



Action Construction Equipment Ltd.



building a better tomorrow

19th ANNUAL REPORT 2012-13



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***





CONTENTS

Chairman's Speech	2
Notice	3
Management Discussion and Analysis Report	6
Director's Report	9
Report on Corporate Governance	16
CEO / CFO Certification	33
Certificate on Corporate Governance from Practicing Company Secretary	33
Auditors' Report on Standalone Financial Statements	34
Balance Sheet	37
Profit & Loss Account	38
Cash Flow Statement	39
Notes to the Financial Statements	40
Auditors' Report on Consolidated Financial Statements	60
Balance Sheet (Consolidated)	61
Profit & Loss (Consolidated)	62
Cash Flow Statement (Consolidated)	63
Notes to the Financial Statements (Consolidated)	64
Statement Pursuant to Section 212 of Companies Act, 1956	82

CHAIRMAN SPEECH



Dear Stakeholders,

Last financial year was an extremely challenging year for the Company because of tough external factors like slow down in the Country's and global's economic growth, political uncertainties, policy inertia etc. Slowdown in the Indian economy which was primarily attributable to weakness in industry (comprising the mining and quarrying, manufacturing, electricity, gas and water supply, and construction sectors), which registered a growth rate of only 3.5 per cent and 3.1 per cent in 2011-12 and 2012-13 respectively. The rate of growth of the manufacturing sector was even lower at 2.7 per cent and 1.9 per cent for these two years respectively. The rate of gross domestic product (GDP) growth in full FY 2012-13 was at a decade low of 5 per cent. Growth in agriculture has also been weak in 2012-13, following lower-than-normal rainfall, especially in the initial phases (months of June and July) of the south-west monsoon. ACE battled successfully against these tough market conditions.

Financial year 2012-13 continued to be a difficult one for the construction Industry. Lack of policy initiatives in the infrastructure projects have impacted all and your company as well. Infrastructure plays a key role in stimulating the economic growth. The growth of equipment manufacturing industry is interlinked with the growth of Infrastructure, and indirectly with the

growth of Indian Economy. Consequently demand for all products decreased due to delay in overall government spending on highway construction, standstill of various Power Projects, maintenance and other infrastructure projects. Adverse foreign exchange fluctuations continued to impact the business process. Global economic slowdown and reduced domestic demand continues to be concern areas during the year. However this can't continue for long and the government is taking cognizance of this and we are sure that the construction equipment industry will revive soon and we will again grow at a healthy pace, as done in the past.

Notwithstanding this difficult environment, your Company continues to invest in R&D, commit to its human resource training programs and do significant CSR activities. We continue to introduce new application based, high-end machines, which not only suit the local applications but which are comparable with any latest international machine in terms of designs, engineering, productivity and safety. Our R&D team continues to focus on innovative products which will cater to the customers present and future needs.

In spite of the economic slowdown all over the world, your Company has performed reasonably well during the financial year of 2012-13. The Company held it's 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 a most competitive price. We have made plans to leverage opportunities, realizing our growth potential.

We are confident of the basics which we have put in while making the Company i.e. to satisfy our customers by providing them quality equipment at a most competitive price whatever be the situations and conditions are. We believe that we have key strengths which have ensured us to stay healthy even in tough times.

Company concentrated on cutting cost wherever possible, to remain profitable. Several cost cutting measures have been taken during the year including areas like value engineering, materials, manpower and interest. These savings are likely to be seen during FY 2013-14.

Due to our innovative sales and marketing techniques, the new products of Company have successfully penetrated into the market.

In the Agri segment; Company is looking at significant product expansions and focusing on improving its market share. Recently the government allowed FDI in retail, which can pave the way for investment in new technology and Agriculture Equipment. Timely availability of agricultural credit at reasonable rate, especially for small and marginal farmers is crucial for agricultural-sector growth and we are, accordingly, focusing on providing customers a complete range of crop solutions. As I said in my last speech, your Company has started production of Combine Harvester, Rotavator, Bailer and Rice Trans planter.

The outlook for FY 2013-14 seems similar as FY 2012-13, keeping in view of the various uncertainties, macro and micro domestic and global economic factors; the overall economy is expected to grow in the range of 5.0 to 6.0 per cent in FY 2013-14. Of course, these projections assume a normal monsoon, further moderation in inflation as expected to induce further relaxation of the tight monetary stance and mild recovery of global growth as anticipated. For FY 2013-14 Priority of the government will be to speed implementation of stalled projects. According to the ministry's estimate, Rs. 7 lakh crores of projects are stalled at various stages due to reasons such as political reluctance, environment clearances, and land acquisition issues. This can be an opportunity to the Company and Company will encash these opportunities.

The Company's brand has emerged as brand for reliability and has been able to win the customer loyalty in all these years. The Company desires to continue its successful stint in the industry, through providing complete customer satisfaction by way of reasonable pricing and good product quality. Although this time seem to be tough times, but the times are meant to be changed. With this I am particularly sure of continuing the wonderful and successful journey of the Company of both organic and inorganic growth.

