months we have done some roughly 7.5% of margins and in this quarter itself we have done almost around 10% of margins. So, at peak what kind of margins do you expect to be delivered?

Sorab Agarwal: FY19 can also be peak utilization, but that only time will tell. Whenever we do our peak whether this year or sometime next year, I think at EBITDA level we should be able to do easily about 10% to 13% or may be even slightly more, PBT level above 10%. Our tax rate currently it around 25%, so let's say 13% odd plus/minus at EBITDA level. Little more than 10% on PBT level and somewhere around 7.5% - 8% on PAT level.

Aksh Vora: And lastly sir, what would be our market share in cranes?

Sorab Agarwal: Our market share in cranes, is close to 64%. I am sure it has gone up by 2% - 3% in the last quarter, which I can only confirm once we have authentic data of competition.

Aksh Vora: Sure, sir, and likewise if you can give market share for various other categories, if possible?

Sorab Agarwal: For material handling we would be close to about 20% market share. But with respect to construction equipment and agri equipment our market share may be miniscule, may be not worth mentioning as of now.

Moderator: Thank you. We have the next question from the line of Tushar Sarda from Athena Investments. Please go ahead.

Tushar Sarda: Thank you. My questions have been answered already. It was relating to margins and you have answered the same to the previous participant.

Moderator: Thank you. We have the next question from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

Sarvesh Gupta: Sir, while we are growing so fast, do we have enough additional manpower and other sources of production which will aid this growth? So, have we ramped up on those aspects as well so that we are not falling short of the demand that we have?

Sorab Agarwal: Yes, so we have been taking adequate care in the last couple of months and are preplanning with respect to whatever needs to be done. So, at our own end we are very well equipped as of now to cater to this increase. The second side is our supplier base. In the last two months we have already started working out alternate plans where we can use capacities with somebody

else who are not supplying to us. Yes, it is a small challenge but I see no reason why we will not tide over it.

Sarvesh Gupta: Since we might reach our peak capacity in FY19, are there any CAPEX plans for FY20 and beyond? How much is the lead time to do the CAPEX to be ready for additional demand?

Sorab Agarwal: Luckily for us, out of all the land that we require to increase our capacity by three or four times from here, we are only currently using about 30% - 40% of our land bank. So, land is readily available with us. It is just a matter of putting it together. I am sure that with our speed, we can increase our capacities from our current ones in not more than four to six months' time.

Sarvesh Gupta: You said that you have been gaining market share in cranes and doing very well as opposed to the competition. So, any reasons why we have been able to gain market share in this segment?

Sorab Agarwal: I will answer it in a different way. All of you are associated with the stock market. Somewhere or the other, you are always looking to buy a good stock at a right price. That is what we do. We sell good cranes at the right price, backed by even better warranty and service support. That is our simple strategy.

Sarvesh Gupta: There was a small bit of promoter selling in this quarter. Can you throw some light on that?

Sorab Agarwal: In November, Promoter family sold around 50 lakh shares. Many marquee and big global investors were continuously in touch with us and they wanted to be a part of our company or part of a growth story. But somehow, they were finding it difficult because the liquidity in the market is quite restricted. So principally we decided to give away a small portion. From 73% promoter holding went down to 69%.

Moderator: Thank you. We have the next question from the line of Anupam Goswami from Stewart & Mackertich. Please go ahead.

Anupam Goswami: What is the lead time that you take from getting the order and the same getting reflected in the results?

Sorab Agarwal: We have four different segments, and our biggest segment is cranes. We are continuously producing cranes and we have an in-house order tracking system wherein we know the number of fresh orders which are coming in a day and what needs to be produced. So we are currently working on a 12 day cycle from order to delivery. So as the number of orders increases, then obviously we have to increase our production which is going to finish on the 12th day. So there is really no problem on that front. We have recently hired a consultant to further work on our supply chain to further de-stress it and to make it even better so that our delivery lead time is reduced further. We have already started working actively on that and hopefully in the next three four months some more debottlenecking will also happen in our company with respect to supply chain.

