



100% Swadeshi 

ACE

27th ANNUAL REPORT 2020-21

Lifting India's Growth





Road Equipment



Agri Equipment



Material Handling Equipment



Cranes





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Chairman's Speech



Dear Members,

The Fiscal year 2020-21 was a year filled with unprecedented challenges. The human race faced one of the most severe global health crisis in the history of mankind. The impact of the COVID-19 pandemic on lives, businesses and economies is well-known to the world. India's efforts to combat the pandemic have been well acknowledged and I would like to take this opportunity to express my immense gratitude to all our frontline heroes who have fought tirelessly to help keep others safe. I would also like to thank every member of ACE family for their relentless commitment and dedication during these difficult circumstances.

As you know, the COVID-19 pandemic has triggered the most abrupt global economic meltdown of modern times, and we believe the infrastructure sector is being tested now more than ever before. This sector is the cornerstone of our nation, playing a crucial role in accelerating India's overall development, and enjoys immense focus of the Government for initiating policies that would ensure the creation of world-class infrastructure in our country thereby driving economic growth. The revival of the infrastructure sector is one of the key focus areas for the government to generate employment opportunities and kickstart sustainable growth.

The Indian infrastructure sector has shown remarkable resilience even during this pandemic period. The government of India plans to spend about US\$ 1.4 trillion on infrastructure under the 'National Infrastructure Pipeline' from 2019-23 for sustainable development of the country where the primary focus will be on the development of city roads, bridges, flyovers, elevated road corridors, etc. The pipeline also focuses on the various metro projects across all the major cities, High Speed Rail Project and also the development of 100+ smart cities in the country. All these developments auger very well for your Company in the coming years.

ACE has grown to become India's leading material handling and construction equipment manufacturing Company with a majority

market share in Mobile Cranes and Tower Cranes Segment and has a consolidated presence in all major Infrastructure, Construction, Heavy Engineering, and Industrial projects across the country. We are dedicated to provide our customers with the latest technology in construction equipment and our efficient sales and product support is aimed at satisfying their needs.

The Indian agricultural sector was disrupted extensively in the pandemic as well. Agriculture remains a central pillar of the Indian economy. Nevertheless, the recent quarterly GDP estimates post-COVID scenario showcases remarkable revival in the agriculture sector by being the only sector to register positive growth of 3.4% during the financial year 2020-21.

We have heard the quote, "Necessity is Mother of Invention", and this pandemic proved this statement right for the Indian agriculture sector. The Pandemic struck when farmers were about to harvest their Rabi (winter) crop and prepare for Kharif, and the lockdown brought upon various challenges to the Indian agriculture system like shortage of labour, equipment, supply chain disruption and fragmented demand. Despite all these challenges, our rural population showed us why the Indian agriculture is the backbone of this country, by supporting the livelihoods of millions and reviving the economy.

On the positive side, the pandemic is going to be seen as a turning point for better changes in the Indian agriculture space, including strong supply chains, establishment of agri-enterprises in rural and semi-urban areas, lesser dependency on labour and increased usage of modern technologies and equipment such as tractors, harvesters, rotavators, etc for higher productivity.

Manufacturing has emerged as one of the high growth sectors in India. Prime Minister of India, Mr. Narendra Modi, launched the 'Make in India' program to place India on the world map as a manufacturing hub and give global recognition to the Indian economy. This increasing focus of the government on manufacturing sector created a surge in demand on warehousing and logistic activities and going forward the warehousing market is expected to grow at a CAGR of 14.86% between 2021 and 2025. Supportive Government policies such as establishment of logistic parks and free trade warehouse zones are expected to spur the market growth through 2025. Total supply of warehousing space is likely to almost double by 2022 with the addition of around 200 million sq. ft. Indian warehousing and logistics sector is expected to attract \$10 billion investments over the next 4-5 years. Our Company stands to benefit from the expanding manufacturing and logistics sector in form of increased demand for Cranes, Forklifts and Material Handling Equipment.

