

29th
ANNUAL
REPORT
2022-23

LIFTING INDIA'S GROWTH >>>





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Chairman's Speech



It brings me great pleasure to report that all of our business sectors had another successful year. The Financial year 2022-2023 turned out to be one of the best years for the Company, where we had record breaking profits.

The Company outperformed across all financial parameters by achieving its highest ever revenue and profit. At a consolidated level compared to FY22, the total Income grew by 34% to INR 2,201 Crores, EBITDA grew by 62% to INR 262 Crores and Profit after Tax grew by 65% to INR 173 Crores. Our EPS continues to increase year after year. The Company was also able to showcase volume and value growth and improve its balance sheet position further.

Building infrastructure and attracting investments will be the key focus areas for India over the next 25 years to emerge as a developed nation. The Union Government has made unprecedented investments in modern infrastructure in the last few years taking the country to new heights. Under Budget 2023-24, capital investment outlay for infrastructure is being increased by 33% to ₹ 10 lakh crore (US\$ 122 billion), which would be 3.3% of GDP and almost three times the outlay in 2019-20. The quality of a country's infrastructure is a key determinant in shaping its economic trajectory.

The infrastructure, construction and the real estate markets saw significant growth in the past financial year. The outlook for all these industries seems strong due to the government's focus on these sectors and various schemes like the smart city project, PM Awas Yojana, PLI Scheme etc. which will act as growth drivers for these industries. The biggest push will come from the manufacturing growth driven by Make in India initiative supported by the China +1 strategy.

India aims to soon be one of the manufacturing hubs for the world. Building on the competitive advantage of a skilled workforce and lower cost of labor, the manufacturing sector is also witnessing an

increased inflow of capex and heightened M&A activity, leading to a surge in manufacturing output and resultant increased contribution to exports.

The agricultural sector forms the backbone of the country's economy and for India to grow to great heights it is imminent to continue supporting the Agri-sector. To further boost this sector the government has allocated INR 1.24 lakh crore to the Department of Agriculture, Cooperation and Farmers' Welfare in FY 24 Budget.

Since ACE has led the way in developing cutting-edge, top-tier equipment, the Company has been rewarded with a strong brand reputation and repeat business, which has led to a history of steady growth. Our major strength is our flexibility and agility to suit a wide range of industries for broad applications. Through our R&D, we are committed to offer our customers the newest technology and new products. All of our goods are designed to satisfy consumers through effective sales and product support.

Looking at the tremendous global opportunities, we have also strengthened our export arm and forayed into new territories with our tractors, cranes and construction equipment. We intend to enhance the quantum of our exports substantially as there is an increasing demand for our products, which are being accepted by the global customers. Increased Export Revenue coupled with opportunities in Defence Sector, and increasing utilisation levels of Construction Equipment and Agri business are taking the Company forward.

We continue to be very confident about the Company's medium to long-term prospects and believe that the foundation is firmly in place. 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. The Company has made significant strides in recent years to strengthen the operations, product mix, procedures, and controls that make up the foundation of its business.

In conclusion, I would like to sincerely thank all our stakeholders for their continued trust and support and we will continue to grow our business by offering innovative products and solutions and exploring new avenues for future growth.

With best wishes,

Sincerely,
Vijay Agarwal
Chairman and Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS

❖ INDUSTRY STRUCTURE AND DEVELOPMENTS

• GLOBAL ECONOMY OVERVIEW

A combination of shocks including soaring inflation, geo political tensions, supply chain disruptions, climatic disasters and covid 19 related upheavals in China impacted the global growth in 2022. Inflationary pressures across countries skyrocketed in 2022 owing to rising energy and food prices, supply chain disruption and rebounding global demand. As a result, central bankers around the world began raising interest rates with a synchronicity not seen in the recent past. Between March 2022, and May 2023 the US Fed raised the fed funds rate by 500 basis points and the interest rate thus went up from 0.25% at the start of monetary tightening cycle to 5.25% as on date which is its highest level in last two decades. World economic activity proved more resilient than expected in H2 of 2022 however the global economic outlook for 2023 has deteriorated reflecting the impact of monetary tightening especially in advanced economies and the continuing geopolitical crises in Ukraine.

It is believed that the global inflationary pressure has already peaked in early 2023 and weak demand could continue to lead to further deceleration. Moderating global oil prices and declining input cost could contain inflationary pressure though rising food prices could weigh on core inflation causing it to remain sticky. As per the latest IMF estimates, the global economy is projected to grow at 2.9% in 2023 and 3.1 % in 2024. In 2022, Middle East and Central Asia have been the highest contributor to the global real GDP, while emerging markets like India and China are expected to be the highest contributors in 2024. Euro area is estimated to grow at 1.6% in 2024, whereas United States and Latin America are expected to grow at 1.0% and 2.1% respectively in 2024.

