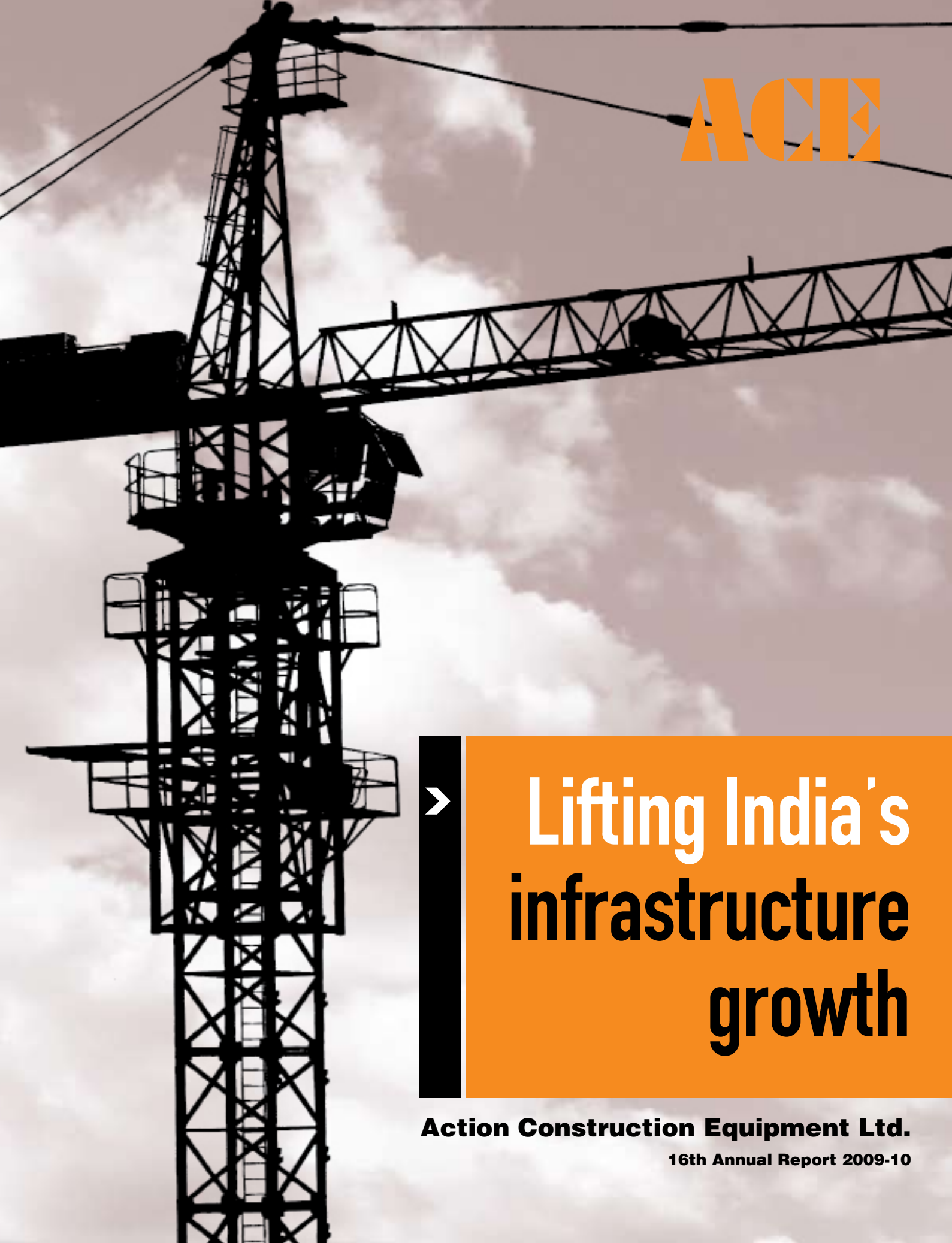


A large construction crane is shown in silhouette against a sky filled with white and grey clouds. The crane's lattice structure is prominent, with a long horizontal jib extending across the upper right portion of the frame. The background is a mix of light and dark cloud patches.

ACE



Lifting India's infrastructure growth

Action Construction Equipment Ltd.

16th Annual Report 2009-10

Forward-looking statements

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take investment decisions. This report and other statements - written and oral – that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievements of results are subject to risks, uncertainties, and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated, or projected. Readers should keep this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

What's inside



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A great grand debate is on... across every part of India about what role infrastructure can play to catalyse growth and usher in a new socio-economic Renaissance.

To say the sectoral opportunity is humongous is an understatement: US\$ 514.04 billion is the projected infrastructure investment for the Eleventh Five-Year Plan. To be allocated across ports (US\$ 22 billion), airports (US\$ 7.74 billion), railways (US\$ 65.45 billion), roads and highways (US\$ 78.54 billion) and energy (US\$ 166.63 billion).

The result is that India's infrastructure is at a historic threshold of an explosive opportunity.

But India needs a catalyst to transform its investment potential into an everyday reality. It will not be a dry investment statistic, but a better quality of life in the form of enhanced rail-road connectivity, advanced port facilities, sophisticated airports and more electricity to light up homes and urbanisation.

At ACE, our business revolves around this national priority on infrastructure growth through critical multi-sectoral intervention in material handling and construction equipment.

India's infrastructure saga has just begun to unfold. We believe that this is going to be one of the biggest socio-economic revolutions since Independence to catapult the nation to the esteemed league of a developed economy.



CMD's Review

Dear Stakeholders,

In India, growth is back on the agenda.

The reason is simple to comprehend: the developed part of the world is still struggling with the slowdown, and with the onset of the Greek crisis, the situation may take long time to revive. Therefore, the only hope hinges with the emerging economies and especially India. India's optimism is generated by multiple factors. The first is government's commitment to provide basic necessities of life to its billion-plus people. These include education, better roads, railways, airports, power and sustainable employment opportunities. Besides, the enhanced earning potential of the great Indian middle class (300 million) is creating an exponential demand for infrastructure creation. All these factors point to one unmistakable reality: infrastructure growth is inextricably related to the nation's destiny to emerge as an advanced nation.

ACCELERATED RESPONSE

However, at ACE, we acknowledge that any opportunity comes with a caveat. And that caveat is internal preparedness at the right time. When the economy revived following the slowdown, we were one of the quickest to respond to the situation with our superior market penetration and extensive product portfolio. Consequentially, we registered the highest fourth quarter profit in 2009-10 and also largest one in the history of the Company.

In 2009-10, we achieved Rs. 42,712.04 lac net sales, marginally lower than Rs. 42,850.19 lac that we reported in 2008-09. We reported a Rs. 3,625.38 lac EBIDTA against Rs. 3,294.03 lac in 2008-09 and a Rs. 2,444.01 lac net profit against Rs. 2,273.44 lac in 2008-09. Our cash profits surged to Rs. 2,973.64 lac from Rs. 2,833.40 lac in 2008-09. Our sustainable operational and financial results are commendable and demonstrate the significant efforts undertaken by management to reduce operating costs, restructure operations and conserve cash.

"We are aspiring to become one of India's largest construction and material handling equipment company in the next five years."

We have started manufacturing Road Making Equipment and big Tower Cranes in addition to our existing product range, which would enable us to grow our bottomline in the coming years.

We started rolling out Tractors from our Dhudholla plant in Faridabad. Our Tractors business has picked up momentum and is going in the right direction as anticipated. At present, for tractors, we operate mainly in Haryana, and some parts of Uttar Pradesh and Rajasthan through our dealer network.

CAPABILITY FOR INNOVATION

We possess one of the largest in-house team of Research and Development professionals, working with the best available software and technologies to drive product innovation.

FACILITIES ON THE ANVIL

We plan to add two more facilities at Bazpur in Uttaranchal and at Faridabad in Haryana. Besides, we are also focusing on increasing capacities of our existing facilities. The objective is to double our capacities by end of 2011 to cater to the growing demand in the infrastructure and industrial segments

We plan to double the annual Tractor capacity from the present 3,000 units, every year for the next three years. We also intend to set up an exclusive facility for Tractors, which will commence in 2011 and be commissioned by 2012.

We are in the process of launching new genre of Mobile Crane models, with better operating parameters, which are comparable to the best in the world and shall revitalise the Indian Mobile Crane market.

In addition, we also plan to widen our export footprint in the Middle East Asia, South East Asia and Africa through newer distribution channels and are also looking for inorganic opportunities for growth in the times to come

Finally, a word on our people. We have invested significantly in the knowledge, skill and competence of human resources. To

We plan to add two more facilities at Bazpur in Uttaranchal and at Faridabad in Haryana. Besides, we are also focusing on increasing capacities of our existing facilities. The objective is to double our capacities by end of 2011 to cater to the growing demand in the infrastructure and industrial segments.

enhance competencies of our people, we plan to initiate various training and skill building programmes. This is imperative because an organisation's sustainability depends not only on its policies or processes, but on its people.

NOTE OF GRATITUDE

I would like to thank our investors, clients, employees, vendors and other stakeholders for their unstinted support in taking ahead the organisation to greater heights. We will leverage our strong cash flow and zero-debt status to drive growth and efficiencies generating long-term value for our shareholders.

Vijay Agarwal

Chairman and Managing Director

ACE is India's leading material handling and construction equipment manufacturing company, enjoying over 50% market share in Mobile Cranes and Tower Cranes segment.

Vision to excel

To be the leading company in cranes and construction equipment sector, with a global focus.

Mission to stay ahead

To consolidate existing business further in terms of customer relations and manufacturing and to continuously add new products to our portfolio, with the mission of producing and distributing good quality machines which are cost effective, have value added features and to provide the best in the line product support and spares availability.

Quality policy

We are in business only because of our valued customers, whose point of view is the only way for us to see things. We dedicate all our resources to delight our customers by providing them quality products and services.

Legacy that entails responsibility

- At ACE, we are headed by Mr. Vijay Agarwal, Chairman and Managing Director and managed by professionals having rich industry experience. We are focused on providing integrated solutions through equipment for construction and material handling for over 15 years.
- Headquartered in New Delhi, ACE enjoys a pan-India presence through a network of 85 sales and service locations, supported by 15 area offices and 5 zonal offices at Delhi, Mumbai,

Chennai, Kolkata and Visakhapatnam. These regional offices are supported by the marketing headquarters in New Delhi and a dedicated product support division, based at Faridabad.

- > We have set up dealerships in UAE, Qatar, Iran, Bangladesh, Nepal and South Africa to provide support to our equipment working in the Middle East Asia, South East Asia and African countries.
- > We serve around 9000 customers and cater to some of the most prominent companies in India like Reliance, ABG, Larsen & Toubro, BHEL, Punj Lloyd, Essar, Gammon, Nagarjuna Construction, Gujarat Ambuja, Simplex Infrastructure, Coal India, BSNL, Gannon Dunkerley, Bhushan, Oswal, ISPAT, IVRCL, Indian Railways, Adani, NTPC, IOCL, Shapoorji Pallonji, Alstom, NHPC, ACC, Tata, Kalpataru, KEC, Krupp, Airport Authority of India, Ministry of Defence, HPCL, IPCL, Unitech, Welspun, Jindal and Aditya Birla Group, among others.
- > We enjoy possess an export presence in large number of countries, namely U.A.E., Saudi Arabia, Qatar, Bahrain, Kuwait, Iran, South Africa, Kenya, Nigeria, Mozambique, Ethiopia, Algeria, Libya, Mauritius, Madagascar, Sri Lanka, Nepal, Bangladesh, Bhutan, Malaysia, Singapore, New Zealand, Kazakhstan, Romania, Portugal and Australia, among others.
- > We were awarded with the CNBC-TV18, Emerging India Award (2006), Building India leadership Award (2006) and CW-NICMAR award for three years consecutively (2006-08).



ACE is lifting India's infrastructure opportunity



Creating a respected brand

Our brand stands for product excellence, superior quality, product support and customisation. We are a preferred choice among user industries.



Industry diversity

Our equipment find application in diverse sectors like infrastructure construction, industrial projects, power projects, ports and shipyards, dams, metro rail, roads, mining, steel industry, engineering industry, railways, cement, petroleum, defence, chemicals and fertiliser plants, warehousing, logistics and building construction, among other.



