

12



building
a better
tomorrow



ACE

Action Construction Equipment Ltd.

18th ANNUAL REPORT
2011 - 2012



Mobile Cranes (3 - 50 Tons)



Stiff Boom Cranes



Tractors



Crawler Cranes



Mobile Tower Cranes



Forklifts



Vibratory Rollers



Backhoe Loader



Wheeled Loaders



Tower Cranes



Motor Grader



PTR



*Nothing beats an **ACE***

The Vision

“ To be the Leading Company in Cranes and Construction Equipment Sector, with a Global Focus. ”

The Mission

“ To consolidate existing business further in terms of Customer relations & manufacturing and to continuously add new products into 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 Product Support and Spares availability. ”

CONTENTS

Chairman's Speech	2
Notice	3
Management Discussion and Analysis Report	8
Director's Report	11
Report on Corporate Governance	17
CEO / CFO Certification	30
Certificate on Corporate Governance from Practicing Company Secretary	30
Auditors' Report on Financial Statements	31
Balance Sheet	34
Profit & Loss Account	35
Cash Flow Statement	36
Notes to the Financial Statements	37
Auditors' Report on Consolidated Financial Statements	57
Balance Sheet (Consolidated)	58
Profit & Loss (Consolidated)	59
Cash Flow Statement (Consolidated)	60
Notes to the Financial Statements (Consolidated)	61
Statement Pursuant to Section 212 of Companies Act. 1956	79

CHAIRMAN SPEECH



Dear Shareholders,

My warm greetings to all of you.

As you are aware we have entered into 19th financial year of the Company in an extremely challenging business environment. Almost four years after the greatest financial and economic disturbance since the Great Depression, the global economy is regaining a measure of stability and confidence. But the risk to growth looks unsteady once again. The worst-case scenarios for the global economy have not come to pass. The financial year 2011-12 faced recessionary trend particularly in the 2nd half when almost all countries got hit globally. Demand for all products decreased due to delay in overall government spending on highway construction, maintenance and other infrastructure projects.

Indian Economy is a growing economy with a very positive story in the longer run. However, currently we are undergoing a difficult phase with a volatile market situation and some slowing down in the industry. This has led to the tapering of the economic growth curve. This is reflective in the GDP numbers that is estimated to grow by 6.9 per cent in 2011-12, after having grown at 8.4 per cent in preceding two years.

The impact of this was felt in India to a lesser magnitude in comparison to other countries, your Company also suffered from this situation. In spite of the economic slowdown all over the world, your Company has performed reasonably well during the financial year 2011-12. The Company held its fort by fighting the situation with courage and conviction. We took this opportunity to increase our customer base & did product improvements to provide our customers quality equipment at comparatively low prices. We made plans to leverage opportunities, realizing our growth potential.

At ACE, we believe that we have key strengths which have ensured, we stay healthy even in tough times. While the Company concentrated on cutting cost wherever possible, to remain profitable, we focused on products where our market share could be improved i.e. Backhoe Loaders, Crawler Cranes, Tower Cranes and others. Due to our innovative sales and marketing techniques, the new products of Company have already penetrated into the market. This will give your Company increased turnover & profit in future.

In the Agri segment, we are looking at significant product expansions and improving our market share. We are, consequently, focusing on providing customers a complete range of crop solutions. To implement this we have also started production of Combine, Harvester and Threshers.

At the same time it is heartening to announce that your Company remains a leading Mobile Crane Manufacturing Company in India.

In the coming years, your Company has formulated plans to deliver sustainable and profitable growth, creating value for the shareholders.

With gratitude to our investors, employees, customers and also stock holders, we look forward to your continued support.

Vijay Agarwal
Chairman and Managing Director

NOTICE

NOTICE is hereby given that the **Eighteenth Annual General Meeting** of the Members of **Action Construction Equipment Limited** will be held as under to transact the following businesses:-

Day, Date : Friday, 28th September, 2012
Time : 11:00 A.M
Venue : MPCU SHAH AUDITORIUM, Shree Delhi
Gujrati Samaj Marg, Delhi-110054.

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2012, audited Profit & Loss Account for the year ended 31st March, 2012, Board's Report and addendum thereto, Auditors' Report.
2. To appoint a Director in place of Shri Sorab Agarwal, who retires by rotation, and being eligible, offers himself for re-appointment.
3. 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.
4. To declare dividend on Equity Share Capital for the financial year ended on 31st March, 2012. The Board has recommended dividend of Rs.0.20/- per equity share (10%) on the paid-up Equity Share Capital of the Company for the year ended 31st March, 2012.
5. To appoint Auditor and to fix their remuneration and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT M/s. Rajan Chhabra & Co., Chartered Accountants, (FRN No. : 009520N), be and are hereby appointed as Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as shall be fixed by the Board of Directors."