ACE has been the flagbearer of innovative and world-class equipment, which has resulted in the Company being rewarded with a strong brand reputation and repeat business from a

marquee list of customers, resulting in a consistent growth track record. The Company's agility and versatility to satisfy a diverse range of sectors for wide applications is our biggest strength. Our equipment is used in sectors like Infrastructure Construction, Power Projects, Ports & Shipyards, Dams, Metro Rail, Roads, Mining, Steel Industry, Engineering Industry, Railways, Cement, Petroleum, Defence, Chemicals & Fertilizer Plants, Warehousing, Logistics, Building Construction, etc.

In the Financial Year 2021, the first half of the year was significantly impacted due to the pandemic-induced lockdowns, but the Company bounced back in the second half. Although we closed the financial year with a revenue of ₹ 1,242 Crores reflecting YoY growth of 7%, we managed to significantly improve our EBITDA and profitability through cost control measures and a better product mix strategy. Our EBITDA for the financial year grew by 40% YoY to ₹ 134 Crores and our Net Profit grew by 52% YoY to ₹ 80 Crores.

We remain extremely optimistic about the medium to long-term prospects of the Company and believe that our building blocks are firmly in place now. In the last few years, your Company has taken concrete actions towards strengthening the business core around product mix, processes, controls, and operations. With the expected economic growth of India in coming years, I strongly believe that your Company is on the cusp of a multi-year growth cycle.

In conclusion, I would like to show my sincerest gratitude to all our stakeholders, for their faith and continued support.

Stay healthy and stay safe.

With best wishes,
Sincerely,
Vijay Agarwal
Chairman and Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS

❖ INDUSTRY STRUCTURE AND DEVELOPMENTS

• GLOBAL ECONOMY OVERVIEW

The financial year 2020-21 was a unique and challenging year, deterred by a viral pandemic that hit the world economy very hard. The pandemic spread like a forest fire, reaching every corner of the world, infecting more than 144 million and killing close to 3 million people worldwide (as of March 2021). For several months, uncertainties and panic paralysed most economic activities in both developed and developing economies. The pandemic has exposed the systemic vulnerability of the world economy.

World gross product fell by an estimated 4.3 percent in 2020, the sharpest contraction of global output since the Great Depression. The pandemic hit the developed economies the hardest, given the strict lockdown measures that many countries in Europe and several states of the United States of America imposed early on during the outbreak. The developing countries experienced a relatively less severe contraction, with output shrinking by 2.5 percent in 2020. Their economies are projected to grow by 5.7 percent in 2021.

The activity around the world is expected to strengthen in the second half of the current year due to improved COVID-19 management and the ongoing vaccination program, allowing for easing of pandemic control measures. Global economic output is expected to expand 4 percent in 2021 but still remain more than 5 percent below pre-pandemic projections.

Global growth is projected to moderate to 3.8 percent in 2022, weighed down by the pandemic's lasting damage to potential growth. The global economic recovery, which has been dampened in the near term by a resurgence of COVID-19 cases is expected to strengthen over the coming months as confidence, consumption, and trade gradually improves, supported by ongoing vaccination. Building economic, social and environmental resilience must guide the recovery from the crisis.

Sources:

1. https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/WESP2021_FullReport.pdf
2. World Bank Report (PDF)

• INDIAN ECONOMY OVERVIEW

Financial Year 2020-21 started with a nation-wide lockdown in India. However, India emerged as the fastest-growing major economy in the world. It is expected to be one of the top three economic powers in the world over the next 10-15 years. It is backed by robust democracy and strong partnerships. The Economic Survey has projected that the economy will grow at 11 percent up from an estimated historic decline of 7.7



percent in 2020-21, on account of the COVID-19 pandemic. Also, the vaccination drive is expected to provide an impetus for the restoration of contact-intensive sectors and a leading edge to the Indian pharma industry in the global market.

The Government of India, under its Make in India initiative, is trying to boost the contribution made by the manufacturing sector with an aim to take it to 25% of the GDP from the current 17%. Besides, the Government has also come up with the Digital India initiative, which focuses on three core components: the creation of digital infrastructure, delivering services digitally and increasing digital literacy.