Customer centricity

Our cutting-edge construction equipment caters to diverse infrastructure requirement, emerging as a single-stop convenience for a majority section of customers. Over 16,000 ACE Cranes are working throughout the country and abroad. We provide the fastest after-sales product support through a countrywide network of dealers and offices, equipped with genuine parts and trained engineers. We even offer customised value-added solutions to clients.





Value-for-money products

Our durable, cost-effective and easy-to-maintain equipment are accredited with CE and ISO 9001 certifications. Our design standards, product development, procurement, manufacturing, testing, installation and product support meet stringent international norms. Our products have superior functional parameters and enhanced capacities, leading to accelerated cycle time, improved efficiency and higher user productivity.



Advanced research and development

Our experienced pool of research and development professionals work on product upgradation, new product development and value engineering.

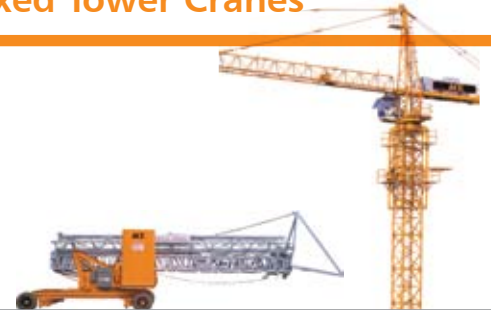


The products that we provide to our customers enhance their profitability and help catalyse India's infrastructure strength.

Hydraulic Mobile Cranes



Mobile / Fixed Tower Cranes



Back Hoe and Wheeled Loaders



Forklift Trucks



ACE manufactures all types of Mobile Cranes such as Pick-n-Carry, Truck Mounted, Rough Terrain and Lorry Loader Cranes. Hydraulic Mobile Cranes are widely used throughout engineering, construction and infrastructure industry. These machines are used for loading, unloading, moving, shifting and erecting material. The Company currently manufactures these cranes from 3 tons to 40 tons capacity, depending upon different categories. ACE is further strengthening its position in this segment. The demand for these products will continue to increase in the coming years, as India is on the verge of witnessing major developments in infrastructure segment.

Tower Cranes are used for civil construction and erection jobs. Mobile Tower Cranes are self-erecting /self-folding machines. These have provisions for built-in generators to provide electricity needed to operate the machines. The Company currently manufactures Mobile Tower Cranes, which can work on 6 to 12 storeyed buildings. Fixed Tower Crane is also used in civil construction, but for bigger construction projects. These cranes have maximum lifting heights of 300 metres and a working radius of up to 70 meters. With the rise in construction of multi-storeyed buildings, demand for such equipment will rise in the years to come.

Back Hoe and Wheeled Loaders are used in the construction and infrastructure sector for digging, moving, grading and loading earth and other loose aggregates. These machinery also find application in heavy industry and mining activity.

Forklift is a powered industrial truck used to lift, shift and stack material. The Company is supplying Battery operated, Diesel operated trucks and LPG operated Forklift Trucks with a lifting capacity of 1.5 tons to 10 tons. The sale of these equipment would rise in the coming years with the increase in logistics and warehousing activities.

Crawler Cranes



Piling Rigs



Vibratory Rollers



Tractors



Crawler Cranes are used on soft ground for plant erection and maintenance work. Crawler cranes are similar to Hydraulic Excavators in traction and swing the load through 360 degrees. The machine stability is achieved by the tracks and there is no need of outrigger stabilisation.

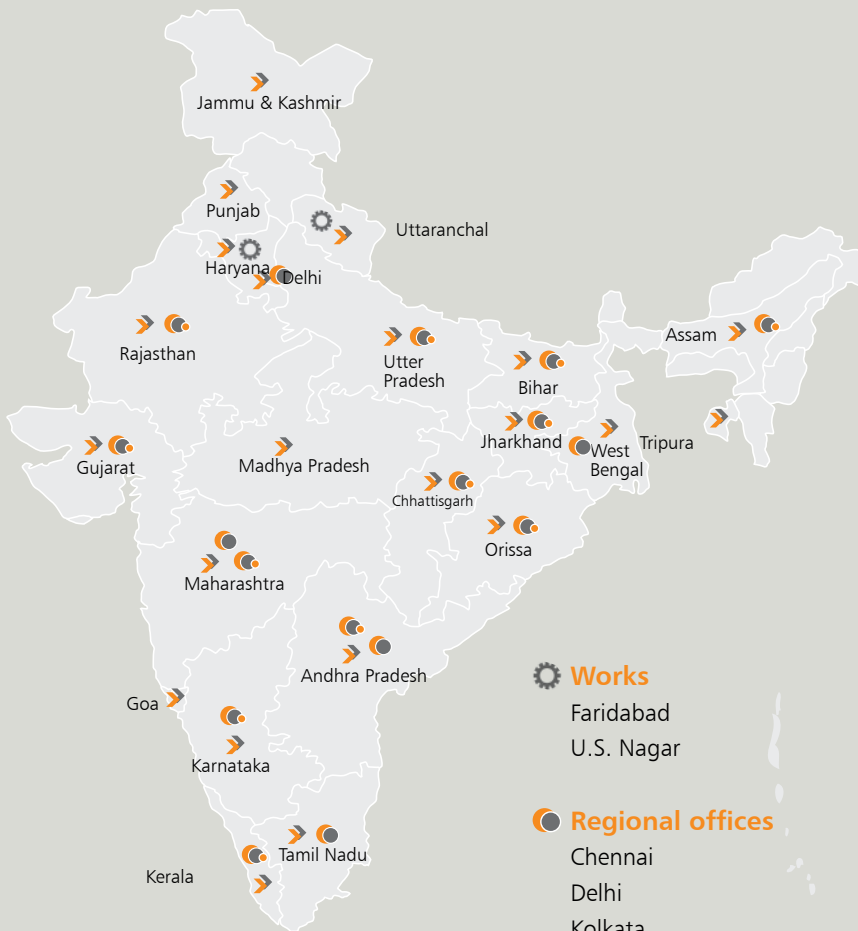
The basic advantage of the crawler crane is that it is quick in operation on soft ground, compared to other class of cranes. ACE offers Crawler Cranes from 40 tons capacity onwards up to 650 tons.

Piling Rigs have recently gained acceptance in Indian construction industry as indispensable equipment in the construction of bridges, metro rails and ports, among others. With almost all the foundations now being compulsorily constructed with Piling Rigs, induction of Piling Rigs in ACE range of equipment is of great advantage. ACE offers a complete range of models to cover the strata, depths and diameters.

Vibratory Rollers are machines used to compact loose soil or asphalt and are primarily used for roads and highway construction in line with international standards. These machines also find application for ground compaction/stabilisation at construction sites. Infrastructure development is on growth track and government plans to extend India's road network to remote locations, the demand for such equipment is bound to grow. Currently, the Company is manufacturing 10 tons to 15.6 tons soil compactors and 3.5 tons, 9 tons and 10 tons tandem compactors with advanced features.

ACE has recently started the production of tractors. The response to this product has been very good. Tractors are widely used for agriculture activities, and also for construction and industrial haulage. At present, this product is sold primarily in three states that is Uttar Pradesh, Rajasthan and Haryana, but with plans of extending it to all over the country. The demand for this product would definitely rise in the coming years. Also, the Company has tied up with many banks to extend finance to its customers, which would catalyse product sales.

Pan-India presence



Works
Faridabad
U.S. Nagar

Regional offices
Chennai
Delhi
Kolkata
Mumbai
Vizag

Area offices
Ahmedabad
Bangalore
Bhubaneshwar
Cochin
Guwahati
Hyderabad
Jaipur

➤ Sales and services dealers

Lucknow
Patna
Pune
Raipur
Ranchi

Agartala
Agra
Ahmedabad
Aurangabad
Bangalore
Baroda
Begusarai
Belgaum
Bellary
Bhilwara
Bhopal
Bhubaneshwar
Bilaspur
Calicut
Chandigarh
Chandrapur
Chennai
Chittoor
Cochin
Coimbatore
Dehradun
Delhi
Durgapur
Gandhidham
Goa
Guwahati
Gwalior
Hoogly
Hyderabad
Indore
Jaipur
Jammu

Jamnagar
Jamshedpur
Jhansi
Jharsugada
Jodhpur
Kanpur
Karim Nagar
Karnal
Kolhapur
Kolkata
Korba
Kota
Lucknow
Ludhiana
Mangalore
Mathura
Mumbai
Nagpur
Nasik
Noida
Panipat
Patna
Pune
Raipur
Raigarh
Rajkot
Ranchi
Rohtak
Sagar
Silchar
Singrauli
Srinagar
Surat
Trichy
Tuticorn
Udaipur
Vapi
Vijayawada
Vizag

Our sectoral predominance

➤ Infrastructure and Construction

➤ Power Projects

➤ Ports and Shipyards

➤ Dams

➤ Metro Rail

➤ Roads

➤ Mining

➤ Steel Industry

➤ Engineering Industry

➤ Railways

➤ Cement industry

➤ Petroleum

➤ Defence

➤ Pipe Lines

➤ Timber Industry

➤ Transporters

➤ Transmission Towers

➤ Container Handling

➤ Warehousing

➤ Paper Pulp Industry

➤ Electricity Boards

➤ Ceramic Industry

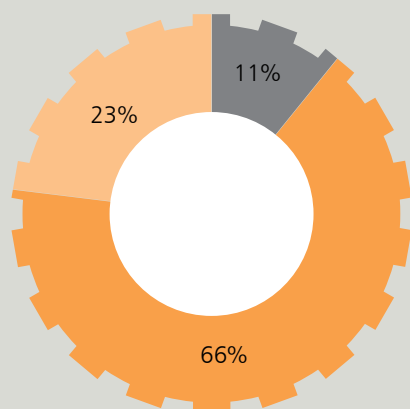
➤ Municipal Corporations

➤ Sugar Industry

➤ Chemicals and Fertiliser

➤ Building Construction

Sector-wise revenue



- Infrastructure/Construction
- Heavy Engineering
- Industrial Projects

Our journey across the years

➤ 1995

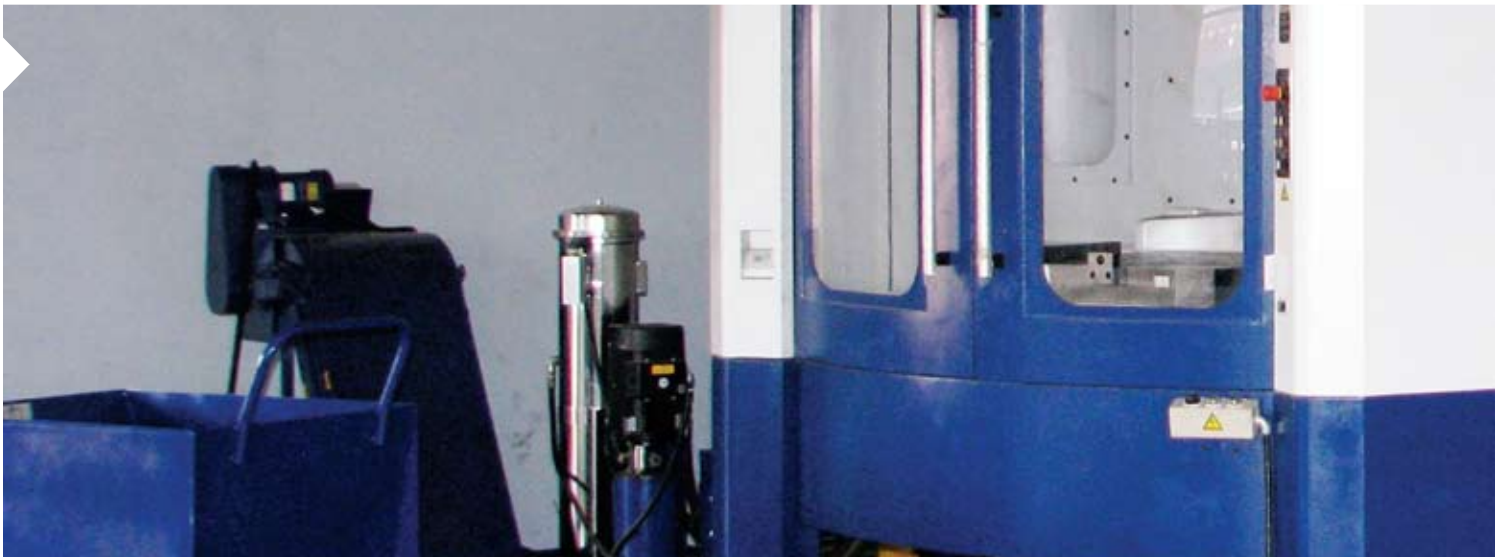
- Action Construction Equipment Private Limited was incorporated
- First Hydraulic Mobile Crane rolled out