- Moderator:** Thank you. We have the next question from the line of Samarth Sanghvi from PhillipCapital. Please go ahead.
- Samarth Sanghvi:** I believe that the debt levels have shot up in September from Rs. 30-odd crores to Rs. 83 crores in terms of long-term. Could you give some input on that? Also I believe there is around Rs. 56 crores worth of short-term borrowings which would be in terms of improvement of your production. Could you give a word on the long-term borrowing increment?
- Sorab Agarwal:** We had been using our working capital or the CC limit which we had taken from the bank. Even though our utilization was not really in sync with that, because our earlier CAPEX which we had done in 2011-2012, 2012-2013 was from our working capital only. So just to set the balance right, we had gone in for a long-term funding of about Rs. 25 crores from Kotak. But with what we are working on with respect to our inventory, debtors and creditors, I am very sure that by the end of this year again we should be able to reach somewhere around last year's level of Rs. 80 crores - Rs. 85 crores with respect to our total debt, including long-term and short-term.
- Samarth Sanghvi:** It will be around Rs. 80 crores - Rs. 85 crores?
- Sorab Agarwal:** Yes, approximately, plus/minus Rs. 5 crores with respect to our March ending numbers. We are very keen to bring ourselves to best three company scenario in the next year, and we are working very hard for that. I am sure that with the streamlined systems in place and obviously profitability coming into the company next year we would be able to reduce our debt drastically from Rs. 80 crores - Rs. 85 crores levels. That is our endeavor as well, because before 2010, we never used to use any debt from the banks. I am sure we will attain those levels somewhere in FY19.
- Samarth Sanghvi:** So it is basically just a shift from part of your short-term borrowings to your long-term borrowings?
- Sorab Agarwal:** Yes, more or less.
- Samarth Sanghvi:** Alright, the other question that I want to understand is with respect to how much is your current sale with respect to your agricultural products happening through the credit channel segment that you set up with PNB? Would it be fair to presume that before this tie-up there would be zero sales that would be happening through any tie-ups from the financial sector?
- Sorab Agarwal:** No, we always had tie-ups with Magma and a small tie-up with SBI, and one or two other private NBFC banks.
- Samarth Sanghvi:** Right. So, could you give any comparison between the previous and this quarter, what would have been the amount of sales that would happen to this?

- Sorab Agarwal:** Unfortunately, I do not have that data in front of me. We will largely benefit because of PNB's presence and their modus operandi for converting these demands into real loans which is a net-based system in which the clearance comes in one or two days. So if things are right, you submit the papers and you get a clearance online, so practically there is no human intervention at the bank level.
- Samarth Sanghvi:** So, could you give me a YoY comparison in terms of capacity utilization for the agricultural segment?
- Sorab Agarwal:** It is similar as of now because the growth that we have shown in the last quarter is only about 3% more as compared to FY17. And we are currently working at about 50% with respect to agri.
- Samarth Sanghvi:** And no price hikes given the steel price movements?
- Sorab Agarwal:** No, we are pushing in price rise as of now. In the month of August, we were pushing price increase of about 2.5% to 3%. Specifically in January, steel prices along with other commodity prices have increased drastically. So February onwards we intend to push in a price hike of around 3% - 3.5% which will take shape only by March and April. But in the meantime a lot of material is in pipeline, so generally we are able to drag along our price increases with respect to our incoming material as well as our finished goods.
- Moderator:** Thank you. We have the next question from the line of Avro Rai Chaudhary from SKS Capital. Please go ahead.
- Avro Rai Chaudhary:** As someone for the first time covering your firm I am really excited with the really brilliant results this quarter has produced. So thank you and congratulations. I have two fairly different questions; one is regarding your revenue. How much of this or is it completely driven by incremental unit sales as opposed to any revenue from the source of leasing or servicing? And if you do not have those areas that drive your revenue, are you concentrating on those at all?
- Sorab Agarwal:** Most of it I would say is from increase in sales of new units. We do have our rental and leasing business which has practically not grown further in the last 12 months owing to the overall market scenario. But yes, going forward the rental business is going to increase and going to increase quite a lot. It is just that in a tight market scenario we did not want to land up increasing our rental business in hands of bad pay masters because even the biggest of companies have been really bad pay masters in the last one or two years. So that was primarily the reason. But yes, going forward we are very much focused and rather I would say that our rental business would like to increase by about six to seven times in the next one or two years. That is the target.
- Avro Rai Chaudhary:** Given the lowering of interest rates by RBI, have you thought about refinancing at a more optimal cost of capital or even raising capital through some transfigurative issues?