The government has the ambition of making India a USD 5 trillion economy by 2024 for which various initiatives have been undertaken in the last few years to improve ease of doing business, encourage Make in India, invite foreign companies to India with schemes like PLI (production-linked incentive) and tweak the legacy labour laws, Agri policies, etc.

With the shift in sentiment to reduce dependence on a single country i.e. China, we are seeing increasing interest from international companies wanting to invest in India. Interest is largely from Asia led by Japan, Korea and Thailand, although we are also seeing interest from Europe. Some of these enquiries are in sectors such as agrochemicals, building products, logistics, packaging, and new-age technology including electronics, sectors where we have not seen significant interest in the past.

1. <https://economictimes.indiatimes.com/news/economy/policy/rbi-projects-gdp-growth-rate-of-10-5-for-fy22/articleshow/80702345.cms?from=mdr>
2. <https://www.ibef.org/economy/indian-economy-overview>

❖ CONSTRUCTION EQUIPMENTS INDUSTRY

• CONSTRUCTION EQUIPMENT

Infrastructure and industrial development have played a crucial role in the Indian economy over the past few years. The Indian government is expected to increase its spending on public infrastructure to meet its ambitious development plans. Furthermore, the government's plans, such as 100 smart cities, are expected to boost construction activity in the country and increase the demand for construction equipment. These increased investments and the growing construction sector are expected to drive the Indian crane market further in the future. The India Cranes Market is anticipated to register a CAGR of over 5% during the forecast period 2020–2025.

Cranes are a part of the construction machinery and are extensively utilized for loading and unloading goods. Moreover, as they assist in the construction of all types of structures ranging from modular home constructions to high-rise office buildings, their demand is increasing across India. A considerable increase in construction activities represents one of the primary factors strengthening the growth of the crane market in India. Cranes are widely employed in different processes and discrete industries like oil and gas, power, civil engineering, construction and petrochemical industries to lift and transport heavy materials. Apart from this, the Government of India is investing heavily in the development of infrastructure, including airports, roads, commercial spaces, railways and housing establishments, which is anticipated to fuel the growth of the market in the country. The desire for luxurious living has created a demand for a larger number of residential buildings with grand interiors.

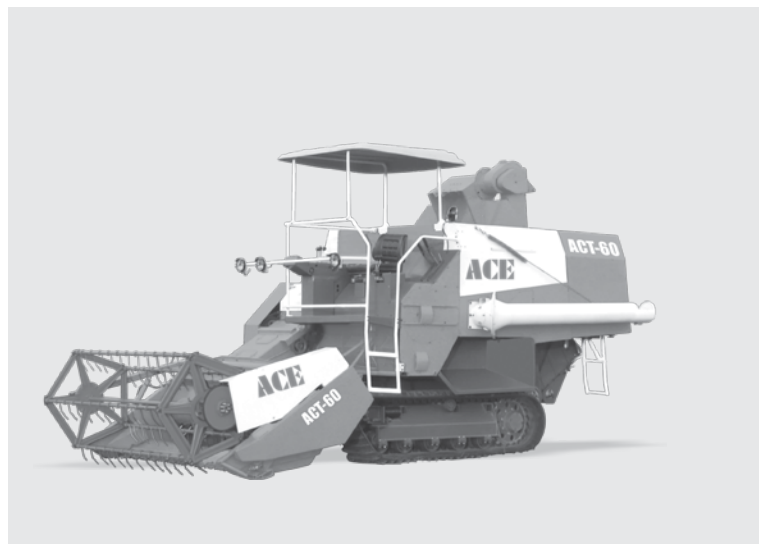
Indian roadways are the second-largest in the world. Owing to the increasing number of vehicles and traffic, the government is planning to further extend the roadways in the coming years. Moreover, the Ministry of Road Transport and Highway is planning to award road projects with a total length of around 4,500 km worth USD 7.15 billion.

Increasing investments in the infrastructure sector and other strategic initiatives of the government are expected to boost the construction sector in the country, in turn, propelling the demand for cranes in the country.

