



Action Construction Equipment Ltd.

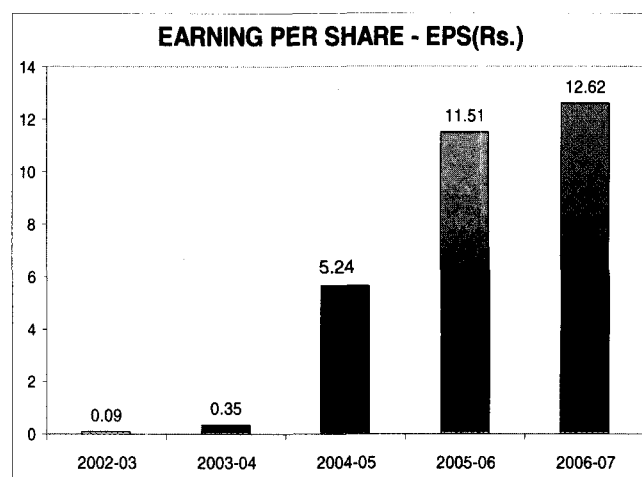
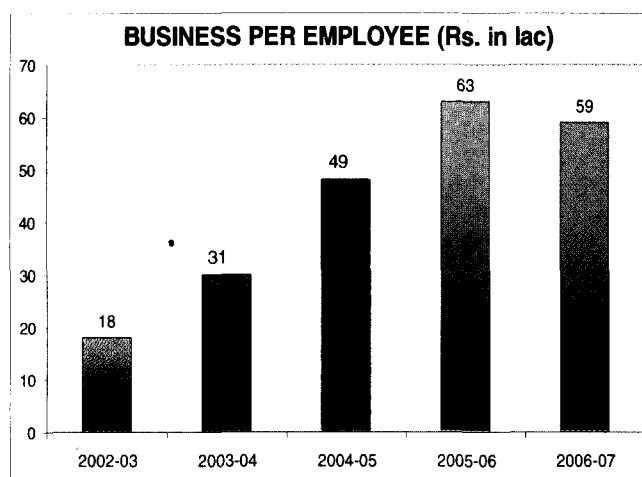
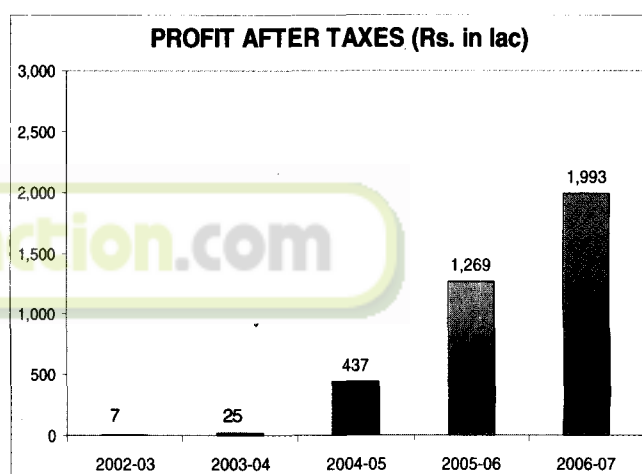
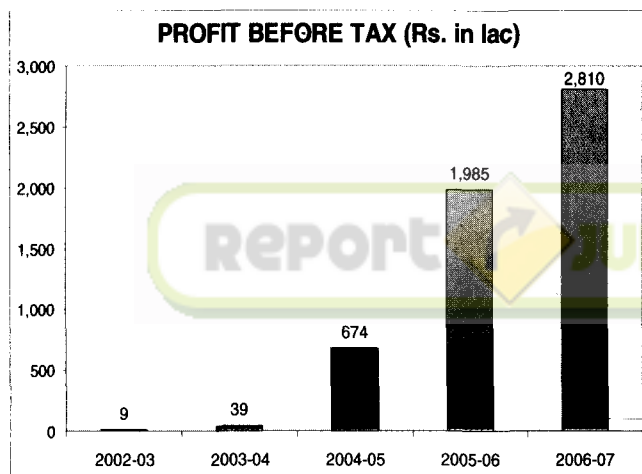
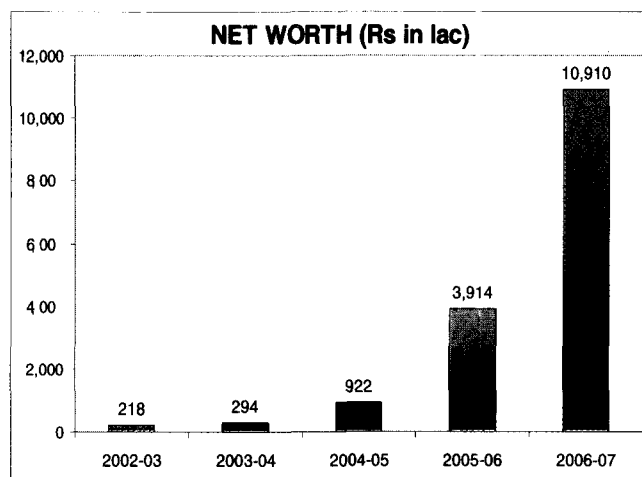
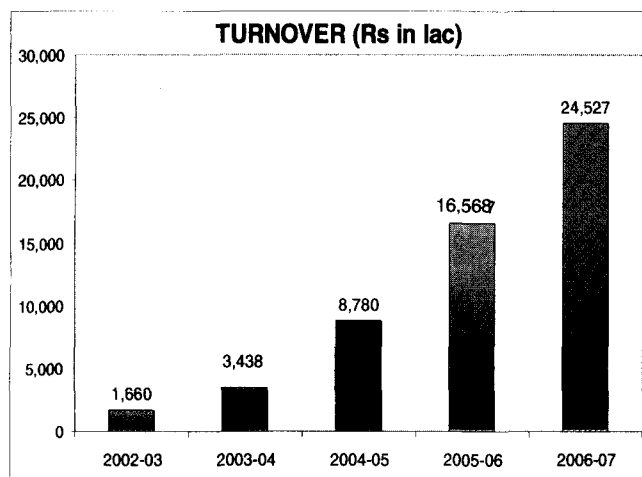
13th ANNUAL REPORT
2006 - 2007