SPECIAL BUSINESS

6. **To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:**

"RESOLVED THAT in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956, Mrs. Surbhi Garg, who was appointed as an Additional Director by the Board of Directors of the Company and who holds office up to the date of this Annual General Meeting pursuant to Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing from a member proposing her candidature for the

office of Director as per the provisions of section 257 of the Companies Act, 1956, be and is hereby appointed as Director of the Company liable to retire by rotation."

7. **To consider appointment of Mrs. Surbhi Garg, as Executive Director of the Company and pass the following resolution(s), as Special Resolution(s), with or without modification(s):-**

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 310, 314 316, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 including any statutory amendments, modifications, or re-enactments thereof, and subject to the approval of the Central Government and such other approvals, if required, in this regard, the consent of the Shareholders be and is hereby accorded to appoint Mrs. Surbhi Garg as Executive Director of the Company from 1st April, 2012 till 31st March, 2017, on the terms and conditions as recommended by the Remuneration Committee and approved by Board of Directors of the Company and as set out in the explanatory statement which forms part of this resolution.

RESOLVED FURTHER THAT the remuneration as set out in the explanatory statement which forms a part of this resolution, payable to Mrs. Surbhi Garg, Executive Director("ED"), is subject to the condition that in case of adequate profits the total remuneration payable in any financial year by way of salary, perquisites and other allowances shall not exceed the overall limit of five percent (5%) of the net profits of the company as applicable to each of the Managing/Whole-time Directors of the Company and/or ten percent (10%) of the net profits of the Company for all the Managing/Whole-time Directors in accordance with the provisions of Sections 198, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII including any statutory amendments, modifications, or re-enactments thereof, as may be made thereto and for the time being in force or to the remuneration specifically approved by the Central Government.

RESOLVED FURTHER THAT where in any financial year during the currency of the tenure of the ED, the Company has no profits or its profits are inadequate, the ED shall be entitled to same remuneration by way of salary, perquisites and other allowances, as is approved by the Shareholders of the Company, subject to fulfillment of conditions specified in Schedule XIII of the Companies Act and subject to the approval of Central Government and other authorities, if required.

RESOLVED FURTHER THAT the Board of Directors of the Company, be and are hereby authorized to vary the remuneration of Mrs. Surbhi Garg, Executive Director of the Company, within the limits of the following:-

- a) In case of adequate profits the total remuneration payable in any financial year by way of salary, perquisites and other allowances shall not exceed the overall limit of five percent (5%) of the net profits of the company as applicable to each of the Managing/Whole-time Directors of the Company and/or ten percent (10%) of the net profits of the Company for all the Managing/Whole-time Directors in accordance with the provisions of Sections 198, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII including any statutory amendments, modifications, or re-enactments thereof, as may be made thereto and for the time being in force or to the remuneration specifically approved by the Central Government.
- b) Where in any financial year, the Company has no profits or its profits are inadequate, the foregoing amount of remuneration and benefits shall be paid to Mrs. Surbhi Garg subject to the applicable provisions of schedule XIII of the Companies Act, 1956.

8. To consider and if thought fit to pass with or without modification(s), the following resolution as an Ordinary resolution:

“RESOLVED THAT pursuant to the provisions of Section 293(1)(e) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force), consent of the Company be and is hereby accorded to authorize the Board of Directors of the Company to contribute, from time to time, to charitable and other funds not directly relating to the business of the Company or the welfare of its employees, such amount or amounts, as approved by the Board PROVIDED HOWEVER THAT the total amount that may be so contributed in any financial year of the Company shall not exceed Rs. 2,00,00,000/- (Rupees two Crore only) or five percent of the Company's average net profits as determined in accordance with the provisions of Sections 349 and 350 of the Companies Act, 1956 during the three financial years immediately preceding, **whichever is lower** .

RESOLVED FURTHER THAT for the purpose of giving effect to the above Resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may, in its absolute discretion deem necessary and/or expedient for implementing and giving effect to this Resolution and to settle any questions, difficulties or doubts that may arise in this regard on behalf of the Company.”