- Sorab Agarwal:** Our interest cost is close to about Rs. 13.6 crores last year and hopefully this year we will finish at something similar. We always keep on using whatever best possible instruments are there to reduce our cost and I am sure we are enjoying one of the better rates available in the market with respect to our financing cost. But yes, our endeavor is always to keep it improving.
- Moderator:** Thank you. We have the next question from the line of Trupti Agarwal from White Oak Capital. Please go ahead.
- Trupti Agarwal:** I have two questions, one is regarding the CAPEX. You spoke about the fact that there is enough land bank and the new capacities could come in four to six months. Can you please guide on what would be the amount of CAPEX if you have to increase your capacity? How do you plan that and what would be the quantum?
- Sorab Agarwal:** As of now we really do not need any CAPEX. So, I would say that our CAPEX as and when required to increase our capacity will straight away be reduced by 50% as compared to anybody else because of the land that we already have in place. That's so because land bank is still one of the single most expensive resources which is used in CAPEX and especially if it is around city. To do an additional 500 cranes in a month I do not think we will be spending more than Rs. 24 crores - Rs. 30 crores.
- Trupti Agarwal:** And sir what about the maintenance CAPEX that we incur year-on-year?
- Sorab Agarwal:** That is to the tune of Rs. 8 crores - Rs. 10 crores.
- Trupti Agarwal:** Speaking about rental business, would mind giving the breakup of how much is the rental leasing business currently?
- Sorab Agarwal:** We have done about Rs. 15 crores in the first nine months. In the last year we had done about Rs. 18 crores in FY17. So going by that hopefully by the end of this year we should be somewhere around Rs. 20 crores. But we intend to increase it by six, seven times in the next couple of years.
- Moderator:** Thank you. We have the next question from the line of Devang Doshi from Asian Tiger. Please go ahead.
- Devang Doshi:** Sir, many congratulations for great set of numbers. We appreciate you are very clear to reply to each and every question, it shows the confidence in the company.
- Sorab Agarwal:** That is good to hear. Now I also have a lot of confidence on the economy and on the infra sector. For last four five years we were just sitting down and trying hard not to make a loss. Now that the good times have started, we start to rollback again. Let us hope good times are here to stay.

- Devang Doshi:** As you mentioned earlier, do you see further interest from any of the investors or FIIs where they want to have some stake in the company?
- Sorab Agarwal:** Yes, we have been seeing a lot of interest in the last five six months. Some of them are really good and marquee investors from India and abroad. Bringing down promoter stake from 73% to 69% was a very big decision. We do not think we will further bring down the promoter stake.
- Moderator:** Thank you. We have the next question from the line of Ravi Swaminathan from Spark Capital. Please go ahead.
- Ravi Swaminathan:** Sir, we have been seeing strong growth in the cranes and construction equipment segment. Which are the end sectors which are driving this cranes growth
- Sorab Agarwal:** For the cranes segment about 60% of our growth is broadly with respect to infra and construction activity and 40% is hardcore manufacturing, industry & engineering sectors. Now out of this I would say that primarily the demand for cranes as of now in the infra sector is being driven by railways, metro, urban infra or the highway jobs, and to some extent I would say refineries. With respect to industrial activity that we are seeing is across all sub segments. Steel is the biggest consumer for cranes, so obviously steel is taking the lead in the industrial side because more the movement of steel happens, obviously you need more cranes to move them, lift them, shift them, load them, unload them, and place them. But I would say roads, railways, metro, urban infra which can include water, sewage, flyovers within the city connectivity, refinery to some extent and hardcore industrial activity is driving demand for cranes as of now.
- One thing which I see happening very shortly is that about 8% - 10% of our crane portfolio also consists of housing and civil structures and real-estate where we supply the tower cranes, which has been reasonably slow in 2013, 2014, 2015, 2016 and even in 2017. But definitely in the last four five months of 2017 and going forward we are seeing good traction even in the tower crane segment which is primarily for civil construction. Leaving out NCR, Delhi, Gurgaon, Noida and Faridabad, all other major cities are already seeing a revival in demand with respect to tower cranes for building construction. I am sure that sooner or later NCR will also catch up. But the biggest traction is coming from this so called low cost housing activity and we have been supplying reasonable number of cranes in the last 3-4 months for government funded, aided low-cost housing projects in states like Gujarat and Madhya Pradesh.
- Ravi Swaminathan:** Are we through with our entire product portfolio or will we be introducing new models in the construction equipment segment? Are our products comparable with the market leaders in terms of range or we are likely to expand it further?