*Nothing beats an **ACE***




Action Construction Equipment Ltd.

COMPANY AT A GLANCE FOR LAST FIVE YEARS



ZERO DEBT COMPANY

The VISION

“Be the Leading Company in Cranes and Construction/ Material Handling Equipment Sector, with a Global Focus”.

The MISSION

“To consolidate the existing business further in terms of Customer relation & manufacturing and to continuously add new products to our Product Portfolio, with the mission of producing and distributing good quality machines which are cost effective, have value added features and to provide the best in the line of Product Support and Spares availability”.

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Action Construction Equipment Ltd.

CORPORATE PROFILE

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Board of Directors

Shri Vijay Agarwal	: Chairman & Managing Director
Smt. Mona Agarwal	: Whole-time Director
Shri Sorab Agarwal	: Whole-time Director
Shri Vijay Kumar Singh	: Whole-time Director
Shri Girish Narain Mehra (IAS Retd.)	: Non-Executive Director
Shri Subhash Chander Verma	: Non-Executive Director
Maj. Gen. (Retd.) Dr. K.C. Agarwal	: Non-Executive Director
Dr. Amar Singhal	: Non-Executive Director

Chief Finance Officer

Shri P K Bansal

Company Secretary

Shri Rishi Mathur

Statutory Auditors

M/s Rajan Chhabra & Co.
Chartered Accountants

Stock Exchanges, where Shares are listed

Bombay Stock Exchange Limited
National Stock Exchange of India Limited

Registrar and Share Transfer Agent

Karvy Computershare Private Limited
'Karvy House'
46, Avenue 4, Street No. 1,
Banjara Hills, Hyderabad- 500 034
Phone : + 91-40-2331 2454, 2332 0751/52/53
Fax : + 91-40-2331 1968
Email : ace@karvy.com

Corporate Office

Jajru Road, 25 Mile Stone,
Delhi Mathura Road, Ballabgarh- 121 004, Haryana
Phone : +91-129-230 7922/933/924
Fax : + 91-129-230 7562
E-mail : cs@ace-cranes.com

Subsidiary Companies

FRESTED LIMITED, Cyprus
SC FORMA SA, Romania

Bankers

ICICI Bank Limited
Citibank N.A.
The Hongkong and Shanghai Banking Corporation Limited

Plants

- Jajru Road, 25 Mile Stone,
Delhi Mathura Road, Ballabgarh- 121 004, Haryana
- Dudholla Link Road,
Village Dudholla, Tehsil Palwal,
Dist. Faridabad – 121 102, Haryana
- Plot No. C-5,6,7 & 8
UPSIDC Industrial Area-1
Bazpur, Dist. Uddham Singh Nagar – 262 123
Uttranchal

Product Support Division

Plot No. 17, Sector-11A,
Faridabad- 121 006, Haryana

Registered Office

II Floor, Plot No. 7, H Block, Sarita Vihar,
New Delhi – 110 076
Phone : +91-11-2695 3623/626/633
Fax : + 91-11-2695 3717
E-mail : marketing@ace-cranes.com

Website

www.ace-cranes.com

NOTICE**NOTICE**

NOTICE is hereby given that the **Thirteenth Annual General Meeting** of the Members of **Action Construction Equipment Limited** will be held on Wednesday, the 8th day of August, 2007 at 12.30 p.m. at MPCU SHAH AUDITORIUM, Shree Delhi Gujarati Samaj Marg, Delhi-110 054 to transact the following business:-

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2007, audited Profit & Loss Account for the year ended 31st March, 2007, Board's Report & addendum thereto and Auditors' Report.
2. To declare dividend on Equity Share Capital for the financial year ended on 31st March, 2007. The Board has recommended final dividend of 30% on the paid-up Equity Share Capital of the Company for the year ended 31st March, 2007.
3. To appoint a Director in place of Shri Sorab Agarwal who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Girish Narain Mehra (IAS Retd.) who retires by rotation, and being eligible, offers himself for re-appointment.
5. To appoint M/s. Rajan Chhabra & Co., Chartered Accountants, retiring Auditors as Auditors of the Company, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

SPECIAL BUSINESS

6. To consider and if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution:-

"RESOLVED THAT pursuant to the provisions of section 149 (2A) of the Companies Act, 1956, the consent of the members of the Company be and is hereby accorded to carry on the business activities as covered under the Other Objects clause no. 14 of the Memorandum of Association of the Company and subject to such other approvals, consents, permissions and sanctions as may be necessary from appropriate authorities or bodies and subject to such conditions as may be prescribed by any of them while granting such approvals, consents, permissions, sanctions".

