

21st 2014 - 2015 ANNUAL REPORT



LIFTING INDIA'S
INFRASTRUCTURE
GROWTH

ACE

Action Construction Equipment Ltd.



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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CHAIRMAN SPEECH



Dear Members,

It gives me great pleasure to present the Annual Report of your Company for the financial year 2014-15. In the last year's Annual Report, I had spoken about the uncertainties facing our economy and more particularly issues related to growth of infrastructure and construction Industry. While the macroeconomic environment has improved, challenges persist in the form of muted demand and depressed consumer sentiments.

Economy has shown signs of picking up in the last few quarters. Unfortunately for ACE and the construction and infrastructure sectors of the country, the growth is extremely modest. The entire construction and infrastructure has continued to remain seriously stressed both operationally and financially.

India's economy is in the midst of a recovery with lower fiscal and current account deficit, lower inflation and weak commodity prices. Our country growth seems poised to return to a high-growth path.

The outlook for the ongoing fiscal year remains positive. Industry is largely optimistic and believes that the Indian economy is at the initial stages of a business cycle recovery. Our Government is addressing economic reforms on a war footing basis. The Roads and Highways sector is major thrust area of the Government. It is expected that the benefits will flow into the sector that your company operates in the coming years.

A sharp focus on marketing coupled with continuing investments in R&D is the mantra to ACE next level of growth. The Company believes in providing products suiting to market requirements. R&D is providing the impetus to take forward this mindset. Our dedicated R&D Centres have sharpened our focus on various product categories and helped us launch new products that are in tune with customer needs. We are alive to the realities of technological challenges. Our R&D teams are working on all these areas to ensure that ACE always remains the forefront of innovation and keep breaking new paths in customer satisfaction.

Our Social Responsibility and Sustainability efforts continue to win us laurels, because we undertake these with some beliefs and conviction as we do our commercial activities. What makes us different from others is that we have made these efforts intrinsic to our commercial activity or strategy, and not something that we are forced to do by regulatory mandate.

In spite of tough business environment during the FY 2014-15, your Company continued to increase our market share by increasing customer base and product improvements. We believe that we have key strengths to remain healthy and face challenges with courage and conviction. We are confident that our commitment, dedication, cost cutting measures and continuing R&D programme will enable us to take full advantage of our market leadership positions and achieve our growth ambitions.

I would like to place on record my sincere appreciation to the Board of Directors and employees for their dedication, commitment and contribution to strengthen ACE. I would like to express my gratitude to all our stakeholders like bankers, customers, vendors etc for their continuing faith in ACE.

With best wishes,

Sincerely,

Vijay Agarwal

Chairman and Managing Director



Management Discussion and Analysis

❖ INDUSTRY STRUCTURES AND DEVELOPMENTS

In India, the investment climate is still plagued with structural issues of the past few years. The country is trying to deal with the legacy of large number of stalled projects. Majority of the stalled projects are in the manufacturing and infrastructure. Within infrastructure, majority were related to electricity and power, where the primary issue is non-availability of coal linkages. Infrastructure projects which are related to construction and real estate, lack of adequate clearances is the major impediment. The legacy of stalled projects has generated a vicious cycle of financial instability for infrastructure related companies and banks.

India needs large scale investments in infrastructure to sustain high growth is well accepted fact. While there have been various problems in infrastructure development in India, it is also true that the new government at the centre is taking strides in the positive directions. Government has significantly increased allocation of investments in the union Budget 2015-16 by Rs 70,000 crore, with a focus on railways and roads. However, the long term prospects of the industry are huge and an opportunity area for us for times to come.

Despite the focus on industrialisation, agriculture remains a dominant sector of the Indian economy both in terms of contribution to gross domestic product (GDP) as well as a source of employment to millions across the country. Agriculture plays a vital role in the Indian economy. Over 70 per cent of the rural households depend on agriculture as their principal means of livelihood.

There are multiple factors that have predominantly worked in tandem leading to the growth of the Indian agriculture sector in recent years. These include growth in income and consumption, growth in food processing sector and increase in agricultural exports.