➤ 1997

- Received ISO 9001 certification
- Secured its biggest order since inception from Reliance Industries Limited
- Established its first regional office in Mumbai

➤ 1998

- Rolled out its first Mobile Tower Crane
- Established its marketing headquarters in New Delhi
- Developed the Rhino Series Mobile Cranes



➤ 1999

- Rolled out its first Loader
- Exported its first machine

➤ 2001

- Tied-up with Autogru PM, Italy for product distribution

➤ 2004

- Sold Fixed Tower Crane for the first time and entered the field of Fixed Tower Cranes

➤ 2005

- Established a dedicated Product Support Division
- Crossed the production figure of 1,000 equipment
- Produced over 200 equipment in a month for the first time
- Converted from private limited to public limited

➤ 2006

- Received single largest order of 60 cranes from Reliance for Jamnagar Refinery
- Awarded with CNBC TV18, Emerging India Award 2006 for infrastructure category out of 35,000 nominations
- Won the NICMAR Award for being India's fastest growing construction equipment company
- Won the building industry leadership award
- Received overwhelming response in IPO and got listed on the BSE and NSE

➤ 2007

- Launched Forklift Trucks
- First Indian construction equipment manufacturer to get product CE certifications
- First large scale participation by an Indian Company at Bauma, Munich (Germany), the largest fair for construction equipment in the world
- Won NICMAR Award 2007 for the second consecutive year



➤ 2008

- Launched Crawler Cranes successfully
- Won NICMAR Award 2008 for the third consecutive year
- Designed, developed and launched tractors

➤ 2009

- Designed, developed and launched road-making equipment

➤ 2010

- Adopted advanced technology for big tower cranes and launched it in India
- Implemented Oracle-R-12 ERP platform

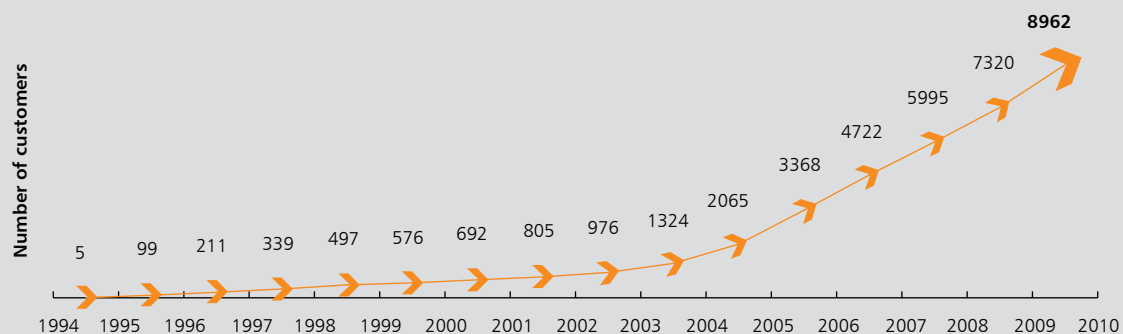
Clientele that enhance brand visibility

Major clientele >

Government sector

> Airport Authority of India	> Indian Railways	> IFFCO
> PWD	> SAIL	> BSNL
> State Electricity Boards	> Heavy Engineering Corporation	> Numaligarh Refinery
> BHEL	> DRDO	> IPCL
> Bridge & Roof	> HVPNL	> BCCL
> Coal India Ltd.	> HPCL	> Municipal Corporation
> Neyveli Lignite Corporation	> IOCL	> DGQA
> Chennai Port Trust	> MRPL	> NHPC
> COFMOW	> MPEB	> Nuclear Power Corporation
> Ministry of Defence	> IISCO	> Paradip Port Trust
> NALCO	> Bongaigon Refinery	> NTPC
> BARC	> IRCON	> Cochin Shipyard

Customer base growth



Private sector

> Reliance	> Grasim	> Patel Engineering
> ABB	> Greenply	> Petron
> ABG	> Gujarat Ambuja	> Pratibha Industries
> ACC	> Havell's	> PSL
> Adani	> HDIL	> Punj Llyod
> AFCONS	> Hindalco	> RAMKY
> Ahluwalia Contracts India	> Hyundai	> RK Marbles
> Alok Industries	> IDEB	> SESA GOA
> Alstom Power	> IJM Infrastructure	> SEW
> B L Kashyap	> Indu Projects	> Shapoorji Pallonji
> Bharati Shipyard	> ISGEC	> Shree Cement
> Bhushan Engineering	> IVR Construction	> Simplex Infrastructure
> Birla Cement	> J KUMAR	> Sobha Developers
> BOSCH	> JAYPEE	> Sunil Hitech
> CCCL	> Jindal	> Suzuki
> Dabur	> JMC	> TATA
> Dalmia Cement	> K Raheja Corp	> TCI
> DLF	> Kalpatru	> Techno Fab
> DS Construction	> KEC	> TEXMACO
> EDAC	> Krupp Industries	> Torrent Power
> ELECON	> L & T	> UB Engineering
> ERA	> LANCO	> Ultratech Cement
> Essar	> Nagarjuna Construction	> Unitech
> Gammon	> Navyuga	> Unity Infra Projects
> Gannon Dunkerley	> Omaxe	> Vascon
> Garden Silk Mills	> OSWAL	> Wartsila
> GMR	> Paharpur Cooling Towers	> Welspun
> Parsavnath		

Our financials
represent the
foundation for
growth.

Revenue

(Rs. in lac)

2009-2010	42,712.04
2008-09	42,850.18
2007-08	40,116.21
2006-07	24,527.34
2005-06	16,567.57

EBIDTA

(Rs. in lac)

2009-2010	3,625.38
2008-09	3,294.03
2007-08	4,432.37
2006-07	2,680.94
2005-06	2,048.23

PAT

(Rs. in lac)

2009-2010	2,444.01
2008-09	2,273.44
2007-08	3,628.20
2006-07	1,993.14
2005-06	1,269.22

EBIDTA Margin

(%)

2009-2010	8.50
2008-09	7.70
2007-08	11
2006-07	10.90
2005-06	12.40

PBT Margin

(%)

2009-2010	7.67
2008-09	7.04
2007-08	11.38
2006-07	11.40
2005-06	11.98

Book Value Per Share

(Rs.)

2009-2010	18.84
2008-09	17.29
2007-08	15.23
2006-07	12.14
2005-06	5.84

Earnings Per Share

(Rs.)

2009-2010	2.72
2008-09	2.53
2007-08	4.04
2006-07	2.52
2005-06	2.30

Dividend

(%)

2009-2010	50
2008-09	20
2007-08	40
2006-07	30
2005-06	40

Our strategy to lift infrastructure growth

➤ Market penetration

Existing products ➤ Existing market

- Increase market share in core products
- Value addition through customisation and product support
- Aggressive promotion supported by competitive pricing

➤ Market development

Existing products ➤ New market

- Development of new application areas to increase usage
- To increase equipment export to various overseas markets like the Middle East Asia, South East Asia and Africa by setting up new distribution channels



➤ Product development

New products ➤ Existing market

- New product offerings to cater to our existing customer base
- Around 70-80% of our existing customers would use other products offered by ACE

➤ Diversification

New products ➤ New market

- Foray into new product category by developing tractors in which ACE plans to double capacities during the next three years
- Develop the tractor market for industrial and construction haulage



Our approach to operational excellence



- ▶ **1 Institutionalised** Total Quality Management (TQM) principles to enhance product quality
- ▶ **2 Renegotiated** prices with vendors on account of a larger purchase quantities reducing raw material cost by over 5%
- ▶ **3 Optimised** raw material inventory to cater to Just-in-time (JIT) demand, shrinking working capital cycle
- ▶ **4 Enhanced** level of automation to accelerate processes
- ▶ **5 Reduced** wastages and rejects through a stringent process control
- ▶ **6 Implemented** Oracle –R12 ERP platform, which helped integrate the entire business process; we are the first company in our industry to use this platform

ACE has followed these strategies diligently and the result has been encouraging. Although our net revenue declined from Rs. 42,850.19 lac in 2008-09 to Rs. 42,712.04 lac in 2009-10, but our EBIDTA grew by 10.06% from Rs. 3,294.03 lac to Rs. 3,625.38 during the same period.



Our manufacturing facilities

		Plant 1	Plant 2	Plant 3	Plant 4
➤	Facilities	Ballabhgarh, Faridabad	Dudholla, Palwal	Kashipur, Uttaranchal	Dudholla, Palwal
➤	Products Manufactured	Mobile Cranes and Mobile Tower Cranes	Tractors, Loaders, Forklift Trucks and road making machinery	Mobile Cranes and Mobile Tower Cranes * Tax subsidy zone for 10 years	Tower Cranes
➤	Current capacity (equipment per month)	300	450	125	20

**Our initiatives
demonstrate our
superior research
and development
expertise**



Our efforts reflect our commitment to new product development enabling us to cater to new market segments.



- ▶ **1 Launched** 3 new crane models in 2009-10
- ▶ **2 Launched** 5 new models of vibratory roller in 2009-10
- ▶ **3 Undertook** various product improvement initiatives, enhancing product durability, safety, aesthetics, quality and productivity
- ▶ **4 Created** an attractive pipeline of industry-beating products (new products such as Motor Graders, and Pneumatic Rollers are expected to enhance portfolio for road-making segments. Plans to indigenously develop higher capacity cranes; various new products with advanced features are in the pipeline for 2010-11)

Our in-house Research and Development team continuously works towards the upgradation of existing products, development of new products, value engineering and trouble shooting, using the latest technology and software. We are in the process of filing an application to the Government of India to approve our in-house Research and Development centre; following this approval we will enjoy increased tax benefits.

Our policies leverage people strength at ACE



Our intellectual capital represents our most valuable resource. We have created a meritocratic work culture, inculcated forward-looking practices and embedded robust work ethics in the organisation. The HR process is formulated around fairness and transparency.



- ▶ **1 Reviewed** hierarchies of all divisions and departments to identify critical resource gaps; those gaps were subsequently filled by recruiting quality professionals and adopting a well-planned recruitment policy
- ▶ **2 Relocated** employees from one division/business to other divisions/businesses to take advantage of their fullest potential through job enrichment
- ▶ **3 Recruited** many graduate engineer trainees and diploma engineer trainees to infuse dynamism and vigour
- ▶ **4 Organised** welfare activities (sports meet, family gatherings) to enhance the sense of bonding

Roadmap

- Ensuring timely communication sharing of business plans and priorities to evolve a shared commitment
- Preparing job descriptions for all key positions to make quality recruitment and promotions
- Commencing competence-based interviewing, structured evaluation and reference checks
- Auditing the present level of statutory compliances on all requirements of labour laws and ensure comprehensive compliance
- Setting up KRAs for all positions in line with business objectives
- Proposing incentive schemes for different levels of employees for higher productivity and sale in the Company
- Recommending various employee benefit schemes to enhance motivation levels
- Updating of existing HR Policy Manual and proposing various HR policies in the Company
- Implementing the measures for rewarding/recognising outstanding performers
- Encouraging counselling and coaching of young professionals and identifying their learning needs in order to provide timely learning inputs

Our principles enhance customer connect at ACE



We primarily focus on giving more to the customer, starting from presale guidance to service beyond the guarantee period.