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to take all such effective steps to decision of the members of the Company as they may consider appropriate in the interest of the Company and to do all such acts, deeds and things from time to time for and on behalf of the Company".

By Order of the Board
For Action Construction Equipment Limited

Place : New Delhi
Date : 29th May, 2007

Rishi Mathur
Company Secretary

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT TO BE A MEMBER OF THE COMPANY. PROXY IN ORDER TO BE VALID MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE SCHEDULED TIME OF THE MEETING.
2. Members/Proxy should bring the Attendance Slip duly filled in, for attending the meeting.
3. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, with regard to the special business is attached herewith.
4. The Equity Shares of the Company are listed on Bombay Stock Exchange Limited (BSE) & National Stock Exchange of India Limited (NSE).
5. The Register of Members and Share Transfer Book will remain closed from Wednesday, the 25th day of July, 2007 to Wednesday, the 8th day of August, 2007 (both days inclusive) for payment of dividend. The dividend in respect of Equity Shares held in electronic form will be paid on the basis of beneficial ownership as per the details available from National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).
6. For effecting change of Address/Bank details/Electronic Clearing Service (ECS) Mandate, if any, Members are requested to notify the same to the following:-
 - (a) if shares are held **in physical mode**, to the Company and/or Registrar and Share Transfer Agent (R&T Agent) of the Company, i.e. M/s. Karvy Computershare Private Limited, 'Karvy House', 46 Avenue 4, Street No. 1, Banjara Hills, Hyderabad - 500 034. Members must quote their Folio No. in all correspondence with the Company/R&T Agent.
 - (b) If shares are held **in electronic form**, to their Depository Participant (DP). The Company/ R&T Agent will not entertain requests for noting change of Address/Bank details/ECS Mandate, if any.
7. Members holding shares in physical form may avail Nomination facility by giving the particulars of their nomination in the prescribed form to the Registrar and Share Transfer Agent.
8. Members holding shares **in electronic form** may kindly note that their Bank Account details and 9-digit MICR Code of their Bankers, as noted in the records of their Depository, shall be used for the purpose of overprinting on Dividend Warrants, or remittance of dividend through Electronic Clearing Service (ECS), wherever applicable. It is, therefore, necessary that the Members should ensure that their correct bank details and/or 9-digit MICR Code number are noted in the records of the DP. Kindly ensure that the ECS mandate is correctly recorded with your DP so that no ECS rejection takes place. Reserve Bank of India (RBI) is providing Electronic Clearing Service (ECS) facility for payment of dividend in selected cities. Members holding shares in physical mode and who are desirous of availing this facility may give the details of their bank account i.e. 9-digit MICR Code in the format prescribed for this purpose (which can be obtained from the Registrar and Share Transfer Agent) along with photocopy of a cheque or a blank cancelled cheque relating to the bank account.
9. Members seeking any information on the accounts are requested to write to the Company at least ten days in advance



Action Construction Equipment Ltd.

NOTICE

Annual Report 2006-07

- so as to enable the Management to keep the information ready, in reply to the same at the Annual General Meeting.
10. Disclosure pursuant to Clause 49 of the Listing Agreement with respect to the Directors seeking reappointment at the forthcoming Annual General Meeting is given in the annexure forming part of Notice.
11. Members are requested to:-
- Bring their copy of Annual Report and attendance Slip at the venue of the meeting.
 - Quote their Folio/DP & Client Id No. in all correspondence with the Company/ R&T Agent.
 - Note that briefcase, bag, eatables etc. **will not be allowed** to be taken inside the venue of the meeting for security purposes and shareholders will be required to take care of their belongings.

- Note that **no gifts** will be distributed at the Annual General Meeting.
- Note that **shareholders present in person or through registered proxy** shall only be entertained.
- The attendance slips/proxy form should be **signed** as per the specimens signatures registered with the R&T Agent/ Depository Participant (DP). Please carry photo ID card for identification/ verification purposes.

By Order of the Board
For Action Construction Equipment Limited

Place : New Delhi
Date : 29th May, 2007

Rishi Mathur
Company Secretary

EXPLANATORY STATEMENT

Pursuant to Section 173(2) of the Companies Act, 1956

In respect of Item No. 6

The Members of the Company are informed, towards the diversification in the field of Hospitality business, your directors envisage this as a good business opportunity. Looking at the recent developments in this sector, it will be beneficial for the Company to diversify into this sector in long run.