Recognizing the importance of Agriculture Sector, the Government took a number of steps for sustainable development of Agriculture. These steps include enhanced institutional credit to farmers besides other steps. The Indian agriculture sector is expected to grow with better



momentum in the next few years owing to increase in investment in agricultural infrastructure such as irrigation facilities, warehousing and cold storage. Factors such as reduced transaction costs, time and fiscal incentives will also contribute to this upward trend.

The growth in the Agricultural Industry will help your company as it will result in robust growth in tractor volumes as well new products like track harvesters, rotavators launched in the recent past.

As far as the growth of equipment manufacturers (cranes, construction, material handling and agri equipments) is concerned; it is linked with growth of infrastructure, real estate, agricultural and indirectly with the growth of Indian economy. It requires expertise, in terms of technology, design and providing customer satisfaction. Its potential and market is huge; however only companies who would be able to provide good quality products at most competitive price will survive. The Company's ACE brand has emerged as brand for reliability and has been able to win the customer loyalty in all these years. ACE will continue its successful stint in the industry, through providing good quality products at most reasonable prices and complete customer satisfaction by its strong distribution and service network.

❖ OPPORTUNITIES

ACE continues to focus on various strategies and initiatives to overcome challenges. These include consolidation of new generation cranes in the targeted market segments. ACE maintained its market leadership position and is well positioned to achieve growth in terms of volumes and market share through better service levels and by providing the best of technology at an affordable price.

We believe that our proactive steps in providing best solutions to our customers and implementation of our strategies have prepared us for growth as demand picks up once the consumer sentiments improve with the expected revival of the infrastructure industry.

In the Agri segment; company is looking at significant product expansions and improving its market share. We are increasing our presence in few more states. We are, consequently, focusing on providing customers a complete range of crop solutions. To implement this, Company has also started production of Harvesters, rotavators etc.

❖ THREATS

- Economic downturn or slowdown can lead to decreased volumes and capacity utilization.
- Continued threat of raw material price volatility translating into pressure on margins during a rapid increase in raw material prices.
- Weak currency resulting in pressure on margins.
- Any change in the government policy or its budgetary allocation to the infrastructure sector will have a major impact on Company's business.
- Change in the tax structure of Sales Tax, Entry Tax, Service Tax, VAT etc.
- Increasing competition from National and International players.
- 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.

Cranes and material handling / construction equipment division revenues were more or less similar to 2014 levels. Agri Equipment division revenues were down by 10.30 % in 2015 as compared to 2014 levels as tractor industry was down by more than 15 % due to poor monsoons, tightening of credit norms by banks / NBFC due to increase in NPA and delay in payment to farmers by the sugar cane industry.

Cranes division profits increased by 20 % inspite of no increase in revenues mainly because of various cost initiatives taken by the Company.

Material handling / Construction equipment division profits increased by 180 % inspite of slight reduction in revenues in 2015 as compared to 2014 levels due to cost initiatives taken by the Company.

Agri Equipment Division profits were reduced by 66.50 % mainly due to lower volumes and increase in costs due to opening of new territories.

❖ RISKS AND CONCERN

The Company's ability to foresee and manage business risks is crucial in achieving favorable results. The Company operates in an environment which is affected by various risks some of which are identifiable and controllable. Some others are unexpected and cannot be controlled. Under these conditions, proper identification and management of risks is very important in determining the ability of the organization to sustain and create value for its stakeholders.

The impact of the key risks which are listed below has been identified through a formal process by the management. 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 volatility :**

Steel and other commodities are subject to price volatility and our profitability and cost effectiveness may be affected due to any increase /decrease in the prices of raw materials and other inputs.

- **Ability to pass on increasing cost:**

Ability to pass on increasing cost in a timely manner depends upon the demand supply situation and competitive activities and there has been a general reluctance as seen in the past, to make significant price hikes.

- **Continued Economic Growth :**

Demand of our equipments / machines is dependent on economic growth and / or infrastructure development. Any slowdown in the economic growth affects our growth.

- **Market Risks :**

Even as the Indian economy slowly recovers from the prolonged downturn, infrastructure spends will take time to kick in. Consequently, demand for construction equipments remains muted. Where ever there is demand, one find stiff competition from other players trying to secure these orders at such prices as may put unsustainable pressure on margins.

- **Foreign Currency Risks:**

Exchange rate fluctuations may have an adverse impact on the Company.

- **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.