<https://www.marketwatch.com/press-release/india-crane-market-2021-26-size-share-price-trends-and-research-report-2021-02-08?tesla=y>

• MATERIAL HANDLING

The forklift trucks market is expected to register a CAGR of over 6% as compared to diesel & petrol products during the forecast period (2020-2025). Forklift trucks are one of the most common materials handling equipment in the market. Although there are a large number of automated solutions arriving in the market, the demand for manual internal combustion (IC) and electric forklifts has not dwindled.



In the past few years, electric/battery-powered forklifts have taken a stronghold in the material handling environment. The limitations and drawbacks that once made electric forklifts inefficient and impractical have been put to rest by advancing technologies and proven performance. Many industrial companies are switching to electric forklifts, because energy-efficient, environmentally friendly machines can do virtually anything emission-producing IC forklifts do. Electric forklifts are a realistic alternative to liquid-fueled lift trucks and are more economical to operate, equally powerful, easier to maintain, safer, quieter, and cleaner. It is proven that energy consumption costs for an electric forklift are far less, therefore, governments across various countries have been supporting the growth of the electric forklift.

With an increase in the Network and Customer touch points and penetrating the premium segment with Doosan – Korea range and increased penetration with Electric Forklifts – especially Food, Beverages and Pharma industry. The company is targeting to increase its Market Share in this segment over the next 2-3 years.

• AGRICULTURE EQUIPMENT

India is considered to be one of the largest markets for tractors in the world. The country produces a huge volume of tractors and is also indulged in the export of tractors to the global demographics. The tractor Industry has been an exceptional performer in FY2021 and the sales have shot up much ahead of expectations. The supply-side situation is normalizing too and is no longer expected to be a bottleneck to meet demand. The spike in sales is attributed to better monsoon season, easy finance availability, increased MSPs and market rate realization. The agricultural sector wasn't impacted that much by the pandemic, in comparison to urban areas. The market continues to be strong on the back of positive macroeconomic factors and strong rural cash flows.

❖ OUTLOOK

• INFRASTRUCTURE

Infrastructure is a crucial sector for the overall development of any country. In India, it is considered as the backbone of the country's economy as it integrates projects on a large scale and strengthens its competitiveness on a global level. The infrastructural facilities such as roads, railways, metro rails and so on are required to potentially increase the productivity and seamless functioning of other business sectors in India.

It is estimated that India will require a whopping ₹ 50 trillion in infrastructure by 2022 for sustainable development in the country. Furthermore, the estimates shared by the Department for Promotion of Industry and Internal Trade (DPIIT) suggest –FDIs in the construction development and infrastructure activities stood at US\$ 17.22 billion in September 2020.

Given the present market scenario, the Indian government plans to spend USD 1.4 trillion during 2019–2023 on infrastructure with an investment of USD 750 billion on railways infrastructure by 2030. On the other hand, the onset of the pandemic posed a daunting situation in front of infrastructure companies to recover from an all-time low of the previous year. This calls for an urgent need to come up with highly impactful strategies to stimulate growth in the sector.

The deployment of the allocated resources in the right way is expected to increase the number of tenders announced and completed. As a result, there will be a large number of projects and higher demand for infrastructure firms, accelerating the cashflows in the country. Additionally, if the time taken to fulfill contractual obligations is reduced than the present, the operations in the sector will proceed with swiftness.

<https://www.financialexpress.com/industry/infrastructure-sector-crucial-for-indias-economic-growth-but-these-roadblocks-need-to-be-managed/2198533/>

• ROADS

India has the second largest road network in the world, spanning a total of 5.89 million kilometres (kms). This road network transports 64.5% of all goods in the country and 90% of India's total passenger traffic uses road network to commute. Road transportation has gradually increased over the years with improvement in connectivity between cities, towns and villages in the country.