The members are further informed that the proposal to diversify into this business shall involve dealing in hotels, restaurants, cafes, holiday camps time share and deal in food and food products with all conveniences, amenities and all other facilities to public including tourist, visitors, delegates for business conferences etc.

In order to validate the commencement of new business, the

Company is required to obtain the approval of the members by way of a Special Resolution.

Keeping in view the amendment made in the Object Clause of Memorandum of Association of the Company, it is necessary for the members to give their consent to the Company under section 149 (2A) of the Companies Act, 1956, by way of a special resolution.

Your directors recommend to pass necessary resolution as set out in Item No. 6 of the Notice as a Special Resolution.

None of the Directors of the Company is, in any way, concerned or interested in this Resolution.

ANNEXURE FORMING PART OF NOTICE

Details of Directors, Pursuant to Clause 49 of the Listing Agreement

ITEM NO : 3

Shri Sorab Agarwal, Whole-time Director, holds Bachelor of Engineering (Mechanical) Degree and is looking after the Marketing function of the Company. Shri Sorab Agarwal has been associated with the Company since last 8 years and is looking after entire gamut of the Marketing Activities of the Company. Under his marketing capability the Company has ventured into new territories and increased market share considerably. He has played a major role in setting up an efficient all India Sales & Service network, aimed at achieving target-oriented results. He also looks after brand building of the Company.

He holds 414210 Equity Shares of Rs. 10/- each in the Company.

Shri Sorab Agarwal holds Directorship in following other Companies:

- ACE Steelfab Private Limited.
- ACE TC Rentals Private Limited.

Except Shri Sorab Agarwal, no other Director is interested in the above Resolution.

ITEM NO : 4

Shri Girish Narain Mehra, Non-Executive Director, is retired from Indian Administrative Service (IAS). He had a distinguished career as a member of Indian Administrative Service. He held top position in the Government of India as Secretary, Ministry of Industry (Department of Heavy Industry and Company Affairs) and Secretary, Ministry of Information and Broadcasting. He was Chief Secretary of Uttar Pradesh and also served as India's Director General of Tourism. He has long and valuable experience in the

field of industrial development administration having served as Industry Commissioner in Uttar Pradesh. He has also been Chairman of Indian Tourism Development Corporation Ltd and PICUP. In his brilliant career with Government of India spanning over 37 years, he has spent 20 years in the field of Industrial Development and Management. He retired as India's High Commissioner to Canada. He holds 2048 Equity Shares of Rs. 10/- each in the Company.

Shri Girish Narain Mehra holds Directorship in following other Companies:

- Usha Breco Limited.
- Subros Limited.
- Amrit Banaspati Co. Limited.
- Bharat Seats Limited.
- U P Hotels Limited.

Shri Girish Narain Mehra is the Chairman of Audit Committee of Amrit Banaspati Co. Ltd., Bharat Seats Ltd., Subros Limited and Usha Breco Ltd. He is the Chairman of Shareholders/Investors' Grievance Committee of Bharat Seats Ltd and is a member of Remuneration Committee of Amrit Banaspati Co. Ltd., Bharat Seats Ltd., Subros Ltd. He also hold membership in Shareholders/Investors Grievance Committee of Amrit Banaspati Co. Ltd and is a member of Audit Committee & Shareholders/Investors Grievance and Share Transfer Committee of our Company.

Except Shri Girish Narain Mehra (IAS Retd.), no other Director is interested in the above Resolution.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Your Company believes in business as a force for good. Our belief is that shareholder value from business is created when the returns generated from business, i.e. net operating profit after taxes is higher than the cost of capital.

2006-07 was another year of excellent performance for the Company. The Company is well positioned to benefit from its favorable market situation with the expansion plans initiated during the previous year starting to bear fruits in 2006-07. This coupled with the Company's commitment to the principles of Total Quality Management (TQM) for continuous improvements of its business processes and operational efficiencies, has enabled the Company to achieve a much better performance for the year under review.

The highlights of the Company's performance in the year 2006-07 are as below :

- Net Sales increased by 48% from Rs.16568 lac in 2005-06 to Rs. 24527 lac in 2006-07.
- Profit Before Tax (PBT) increased by 42% from Rs. 1985 lac in 2005-06 to Rs. 2810 lac in 2006-07.
- Profit After Tax (PAT) also increased by 57% from Rs.1269 lac in 2005-06 to Rs.1993 lac in 2006-07.
- Earning Per Share (EPS) (weighted) rose by 10% from Rs. 11.51 in 2005-06 to Rs. 12.62 in 2006-07, in spite of increase in the capital.

We present a review of the performance of the Company's business operations, initiatives taken by the Company and its overall financial performance in 2006-07, as under:-

INDUSTRY STRUCTURE & DEVELOPMENT

Your Company is a leading Mobile Cranes, Tower Cranes and other construction equipment manufacturer with a substantial market share. Your Company has taken several initiatives to steer through the competitive situations in future and to retain its position in the business. During the year 2006-07, the Company has reported a total turnover of Rs. 26,583 lac. The number of equipment stood at 2481.