Vijay Agarwal
Chairman & Managing Director

NOTICE

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

Day, Date : Saturday, 24th August, 2013
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, 2013, the statement of Profit & Loss Account for the year ended 31st March, 2013, Board's Report and addendum thereto and the reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Shri Keshav Chandra Agrawal, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri Subhash Chander Verma, 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, 2013. The Board in its Meeting held on 25th May, 2013 has recommended dividend of (10%) 0.20/- Paisa per Equity share on the paid up Equity share capital of the Company for the year ended 31st March, 2013
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."

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 books of the company will remain closed from Monday, 19th August, 2013 to, Friday 23rd August, 2013 (both days inclusive), for the purpose of determining the eligibility of the members/ beneficial owners of the Company for the payment of Dividend @ 10% (0.20/- paisa) per equity share, for the year ended 31st March, 2013, if approved by the shareholders.
- 5) **Pursuant to SEBI Circular No.CIR/MRD/DP/10/2013 dated 21.03.2013, it is mandatory for the investors to have their bank account details incorporated on the instrument payable to shareholders. Shareholders are requested to provide the relevant bank details to their DPs or to the Company's Registrar and Transfer Agent, Karvy Computershare Pvt. Ltd, "Karvy House", 46 Avenues 4, Street-1, Banjara Hills, Hyderabad-500 034 on or before August 10, 2013.**
- 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 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 so that they would be able to receive the information in quick time and also it would be useful to the environment.

- 8) 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.
- 9) 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.
- 10) Relevant documents referred to in the accompanying Notice are open for inspection by the members at the Registered Office of the Company on all working days, except Saturdays, between 11.00 a.m. and 1.00 p.m. up to the date of the Meeting.
- 11) Pursuant to the provisions of Section 205A(5) and 205C of the Companies Act, 1956, the Company has transferred the unpaid or unclaimed dividends for the financial year 2005-06 to the Investor Education and Protection Fund (the IEPF) established by the Central Government. Pursuant to the provisions of Investor Education and Protection Fund (Uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012, the Company has uploaded the details of unpaid and unclaimed amounts lying with the Company as on September 28th, 2012 (date of last Annual General Meeting) on the website of the Company (www.ace-cranes.com), and also on the Ministry of Corporate Affairs website.
- 12) Members who have not yet encashed their dividend warrants for the year 2006-07 onwards are advised to forward such warrants to the Karvy Computershare Pvt Ltd (RTA) or the Company for revalidation. Pursuant to the provisions of the Section 205-C of the Companies Act, 1956 dividend which remains unclaimed for a period of seven years will be transferred to the Investor Education and Protection Fund of the Central Government.
- 13) Members who hold shares in physical form in multiple folios in identical names or joint holding in the same order of names are requested to send the share certificates to Karvy, for consolidation into a single folio.
- 14) The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company / Karvy.
- 15) 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 Notice.
- 16) 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.
- 17) **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: 25th May, 2013

**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 Keshav Chandra Agrawal	Shri Subhash Chander Verma
DIN	00098143	00098019
Date of Birth	15th July, 1941	13th April, 1945
Date of appointment/ Reappointment	6th September, 2010	21st September, 2011
Qualification	Ph.D in Mechanical Engineering from Indian Institute of Technology, Delhi	Graduate and qualified CAIIB (Associate of Indian Institute of Bankers)
List of Outside Directorship	Nil	Nil
Number of Shares held in the Company	9171	25000



Management Discussion and Analysis

❖ INDUSTRY STRUCTURE AND DEVELOPMENTS

Subsequent the slowdown induced by the global financial crisis in 2008-09, the Indian economy responded strongly to fiscal and monetary stimulus and achieved a growth rate of 8.6 per cent and 9.3 per cent respectively in 2009-10 and 2010-11. However, with the economy exhibiting inflationary tendencies, the Reserve Bank of India (RBI) started raising interest rates in March 2010. High rates as well as policy constraints adversely impacted investment, and in the subsequent two years viz. 2011-12 and 2012-13, the growth rate slowed to 6.2 per cent and 5.0 per cent respectively.

The moderation in growth is primarily attributable to weakness in industry (comprising the mining and quarrying, manufacturing, electricity, gas and water supply, and construction sectors), which registered a growth rate of only 3.5 per cent and 3.1 per cent in 2011-12 and 2012-13 respectively. The rate of growth of the manufacturing sector was even lower at 2.7 per cent and 1.9 per cent for these two years respectively. Growth in agriculture has also been weak in 2012-13, following lower-than-normal rainfall, especially in the initial phases (months of June and July) of the south-west monsoon.

The economy slowed down so rapidly despite recovering strongly from the global financial crisis. A number of factors are responsible. First, the boost to demand given by monetary and fiscal stimulus following the crisis was large. Final consumption grew at an average of over 8 per cent annually between 2009-10 and 2011-12. The result was strong inflation and a powerful monetary response that also slowed consumption demand. Second, starting in 2011-12, corporate and infrastructure investment started slowing both as a result of investment bottlenecks as well as the tighter monetary policy. Thirdly, even as the economy slowed, it was hit by two additional shocks: a slowing global economy, weighed down by the crisis in the Euro area and uncertainties about fiscal policy in the United States, and a weak monsoon, at least in its initial phase.



