



Action Construction Equipment Ltd.

Lifting India's infrastructure growth

20th ANNUAL REPORT 2013-14





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***



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The 20th Annual General Meeting of the Company is scheduled for the Thursday, 31 July, 2014 at 11:00 am at Sri Sathya Sai International Centre, Pragati vihar, Lodhi Road, New Delhi - 110003.

Notice of AGM and postal ballot were dispatched on Wednesday, 11th June 2014.

The notice of AGM can be downloaded from www.ace-cranes.com

CHAIRMAN SPEECH



Dear Members,

The Indian economic scenario in last financial year continued to be fraught with challenges because of tough external factors like slow down in the Country's economic growth, political uncertainties, policy inertia etc. Major economies witnessed slower growth and were full of un-certainties. Business environment remained difficult and operating in such a testing environment proved challenging. As you all know, our economy is going through a difficult phase as a result of which recorded one its worst periods in 2013. The volatile market situation has affected the overall growth of the industry.

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 3.1 per cent and (-)1.6 per cent in 2012-13 and 2013-14 respectively. The Manufacturing sector registered a growth rate of (- 0.8) percent during 2013-14. The rate of gross domestic product (GDP) growth in full FY 2013 - 14 was at a decade low of 5 per cent.

Financial year 2013-14 was a challenging one for the construction industry in particular, which was required to absorb higher interest rates, inflation, slower order book accretion, lengthier land acquisition schedules and slower receivables. 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 construction 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 new 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.

ACE battled successfully against these tough market conditions.

We believe that the worst is over for the Indian economy and that it will soon start to recover by virtue of policy reforms and investments. We are of firm opinion that India has a unique opportunity to surpass the world and participating and investing in India's infrastructure growth has been the fundamental principle of ACE evolution.

Notwithstanding this difficult environment, your Company continues to invest in R&D, commit to its human resource development and 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 2013-14. 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. We are committed towards investing in ACE's future. We are confident that our dedicated efforts and continuing R&D programme will enable us to take full advantage of our market leadership positions and achieve our growth ambitions.

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 closure of Plants to bring synergies in operating cost etc. These savings are likely to be giving more results during FY 2014-15.

In the Agri segment; Company is looking at significant product expansions and focusing on improving its market share. 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.

The outlook for 2014-15 seems promising with the new stable Govt at the centre; the overall economy is expected to grow in the range of 5.0 to 6.0 per cent in 2014-15. For FY 2014-15 Priority of the government will be to speed implementation of stalled projects. There will be focus on infrastructure development and to reactivate various stalled projects. This will 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.

I would like to thank all our colleagues for their hard work and valued contribution during 2013-14. Together we have much to look forward to as we strive to make our company even stronger.

I am grateful to the Board of Directors for their unwavering support and guidance. I take this opportunity to express my gratitude to all our stakeholders, who have reposed trust in us and extended their constant support.

With best wishes,

Sincerely,

Vijay Agarwal

Chairman and Managing Director



Management Discussion and Analysis

❖ INDUSTRY STRUCTURES AND DEVELOPMENTS

Indian construction equipment industry is facing the heat of slowdown due to poor infrastructure activities, stalled projects and low domestic demand. The global economic uncertainties and domestic monetary tightening measures have built up a near term negative sentiments for the Indian Infrastructure industry. However the long term prospects of the industry are huge and an opportunity area for us in near future.

As far as equipment manufacturing industry is concerned, it is quiet an old industry, with few players in the starting years, but as the number of years has passed, the number of players in this industry has increased. The growth of this 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 **ACE** 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, strong distribution and service network and good product quality.

❖ OPPORTUNITIES AND THREATS

Your Company maintained its market leadership position and is well positioned to achieve growth in terms of volumes and market share through better service levels and management of costs and a committed team of employees. There is pressure on the margins on account of depreciation of Rs., increase in cost of raw materials and overheads.

We believe our proactive steps and consistent implementation of our strategies will allow us to prepare the company for growth as consumer sentiments improves with the formation of new stable Govt and revival of infrastructure industry.



In the Agri segment; Management continues to develop new products and execute initiatives to meet the challenges of the Industry and to achieve its strategy for sustainable growth. We are, consequently, focusing on providing customers a complete range of crop solutions. To implement this Company has also started production of Combine, Harvester etc. Timely availability of agricultural credit at reasonable rate, especially for small and marginal farmers is crucial for agricultural-sector growth.