The Company designs, manufactures, sells and provides product support for the following equipment:-

- Hydraulic Mobile Cranes
- Mobile Tower Cranes
- Fixed Tower Cranes
- Backhoe & Wheeled Loaders
- Lorry Loader Cranes, in tie-up with Autogru PM-Italy
- Forklift Trucks

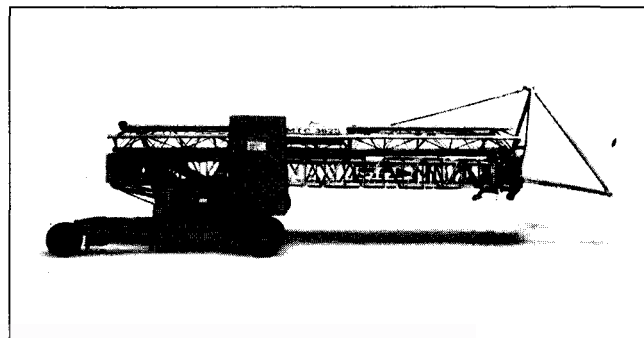
HYDRAULIC MOBILE CRANES

Hydraulic Mobile Cranes are widely used throughout Engineering, Construction and Infrastructure industry. These machines are rough terrain, pick and carry type, used for loading, unloading, moving,

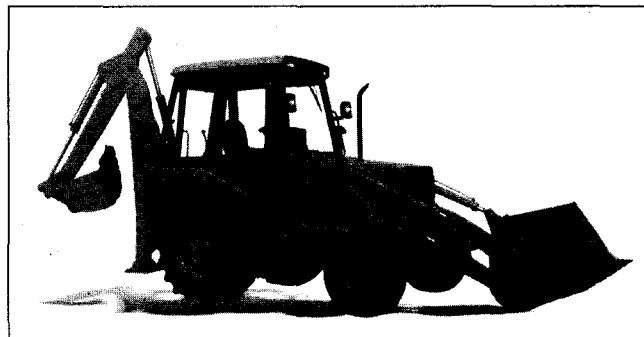
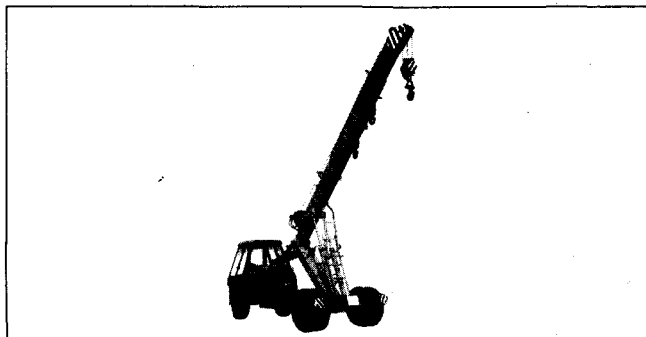
shifting and erecting materials. The Company currently manufactures these cranes of 3 tons to 20 tons capacity. The Company is also in the process of developing 22 ton capacity Crane.

MOBILE/FIXED TOWER CRANES

Tower Cranes are basically used for civil construction. Mobile Tower Cranes are self-erecting /self-folding machines. These have provisions for built-in generators to provide electricity needed to operate the machines. The Company currently manufactures Mobile Tower Cranes, which can work in 6 to 12 storeyed buildings. Fixed Tower Crane are also used in civil construction, but they are larger in size. These cranes have maximum lifting height of 240 meters and a working radius of upto 70 meters.

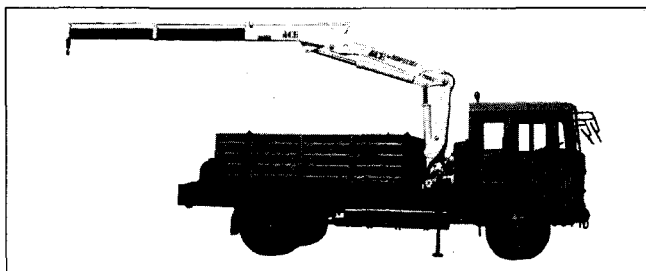
**BACKHOE & WHEELED LOADERS**

Front End Loader has a front loading bucket, while a Backhoe Loader has an excavating bucket at the rear too. These machines are used in the construction and infrastructure sector for digging, moving, grading and loading earth and other loose aggregates.

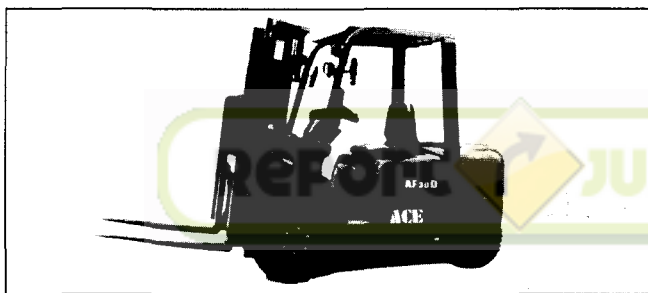


ACE**Action Construction Equipment Ltd.****MANAGEMENT DISCUSSION AND ANALYSIS REPORT****Annual Report 2006-07****LORRY LOADER CRANES**

Currently, the Company imports these machines from Autogru PM-Italy and mounts them on Indian truck chassis. These machines are widely used in Europe, America and other developed countries. It can lift loads and transport it on its own chassis. These are available from 2-ton/meter to 80 ton/meter.