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. The Equity Shares of the Company are listed on the National Stock Exchange of India Limited (NSE) & Bombay Stock Exchange Limited (BSE).
4. The Register of Members and Share Transfer Book ("Books") would remain closed from Tuesday, 25th September, 2012 to Friday 28th September, 2012 (both days are inclusive) for the purpose of Clause 16 of the Listing Agreement, wherein the Books should be closed at least once a year.
5. 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.
6. Members are further informed that as a part of Green initiative taken by Ministry of Corporate Affairs, the Company is sending this Annual Report and would send all the future Notices and Communications to the e-mail addresses of the shareholders, whose e-mail are registered with the Company or either with the Depository. However, the Shareholders of whose e-mail ids are not registered with the Company or either with the depository would continue to receive the same in physical form. Any shareholder desirous of receiving physical copy of any document can apply for the same to the Company. The Share holders whose e-mail Id's are not registered with the Company, are requested to register the same by sending a letter, as they would be able to receive the information in quick time and also it would be useful to the environment.
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 seeking any information on the accounts are requested to write to the Company at least ten days in advance so as to enable the Management to keep the information ready, in reply to the same at the Annual General Meeting.
9. 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 the Notice.
10. Members are requested to:-
 - a. Bring their copy of Annual Report and attendance Slip at the venue of the meeting.
 - b. Quote their Folio/DP & Client Id No. in all correspondence with the Company/ R&T Agent.
- c. 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.
- d. Note that **shareholders present in person or through registered proxy** shall only be entertained.
- e. 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.
11. **Pursuant to the prohibition imposed vide Secretarial Standard on General Meetings (SS-2) issued by the ICSI and the draft MCA circular, no gifts/coupons shall be distributed at the Meeting.**

**By Order of the Board
For Action Construction Equipment Limited**

Sd/
Rajan Luthra
Company Secretary

Place: Faridabad
Date: 04th August, 2012

EXPLANTORY STATEMENT

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

The following Explanatory Statement sets out all the material facts relating to the Special Businesses of the accompanying Notice.

In Respect of Item No. 6

In accordance with Section 260 of the Companies Act, 1956 and Article 129 of the Articles of Association of the Company, Mrs. Surbhi Garg was appointed as an Additional Director of the Company by the Board of Directors at its meeting held on 12th November 2011 and holds office up to the date of the ensuing Annual General Meeting.

Mrs. Surbhi Garg, aged 34 years, holds position of Director and actively looks after the Administration & HR in ACE Steelfab Private Ltd (Merged with the Company w.e.f 1.10.2011) & ACE TC Rentals Private Ltd since the inception of both the Companies. She is the daughter of Mr. Vijay Agarwal. She looks after the Administration & HR wing along with Mrs. Mona Agarwal in the Company. Under her supervision, the company's administrative affairs are being handled in a skilled manner. She has helped the company to formulate effective and motivating HR Policies.

The Board is of the view that Mrs. Surbhi Garg's knowledge and experience will be of immense benefit and value to the Company and, therefore, recommends her appointment as the Director of the Company to the members. Details' regarding her directorship in other Companies is produced below.

In Respect of Item No. 7

The Board in its Meeting held on 12th May 2012 has appointed Mrs. Surbhi Garg, subject to the approval of Members, as Executive Director of the Company for a period of five years w.e.f 1st April 2012 to 31st March, 2017 on the remuneration recommended by remuneration committee of the Board and approved by the Board.

Mrs. Surbhi Garg is also getting monthly remuneration of Rs. 2,00,000 p.m. from ACE TC Rentals Pvt. Limited in her capacity of Director in that Company.

Thus it is proposed to appoint Mrs. Surbhi Garg as Executive Director on the following remuneration. The Shareholders are further informed that the remuneration of Mrs. Surbhi Garg, Executive Director of the Company can be varied by Board of Directors, subject to the conditions as laid down in the resolution itself :-

Detailed Remuneration of Mrs. Surbhi Garg

- a) **Salary :**
Rs. 1,00,000/- per month in the scale of Rs 1,00,000 to Rs. 10,00,000. Increments within the salary scale will be decided by the Board of Directors on the recommendation of remuneration committee from time to time as it may deem fit.
- b) **Commission:**
1% of the amount of net profits calculated as per Section 198 & 349 of the Companies Act, 1956 for the financial year of the Company

- c) **Ex-Gratia:**
Ex-Gratia shall be equivalent to one month salary

d) **Perquisites**

Following perquisites in addition to salary shall be paid subject to the maximum of salary paid during the year. For the purpose of calculating the ceiling, the perquisites and allowances shall be evaluated as per Income tax Rules, wherever applicable. In the absence of any such rules, they shall be evaluated at actual cost:

(i) **Housing**

Residential Accommodation or House Rent allowance @ 40 % of the Salary Expenses pertaining to gas, electricity, water and other utilities will be borne/ reimbursed by the Company.

(ii) **Medical Reimbursement**

Reimbursement of actual Medical expenses incurred in India and/or abroad and including hospitalization, nursing home and surgical charges from himself and family.