<https://www.imf.org/en/Publications/WEO>

<https://www.imf.org/en/Publications/WEO/Issues/2022/10/11/world-economic-outlook-october-2022>

<https://www.imf.org/en/Blogs/Articles/2022/01/25/blog-a-disrupted-global-recovery>

• INDIAN ECONOMY OVERVIEW

Spurred by private consumption and investment, the economy grew strongly in fiscal 2022, albeit more slowly than a year earlier. Rising food and fuel prices pushed inflation up beyond the central bank's target. Growth is expected to moderate slightly in 2023 and rise in 2024, buoyed again by private consumption and investment as the global economy improves. Actions taken by the government and RBI, underpinned by softening global commodity prices has led retail inflation to come down from 7% in August 2022



to 4.7% in April 2023. Accordingly, RBI has indicated a pause in further interest rate hike in its last policy meet. Inflation should be on a downward trend as global price pressures moderate.

As per IMF, India's will be the fastest growing major economy in 2023 with expected GDP growth of 6.1% in 2023 and 6.8% in 2024, driven by rising public and private capex and resilient domestic demand. For the first half of FY23, the Industrial Sector's overall Gross Value Added (GVA) increased by 3.7%, above the 2.8% average growth seen in the first half of the previous decade.

In 2023, nearly 15% of the world's growth is forecasted to come from India. These growth projections are partially based on the economy's resilience, which can be observed in how quickly private consumption rebounded, amid rising government's capital expenditure, digital penetration and policy reforms. India will also be able to maintain a positive growth-interest rate differential owing to the government's policy of capital expenditure led growth, which will result in a sustainable debt to GDP over the long term.

The Indian government in its FY24 budget allocated a record high of ₹10 lakh crore towards capital expenditure. The central government has ramped up capex spending to 3.3% of GDP from a pre-pandemic average of 1.7%. Structural reforms undertaken by the Indian policymakers in recent years and higher allocation towards capital expenditure capex should help India's gross domestic product (GDP) to register a CAGR of around 6.6% between FY23 and FY30, the strongest growth phase since FY10.

In order to connect India to international supply chains, the Production Linked Incentive (PLI) programmes were created with an expected investment of 4 lakh crore during FY22–27.

As per the Indian Brand Equity Foundation (IBEF) In FY22, investments under PLI programmes totalled INR 47,500 crore, which reached 106% of the year's set objective. Due to PLI initiatives, India registered production/sales worth of INR 3.85 lakh crore and the creation of 3 lakh jobs in 2022. The Indian economy has also begun to prosper from more formalisation, greater financial inclusion, and economic possibilities brought forth by technologically driven economic reforms.

<https://www.ibef.org/economy/indian-economy-overview>

<https://www.livemint.com/news/india/indian-economy-to-contribute-15-of-global-growth-in-2023-imf-md-kristalina-georgieva-11677062849103.html>

❖ CONSTRUCTION EQUIPMENTS INDUSTRY

India's construction equipment industry turned in its best performance with 26% year-on-year growth in FY23 as sales crossed the one lakh unit mark driven by demand from Infra construction and railways. The Indian Construction Equipment Market was valued at USD 7.9 Bn in 2023, and it is estimated to reach a value of USD 12.4 Bn in 2029, growing at a CAGR of 8.9 percent over the forecast period.

The Indian Construction Equipment market is capitalizing on the rapid growth of infrastructure and construction sector in the country. Construction equipment overall market size in the country has gone up by about 25% approximately in the last year. It has been supported by rising public & private capex, FDI reforms in construction sector, execution of high value Infrastructure and Real estate projects has led to the overall surge in demand for construction equipment's in India.

Indian Construction Equipment Manufacturers Association (ICEMA) has been lobbying for PLI scheme for manufacturing of Construction Equipment. The Production Linked Incentives (PLI) scheme, if granted, may attract an estimated USD 4 Bn of domestic and foreign investment in the near term. This is likely to boost USD 3 Bn in additional exports from the country, save USD 2.9 Bn in forex savings through import substitutions and generate employment opportunities for nearly 3.2 million people by 2030.

Government activities focused on infrastructure advancement and improvement in financing from non-banking financial companies (NBFCs) are boosting the demand for construction equipment in India.