**FORKLIFT TRUCKS**

Your Company has started this product in the year under review and has got an overwhelming response from the market. The Company is supplying both battery operated and diesel operated Forklift Trucks with a lifting capacity of 1.5 ton to 10 Tons.



We further propose to diversify into field of hospitality business. For this we are proposing a Special Resolution in the Notice of the forthcoming Annual General Meeting for the approval of Members.

Your Company participated in an Exhibition called "BAUMA 2007" at Munich, Germany in the month of April 2007. People from all over the globe had gathered for this mega event. BAUMA is the biggest exhibition in the World for construction equipment. The Company got a tremendous response from potential Customers & International Dealers alike.

The Company is supplying equipment to most of the leading Private and Government Sector Companies in India and is also touching the foreign horizons of Middle-East Asian, South East Asian and African countries. The Company's products are being exported to Kuwait, Dubai, Saudi Arabia, Bahrain, Nigeria, Algeria, Kenya, Philippines, Mauritius, Madagascar, Libya, Bangladesh, Nepal, Bhutan, Sri Lanka, Malaysia, Kazakhstan, Singapore, Ethiopia, South Africa, Portugal, Iran, Oman, New Zealand, Ghana, Germany etc.

The Company has been certified as an ISO-9001 Company by CVI (Conformity Verification International) and its products have better functional parameters, are cost effective and come along with the best in the line product support through its Country wide network of Sales and Service outlets and Regional Offices. Your Company is also in the process of getting CE Certification for all its manufactured products, which will help the Company to expand in the European Market as well.

MAIN FOCUS AREAS AND APPLICATIONS

Majority of the equipment are supplied for Infrastructure Development and today Infrastructure is the buzzword for the growth of Indian Economy. The Company's equipment are widely used in all major Infrastructure, Construction, Heavy Engineering and Industrial Projects across the Country. Due to the versatility of the Company's Equipment to satisfy a vast range of possible applications, the same are being successfully used in many Sectors like Infrastructure Construction, Power Projects, Ports & Shipyards, Dams, Metro Rail, Road, Coal Mines, Steel Industry, Engineering Industry, Railways, Cement, Petroleum, Defence, Chemicals and Fertilizer Plants, Building Construction etc. to name a few.

OPPORTUNITIES, THREATS, RISK & CONCERN

- The business of the Company is primarily based in India and it derives substantial portion of revenue from the Indian market. Therefore, any slowdown in the Indian economic growth, in particular, industrial growth & infrastructure, may negatively impact Company's business.
- Any change in the Government Policy or its budgetary allocation to the Infrastructure Sector will have a major impact on Company's business.
- Increase in prices of any of the raw materials namely Steel etc., will affect the bottom line of the Company.
- Change in the Tax Structure of Sales Tax, Entry Tax, Service Tax, VAT etc.
- Increasing competition from National and International players.
- Change in Political and Regulatory Environment.
- New Strategic Partnerships and Acquisitions.
- Our ability to expand International Business.
- Unforeseen Business Losses

INFORMATION & TECHNOLOGY

Your Company continues to invest in the IT infrastructure to support business applications. We have robust Virtual Private Network supplemented by high bandwidth to connect with remote locations. This has enabled the Company to co-ordinate activities across geographically dispersed locations,

We have already decided and started to implement ORACLE APPS ERP. This is getting implemented across the Company in phased manner and will be fundamental IT capability for the future. This is also accompanied by significant re-engineering and simplification of our business process to improve the quality & customer service and reduce costs.

HUMAN RESOURCES

The Company is a technology-driven Company and has its own HR Policy, which focuses on qualitative & transparent recruitment, training and development, performance management, labour welfare etc. The Company believes that the development of employees is the prime responsibility of an organization and its employees are key contributors to its business success. It believes that to maintain the leading position in construction equipment industry, the Company requires to provide good working culture and competitive compensation packages, to attract and retain talented people.

The Company seeks to establish and maintain an environment that supports its business processes and ensures that employee performance is evaluated against the achievement of objectives, which are in line with its long-term goals. All employees are provided with an opportunity to discuss their performance, plan their development and submit self-appraisals.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT**Action Construction Equipment Ltd.**

To achieve a high level of ownership feeling and involvement of employees in decision-making, the Company has built its HR Policy in such a way that it achieves overall growth of the Company as well of Employees. Further, to motivate the employees and also to reward them for their performance, the Company has a system of performance allowance based on output and target achievements, which is reviewed and modified from time to time.