- **1 Evaluated** customer requirements and their need for customisation
- **2 Encouraged** consistent brand-building activities in terms of exhibitions, mailers, customer meets, service training and dealer development programmes
- **3 Focused** on increasing the sales and service network with dedicated spares parts division, ensuring availability of spare parts within the 250 km range of the customer.
- **4 Retained** existing customers and added new ones by providing value for money products
- **5 Adopted** new marketing initiatives for new products to enhance customer awareness
- **6 Maintained** regular touch with customers to understand their needs
- **7 Initiated** speedy response to sale and service calls
- **8 Entrusted** key account managers for institutional clients; these managers will be constantly in touch, sharing product knowledge, catering to their needs and generating continuous business for the Company
- **9 Increased** the number of sales/services offices and expanded the existing ones to cater to the growing customer base and their needs

The above initiatives have resulted in growth-oriented development for ACE with around 60% of our business being repeat business.



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Insight into
financial
performance

Operational cost decreased due to rationalised usage of resources and economies of scale. Simultaneously, operational cost as a proportion of net sales declined by 312 basis points from 95.22% in 2008-09 to 92.10% in 2009-10.

ACCOUNTING POLICY

The financial statements of the Company were prepared under the historical costs convention and in accordance with applicable accounting standards and provisions of the Companies Act, 1956. All income and expenditure with a material bearing on the financial statements were prepared on an accrual basis.

(Rs. in lac)

	2009-10	2008-09	Growth (%)
Gross Sales	43783.42	44783.50	(2.23)
EBIDTA	3625.38	3294.03	10.06
PAT	2,444.01	2,273.44	7.50
Cash Profit	2,973.64	2,833.40	4.95
Earnings Per Share (Rs.)	2.72	2.53	7.50

REVENUE

The Company's total income declined marginally by 2.96% from Rs. 44,720.72 lac in 2008-09 to Rs. 43,398.80 lac in 2009-10. The full impact of the slowdown in the infrastructure sector is reflected in the revenue. Besides, when the infrastructure sector started recovering during the second half of the fiscal, the Company capitalised on the situation to record its highest quarter revenue in the last quarter of 2009-10. The Company registered a turnover of Rs. 14717 lac in the last quarter, which was approx 34% of the total turnover for the FY 2009-10.

COSTS

Total operational cost of the Company declined 3.59% from Rs. 40,801.55 lac in 2008-09 to Rs. 39,338.73 lac in 2009-10. Operational cost decreased due to rationalised usage of resources and economies of scale. Simultaneously, operational cost as a proportion of net sales declined by 312 basis points from 95.22% in 2008-09 to 92.10% in 2009-10.

Raw material: Raw material cost for the Company decreased 10.73% from Rs. 36,143.53 lac in 2008-09 to Rs. 32,265.82 lac in 2009-10, due to efficient raw material management and value engineering. Raw material cost as a proportion of total cost only decreased by 656 basis points from 88.58% in 2008-09 to 82.02% in 2009-10.

Manufacturing expenses: Manufacturing expenses increased 3.04% from Rs. 2,188.61 lac in 2008-09 to Rs. 2,255.17 lac in 2009-10, primarily due to increased scale of operations. Simultaneously, manufacturing expenses as a proportion of the total income increased by 37 basis points from 5.36% in 2008-09 to 5.73% in 2009-10.

Employee cost: The Company's expenses under this head increased by 20.39% from Rs. 1,736.65 lac in 2008-09 to Rs. 2,090.71 lac in 2009-10 following expansion and due to manpower recruited for new projects. Concurrently, employee cost as a proportion of total cost increased by 105 basis points from 4.26% in 2008-09 to 5.31% in 2009-10.

Selling and distribution expenses: The Company's selling and distribution expenses increased by 10.85% from Rs. 1,108.34 lac in 2008-09 to Rs. 1,228.57 lac in 2009-10, following enhanced focus on marketing and brand promotion initiatives. Selling and distribution cost as proportion of total cost increased by 40 basis points from 2.72% in 2008-09 to 3.12% in 2009-10.

Administrative and other expenses: Administrative and other expenses decreased 12.38% from Rs. 1,370.79 lac in 2008-09 to Rs. 1,201.05 lac in 2009-10 on account of economies of scale. The Company's administrative and other expenses, as a proportion of the total income, declined by 31 basic points from

Interest cover of the Company strengthened from 10.02 in 2008-09 to 14.06 in 2009-10.

3.36% in 2008-09 to 3.05% in 2009-10.

MARGINS

The growth in margins was largely due to increasing volumes and enhanced focus on margin-accretive products.

	2009-10	2008-09	Growth (basis points)
EBIDTA margin	8.49	7.69	80
PAT margin	5.72	5.31	41
Cash profit margin	6.85	6.34	51

CAPITAL EMPLOYED

Capital employed of the Company increased marginally by 2.57% from Rs. 19,455.74 lac as on March 31, 2009 to Rs. 19,956.61 lac as on March 31, 2010 due to increase in the reserves holding and loan funds. Return on capital employed for the Company stood at 12.25% as on March 31, 2010, reflecting its ability to effectively sweat every rupee invested in the business to enhance returns.

NETWORTH

The aggregate networth of the Company increased by 8.90% from Rs. 15,686.63 lac as on March 31, 2009 to Rs. 17,083.52 lac as on March 31, 2010, largely due to increase in the reserves and surpluses. Simultaneously, networth as a proportion of capital employed increased from 80.63% as on March 31, 2009 to 85.60% as on March 31, 2010. Return on networth for the Company stood at 14.31%.

Reserves and surplus: Reserves and surplus of the Company increased 10.04% from Rs. 13,897.04 lac as on March 31, 2009 to Rs. 15,292.91 lac as on March 31, 2010 due to increased general reserves and plough-back.

EXTERNAL FUNDS

External funds of the Company comprise secured loans. Secured loans include cash credit, working capital loan and buyer credit from banks. The Company's secured loans decreased 22.89% from Rs. 3,913.99 lac as on March 31, 2009 to Rs. 3,017.98 lacs on March 31, 2010 due to efficient working capital management.

	2009-10	2008-09
Debt-equity ratio	0.18	0.25

Interest: Total interest paid by the Company decreased by 21.56% from Rs. 328.68 lac in 2008-09 to Rs. 257.81 lac in 2009-10 due to enhanced repayment during the fiscal. Interest cover of the Company strengthened from 10.02 in 2008-09 to 14.06 in 2009-10.

GROSS BLOCK

Gross block of the Company increased 9.93% from Rs. 8,053.31 lac as on March 31, 2009 to Rs. 8,853.27 lac as on March 31, 2010. The increase in the gross block is due to consistent capacity expansion.

Depreciation: The Company follows written down value method for charging depreciation and depreciation is charged as per the rates prescribed in the Schedule XIV of the Companies Act, 1956. Total depreciation charged by the Company increased 43.97% from Rs. 1,141.60 lac in 2008-09 to Rs. 1,643.52 lac in 2009-10, due to the increase in gross block. Accumulated depreciation as a proportion of gross block stood only at 18.56%.

CAPITAL WORK IN PROGRESS

Capital work in progress of the Company increased significantly from Rs. 4.93 lac as on March 31, 2009 to Rs. 195.40 lac as on March 31, 2010 due to the commissioning of the new capacities at the existing units.

INVESTMENTS

Investments made by the Company increased 83.54% from Rs. 108.94 lac in 2008-09 to Rs. 199.95 lac in 2009-10. The Company has made investments in subsidiary companies/firms.

WORKING CAPITAL

Net working capital of the Company decreased marginally from Rs. 12,652.78 lac as on March 31, 2009 to Rs. 12,571.48 lac as on March 31, 2010 due to optimum utilisation of working capital. Working capital as a proportion of total capital employed stood at 62.99% in 2009-10 against 65.03% in 2008-09.

	2009-10	2008-09
Current ratio	1.29	1.30

Inventory: Total inventories of the Company increased by 10.75% from Rs. 5,086.36 lac as on March 31, 2009 to Rs. 5,633.38 lac as on March 31, 2010. One of the reasons for this was the slowdown in the off-take during the first half of the year under review.

Debtors: Debtors for the Company decreased 2.70% from Rs. 5,258.48 lac as on March 31, 2009 to Rs. 5,116.63 lac as

on March 31, 2010 due to better collection. Only 29.20% of the entire debtors balance is more than six months old, reflecting sensible debtor management. Debtor cycle of the Company remained unchanged at 43 days in 2009-10.

Loans and advances: Loans and advances made by the Company increased 29.86% from Rs. 9,165.63 lac as on March 31, 2009 to Rs. 11,902.50 lac as on March 31, 2010. The surge is mainly due to an increase in the advance taxes and advances recoverable in cash or kind.

Cash and bank balance: Cash and bank balances of the Company increased 6.28% from Rs. 1,776.50 lac as on March 31, 2009 to Rs. 1,888.10 lac as on March 31, 2010. The Company has increased cash and bank balances to meet the requirements arising from enhanced operations.

Creditors: Creditors including sundry creditors and advance from customers increased 32.19% from Rs. 5,814.04 lac as on March 31, 2009 to Rs. 7,685.78 lac as on March 31, 2010.

Principles of risk mitigation to enhance business sustainability

Our iron-cast principals of risk mitigation indicate our internal preparedness to encounter external and internal challenges.

1 Competition risk

RISK EXPLANATION

Rising competition from national and global players may dent margins and jeopardise the business.

OUR MITIGATION MEASURES

- ACE is India's leading cranes, material handling and construction equipment manufacturer, possessing the largest market share in Mobile Cranes and Tower Cranes segment.
- Product Pricing is very cost effective.
- Best in the line, product support is provided to our customers.
- Our products are technically and functionally superior.
- We regularly invest in our brand building activities to enhance visibility and reach.
- We have initiated a number of measures to educate customers and deliver quality products, enhancing brand loyalty.

2 Strategy risk

RISK EXPLANATION

Inability to formulate strategies could impact growth.

OUR MITIGATION MEASURES

- Most of our products are used in infrastructure, heavy engineering and industrial projects, all of which are high growth areas in the Indian economy.
- We have diversified our product portfolio in order to provide the widest spectrum of material handling and construction equipment to our customers, eliminating the risk of a slowdown in any one of the categories.
- We have expanded capacities by establishing plants at Faridabad and to enjoy tax holiday in Uttarakhand.
- Flexible policies (marketing and others) can be easily modified in accordance with the prevailing market scenario.

3 Quality risk

RISK EXPLANATION

Inconsistent product quality could lead to customer attrition.

OUR MITIGATION MEASURES

- We have invested in advanced quality-control infrastructure with contemporary equipment, helping deliver superior quality products.
- We have institutionalised a multi-tiered quality control system at the raw material, operations and finished goods stages.
- We are accredited with CE and ISO:9001 certifications for our quality compliances.

4 Liquidity risk

RISK EXPLANATION

ACE may not be able to procure funds to manage daily operations.

OUR MITIGATION MEASURES

- Our current ratio stood at 1.3, which in itself shows our proficiency.
- The Company has very good financial leverage.

5 Funding risk

RISK EXPLANATION

ACE may not be able to source fund for the ongoing expansion plans.

OUR MITIGATION MEASURES

- We have large reserves and surplus to fund our expansions.
- We are a zero-debt company and all our expansions are funded by internal accruals. Thus the Company has a very good leverage to source funds from outside.

6 Forex risk

RISK EXPLANATION

Appreciation in the price of dollar against the Indian rupee could significantly dampen profitability.

OUR MITIGATION MEASURES

- Exports are made against a letter of credit arrangement, which is immediately discounted by banks, minimising the impact of adverse currency fluctuations.
- The Company has already taken a forward cover and hedged its foreign currency exposure.

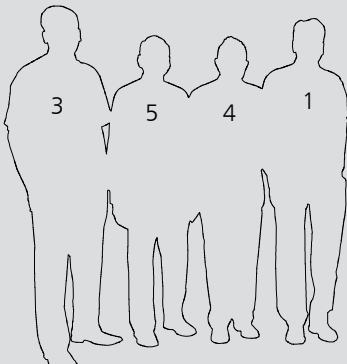
Board of Directors

1. Mr. Vijay Agarwal, Chairman and Managing Director, possesses over 38 years of experience in material handling and heavy engineering industry. He has completed B.E. (Mechanical) and MBA from FMS, Delhi and is responsible for the Company's overall management and planning. He had held esteemed positions in different reputed industrial organisations for two decades. He started Action Construction Equipment Ltd. in 1995. Thanks to his vast experience and continuous efforts, the Company has achieved overwhelming success in a short span of 15 years.