<https://timesofindia.indiatimes.com/business/india-business/construction-equipment-sales-grow-26-to-cross-1-lakh-units/articleshow/99913723.cms?from=mdr>

<https://www.constructionworld.in/heavy-construction-equipment/construction-equipment-ind.-grows-by-25--in-fy2023/40153>



[https://www.autocarpro.in/news/pli-scheme-for-construction-equipment-likely-to-attract-us\\$4-billion-of-domestic-and-foreign-investments-in-near-term-states-icema-114873](https://www.autocarpro.in/news/pli-scheme-for-construction-equipment-likely-to-attract-us$4-billion-of-domestic-and-foreign-investments-in-near-term-states-icema-114873)

Indian Crane Market Size

- The crane market in India began expanding post-2016, as various state governments and central government initiated critical infrastructure projects in Railways, Airports, Smart cities, Roads and highways and Real Estate.
- The Indian crane market was valued at USD 1.02Bn in 2023, and it is expected to reach USD 1.25Bn by 2027 by registering a CAGR of over 5.3% during the forecast period (2023 - 2027).
- India has planned massive investments into infrastructure over the next 5-10 years. An estimate suggests that this planned investment itself would generate a construction equipment (CE) demand of around USD180-200 Bn at the present rate of equipment infiltration.
- The key drivers for pick and carry crane segment are the construction and industrial sectors. Within the construction sector, the key demand driver is urban infrastructure while that of industrial applications is steel and power industries. Other cranes include slew cranes, crawler cranes and tower cranes. These are advanced value, more sophisticated cranes than pick-n-carry cranes and are usually used for heavier duty work.
- Demand for other cranes is driven primarily by the construction and industrial sector in the refinery and mining sectors. With the increasing average scale of infrastructure and construction projects, the growth rate of slew and tower cranes is likely to exceed the average growth rate of the overall crane's segment.

- The emerging trend of crane rental services across the country is propelling the market. Additionally, the significant growth in the Indian real estate sector is providing a boost to the product demand.

<https://www.mordorintelligence.com/industry-reports/india-crane-market>

<https://www.openpr.com/news/2893185/crane-market-size-in-india-2023-industry-share-price-research>

❖ MATERIAL HANDLING

Manufacturing segment dominated the Indian material handling equipment market and is expected to continue its dominance for the next few years. Make in India initiative coupled with emerging China +1 strategy will boost the growth of the manufacturing sector over the next decade.

Warehousing is another sector which drives the demand for material handling equipment's. Total warehousing requirement in India is expected to grow at a CAGR of 7.5 % for the next 5 years driven by growth in e-commerce and consumption. Estimates suggest Investment in the warehouse has the potential to generate IRRs in the range of 15%-20% which is very lucrative for attracting growth capital in this space.

Pick and Carry crane held 30% share followed by forklift and slew cranes. The forklift is estimated to grow at high CAGR among product types. The flexibility and speed forklift offer make them ideal for repetitive material handling tasks especially in restricted areas like warehouses and yards.

According to the report, "India Forklift Market Outlook, 2027-28" the market is anticipated to grow with more than 18% CAGR for 2022-2028. The Forklift Market is flourishing owing to the advancements in the e-commerce industry, increasing infrastructure development investments, and rising usage of electric forklift trucks are expected to drive market expansion. Additionally, the market expansion is fuelled by the rising construction sector. Many government organizations are focusing on bolstering the current infrastructure in order

to promote overall economic development. Industries like automobile, logistics, chemicals, pharma etc are growing enormously in the Indian economy and thus they are contributing majorly to the demand of forklifts.

https://www.marketwatch.com/press-release/india-material-handling-equipment-market-is-expected-to-reach-by-2027-at-a-cagr-of-98-during-the-forecast-period-2023-04-12?mod=search_headline

<https://www.researchandmarkets.com/reports/4394826/india-forklift-market-outlook-2027-28>

❖ AGRICULTURE EQUIPMENT

Over the last few years, there has been a considerable progress in agriculture mechanization. A significant proportion of farmers in the country have already started moving from using animate sources to mechanical equipment's to power their farming activities. As a result of increasing farm mechanization trends, the agricultural equipment market has witnessed strong growth in the past few years. This market is currently being driven by several factors such as easy availability of credit, government incentives, increasing agricultural productivity, emergence of contract farming, increasing rural incomes, etc.

India is one of the largest markets for tractors in the world as they form most of the machinery usage in India. India continues to be a very profitable market for tractors. The country produces a massive volume of tractors and also exports tractors globally. Looking forward, IMARC Group expects the market to reach USD22.5Bn by 2028, exhibiting a growth rate (CAGR) of 10.5% from 2023-2028.

India has a very high trade surplus in farm machinery, but the decomposition shows that it is dominated by tractors. Trade in non-tractor farm machinery forms less than one per cent of total merchandise trade. Although India is both exporting and importing non-tractor farm machinery, exports form a relatively small proportion of total farm machinery exports (though it has been increasing over the years) and imports form a relatively high proportion of total farm machinery imports (though the share has varied over the years).