COMMENTS ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE**COMPANY'S FINANCIAL PERFORMANCE DURING LAST FIVE YEARS**

(Rs. in lac)

Particulars	March 31, 2007	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003
Net Sales	24,527.35	16,567.56	8,780.20	3,437.99	1,660.44
Other Income	383.19	31.36	13.48	5.64	10.85
TOTAL INCOME	24,910.54	16,598.92	8,793.68	3,443.63	1,671.29
EXPENDITURE					
Raw materials & goods consumed	18,608.41	12,377.54	6,933.62	2,842.36	1,296.30
Manufacturing expenses	1,261.96	743.63	366.97	122.20	72.58
Staff Costs	629.14	489.59	275.17	128.94	77.53
Selling & Distribution expenses	894.42	612.92	222.24	101.71	47.27
Administration & other expenses	534.02	304.28	250.83	154.23	115.57
Interest	43.68	14.24	20.00	28.28	32.60
Depreciation	128.72	71.50	50.61	26.65	20.18
TOTAL EXPENDITURE	22,100.35	14,613.70	8,119.44	3,404.37	1,662.03
NET PROFIT BEFORE TAX	2,810.19	1,985.22	674.24	39.26	9.26
Provision for Taxations	817.05	716.00	237.00	14.56	2.58
NET PROFIT AFTER TAX	1,993.14	1,269.22	437.24	24.70	6.68

DISCUSSION ON THE RESULTS OF OPERATIONS

As evident from the above Financial Statement, the Company has shown a consistent growth in its operations and profitability during the last five years. From a turnover of Rs.1,660 lac in the financial year 2002-03, it achieved a turnover of Rs. 24,527 lac in the financial year 2006-07. There has been a significant growth in turnover of the Company during the last five years, 107% in financial year 2003-04, 155% in financial year 2004-05, 89% in the financial year 2005-06 and growth of 48% in the financial year 2006-07. The turnover of the Company has shown a CAGR of 71.35% in span of last five years.

COMPARISON OF PERFORMANCE FOR FY 2006-07. VIS-À-VIS FY 2005-06**NET SALES**

Net Sales for the fiscal year 2006-07 was Rs. 24,527 lac as compared to Rs. 16,568 lac for fiscal year 2005-06, giving a rise of 48%. Growth in Turnover is due to higher Order conversion rate and increased brand building exercise conducted by the Company.

RAW MATERIALS & GOODS CONSUMED

In the year 2005-06, the material consumed was Rs. 12,378 lac, which increased to Rs. 18,608 lac in 2006-07 i.e. by 50%, due to increase in turnover by 48% and slight increase in the steel prices.

MANUFACTURING EXPENSES

Manufacturing expenses during year 2006-07 were Rs. 1,262 lac

as compared to Rs. 744 lac in year 2005-06, which is an increase of 70%. The increase is primarily due to increase in the Production and Freight Cost.

STAFF COST

The Company's staff costs for the period increased by 29% due to increase in manpower. Staff costs stood at Rs. 629 lac during fiscal 2006-07 as compared to Rs. 490 lac in fiscal 2005-06. Increase in volume of business necessitated recruitments in various Plants/branches across the Country. The Company's manpower has increased from 176 as on 31st March, 2006 to 249 as on 31st March, 2007.

SELLING AND DISTRIBUTION EXPENSES

Selling and Distribution expenses increased by 46% from Rs. 613 lac in fiscal 2005-06 to Rs. 894 lac in fiscal 2006-07. This increase was due to substantial growth in sales and aggressive marketing, sales promotion and advertising of its products across the country and overseas. The Company continued to obtain high volume of business from the Government, PSUs etc, which require additional selling and distribution expenses.

ADMINISTRATION & OTHER EXPENSES

There has been 76% increase in Administration and other expenses cost in comparison to the previous year. During fiscal 2006-07 the administration and Other expenses were Rs.534 lac, whereas it was Rs. 304 lac during fiscal 2005-06. The increase is mainly due to increase in Net Sales, Foreign Traveling Expenses to make the Company global and new Software expenses.

INTEREST

During the period Company's interest cost increased by Rs. 29 lac, due to more working capital required by the Company for increased turnover.

DEPRECIATION

Depreciation has increased from Rs. 72 lac to Rs. 129 lac due to additions to fixed assets during the fiscal year 2006-07.

PROFIT BEFORE TAX (PBT)

In the year 2006-07, the PBT increased by 42%, in the line of increase in Sales/activity. It was Rs. 2,810 lac in the year 2006-07 as against Rs. 1,985 lac for the corresponding previous year.

PROVISION FOR TAXATION

Provision for taxation for the fiscal year 2006-07 increased to Rs. 817 lac from Rs. 716 lac in the previous fiscal year 2005-06. The rate of taxation has come down to 29% from 36%, due to commencement of production in Bazpur (Uttaranchal), which is in Tax Free Zone. It will further come down, due to increase in the activity of Bazpur (Uttaranchal).

PROFIT AFTER TAX (PAT)

PAT for the period increased by 57% from Rs. 1,269 lac in 2005-06 to Rs. 1,993 lac in 2006-07 due to higher sales and profitability. It was 7.66% of net sales in the year 2005-06, and it has risen to 8.13% in the year 2006-07. It will further improve, due to increase in the activity of Bazpur (Uttaranchal).