2. Mrs. Mona Agarwal, Whole-time Director, looks after the administration & HR functions of the Company, since its inception. Under her guidance, the administrative affairs of the Company are being handled in a professional manner. She has formulated effective and motivating HR policies for Action Construction Equipment Ltd.

3. Mr. Sorab Agarwal, Executive Director, has completed B.E. (Mechanical) and is responsible for the Company's marketing division. Associated with the Company for the last twelve years, Mr. Sorab Agarwal has ventured into new territories, setting up a competent pan-India sales and service network. This has resulted in increased market share of the Company considerably.

4. Mr. Girish Narain Mehra (IAS Retd.), Independent Director, possesses over 37 years of experience. He held important assignments such as Chief Secretary (U.P.), Director General, Tourism and Secretary to Govt. of India in various departments. He retired as India's High Commissioner to Canada. At present, he is working as a Director on the Boards of various prominent listed companies.

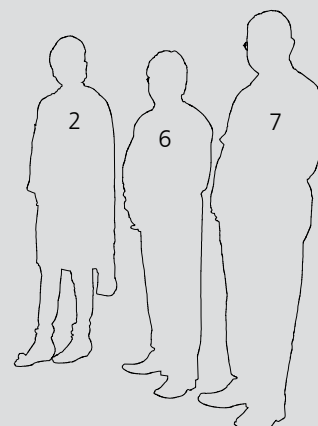


5. Mr. Subhash Chander Verma, Independent Director, is a Graduate and qualified CAIB (Associate of Indian Institute of Bankers). He retired as Dy. General Manager from Punjab National Bank with over 40 years of banking experience, of which more than 20 years were served in senior management cadre. He has wide experience of handling industrial and infrastructural projects for appraisal and financial viability.

6. Major General (Retd.) Dr. K.C Agarwal, Independent Director, is Ph. D in Mechanical Engineering from IIT Delhi. He is a retired Major General from the Indian Army. During his tenure with the Indian Army, he was a Director in a DRDO Laboratory and has experience of 28 years. He was also Vice Chancellor of Rai University. Mr. Agarwal is currently Director

General in IAMR group of institutions. He has in-depth knowledge of IT-related products and services.

7. Dr. Amar Singhal, Independent Director, is MD General Medicine, DM Cardiology & FACC with a total 25-year experience. He held limited licence of New York State Medical Board, while working as Interventional Cardiology fellow in New York-USA. He worked as Consultant Cardiologist in various reputed heart institutes in India, including Escorts Heart Institute and Maharaj Agrasen Heart Institute and Research Centre. At present, he is the head of the Cardiology Department at Sri Balaji Action Medical Institute, New Delhi.





> Directors' Report

To
The Members

Your Directors are pleased to present the sixteenth Annual Report, together with the audited accounts of your Company for the year ended 31st March, 2010.

FINANCIAL RESULTS

Financial Results of the Company for the year under review, along with the figures for previous year are as follows:

	2009-10	2008-09
Gross Sales	43,783	44,783
Excise Duty	1,071	1,933
Net Sales	42,712	42,850
Other Income	687	1,871
Total Income	43,399	44,721
Profit before Depreciation and Tax	3,802	3,590
Less:		
Depreciation	525	574
Provision for Taxation	833	743
Net Profit after Tax	2,444	2,273
Profit brought forward	1,207	1,355
Profit available for Appropriation	3,651	3,628
Appropriations:		
Interim Dividend	899	-
Dividend on Equity Shares	-	359
Corporate Tax on Dividend	149	61
Amount transferred to General Reserve	1,000	2,000
Profit carried to Balance Sheet	1,603	1,208

Note: Previous year's figures have been regrouped wherever necessary.



FINANCIAL PERFORMANCE

The Company's performance is satisfactory, as overall figures represent a good growth potential, going ahead. Although the figures of the Financial year 2009-10 are more or less similar to the figures of the financial year 2008-09, what is inspiring is the results for the last quarter of the financial year 2009-10. The Company's profit before tax for the last quarter is Rs. 13 crores, compared to an aggregate of Rs. 20 crores for the rest three quarters. These surely are good signs, as the Indian economy is positioned for take-off following sluggish growth. The Company's sales have also increased in all its equipment categories. It intends to continue its journey towards sustainable growth, which commenced in 1995.

The Company's gross sales stood at Rs. 43,783 lacs, marginally lower from Rs. 44,783 lacs previous year. The net sales for the year ended March 31, 2010 was Rs. 42,712 lacs, demonstrating a marginal drop from Rs. 42,850 lacs for the year ended 31, 2009, on account of the impact of the slowdown during the first half of the fiscal. The profit before depreciation and tax stood at Rs. 3,802 lacs in 2009-10, as against Rs. 3,590 lacs in 2008-09. The profit after tax was Rs. 2,444 lacs in 2009-10, as against Rs. 2,273 lacs in 2008-09.

DIVIDEND

The Directors in its Board Meeting held on 6th April, 2010 has already recommended an interim dividend of Rs.1 (Rupees One) per equity share for the financial year 2009-10.

The Board has refrained from recommending any final dividend in view of future funding requirements for growth.

CHANGE IN SHARE CAPITAL

During the year, there was no change in the Company's share capital.

LISTING

The shares of your Company are listed on the National Stock Exchange of India Limited and the Bombay Stock Exchange.

CONSOLIDATED FINANCIAL STATEMENTS

Your Company has a wholly-owned overseas subsidiary (WOS) Company at Cyprus viz M/s FRESTED LIMITED, and through it, your Company has acquired 89.50% equity stake in a Romanian Company viz. SC FORMA SA, Romania. Your Company has also formed a wholly-owned subsidiary company viz. Action Developers Ltd. As per Section 4 of the Companies Act, 1956 all these three companies are subsidiary companies of the Company. Therefore, in compliance of the Listing Agreement with the Stock Exchanges and Accounting Standard issued by The Institute of Chartered Accountants of India, your Company has consolidated the accounts incorporating the accounts of all these three subsidiary companies. The audited consolidated financial statements together with Auditors' Report thereon form a part of the Annual Report.

RETURN ON NET WORTH

On the overall valuations of your Company, the Company's Net Worth is Rs. 17083.52 lac as on 31st March, 2010, generating a Return on Net worth (RONW) 14.31% and Return on Capital Employed (ROCE) of 12.25%, both of which indicate good business returns.

MARKETING AND EXPORT AND SCALING UP OVERSEAS BUSINESS

The Indian economy is in a take-off phase and has developed a necessary strength to achieve the target of being a developed nation by 2020.

The Company plans to expand its overseas markets. It is looking at the Middle East, Asia, Africa and Eastern Europe for its products.

With a view to enhance shareholder value, your Company continues to focus on expanding its customer base through cost reduction, increased efficiency and technology upgradation.

Your Company's confidence in building a positive future stems from the continued and dedicated focus of its management team to maximise customer satisfaction, growth in revenue, increased market penetration and addition to the product portfolio. With a large and well-spread network of 5 regional offices, 15 area offices and 85 sales and services centers and dedicated spare parts division, along with a range of products in its basket, your Company is well equipped to provide the best products and parts, support and services to its increasing number of customers. In 2009-10, your Company has introduced road-making equipment like vibratory soil compactors and vibratory tandem rollers

Your Company is looking for expansion in international markets as well. The Company's representatives are regularly making foreign visits to explore acquisition possibilities. In addition to Cyprus and Romania, where the Company has already formed its subsidiaries, your Company is also looking at other viable and conducive locations.

On the domestic front, your Company is one of the major equipment suppliers. It supplies equipment to very large groups (Reliance, L&T, Simplex, Essar, NCC, IVRCL, Punj Lyod, BHEL and Gammon, among others, who have faith in the Company's products).

Your Company intends to become "a one stop shop" for all possible infrastructure construction, related to equipment in the forthcoming years.

SUBSIDIARY COMPANIES

As mentioned earlier, your Company has incorporated a wholly-owned overseas subsidiary (WOS) Company at Cyprus viz M/s FRESTED LIMITED, and through it, your Company has acquired 89.5% equity stake in a Romanian Company viz. SC FORMA SA, Romania, which has become fellow subsidiary of your Company. Also, the Company has formed one more subsidiary Company viz. Action Developers Ltd.

The Ministry of Company Affairs, Government of India, vide its letter No. 47/387/2010 CL-III dated May 18, 2010 has exempted the Company from attaching the Annual Report and other particulars of its subsidiary companies along with the Annual Report of the Company u/s 212 of the Companies Act, 1956, therefore, the said Reports of the subsidiary companies viz. (1) FRESTED Limited, Cyprus, (2) SC FORMA SA, Romania (3) Action Developers Limited are not attached herewith. However, a statement giving certain information as required vide exemption letter No. No. 47/387/2010 CL-III dated May 18, 2010 is placed along with the Consolidated Accounts.

The annual accounts of the subsidiary companies and the related detailed information will be made available to the members of the holding and subsidiary Company seeking such information at any point of time. The Annual Accounts of the subsidiary companies will also be kept for inspection by any investor at its registered office.

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 an ISO 9001 certified Company by CVI (Conformity Verification International), which is internationally recognised for the production, quality control and other qualities. This ensures that its standards of design, development, procurement, manufacturing, testing, installation and product support comply with the most stringent norms. The ISO Certification gives international recognition, and will help the Company boost its export turnover.

HUMAN RESOURCES & INDUSTRIAL RELATIONS FRONT

The industrial scenario, during the year 2009-10, remained harmonious and cordial. There was no strike or lock-out during the year and as such no person-days were lost. As on March 31, 2010, there were 631 employees on the Company's rolls.

Any shareholder interested in obtaining a copy of statement of particulars of employees referred to in Section 217(2A) of the Companies Act, 1956, may write to the Company Secretary at the Registered Office of the Company.

The Company this year also organised a cricket tournament, which was named as ACE Premier League ("APL"). The tournament was a grand success with majority of employees turning up to play and watch the tournament. Eight teams were formed for the tournament from various plants and offices of the Company.

ENVIRONMENT, HEALTH AND SAFETY FOR CORPORATE SUSTAINABILITY

Your Company's commitment and responsibility towards the environment stems from its vision, which enjoins upon your Company to sustain business growth with deep commitment to the environment. The safety and health of its employees are embedded in the Company's core organisational values. The policy, inter-alia, aims to ensure safety of public, employees, plant and equipment, ensure compliance with all statutory rules and regulations, impart training to its employees, carry out safety audits of its facilities, conduct regular medical check-up of its employees and promote eco-friendly activities.

CORPORATE SOCIAL RESPONSIBILITY

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. At ACE, we define the Corporate Social Responsibility as "continuing commitment for operating the core business in a socially responsible way, complemented by investment in communities to produce an overall positive impact on the society". As a caring corporate citizen, we paint various vibrant hues on the canvas of life, each color in the palette coming alive with the bold brush strokes of hope, harmony and happiness. The focus areas of your Company's CSR activities

comprise: Environment Protection, Infrastructure, Drinking water/Sanitation and Health /Medical facilities.

Your Company regularly conducts yoga training program for its permanent, as well as contract employees. It is particularly cautious of the health of its employees and aims at providing good basic facilities and hygienic conditions to work for its employees.

ACE believes that a cleaner environment is a precious gift to the upcoming generation. Your Company believes in planting trees in the premises, as well as in nearby localities, reconciling environmental priorities with corporate growth.

ACE expects to be involved in multiple social initiatives (child education, environment protection, among others). The Company regularly donates to educational institutions. It is well aware of its responsibilities as a corporate citizen and strives for ways to drive social initiatives.

DIRECTORS

Mr. Sorab Agarwal and Mr. Girish Narain Mehra, Directors are liable to retire by rotation in ensuing Annual General Meeting and being eligible offer themselves for re-appointment. Your Directors recommend for their re-appointment. None of the Directors of your Company is disqualified as per provisions of Section 274(1)(g) of the Companies Act, 1956.

MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis of the financial condition and result of operations separately form part of this report

AUDITORS' OBSERVATIONS

Observations of the Auditors when read together with the relevant notes on accounts and accounting policies are self-explanatory and do not require any further comments.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, Corporate Governance and Auditor's Certificate regarding compliance of conditions of Corporate Governance forms part of the Annual Report.

AUDITORS

The 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 224 (1B) of the Companies Act, 1956.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 217 (2AA), your Directors hereby confirm:

- I) That in the preparation of the annual accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures.
- II) That the directors 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 or loss of the Company for that period.
- III) That the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- IV) That the directors had prepared the annual accounts on a going concern basis.

INSURANCE

The assets of your Company are adequately insured against the losses by fire and other risks as considered necessary by the management.

DEPOSITS

Your Company has not accepted any public deposit within the meaning of the provisions of section 58A of the Companies Act, 1956.

RESEARCH AND DEVELOPMENT

Your Company is focussed on quality excellence. It has established an in-house Research and Development Centre, which continuously carries out research and developments, which can ultimately improve the quality of products, making them more economical and user-friendly.

Your Company is also planning to submit an application with Govt. of India for recognition of its In House Research and Development Centre shortly. The detail of Initiatives taken by this In-house Research and Development Centre are given in detail in Annexure-A

PARTICULARS ON CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO

The information relating to the conservation of Energy, Technology Absorption and Foreign Exchange Earning & Outgo required under Section 217 (1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are given in Annexure A and forms part of this report.

INTER-SE RELATIONSHIP BETWEEN DIRECTORS

As per Clause 49 of the Listing Agreement, your Company has to report Inter-se relationship between the Directors in the Annual Report of the Company. The following are the details of Inter-se relationship between the Directors:-

- Shri Vijay Agarwal, Chairman and Managing Director is husband of Smt. Mona Agarwal, Whole-time Director and Father of Shri Sorab Agarwal, Executive Director of the Company.

All other Directors of the Company, act in their Independent capacities and do not have any inter-se relationship among themselves.

ACKNOWLEDGEMENT

The Board of Directors wish to place on record their sincere appreciation for the valuable services and dedicated efforts of the employees of the Company, who have ensured the accomplishment of good results and achievements of the Company. The Board also wishes to thank Government of India, various State Governments and the Company's Banker for all the help and encouragement they extended to the Company. Your Directors deeply acknowledge the continued trust and confidence

that the Shareholders, Customers, Dealers and Suppliers have placed in your Company.

For and on behalf of the Board of
Action Construction Equipment Ltd.

Vijay Agarwal
Chairman & Managing Director

Place: Ballabgarh

Date: 27th May, 2010

Annexure A

I) CONSERVATION OF ENERGY

1. Energy Conservation measures taken and additional Investment Proposals, if any:

- Accounting & monitoring of Energy Consumption with each production unit, which has resulted in avoiding losses.
- Minimised use of high self-generation of power.
- Use of low Intensity lighting for vigilance purpose during night shifts and off days.
- Introduced energy saving lights for office premises.
- Introduced and Installed eco ventilators in all production halls. These eco ventilators run through wind energy power and do not need electrical energy
- Reorganised layout and installed roller conveyors, rails and manual trolleys etc. These being frictionless do not require electrical power.
- Maintained power factor as high as say .98 resulting in reduction of transmission of losses of electricity.

2. Impact of above measures on energy conservation and cost of production:

- Reduced energy consumption.
- Consequent impact on the cost of production of product.

3. Total energy consumption and energy consumption per unit:

- Not Applicable.

II) TECHNOLOGY ABSORPTION

1. Research and development:

a) Specific- areas in which R & D is carried out by the company:

- Developed 14 Ton new concept crane.
Hydraulic cylinders are positioned in front to get advantage of better visibility, better operation control, handling plate load, lifting higher load at lower hydraulic pressure and having better fuel economy per hour.
- Developed 16 Ton New Concept Crane
New concept evolved to have articulated mainframe, lift cylinders kinematics to offer lower pressure for heavy lift, better visibility during travel and safe craning operation, Semi forward-walk thru spacious cabin offer entry access from all sides.
- Developed Truck Mounted 360 degree Knuckle boom crane-6 TM and 10 TM.
In house technology developed to achieve optimum performance at lower cost.

- Developed Truck Mounted 360 degree stiff boom crane- 15 TM.
In house technology developed to meet customer special requirement. Offer best value for money to users.
- 3 part - 51 feet height boom developed for 14XW crane.
Fully powered boom designed to achieve higher load lift capacity at extended reach.
- Developing 12 ton FX-120 and 14 ton FX-140 cranes with front mounted cabin.
New concept cranes, to give ultimate operation stability, operator to have full control over craning operation, move with the load and have full visibility, having lower machine noise level, proven engine and driveline from TATA .
- 3 ton fork lift with fluid coupling.
Mechanical transmission is coupled with fluid coupling to achieve overall mechanical efficiency, reduced losses due to clutch slippage and wastage of power.
- Developed 3.5 ton tandem compactor.
To offer the best amplitude/vibration frequency and have features of soil and tandem compactor, to perform multiple task.
- Developed Telehandler.
Developed proto type of Telehandler for Defense application and general construction application.
- 35 HP & 45 HP tractor with dual clutch.
ACE tractor –dual clutch offers features where power take off, can be engaged while on Move . ACE tractor can accept agri-implements like ripper, rotavator and various other PTO driven implements.
- 35 HP & 45 HP tractor with higher lift capacity hydraulics of 1600 kgs.
To allow the use of heavy agri-implements like potato planter, seed drills etc.

- Certification of tractors with wet land application 35 and 45 HP.
ACE tractors can perform ,in all kind of agri-application and certified by CFMTTI-Budni (M.P).

- Development of 25 HP Tractor.
To meet growing demands of customers

b) Benefits derived as a result of the above R&D:

- Additional range of equipment to offer.
- With the deletion of manual extension the 51 feet boom assy. is fully hydraulic now.
- Clutch life enhancement on tractors
- Improved versatility of tractors to use all kind of agri-attachment, in all kind of Application and terrain.
- Design and develop future concept cranes lifting more load at lower cost.

c) Future plan of action:

- Improvements on 15 XW- F crane.
- Development of 15 ton soil compactor.
- Development of 360 degree knuckle boom crane – 15 TM
- Development of 360 degree stiff boom crane- 10 TM.
- Development of new 4 part booms for 15 XW, 15 XW-F and 18 XW cranes.
- Development of 75 HP tractor – 2WD/4WD
- Development of 60 HP tractor.
- Fitment of Differential lock on tractors.
- Fitment of power steering on tractors.

III) TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

- a) Latest software like-SOLID EDGE -3D modeling/CATIA-V4/IDEAS-12M2/TEAM CENTRE are being used to create innovative design and meet future challenge of equipment design and meeting customer requirement in shortest possible time. Training provided to engineers, to understand and adapt new softwares.

b) Efforts in brief, made towards technology absorption and innovation:

- VE/VA related projects implemented.
Gear shift mechanism, ACE engine compressor tube, Gear box top cover, Common brake for city cranes, new winches, slew gear boxes, booms, cylinders, bolt-on counter weights, re-designed chassis and mainframe, re designed hydraulic circuits to offer reliable, higher performance at lower cost

c) Quality related projects implemented:

Real time cluster, power pack test facility, canopy mounting, push rod spring, plastic fan, brake bowl and O.C.Valve,

d) Benefits derived as result of the above efforts:

- Components life enhancement.
- Improved performance of equipment
- Saving input material
- Customer satisfaction
- Ease of adjustments.
- Ease of assembly

e) Expenditure on Research and Development:

The expenditure on R&D activities incurred during the year is given hereafter:

	(Rs.in lac)
(a) Capital Expenditure-	144.26
(b) Revenue Expenditure	331.86
(including Salary to R&D staff and other related expenses)	
Total	476.12

f) Future plan of action:

- Looking for technical and commercial tie ups for motor graders and other road making machinery.
- Development of improved and more reliable safe load indicator for pick and carry cranes.

IV) FOREIGN EXCHANGE EARNING AND OUTGO

Foreign exchange outgo : Rs. 7392 lac

Foreign exchange earned : Rs. 421 lac



➤ Management Discussion and Analysis

INDIAN ECONOMY

India's growth rate has been far better than that of other emerging economies, primarily due to higher reliance on domestic demand for growth. Emerging markets (BRIC economies) represent the new global growth engines, and are becoming attractive investor destinations. The growth rate in the manufacturing sector in December, 2009 was 18.5% – the highest in the past two decades. Growth expectations were re-pegged at around 8.25-8.75% for the next fiscal.

India's GDP progression over the period

	2005-06	2006-07	2007-08	2008-09	2009-10
					(%)
GDP at factor cost	9.5	9.7	9.2	6.7	7.2

INDUSTRY SCENARIO

Global equipment industry

The US is the world's largest equipment market followed by China and Europe. The global equipment industry witnessed an upswing since 2003-04, and grew by over 15% annually until the third quarter of 2008-09. The growth was more pronounced and was primarily driven by the fast growing BRIC nations. The size of the equipment market in emerging economies has also expanded significantly, accounting for 50% of the global market, as against 35% in 2004. The Indian market grew by over 30% annually during this period.



The key growth drivers comprised strong economic development, public and private investments in infrastructure, large government projects like road building, high commodity prices (supporting mining activity), the booming real estate industry and growing levels of mechanisation.

Indian equipment industry

The Indian equipment industry was severely hit by the economic slowdown, weak sentiments across user industries and tight liquidity conditions in 2008-09. Equipment volumes started picking up in November 2009 and maintained a healthy growth over the past four months. The IIP index April-February 2010 posted a growth of 10.1% as against 3% in the corresponding period of the previous year. The government's infrastructure spending towards schemes like Pradhan Mantri Gramin Yojna and preparation for the 2010 Commonwealth Games has been a strong demand driver, especially for the northern part of the country. The long-term prospects for the segment remain healthy, with strong demand expected from the power, ports, roads, urban infrastructure, housing and industrial segment.

The equipment industry can be divided into two large segments - mining and construction equipment. Construction equipment also includes material handling equipment.

The industry comprises a wide product array comprising mobile cranes, tower cranes, backhoe, wheeled loaders, hydraulic

excavators, slew cranes, crawler cranes, lorry cranes, vibratory compactors, asphalt finishers, motor graders, skid steer loaders and forklifts in the construction/material handling industry and dumpers, dozers, drills, dragging walk lines and rope shovels, among others in the mining segment. In India, construction equipment (including material handling) are used for the infrastructure, construction, power projects, ports, shipyards, dams, metro rail, roads, mining, steel industries, engineering industry, railways, cement, petroleum, defence, chemicals and fertilisers, warehousing, logistics and building construction, among others.

The backhoe loader is the largest segment in unit terms, accounting for over 40% of industry volumes followed by hydraulic excavators (around 20%) and mobile cranes (around 16-17%). The industry's revenue share is, however, skewed by the relative cost and tonnage of equipment sold within each category.

Outlook

The long-term demand drivers for the construction equipment industry comprise relatively low levels of mechanisation and penetration of equipment in the construction industry. Besides, the proposed heavy investment in infrastructure and increasing population and urbanisation are expected to catalyse the industry. The demand for mining equipment is expected to grow in line with the demand for metals and energy.

Low-cost structure countries like India stand to gain from the potential for export of components, equipment and engineering/designing services – an area where China has already made significant inroads. Some of the areas that need to be addressed during this growth phase include introduction of customised products for the Indian markets; setting up of a viable and efficient aftermarket network; an equipment rental and used-equipment market and training of manpower to operate the equipment.

DEMAND DRIVERS

India's infrastructure optimism

The Government of India's projected spending under the Eleventh Five Year Plan (FY07-FY12) is expected to be allocated under road and bridges (US\$ 76.5), power (US\$ 150.3 billion), railways (US\$ 62.9 billion), ports (US\$ 18.3 billion) and airports (US\$ 5.4 billion) sectors.