With pricing pressures across all product ranges and an increasingly challenging product mix, margins remained under pressure throughout 2013-14. Adverse foreign exchange fluctuations continued 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 impacted 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.

- 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.
- 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 Tractors. The company has a balanced approach to the Cranes, Material Handling/Construction Equipment and Tractor, 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:**
Raw material cost represents the largest expense and our profitability and cost effectiveness may be affected due to change in the prices of raw materials and other inputs.
- **Monsoons**
Our agri business runs the risk of a demand drop in case of significant variation in monsoon.
- **Foreign Currency Risks:**
Exchange rate fluctuations may have an 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. The demand for crane has a significant impact on the demand and prices of the products manufactured by the Company. A fall in the demand and / or prices would adversely impact the financial performance of the Company.

- **Increasing competition:**

Increasing competition from players expanding in India may put some pressure on market share.

- ❖ **OUTLOOK**

The outlook for 2014-15 is better as compared to 2013-14; the overall economy is expected to grow in the range of 5.00 to 6.00 per cent in 2014-15. Of course, these projections assume a normal monsoon, further moderation in inflation as expected (to induce further relaxation of the tight monetary stance), policy 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 on trough 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. Your Company's business exposure to the normal financial and market risks continue to be monitored and managed by experienced professionals at all levels duly strengthened from time to time by systems and processes commensurate with the volume of business activities and the perceived risk requirements.

- ❖ **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: 21st May, 2014



Directors' Report

The Directors are pleased to present the 20th Annual report and Audited Statement of Accounts for the financial year ended 31st March, 2014.

	(Rs. in lacs)	
FINANCIAL RESULTS	2013-14	2012-13
Gross Turnover	64,252	69,280
Excise Duty	3,364	3,172
Net Turnover	60,888	66,108
Other Income	1,271	1,215
Total Income	62,159	67,323
Profit before Depreciation, Interest and Tax	3,080	3,510
Less:		
Depreciation	1,527	1,361
Interest	1,041	1,045
Provision for Taxation	109	382
Net Profit after Tax	403	722
Profit brought forward	4,470	4,180
Profit available for Appropriation	4,873	4,902
Appropriations:		
Dividend (Interim & Final)	99	198
Corporate Tax on Dividend	17	34
Amount transferred to General Reserve	100	200
Profit carried to Balance Sheet	4,657	4,470



FINANCIAL PERFORMANCE

Financial year 2013-14 continues to be a challenging year amidst economic certainties and prevailing recessionary conditions in most part of the world including India. The sluggishness in economy, policy inertia and lacklustre infrastructure projects have all impacted the Indian economy as well as your Company.

Despite these tough conditions, the Company performed reasonably well.

Your Company's gross turnover stood at Rs. 64,252 lacs as compared to Rs. 69,280 lacs in the year 2012-13. The profit before depreciation, interest and tax stood at Rs. 3,080 lacs in 2013-14, as against Rs. 3,510 lacs in year 2012-13.

The profit after tax is Rs. 403 lacs in 2013-14 as against Rs. 722 lacs in the previous year. Your company has taken several steps to reduce cost and increase its market share in all products.

DIVIDEND

In spite of lower profit, your Directors are pleased to recommend 5 % Equity Dividend per share on the Paid up Equity Share Capital of the Company for the year 2013-14. Total dividend (including dividend tax) will absorb Rs.116 lacs out of the profits available for the year 2013-14. The payment of dividend is subject to the approval of the shareholders at the ensuing annual general meeting of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis, forms an integral part of this Annual Report; provides a more detailed analysis on the performance of individual businesses and their outlook.

DIRECTORS

In accordance with Article 135 of the Articles of Association of the Company Smt. Surbhi Garg and Mr. Sorab Agarwal, Executive Director are liable to retire by rotation in ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

Mr. Subhash Chander Verma, Mr. Girish Narain Mehra, Mr. Keshav Chandra Agrawal & Dr. Amar Singhal, Independent Directors of the Company, retire by rotation & are recommended for re-appointment as Independent Directors.