Agriculture Industry growth is dependent upon normal monsoons and availability of finance from public sector banks and NBFC. The Indian met department is predicting below normal monsoon in the current fiscal. Tractor sales run the risk of demand drop in case of significant variations in the monsoons.

❖ OUTLOOK

Global economic conditions are expected to improve moderately in FY2016.

Growth had stagnated in the Infra structure sector mostly on account of issues related to sovereign clearances and land acquisition. But, even as restrictive regulations are being eased or removed, industry sentiments are slow to recover, with large number of projects, being struck due to serious liquidity issues and lenders trying to limit their exposure to the ailing sector. Given the focus on infrastructure that the current Government has, we expect to see some improvements on the ground for the infrastructure development sectors.

One believes that worst is behind for infrastructure in India. With signs of lowering interest rates, the construction and infrastructure sector is expected to pick up shortly.

However, most markets will remain competitive but ACE due to its good customer relationship will penetrate the market and will gain market share.

Your Company recognizes the tough times and 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 years.

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.

FY 2016 will be challenging for ACE, however, it is cautiously optimistic of its prospects. It will be a year for reviving the business with process improvement initiatives which should see better performance of the Company.

❖ CAUTIONARY STATEMENT

Management Discussion and Analysis detailing the Company's objectives, outlook 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.



Directors' Report

The Directors are pleased to present the 21st Annual Report and Audited Statement of Accounts for the financial year ended 31st March, 2015.

	(Rs. in lacs)	
FINANCIAL RESULTS	2014-15	2013-14
Gross Turnover	61,681	64,252
Excise Duty	2,885	3,364
Net Turnover	58,796	60,888
Operating and Other Income	2,089	1,271
Total Income	60,885	62,159
Profit before Depreciation, Interest and Tax	3,215	3,080
Less:		
Depreciation	957	1,527
Interest	1,301	1,041
Provision for Taxation	282	109
Net Profit after Tax	675	403
Profit brought forward	4657	4,470
Profit available for Appropriation	5,332	4,873
Appropriations:		
Dividend	198	99
Corporate Tax on Dividend	40	17
Amount transferred to General Reserve	200	100
Profit carried to Balance Sheet	4894	4657



FINANCIAL PERFORMANCE

Indian economy witnessed another challenging year with nil / negative economic growth in the Industries where we operate in the financial year 2014-15. 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, Your Company delivered another year of steady performance.

Your Company's gross turnover stood at Rs. 61,681 lacs in the year 2014-15, as compared to Rs. 64,252 lacs in the year 2013-14. The profit before depreciation, interest and tax stood at Rs. 3,215 lacs in the year 2014-15, as against Rs. 3,080 lacs in the year 2013-14.

The profit after tax is Rs. 675 lacs in the year 2014-15 as against Rs. 403 lacs in the previous year i.e. an increase of 67.50 %. Your company has taken several steps to reduce cost and increase its market share in all products.

DIVIDEND

Your Directors are pleased to recommend 10% Dividend per Equity share on the Paid up Equity Share Capital of the Company for the year 2014-15. Total dividend (including dividend tax) will absorb Rs. 238 lacs out of the profits available for the year 2014-15. The payment of dividend is subject to the approval of the shareholders at the ensuing Annual General Meeting of the Company.

INCREASE IN SHARE CAPITAL

Your Company has increased the Authorized Share Capital of the Company from Rs. 24,50,00,000/- (Rupees Twenty Four Crore Fifty Lacs) divided into 12,25,00,000 (Twelve Crore Twenty Five Lacs) Equity Shares of Rs. 2/- (Rupees Two) each to

Rs. 50,25,00,000/- (Rupees Fifty Crore Twenty Five Lacs Only) on 8th May, 2015. The increased authorised share capital was restructured to 10,00,00,000 (Ten Crore) Equity Shares of Rs. 2/- (Rupees Two) each and 3,02,50,000 (Three Crore Two Lacs Fifty Thousand) 8% Redeemable Cumulative Preference Shares of Rs. 10/- (Rupees Ten) each to enable the Company to allot shares, once the scheme becomes effective after all approvals, as proposed in the Scheme of Amalgamation between ACE TC Rentals Private Limited and your Company filed with the Hon'ble High Court of Punjab and Haryana.