CAUTIONARY STATEMENT

Statement in the Directors' Report and Management Discussion & Analysis, describing the Company's objectives, projections, estimates, expectations, predictions etc. may be "Forward Looking Statement" within the meaning of applicable laws and regulations. Actual results, performances or achievements may vary with those expressed or implied, depending upon economic conditions, Government policies and other incidental/unforeseeable factors.



Action Construction Equipment Ltd.

DIRECTOR'S REPORT

Annual Report 2006-07

DIRECTOR'S REPORT

To

The Members

Your Directors are pleased to present the Thirteenth Annual Report together with the Audited Accounts of your Company for the year ended March 31, 2007.

This is the first time in the history of your Company that we are presenting the Annual Report after your Company has become a Listed entity. Your Company has successfully come out with an Initial Public Offer (IPO) of 4600000 Equity Shares and thus entered into elite list of Companies. Your Company has made a smooth transition to being a publicly held Company by adopting a model code for Corporate Governance and reiterating its commitment to creating and enhancing shareholders wealth through business leadership and creating products and services to win the trust and loyalty of our customers.

FINANCIAL RESULTS

Financial Results of the Company for the year under review alongwith the figures for previous year are as follows:

(Rs. in lac)

Particulars	2006-07	2005-06
Gross Sales	26583	18639
Other Income	383	31
Total Income	26966	18670
Profit before Depreciation and Tax	2939	2057
Less:		
Depreciation	129	72
Provision for Taxation	817	716
Net Profit after Tax	1993	1269
Profit brought forward	206	1
Profit available for Appropriation	2199	1270
Appropriations:		
Interim Dividend	-	495
Dividend on Equity Shares	539	-
Tax on Dividend	92	69
Amount transferred to General Reserve	1000	500
Profit carried to Balance Sheet	568	206

Note: Previous year's figures have been regrouped wherever necessary.

FINANCIAL PERFORMANCE

Your Company has reported significant growth in business and has shown much improved profitability in the Financial Year 2006-07. During the year under the review, your Company achieved a growth of 48% over last fiscal in Net Sales. The Company's net profit after tax has increased from Rs. 1269 lac to Rs. 1993 lac, an increase of 57%.

Material handling equipment market has shown sizeable growth in the last fiscal as well. The business has performed well, with productivity gains, growth in volumes and sustained margins notwithstanding rise in input costs. The Company's business continues to be successful inspite of several environmental constraints. The Company's ability to neutralize cost increase and improve margins together with purchasing efficiencies, improvement in manufacturing yield/usage and expenses control helped in increasing the profitability. The performance has established a new milestone for the Company.

DIVIDEND

Your Directors feel privileged to recommend, subject to approval of members, payment of final Dividend of Rs. 3/- per Share (i.e. @ 30% on per value of Rs. 10/- each) on 179,77,000 equity shares of Rs. 10/- each for the financial year ended March 31, 2007, at the forthcoming Annual General Meeting.

The total proposed Dividend amount shall be Rs. 539.31 lac excluding Dividend Tax of Rs. 91.66 lac for the financial year 2006-07.

CHANGE IN SHARE CAPITAL

During the year, Paid-up Capital of the Company increased from Rs. 1337.70 lac to Rs. 1797.70 lac by issue and allotment of 46,00,000 equity shares of face value of Rs. 10/- each at a premium of Rs. 120/- per share by way of Initial Public Offering (IPO) on September 21, 2006.

LISTING

The Company came out with an Initial Public Offer (IPO) between September 1, 2006 to September 7, 2006 and subsequently its equity shares got listed at Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE) on September 26, 2006.

CONSOLIDATED FINANCIAL STATEMENTS

During the year, your Company has incorporated a wholly owned overseas subsidiary (WOS) Company at Cyprus viz. M/s FRESTED LIMITED, and through it, your Company has acquired 73.90% equity stake in a Romanian Company viz. SC FORMA SA, Romania. Therefore, in compliance of the Listing Agreement with the Stock Exchanges and Accounting Standard issued by The Institute of Chartered Accountants of India, your Company has consolidated the Accounts incorporating the Accounts of both Subsidiary Companies. The audited Consolidated Financial Statements together with Auditors' Report thereon, form part of the Annual Report.

RETURN

On the overall valuation of your Company, the Net Worth has gone up to Rs. 10910 lac as on 31st March, 2007, generating a Return on Net Worth (RONW) of 18.3%, and Return on Capital Employed (ROCE) of 17%, both of which indicate healthy return in the business.

MARKETING AND EXPORT AND SCALING UP OVERSEAS BUSINESS

The Indian economy is in a take off phase and has developed necessary strength to achieve the target of being a developed nation by the year 2020.

In April 2007, your Company participated in the worlds biggest exhibition for construction equipment - BAUMA 2007 in Munich-Germany, which was visited by more than 500,000 delegates from all over the world. Your Company has become the first Company in India, to showcase all its equipment in this exhibition. Your Company got a tremendous response from potential customer and international dealers.

The Company plans to expand its overseas markets. It is looking at Middle East, Asia, Africa and Eastern Europe for its products.

To enter in the LOADERS product segment, your Company has commissioned a new modern Plant situated at Dhudhola. The Company has also started to assemble FORKLIFT Trucks at this