The Government of India has allocated ₹111 Lakh Crore (US\$ 1.4 trillion) under the National Infrastructure Pipeline for FY 2020-25. The roads sector is likely to account for 18% capital expenditure over FY 2020-25. The NHAI awarded 1,330 km of highways in the first half of FY21, which was 1.6x of the total awards in FY20 and 3.5x of the FY19-levels. NHAI, the nodal authority for building highways across the country, has set a target of awarding 4,500 KM of projects in FY21.

The Union Minister of State for Road, Transport and Shipping has stated that the Government aims to boost corporate investment in roads and shipping sector, along with introducing business-friendly strategies, that will balance profitability with effective project execution.

The Government, through a series of initiatives, is working on policies to attract significant investor interest. A total of 2,00,000 km of national highways is expected to be completed by 2022.

• REAL ESTATE

Real estate sector is one of the most globally recognized sectors. It comprises of four sub sectors - housing, retail, hospitality, and commercial. The growth of this sector is well complimented by the growth in the corporate environment and the demand for office space as well as urban and semi-urban accommodations. The construction industry ranks third among the 14 major sectors in terms of direct, indirect and induced effects in all sectors of the economy. Real estate sector in India is expected to reach a market size of US\$ 1 trillion by 2030 and will contribute 13% to the country's GDP by 2025.

Government of India along with the governments of respective States has taken several initiatives to encourage development in the sector. This includes tax deduction on interest on housing loans, the launch of affordable rental housing complex portal by Ministry of Housing and Urban Affairs (MoHUA), setting up of ₹ 25,000 Crore Alternative Investment Fund (AIF) to revive around 1600 stalled housing projects across the country and the creation of Affordable Housing Fund (AHF) with an initial corpus of ₹ 10,000 Crore.

The Securities and Exchange Board of India (SEBI) has given its approval for the Real Estate Investment Trust (REIT) platform, which will allow all kind of investors to invest in the Indian real estate market. It would create an opportunity worth ₹1.25 trillion (US\$ 19.65 billion) in the Indian market in the coming years.





The residential sector is expected to grow significantly, with the central government aiming to build 20 million affordable houses in urban areas across the country by 2022, under the ambitious Pradhan Mantri Awas Yojana (PMAY) scheme of the Union Ministry of Housing and Urban Affairs. The current shortage of housing in urban areas is estimated to be 10 million units. An additional 25 million units of affordable housing are required by 2030 to meet the growth in the country's urban population.

Driven by increasing transparency and returns, there's a surge in private investment in the sector. Indian real estate attracted US\$ 5 billion institutional investments in 2020, equivalent to 93% of transactions recorded in the previous year.

The government has also been focusing on the development of smart cities in India. Expediting the process of project approvals can help the government fulfil the mission of smart cities, and alleviate infrastructural gridlock in tier 1 and tier 2 cities, where most of the population is concentrated. By 2030, cities in India are estimated to house close to 40 percent of India's population, and contribute to 70 percent of the country's GDP. To plan for this India of tomorrow, central and state governments have prioritised the development of data-centric smart cities. The Smart Cities Mission is an initiative by the Government of India to drive economic growth and improve quality of life by enabling local development and harnessing technology as a means to create smart outcomes for citizens. The total investment in the Smart Cities Mission is envisaged to be over ₹ 2,05,000 Crore (\$21.8 billion) through 5,151 projects. Out of these, 896 projects worth approximately ₹ 15,000 Crore (\$2.06 billion) have been completed and another 1,895 projects worth ₹ 75,000 Crore (\$10.3 billion) are under implementation.

<https://yourstory.com/2021/04/2021-year-urbantech-shines/>
amp

<https://www.ibef.org/industry/real-estate-india/infographic>

• AGRICULTURE

Agriculture is the primary source of livelihood for about 58% of India's population. Gross Value Added by agriculture, forestry, and fishing was estimated at ₹ 19.48 lakh crore (US\$ 276.37 billion) in FY20. Share of agriculture and allied sectors in gross value added (GVA) of India at current prices stood at 17.8 % in FY20. Consumer spending in India will return to growth in 2021 post the pandemic-led contraction, expanding by as much as 6.6 %.

India is expected to achieve the ambitious goal of doubling farm income by 2022. The agriculture sector in India is expected