India's infrastructure spending

	(US\$ billion)			
	10th Plan (2002 – 2006)		11th Plan (2007 – 2011)	
	US\$ (Bn)	% share	US\$ (Bn)	%share
Electricity (Including Non-Conventional Energy)	71.18	33.10	150.37	30.40
Roads and Bridges	35.34	16.50	76.05	15.40
Telecommunications	30.10	14.00	65.12	13.20
Railways	29.18	13.60	62.93	12.70
Irrigation	27.20	12.70	54.42	11.00
Water Supply and Sanitation	15.18	7.40	48.57	9.80
Ports	1.00	0.50	18.03	3.60
Airports	1.65	0.80	8.48	1.70
Storage	1.18	0.60	5.46	1.10
Gas	2.13	1.00	5.00	1.00
Total	214.76	100.00	494.43	100.00

(Source: Government Statistics)

A significant investment by the Government of India on infrastructure development has catalyzed the country's economic growth. The investments have increased from 4.9 percent of the gross domestic product (GDP) in 2002-03 to 6 percent last fiscal. India's government is planning a US\$ 494.43 billion investment in its infrastructure by 2012, with another US\$ 150 billion expected to come from the private sector. The Indian economy is expected to grow over 8 per cent in 2010, the fastest among the world's major economies, and 8.5 per cent the year after. An estimated US\$ 500 billion is required by 2012 to upgrade India's infrastructure.

Roads

According to the Planning Commission, the road freight industry will be growing at a compounded annual growth rate (CAGR) of 9.9 per cent from 2007-12.

India has the world's second largest road network, aggregating over 3.34 million kilometres (km). A target of 1,231 billion tonne km (BTK) has been put on road freight volumes for 2011-12. Industry sources suggest that the country's road sector would require an investment of US\$ 89 billion over the next three-to-four years, of which US\$ 45 billion is anticipated from the private sector.

Projected investment in roads in the 11th Five Year Plan

(US\$ billion)				
National Highways	State Roads	Rural Roads Under Bharat Nirman	North East Road Under SARDP	Total
44.3	33.3	10.5	1.4	89.5

(Source: Government Statistics)

Railways

According to *Railway Vision 2020*, the government plans to add 25,000 km of new lines by 2020, and in the recent budget it has announced its intentions to construct 1000 km new lines in the next financial year ending 2011.

The Indian Railways represent the backbone of the Indian transport system. The railway budget appears to be more pragmatic and realistic due to the focus on Public Private Partnership (PPP) for developmental projects as well as sourcing of railway rolling stocks. The railways will flag off 117 new trains this year (by March 2010) and 54 new trains in 2011 were announced, which will improve railway connectivity. The Railways also plan to set up five new wagon factories.

Major railway projects under Railway Vision 2020

(US\$ billion)

Name of project	Short-term Target up to March 2012	Long-term target up to March 2020
Doubling Lines Including DFC	1,000	11,000
Gauge Conversion	2,500	9,500
New Lines	1,000	24,000
Electrification	2,000	12,000
Dedicated Freight Corridors (DFC)	3,289	-
High Speed Corridors	-	2,000

(Source: Government Statistics)

Ports

While the ports sector would offer a US\$ 21.21 billion investment opportunity, inland waterways and shipping are likely to encapsulate US\$ 11.25 billion in domestic and foreign investments.

The Indian coastline is dotted with 12 major ports and 187 minor ports. During April to December 2009, major ports handled 411.95 MT, an increase of 5.14 per cent over the same period in 2008. The government has opened up all the areas of port operation for private sector participation. According to the Planning Commission of India, there is an investment opportunity of around US\$ 25 billion by 2011-12 in India's ports and shipping sectors, as the country plans to double its ports capacity to 1,500 MT.

Airports

During April-December 2009, passenger traffic grew by 12.3 per cent, as against 5.8 per cent in the previous year.

Airports handled a record 121.2 lakh passengers in December 2009. A strong rebound in demand, coupled with a low base led to a robust 29.1 per cent growth in air passenger traffic during

the month compared y-o-y. The year 2009-10 is estimated to have ended with a healthy 15.2 per cent per cent growth in passenger traffic. Growth is expected to remain healthy at 9 per cent in 2010-11, backed by higher demand for business and leisure travel.

CMIE's 61st CapEx survey revealed that fresh investments in the air transport industry increased to Rs.1,91,717 crores as of March 2010. Seven fresh investments worth over Rs.741 crores were announced during the March 2010 quarter, including airport infrastructure projects, maintenance, overhaul and repair (MRO) facilities and a fleet of expansion projects.

Power

Over and above the proposed investment for the capacity addition of 78,700 MW in the Eleventh Plan (2007-12) and 94,431 MW in the Twelfth Plan an additional investment of US\$ 213.7 billion and US\$ 235.1 billion, respectively is expected.

(MW)

Hydro-Electric	Coal/Ignite	Thermal Gas	Total	Nuclear	Total
15,627	52,850	6,843	59,693	3,380	78,700

(Source: Government Statistics)

Nuclear power: India has a flourishing and largely indigenous nuclear power program and expects to have 20,000 MW nuclear capacity on line by 2020. It aims to supply 25% of electricity from nuclear power by 2050.

Logistics

Indian logistics industry is expected to grow annually at the rate of 15-20 percent, reaching revenues of approximately US\$ 385 bn by 2015.

About 110 logistics parks spread over approximately 3,500 acres at an estimated cost of \$1 bn are expected to be operational and an estimated 45 mn square feet of warehousing space with an investment of US\$ 500 mn is expected to be developed by various logistics companies by 2012

Metro railway

A projected investment of Rs. 200,000 crores is expected for Metro rail projects in eight more cities in the next ten years. Besides Delhi, Bangalore, Hyderabad, Mumbai and Chennai; Metro projects would be launched in Pune, Lucknow, Kanpur, Ahmedabad, Ludhiana, Kochi, Indore and Chandigarh in the coming years.

Oil and Gas refinery

India is steadily emerging as an international destination for oil refining with investment requirements lesser by 25%-50% as compared to its Asian counterparts. As per the analysis carried out by Deutsche Bank, India is expected to enhance its refining competence by 45% in the next 5 years. Being the fifth biggest worldwide nation in context of distillation capacity, India enjoys 3% of the international capacity share. To move ahead in making its presence felt strongly in the global market, Indian petroleum

firms are planning to raise their distillation capacity from the existing 149 mtpa to 243 mtpa by FY 2011-12.

Pipelines

The Associated Chambers of Commerce and Industry of India and Ernst & Young Global Limited (London), have estimated a total investment of US\$ 9.2 billion over the next five years for laying the gas pipeline network in India.

Urban Development

Allocation for urban development increased by more than 75 per cent from Rs. 3,060 crores to Rs. 5,400 crores in 2010-11. Allocation for Housing and Urban Poverty Alleviation raised from Rs. 850 crores to Rs. 1,000 crores in 2010-11. Scheme of one per cent interest subvention on housing loan upto Rs. 10 lakh, here the cost of the house does not exceed Rs. 20 lakh – announced in the last Budget – extended up to March 31, 2011. Rs. 700 crores provided for this scheme for the year 2010-11. Further Rs. 1,270 crores allocated for Rajiv Awas Yojana as compared to Rs. 150 crores last year.

About ACE

ACE is India's leading material handling and construction equipment manufacturing company having largest share in mobile cranes and tower cranes segment and extending its dominance in other equipment categories, while regularly adding new products to its existing portfolio. ACE product offerings include Mobile Cranes, Tower Cranes, Loaders, Vibratory Rollers, Truck Mounted Cranes, Crawler Cranes, Forklifts and other construction equipment. ACE has a consolidated presence in all major Infrastructure, Construction, Heavy Engineering and Industrial Projects across the country.

ACE is promoted and managed by professionals having rich

experience in construction equipment domain. ACE is a 15-year-old enterprise with its full-fledged state-of-the-art production facilities based at industrial townships of Faridabad (Haryana) and Kashipur (Uttaranchal).

The workforce comprises of qualified professionals having undaunted commitment towards total quality management and our strength lies in standardisation of class products. We are dedicated to provide our customers with advance construction equipment and efficient sales and product support aimed at satisfying their real needs.

ACE equipment is used throughout the country and to cater to this spread and to provide effective pre-sales and after sales service, the Company has developed a network of Dealers and Area offices operating out of 85 locations and supported by 5 Regional offices based at Delhi, Mumbai, Chennai, Kolkata, Vizag. These offices are in turn supported by the Marketing HQ based at Delhi and a dedicated Product support division based at Faridabad

COMPANY'S PERFORMANCE

- Net sales dipped marginally from Rs. 42,850.19 lac in 2008-09 to Rs. 42,712.04 lac in 2009-10
- EBIDTA grew 3.60% from Rs. 3,919.17 lac in 2008-09 to Rs. 4,060.07 lac in 2009-10
- PBT increased 8.63% from Rs. 3,016.59 lac in 2008-09 to Rs. 3,277.05 lac in 2009-10
- Net profit escalated 7.50% from Rs. 2,273.44 lac in 2008-09 to Rs. 2,444.01 lac in 2009-10
- Earnings per share surged 7.50% from Rs. 2.53 in 2008-09 to Rs. 2.72 in 2009-10
- Book value per share grew from Rs. 17.29 in 2008-09 to Rs. 18.84 in 2009-10
- Dividend payout grew from 20% in 2008-09 to 50% in 2009-10

RISK MANAGEMENT

Please read the section on risk management in the earlier part of this report.

HUMAN RESOURCES

In 2009-10, the organisation's employee relations remained cordial and peaceful. The Company consciously and constantly adhered to the policy of investing in human resources. Since inception, the Company successfully recruited the most suited personnel as per its designated employment plan. Trained professionals manage operations at various levels. The Company employed 641 professionals as on 31st March 2010.

INFORMATION TECHNOLOGY

The Company's robust IT infrastructure --- facilitating accurate, efficient and adequate data flow --- accelerates well-informed and timely decisions. The natural consequence is that the right data is available at the right time. The Company from the FY 2010-11 has already implemented ORACLE APPS, which would catalyse growth. This is also accompanied by a significant re-engineering and simplification of business process to improve quality and customer service at reduced costs.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACIES

The Company's robust internal control systems enhance its sustainability. The internal control is formed to avoid unnecessary losses, ensuring the proper record of every transaction and protection against any misuse or loss of assets. The internal control system is adequately equipped, so as to suggest in-system changes to improve performance and minimise losses.

An independent firm of chartered accountants regularly conducts the Company's internal audit. It is carried out at regular periodic intervals and the audit report is submitted to the Company's Audit Committee. The officers responsible for their functions regularly submit their comments on report and share the steps they have taken to rectify the defects. ACE continues to be an ISO 9001 certified company (certified by CVI Conformity Verification International) and is widely recognised for its product excellence and globally benchmarked quality parameters.

The other statutory sections which form part of the Management Discussion and Analysis Report have been discussed and are covered under the other sections of the Annual Report.



➤ Report on Corporate Governance

CORPORATE GOVERNANCE AT ACE

At ACE, Transparency and Fairness are synonymous with corporate governance. We believe, corporate governance, is not a concept to be read in books, but to be practiced with responsibility and integrity towards all stakeholders (shareholders, creditors, bankers, suppliers and others). We believe both the short-term and long-term impact of a management decision must be taken into consideration. In fact, we think corporate governance can be called conscience governance because it takes more than laws, agreements and strategies to be a good corporate.

At ACE, corporate governance aims to:

- Achieve a proper balance between entrepreneurship and control, as well as between performance and compliance;
- Facilitate performance-driven management and provide mechanisms for management and leadership, while ensuring integrity and transparency in decision-making;
- Determine the company's objectives, the means through which these are to be attained and how performance is to be evaluated. In this respect, corporate governance is intended to encourage and enable the board and management to pursue objectives that are in the best interests of the company, its shareholders and other interested parties, such as the company's customers and personnel.