The growth of equipment manufacturing industry is interlinked with the growth of Infrastructure and indirectly with the growth of Indian Economy. This industry calls for great expertise, in terms of technology, design and providing customer satisfaction. Its market is large; however the only survivors would be the Companies, who would be able to provide good quality products at most competitive price. The Company's brand has emerged as brand for reliability and has been able to win the customer loyalty in all these years. The Company desires to continue its successful stint in the industry, through providing complete customer satisfaction by way of reasonable pricing and good product quality.

❖ OPPORTUNITIES AND THREATS

Your Company maintained its market leadership position and is well positioned to achieve growth through better service levels and management of costs, though there is pressure on the margins on account of depreciation of Rs., increase in cost of raw materials and overheads. The Company is focusing on reducing cost to increase its margin. Lower interest rates could provide an additional fillip to the Company. Growth in exports can be an important source of demand. The government has already taken some important steps in this direction. The Company is also focusing on improving market share in the exports.

In the Agri segment; company is looking at significant product expansions and improving its market share. We are, consequently, focusing on providing customers a complete range of crop solutions. To implement this Company has also started production of Combine Harvester, Rotavator, Bailer and Rice Transplanter. Recently the government allowed FDI

in retail, which can pave the way for investment in new technology and Agriculture Equipment. Timely availability of agricultural credit at reasonable rate, especially for small and marginal farmers is crucial for agricultural-sector growth however the global economic slowdown and reduced domestic demand continues to be concern areas during the year. With pricing pressures across all product ranges and an increasingly challenging product mix, margins remained under pressure throughout 2012-13. Adverse foreign exchange fluctuations will continue to impact the business process. In addition to this, the economic slow-down with particular reference to further deferment of investments by the Government of India in the infrastructure sector and increase in steel prices will also impact the business.

Macro-economic factors including economic and political developments, natural calamities which affect the industrial sector generally would also affect the businesses of your Company. Legislative changes resulting in a change in the taxes, duties and levies, whether local or central, also impact business performance and relative competitiveness of the businesses.

- 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.
- With the normal monsoons in the country so far, we expect good agricultural growth for the year. The tractor sales to some extent run the risk of a demand drop in case of a significant variation in monsoon.
- 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.
- Volatility in the forex market.
- 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

❖ SEGMENT WISE OR PRODUCT WISE PERFORMANCE

Company operates mainly in three segments i.e. Cranes, Material Handling/Construction Equipment and Agri Equipment. The company has a balanced approach to the Cranes, Material Handling/Construction Equipment and Agri Equipment, which helps us in capitalizing on our strengths in all three segments and to respond to market fluctuations and customer strategies.

❖ RISKS AND CONCERN

The Company's ability to foresee and manage business risks is crucial in achieving favorable results. Management is positive about Company's long term outlook. The Company operates in an environment which is affected by various risks, some of which are controllable while some are outside the control of the Company. However, the Company has been taking appropriate measures to mitigate these risks on a continuous basis. Some of the risks that are potentially significant in nature and need careful monitoring are listed hereunder:

- **Raw material prices:**
Our profitability and cost effectiveness may be affected due to change in the prices of raw materials and other inputs.
- **Foreign Currency Risks:**
Exchange rate fluctuations may have significant adverse impact on the Company
- **Technical Intensive Industry:**
The crane industry is a technical intensive industry and thus faced with a constant demand for new designs, knowledge of nascent technology to meet market requirements.
- **Cyclical nature of the Industry:**
The Company's growth is linked to those of the crane Industry, which is cyclical in nature. A fall in the demand would adversely impact the financial performance of the Company. Tractor Industry growth is dependent upon monsoons and availability of cheap finance from public sector banks.
- **Increasing competition:**
Increasing competition from players expanding in India may put some pressure on market share.

❖ OUTLOOK

The outlook for 2013-14 is supposed to be better as compared to 2012-13; the overall economy is expected to grow in the range of 5.5 to 6.7 per cent in 2013-14. Of course, these projections assume a normal monsoon, further moderation in inflation as expected (to induce further relaxation of the tight monetary stance), and mild recovery of global growth as anticipated. Forecasting at potential turning points is difficult, hence the relatively wide range this time. Although India is veering towards an economic trough situation, the long term growth prospects of India are still stable with positive indications of infrastructure development happening in the segments in which your Company operates.

Your Company recognizes the tough times and is concentrating through management. We have already initiated significant cost reduction efforts, optimization of working capital requirements in order to minimize financing costs. These, coupled with other operational executions will enable the Company to register better performance in the coming months.

The Management anticipates improvement in the economy and is confident that when the revival happens, with right focus and proactive approach your Company will be able to capitalize on the future opportunities.

❖ CAUTIONARY STATEMENT

Management Discussion and Analysis detailing the Company's objectives and expectations have "forward looking statement" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied depending upon global and Indian demand-supply conditions, changes in Government regulations, tax regimes and economic developments within India and overseas.

**For and on behalf of Board
for Action Construction Equipment Ltd.**

**Vijay Agarwal
Chairman & Managing Director**

Place: Faridabad
Date: 25th May, 2013