<https://www.mordorintelligence.com/industry-reports/india-agricultural-machinery-market>

<https://www.marketresearch.com/IMARC-v3797/Indian-Agricultural-Equipment-Trends-Share-33910663>

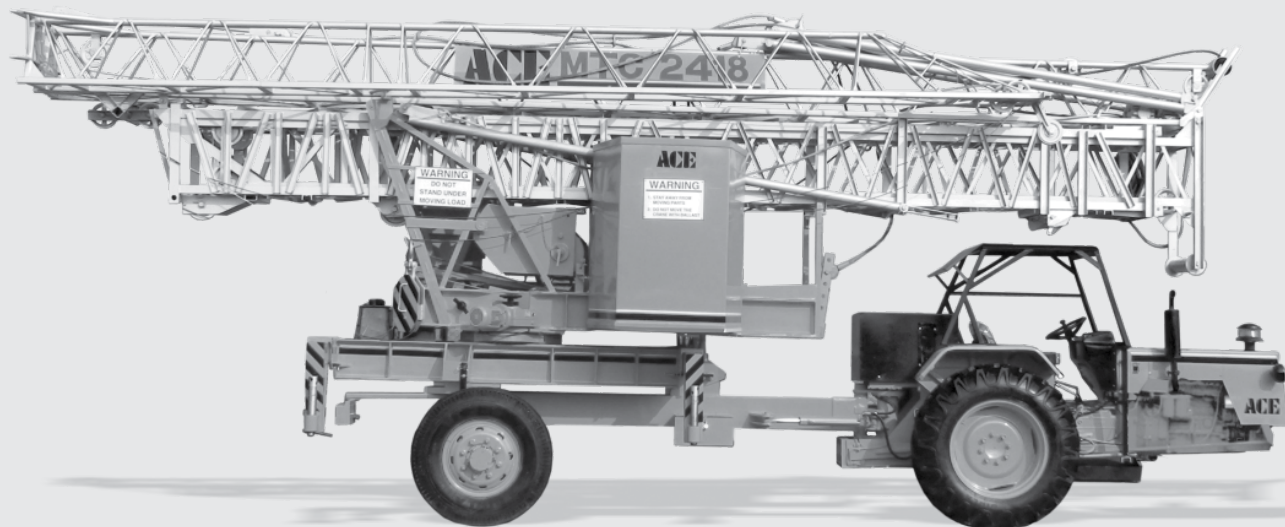
<https://www.ncaer.org/wp-content/uploads/2023/04/Policy-Brief-on-Farm-Mechanisation-2023-1.pdf>

❖ OUTLOOK

• INFRASTRUCTURE

Infrastructure sector is a key driver for the Indian economy. The sector is highly responsible for propelling India's overall development and enjoys intense focus from





Government for initiating policies that would ensure time-bound creation of world class infrastructure in the country. Infrastructure sector includes power, bridges, dams, roads, and urban infrastructure development. In other words, the infrastructure sector acts as a catalyst for India's economic growth as it drives the growth of the allied sectors like townships, housing, built-up infrastructure and construction development projects.

India's high growth imperative in 2023 and beyond will significantly be driven by major strides in key sectors with infrastructure development being a critical force aiding the progress. In order to meet India's aim of reaching a USD 5 Tn economy by 2025, infrastructure development is the need of the hour. The government's focus on building infrastructure of the future has been evident given the slew of initiatives launched recently. The USD 1.3 Tn national master plan for infrastructure, Gati Shakti and Smart Cities has been a forerunner to bring about systemic and effective reforms in the sector, and has already shown a significant headway.

The government has launched the National Infrastructure Pipeline (NIP) combined with other initiatives such as 'Make in India' and the production-linked incentives (PLI) scheme to augment the growth of infrastructure sector. Historically, more than 80% of the country's infrastructure spending has gone toward funding for transportation, electricity, and water & irrigation. Investments in building and upgrading physical infrastructure, especially in synergy with the ease of doing business initiatives, remain pivotal to increase efficiency and costs.

Few of the recent government initiatives and investments in the infrastructure sector are as follows:

- Capital investment outlay for infrastructure is being increased by 33% to ₹10 lakh crore (USD 122 Bn), which

would be 3.3% of GDP and almost three times the outlay in 2019-20.

- Infrastructure Finance Secretariat is being established to enhance opportunities for private investment in infrastructure that will assist all stakeholders for more private investment in infrastructure, including railways, roads, urban infrastructure, and power.
- 100 critical transport infrastructure projects, for last and first mile connectivity for ports, coal, steel, fertilizer, and food grains sectors have been identified and will be taken up on priority with investment of ₹ 75,000 crore (USD 9 Bn), including ₹ 15,000 crore (USD 1.8 bn) from private sources.
- An Urban Infrastructure Development Fund (UIDF) will be established through use of priority sector lending shortfall, which will be managed by the National Housing Bank, and will be used by public agencies to create urban infrastructure in Tier 2 and Tier 3 cities.

<https://www.ibef.org/industry/infrastructure-sector-india>