Your Directors recommend for their appointment / re-appointment. None of the Directors of your Company is disqualified as per provisions of Section 164 of the Companies Act, 2013.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 217 (2AA) of the Companies Act, 1956, your Directors hereby confirm that they:

- i) have followed in the preparation of Annual Accounts, the applicable Accounting Standards with proper explanation relating to material departures if any;
- ii) had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review;
- iii) had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) had prepared the annual accounts on a going concern basis.

SUBSIDIARY COMPANIES AND CONSOLIDATED FINANCIAL STATEMENTS

Your Company has two wholly Owned Subsidiary and a Fellow Subsidiary, namely:

1. Fredsted Limited, Cyprus- Wholly Owned Subsidiary
2. SC Forma SA, Romania - Fellow Subsidiary
3. Action Developers Limited, India- Wholly Owned Subsidiary

In accordance with the general circular issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, Profit and Loss Account and other documents of the subsidiary companies are not being attached with the Balance Sheet of the Company. However, the financial information of the subsidiary companies is disclosed in the Annual Report in compliance with the said circular.

The Company will make available the Annual Accounts of the subsidiary companies and the related detailed information to any member of the Company who may be interested in obtaining the same. The annual accounts of the subsidiary companies will also be kept open for inspection at the Registered Office of the Company and that of the respective subsidiary companies. The Consolidated Financial Statements presented by the Company include the financial results of its subsidiary companies

AUDITORS AND AUDITOR'S REPORT

As section 139 of the Companies Act, 2013 has been notified by the Ministry of Corporate Affairs wherein they have permitted to appoint firm as Statutory Auditors for a period of ten consecutive years and to comply with the provisions of this section, Ministry has allowed a time period of three years. In line of the same, you are requested to appoint Statutory Auditors for a period of three years upto the Annual General Meeting to be held for the financial year 2016-17 and to authorise the Board to fix their remuneration. The Statutory Auditors of the Company, M/s. Rajan Chhabra & Co., Chartered Accountants, will retire at the ensuing Annual General Meeting of the Company. They are eligible for re-appointment and have furnished a certificate to this effect that the proposed appointment, if made, will be in accordance with Section 139 of the Companies Act, 2013.

The Notes on Financial Statements referred to in the Auditors report are self-explanatory and do not require any further comments.

COST AUDITORS

Your Directors have appointed M/s Vandana Bansal & Associates, Faridabad, as the Cost Auditors to conduct the Cost Audit for the year 2014-15.

DEPOSITS

Your Company has not accepted any public deposit during the year under review.

QUALITY CERTIFICATION

Your Company has got CE Certification for most of its manufactured products. After getting this Certification, products of your Company are being well accepted in the International Market. Your Company is already ISO 9001 certified Company by CVI (Conformity Verification International), which is internationally recognized for the production, quality control and other qualities. This ensures that its standards of design, development, procurement, manufacturing, testing, installation and product support meet the most stringent norms. The ISO Certification gives international recognition and will help the Company, to boost its export turnover.

PARTICULARS OF EMPLOYEES

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, forms part of this Report. However, as per the provisions of Section 219(I) (b) (iv) of the Companies Act, 1956, the Report and the Accounts are being sent to all shareholders, excluding the Statement of Particulars under Section 217(2A). Any shareholder, interested in obtaining a copy of this statement, may write to the Company Secretary.

CORPORATE SOCIAL RESPONSIBILITY

As informed in the last Directors report, your Company has set up a trust, i.e 'ACE Emergency Response Service Trust' inauguration of which was done by Shri Bhupinder Singh Hooda, Hon'ble Chief Minister of Haryana on 17.03.2013. The Company continues to expand the free of cost services provided by the trust. The Board is pleased to inform that till date, Trust has handled approx. more than 3400 patients out of which 1000 were critical cases, where lives has been saved. The area of the operation of the trust will be further expanded shortly.

Your Company is committed to the belief that it exists not just to run business and generate profits, but also to fulfill its duties as a responsible corporate citizen. As a responsible corporate citizen, ACE recognized its need to deliver value to the society, which is the reason for its existence.

CORPORATE GOVERNANCE

As required by the existing clause 49 of the Listing Agreements with the Stock Exchanges, a detailed report on Corporate Governance is included in the Annual Report. The Practicing Company Secretary has certified the Company's compliance of the requirements of Corporate Governance in terms of clause 49 of the Listing Agreement and the same is annexed to the Report on Corporate Governance.