- Sorab Agarwal:** With respect to construction equipments, we primarily have backhoe loaders and three to four different types of vibratory rollers which are used for road construction, whether it is soil or whether it is asphalt. Going forward with respect to motor grader we are going to be adding a model which is a slightly smaller model for the rural roads or the hilly roads where you need a smaller machine. In the month of March we would be launching our new model of backhoe loader, which is further upgraded with better aesthetics and certain specification feature which might be better than competition as well. With this we will have a sizeable market share in the backhoe loader market. We are also planning to think about the track excavator segment wherein companies like Hyundai, Hitachi, Kobelco or Komatsu are currently present.
- Ravi Swaminathan:** Got it. At a steady state level, will this construction equipment margins or the profitability of this product will be on par with cranes or will be slightly above?
- Sorab Agarwal:** I would say similar. In respect of profitability, we have improved in the construction equipment segment as compared to last year. I am sure it might do slightly better than cranes.
- Moderator:** Thank you. We have the next question from the line of S. Ranganathan from LKP Securities. Please go ahead.
- S Ranganathan:** Congrats Sorab and congrats to the entire ACE team for crossing the important milestone of Rs. 2,000 crores in market capitalization now.
- Sorab Agarwal:** Thanks a lot, but we generally have no role to play there, it is all of you guys.
- S Ranganathan:** So it is good to see the return of *Acche Din* for ACE. Since there isn't any comparable peer in the listed space and with legs in all these buckets across the different segments of the economy, I just wanted to congratulate you on this opportunity.
- Moderator:** Thank you. We have the next question from the line of Aksh Vora from Praj Financials. Please go ahead.
- Aksh Vora:** Is the demand in cranes seen across India or it is from some specific regions?
- Sorab Agarwal:** The demand that we are seeing is across the country. For the first time we are seeing demand even in J&K and northeast region
- Moderator:** Thank you. We have the next question from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.
- Sarvesh Gupta:** Metal prices have increased in the recent past. Secondly, for the end user, crude price is important part of his overall cost structure, which has also increased. Are we completely inelastic to these kinds of pressures which may happen for the end user to buy equipment?

Sorab Agarwal: Generally when we increase prices it is not to the tune of 10% - 12% but is restricted to 3% - 5%. We also follow a philosophy that we do not increase 4% or 3% on day one. We do a soft release of prices into the market and generally it is done into two steps. Yes, there can be a lag sometimes of one or two months when we are trying to push the price. So that is the only sore point if it can become. But I see no reason to worry because once the demand is high, price increase should not be difficult. It is generally when the demand is on the weaker side, pushing price increase is more difficult.

Moderator: Thank you. Ladies and Gentlemen, due to time constraint that was the last question. I would now like to hand the conference over to Mr. Sorab Agarwal for closing comments.

Sorab Agarwal: I hope I have been able to answer most of your questions. Going forward we expect the momentum in Q4 to remain. If that happens, we will be growing much faster than what we are thinking. But yes, on a conservative side going forward looking at a 25% growth with about anywhere between 11% to 13% EBITDA levels and with a 9% - 10% PBT levels looks achievable. We are working hard in that direction and we are trying to control our company in all the right senses whether it is our working capital, our inventory, creditors or debtors or our product portfolio, product lines, our infrastructure in the market to support our equipment. So we are trying to do all the right things and let us hope things remain like that. Thank you.

Moderator: Thank you very much, sir. Ladies and Gentlemen, on behalf of Action Construction Equipment Limited, that concludes this conference call. Thank you for joining us. And you may now disconnect your lines.