CORPORATE DEVELOPMENT - MERGER

ACE TC Rentals Private Limited is proposed to be merged with the Company with effect from April 1, 2014 pursuant to a scheme of amalgamation ("the scheme"). The scheme has been filed in the High Court for the States of Punjab and Haryana. Once the Scheme is approved and becomes effective, which is expected to be effective in this financial year, the Company will issue 1,84,90,500 equity shares of Rs 2 each fully paid up and 3,02,19,380 Cumulative Non-Participating Redeemable Preference shares of Rs 10 each to the members of ACE TC Rentals Private Limited.

SUBSIDIARY COMPANIES AND CONSOLIDATED FINANCIAL STATEMENTS

Your Company has a wholly Owned Subsidiary and a Fellow Subsidiary, at the end of the current financial year ended on 31st March, 2015, namely:

1. Frested Limited, Cyprus- wholly Owned Subsidiary
2. SC Forma SA, Romania - Fellow Subsidiary

During the year under report, the only wholly Owned Indian Subsidiary Company, "Action Developers Limited" [CIN

U45200DL2008PLC177936] has opted for voluntary dissolution under Section 560 (5) of the Companies Act, 1956 under Fast track scheme vide SRN C32950198 dated 15/11/2014 and accordingly the name of "Action Developers Limited" is struck off in the records of Registrar of Companies and the said wholly Owned Indian Subsidiary Company stands dissolved.

The Consolidated Financial Statements presented by the Company include the financial results of its subsidiary companies. In accordance with section 129(3) of the Companies Act, 2013 and Accounting Standard (AS) – 21 on

Consolidated Financial Statements, the Company has prepared consolidated financial statements of the Company and all its subsidiaries, which form part of this Annual Report.

A report on the performance and financial performance of the Subsidiary and Associate Companies as per Companies Act, 2013 is provided in the prescribed form AOC -1 alongwith the Consolidated Financial Statements and therefore not repeated here for the sake of brevity. The Policy for determining material subsidiaries may be accessed on the Company's website viz, www.ace-cranes.com

BOARD OF DIRECTORS

The Board consists of eight directors, out of which four are independent directors, namely:

Name of Directors	Position in the Company
Mr. Vijay Agarwal	Chairman & Managing Director
Mrs. Mona Agarwal	Whole-Time Director
Mr. Sorab Agarwal	Executive Director
Mrs. Surbhi Garg	Executive Director
Mr. Girish Narain Mehra	Independent Director
Mr. Subhash Chander Verma	Independent Director
Dr. Amar Singal	Independent Director
Maj. Gen. (Retd.) Dr. Keshav Chandra Agrawal	Independent Director

The existing term of appointment of all the Independent Directors as mentioned in above table is upto the date of forthcoming Annual General Meeting (AGM) and are eligible and offer themselves for re-appointment as Independent Directors on the Board.

The Company has received notices alongwith the requisite deposit from the members pursuant to Section 160(1) of the Companies Act, 2013 signifying their intention to propose their candidature for appointment as Director of the Company at the forthcoming AGM.

The Independent Directors of the Company have given declarations that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013 and Clause 49 of the Listing Agreement.

In accordance with Article 88 (1) of the Articles of Association of the Company Mrs. Mona Agarwal is liable to retire by rotation in ensuing Annual General Meeting and being eligible offer herself for re-appointment at the forthcoming AGM.

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

KEY MANAGERIAL PERSONNEL :

Pursuant to the Provisions of Section 203 of the Companies Act, 2013, Mr. Vijay Agarwal, Chairman & Managing Director, Mrs. Mona Agarwal, Mr. Sorab Agarwal & Mrs. Surbhi Garg, Whole Time Director Mr. Rajan Luthra, CFO and Mr. Neeraj Jain, Company Secretary were designated as Key Managerial Personnel of the Company.

Subsequently, Mr. Neeraj Jain resigned w.e.f. 4th February 2015 . Mr. Radhey Shyam Jhanwer has been appointed as Head–Corporate Affairs & Company Secretary w.e.f. 5th February , 2015.

COMMITTEES OF THE BOARD

Detailed information on the Board and its Committees is provided in the Report on Corporate Governance forming part of this Annual Report.