(iii) **Leave Travel Concession.**

Reimbursement of all the expenses (like travel fare, lodging, boarding, conveyance and other expenses) incurred for self and family during the leave travel holiday periods, whenever undertaken in India or abroad.

iv) **Club Membership**

Subscription or reimbursement of Membership fee for clubs in India or abroad including

admission and life membership fees, subject to a maximum of two clubs.

v) **Personal Accident Insurance**

Personal Accident Insurance policy for an amount, the annual premium of which shall not exceed Rs. 20,000 p.a.

vi) **Contribution to Provident, Superannuation and Annuity Fund**

The Company's contribution to above funds shall be as per rules framed by the Company in this behalf.

vii) **Gratuity**

Gratuity at the rate of half month's salary for each completed year of service.

viii) **Leave**

Entitled to leave with full pay or encashment thereof as per the rules of the Company.

ix) **Other facilities**

The Company shall provide free of cost, conveyance and communicating facilities (whether in the form of Telephone, Telex or other communication facilities) to Mrs. Surbhi Garg at her residence and if the same is paid by her, to provide for reimbursement thereof.

Except Mr. Vijay Agarwal, CMD, Mrs. Mona Agarwal, Whole-Time Director, Mr. Sorab Agarwal, Executive Director and Mrs. Surbhi Garg, Executive Director of the Company, no other director is concerned or interested in the resolution(s) as set out in Item No.6 & 7

DETAILS OF DIRECTORS SEEKING APPOINTMENT/ REAPPOINTMENT AT THE FORTHCOMING ANNUAL GENERAL MEETING (IN PURSUANCE TO CLAUSE 49 OF THE LISTING AGREEMENT)

Name of Director	Shri Sorab Agarwal	Shri. Girish Narain Mehra	Smt. Surbhi Garg
Date of Birth	27th February, 1977	24th November, 1932	11th, January, 1978
Date of appointment/ Reappointment	6th September, 2010	6th September, 2010	*12th, November, 2011 *Appointed as an Executive Director w.e.f 01.04.2012
Qualification	B.E. (Mechanical)	Graduate	Under Graduate
List of Outside Directorship	1. ACE TC Rentals (Pvt.) Ltd. 2. Action Developers Ltd. 3. VMS Holdings Pvt Ltd	1. Amrit Banaspati Limited 2. UP Hotels Limited 3. Bharat Seats Limited 4. Usha Breco Limited 5. Subros Limited	1. ACE TC Rentals Pvt Ltd 2. VMS Holdings Pvt Ltd 3. Kava Hospitality Pvt Ltd
Number of Shares held in the Company	2235050	Nil	2042915

In Respect of Item No. 8

Pursuant to Section 293(1) (e) of the Companies Act, 1956, Company can contribute to charitable and other purposes funds not directly relating to the business of the Company or the welfare of its employees in any financial year not exceeding Rs. 50,000/- or five percent of company's average net profits as determined in accordance with the provisions of sections 349 & 350 of the Companies Act, 1956, during the three financial year immediately preceding, whichever is greater.

As a good Corporate Citizen, Company wants to meet its obligation towards the society and will contribute towards various Charitable Trusts and other various activities of social nature. One of the proposed contributions is towards the trust which has been registered in the name of "ACE Emergency

Response Service Trust" which will provide 10-25 ambulance to be stationed at various locations to assist the needy people to take them to the hospital and provide them first aid.

In view of the corporate social responsibility as a policy the Company proposes to contribute to Charitable Funds. As an enabling provision, it is proposed to seek the approval of the Share holders, for payments and contributions under the Companies Act, 1956.

Mr. Vijay Agarwal, Chairman & Managing Director, Mrs. Mona Agarwal, Whole Time Director and Mr. Sorab Agarwal, Executive Director of the Company are the Trustee in the Trust therefore they will be deemed to be interested in this resolution.



Management Discussion and Analysis

I) INDUSTRY STRUCTURE AND DEVELOPMENTS

The year under review was very challenging on many fronts. Inflationary pressures continued persistent during the year with adverse impact on our overheads. Steep depreciation in the Indian Rupee added to input costs. Liquidity conditions were very tight with persistent hardening of interest rates.

Growth in Emerging & Developing economies also slowed from 7.5% in 2010 to 6.2% in 2011 with China, India and Brazil recording significant decline in growth rates. Capital flows into Emerging and Developing economies declined and remained volatile due to lower risk appetite caused by the financial uncertainty in the developed world which also led to sharp fluctuations in the exchange rates in many of these economies.

The world economy is passing through a very tough phase and is expected to grow by 3.5% in 2012. Together with global economic changes, this affected inflows and investments into India, resulting in delayed and cancelled investments in business manufacturing and infrastructure segments. This also had an adverse impact on various projects and the developments of infrastructure in the country which led to lower demand for construction equipment. GDP growth and Steel consumption two key indicators that have a bearing on the Industry's growth rates were clearly below expectations. GDP growth during this period was around 7% while Steel consumption relevant to our operating segments is estimated to have grown by less than 3% for the most part of 2011.