At ACE decisions are taken at three levels:

- 1. Shareholders of the Company:** The Company's shareholders wield the ultimate authority. This body is responsible for selecting the Company's overall management. The crucial decisions of the Board of Directors need to be evaluated by shareholders. The approval of shareholders is taken at Annual General Meeting, at Extra-Ordinary General Meeting and through Postal Ballot. The details of resolutions passed by the Company's shareholders are covered under the upcoming section of the report.
- 2. Board of Directors of the Company:** The Board of Directors, elected by shareholders, manages the Company on behalf of shareholders. Here, the ownership and management are segregated. The Company's Board of Directors is authorised to take all decisions on behalf of the Company, except such decisions as are mandated by laws, rules and regulation of the land. The respective details of the Board and its meetings as specified under

the Listing agreement, and are produced at the respective upcoming section.

- 3. Sub-Committees of the Board:** There are certain issues and tasks, which need careful and specific attention, warranting the formation of various committees. These committees work under the supervision of the Board. The functions of the Board and decisions taken by the Committees are regularly updated to the Board of Directors of the Company through minutes.

DETAILS OF BOARD OF DIRECTORS

There are three Executive and four Non-executive Directors on the Company's Board. All Non-executive Directors are the Independent Directors in the Company. The Executive Directors are authorised for conducting the general business of the Company, but all other crucial decisions are taken at Board Meetings of the Company. The Board meets at timely intervals and takes crucial decisions on the Company's behalf. As the Board of Directors remains the Company's managing authority, while the ultimate ownership lies with the shareholders, some decisions have to be finally approved by the shareholders. However, for some, prior approval needs to be taken from them.

The composition of Board of Directors is as per the Listing Agreement. The Independent Directors, appointed are as per the definition of Independent Directors, provided in the Listing Agreement. The Company's Board of Directors meet four times during the financial year 2009-10 i.e. on 28th May, 2009, 28th July, 2009, 22nd October, 2009 and 21st January, 2010.

The composition and other directorship held by Directors is given below:

Name of Directors	Position in the Company	Attendance at Board Meeting out of Four and at/last AGM	Directorship in other Indian public Companies	Position on Audit & Investor Grievance Committees in Indian Companies including ACE	
				As Chairman	As Member
Mr. Vijay Agarwal	Chairman & Managing Director	4/Yes	1	-	1
Mrs. Mona Agarwal	Whole-Time Director	4/Yes	1	-	-
Mr. Sorab Agarwal	Executive Director	3/Yes	1	-	1
Mr. Vijay K. Singh ^	Whole-time Director	3/Yes	-	-	-
Mr. Girish N. Mehra	Independent Director	4/Yes	6	5	4
Mr. Subhash C. Verma	Independent Director	4/Yes	-	1	1
Dr. Amar Singhal	Independent Director	4/No	-	1	1
Dr. Keshav C. Agarwal#	Independent Director	4/Yes	-	-	-

^ Resigned from the Board of Directors of the Company w.e.f. 22nd October, 2009.

Resigned from the Company's Directorship on 16th October, 2009, duly accepted by the Board on its meeting held on 22nd October, 2009. However, was re-appointed as a Company's Director on 21st January, 2010.

DETAILS OF COMMITTEES OF BOARD OF DIRECTORS

(I) Audit Committee

As Mandated by Listing Agreement and Companies Act, 1956, the role of Audit Committee includes the following:

- Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Reviewing, with the management, the annual financial and quarterly statements before submission to the Board for approval, with particular reference to the matters as provided in the Listing Agreement.
- Reviewing, with the management, the statement of uses / application of funds raised through various issues.
- Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems and recommending fees for Statutory Auditors.
- Reviewing the adequacy of internal audit function, if any, including the structure and other things.
- Discussing with internal auditors any significant findings and follow-up there on.
- Reviewing the findings of any internal investigations by the internal auditors into matters, where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Discussing with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- Looking into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
- Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

AUDIT COMMITTEE DETAILS

Meeting of the Audit Committee was held on four occasions on 28th May, 2009, 28th July, 2009, 22nd October, 2009 and 21st January, 2010. The detail of composition and attendance are produced below. The qualification and composition of the Audit Committee is as per the Listing Agreement. Mr. Subhash Chander Verma, a graduate and qualified CAIIB (Associate of Indian Institute of Bankers) is the Committee Chairman. He possesses a rich 40 year experience in financial matters, and is an expert in accounting and financial management.

Srl. No.	Name of Directors	Designation	Category	Number of meetings attended
1.	Mr. Subhash Chander Verma	Chairman	Independent	4
2.	Mr. Vijay Agarwal	Member	Executive	4
3.	Dr. Amar Singhal	Member	Independent	4
4.	Mr. Girish Narain Mehra	Member	Independent	4

The Chief Financial Officer, Company Secretary and the Statutory Auditors are the regular invitees to the Meeting of Audit Committee.

(II) Shareholders'/Investors' Grievance Committee

The role of Shareholders' Grievance Committee includes the following:

1. To look after the unresolved complaints of the shareholders of the Company.
2. To have an overall supervision on DEMAT, REMAT, Share Transfer procedure of the Company.
3. To consider request for the issue of duplicate shares to the shareholders of the Company.
4. Other terms of reference, as provided or may be provided on this behalf.

SHAREHOLDERS/INVESTORS COMMITTEE DETAILS

Meeting of the Shareholders Grievance Committee was held once in FY 2009-10 i.e. on 21st January, 2010. The detail of composition and attendance is produced below. Dr. Amar Singhal, act as the Chairman of the Shareholders' Investors' Grievance Committee.

Srl. No.	Name of the Directors	Designation	Category	Number of Meeting Attended
1.	Dr. Amar Singhal	Chairman	Independent	1
2.	Mr. Subhash Chander Verma	Member	Independent	1
3.	Mr. Sorab Agarwal	Member	Executive	-

The Company Secretary acts as Compliance Officer of the Committee.

There were no complaints pending as on 31st March, 2010.

(III) Remuneration Committee

The Company's Remuneration Committee comprises of three Independent Directors (including the Committee Chairman), The Remuneration Committee of the Company is empowered to fix the remuneration of the Managing Directors and the Executive Directors.

REMUNERATION COMMITTEE DETAILS

During 2009-10, the Company's Remuneration Committee meet on 28th May, 2009. The composition and other details of the Remuneration Committee of Directors of the Company was as follows:

S.No.	Name of Directors	Designation	Category	Number of Meeting Attended
1.	Dr. Amar Singhal	Chairman	Independent	1
2.	Mr. G.N. Mehra	Member	Independent	1
3.	Mr. Subhash Chander Verma*	Member	Independent	-

*Mr. Subhash Chander Verma was appointed as a member of the Remuneration Committee w.e.f. 22nd October, 2009, in place of Maj. Gen.(Retd.) Dr. K.C. Agarwal.

Dr. K. C. Agarwal also attended the only held meeting of the Remuneration Committee on 28th May, 2009.

Details of remuneration paid to Whole-time Directors and sitting fee paid to the Independent Directors, for attending the meetings of the Board of Directors and Committees thereof of the Company for the financial year 2008-09, is as below:

(i) Remuneration paid to Executive Directors of the Company:

(Rs. in lac)						
S. No.	Names of the Directors	Salary & Allowances	Contri-bution to PF, Gratuity and Other Funds	Other benefits and perquisites	Performance Linked Incentives/ Commission	Total
1.	Mr. Vijay Agarwal, Chairman & Managing Director*	189.00		15.40	-	204.40
2.	Mrs. Mona Agarwal, Whole- time Director	126.00	-	9.74	-	135.74
3.	Mr. Sorab Agarwal, Executive Director	33.60	-	2.40	-	36.00
4.	Mr. Vijay Kumar Singh, Whole- time Director	5.19	0.05	0.41	-	5.65

* Remuneration to Mr. Vijay Agarwal has been paid after receiving proper approvals from Remuneration Committee, Board of Directors of the Company, Shareholders and by Central Government vide their letter No. A678887133-CLVII, dt. 17th March, 2010

The Service Contract of Managing Director and that of Whole-Time Directors is for five years and is renewable. The Company has not introduced any stock-option scheme.

(ii) Remuneration paid to Non-Executive Directors of the Company:

		Amount (in Rs.)
S. No.	Name of the Directors	
1	Mr. Girish Narain Mehra (IAS Retd.)	90,000
2.	Mr. Subhash Chander Verma	90,000
3.	Maj. Gen. (Retd.) Dr. K C Agarwal	50,000
4.	Dr. Amar Singhal	80,000

GENERAL BODY MEETINGS

The location and time of last three AGMs are as follows:

For the Year	2006-07	2007-08	2008-09
AGM	13th	14th	15th
Date & Time	08.08.2007 12:30 p.m.	01.08.2008 11:30 a.m.	06.08.2009 12:00 noon
Venue	MPCU SHAH AUDITORIUM, Shree Delhi Gujrati Samaj Marg, Delhi-110054.	MPCU SHAH AUDITORIUM, Shree Delhi Gujrati Samaj Marg, Delhi-110054.	MPCU SHAH AUDITORIUM, Shree Delhi Gujrati Samaj Marg, Delhi-110054.

Special Resolutions passed in the past three years:

At Annual General Meeting held on 8th August, 2007

1. To carry on business mentioned in other object clause.

At Annual General Meeting held on 6th August, 2009

1. To authorise the Board of Director to borrow money up to Rs. 250 crores, whether secured or un-secured.
2. To re-consider remuneration of Mr. Vijay Agarwal, Chairman and Managing Director of the Company.

CODE OF CONDUCT

The Board of Directors has laid down a Code of Conduct for all Board members and senior management personnel of the Company. All Board members and senior management personnel have confirmed compliance to the Code. A declaration signed by the Chairman & Managing Director is attached and forms a part of the Company's Annual Report.

DISCLOSURES

- i. The details of "Related Party Disclosures" are being disclosed in Notes no. 12(e) of Other Notes of Schedule 12(e) to the Accounts in the Annual Report.
- ii. The Company has instituted a mechanism to inform Board members about the risk assessment and minimisation procedures and periodic reviews to ensure that the Executive management controls risk.
- iii. None of the Independent Directors had any pecuniary relationship or transactions with the Company during the financial year ending 31st, March, 2009.
- iv. The Company has complied with the requirements of SEBI, stock exchanges or any regulatory authorities on 'Capital Market' related activities as applicable from time to time. There has been no non-compliance to the provisions/requirements of SEBI, Stock Exchanges or any regulatory authorities related to capital markets in the previous financial year.
- v. The Company has complied with the mandatory requirements of Clause 49 of the Listing Agreement.

CEO/ CFO CERTIFICATION

The Chief Executive Officer (CEO) and Chief Finance Officer (CFO) certification, on financial statements, is issued pursuant to the provisions of Clause 49 of the listing agreement and is annexed to the Corporate Governance Report and form a part of the annual report.

MEANS OF COMMUNICATION

The Company's quarterly and half-yearly financial results during 2009-10 were published in newspapers (English & Hindi), viz., The Statesman and Veer Arjun. The financial results are simultaneously posted on the website of the Company i.e. www.ace-cranes.com. The "Limited Review" Reports of the Financial Results for the quarters ended June 30, 2009, September 30, 2009 and December 31,

2009 were obtained from the Statutory Auditors of the Company and filed with the stock exchange(s).

To facilitate prompt correspondence with investors'/shareholders' relating to their queries and grievances, the Company has a dedicated email-id, viz., investorqueries@ace-cranes.com. The shareholders can also e-mail their queries at cs@ace-cranes.com.

GENERAL SHAREHOLDER INFORMATION

Registrar and Share Transfer agent

Karvy Computershare Pvt. Ltd ("KARVY" or "RTA") acts as Registrar and Share transfer agent to the Company. All the requests received for RE-MAT, DE-MAT, transfers, splits are routed through the Karvy and all the records related to the Shareholders of the Company is being maintained by the Karvy. The requests received from the Shareholders is properly processed with in the time specified in the Companies Act and as per Listing agreement entered with stock exchanges.

During the year, half-yearly certificate(s), confirming due compliance of the share transfer formalities by the Company (clause 47(c) of the Listing Agreement); and Secretarial Audit Report(s) [under SEBI (Depositories and Participants) Regulations, 1996] for reconciliation of total admitted capital with both the depositories, were obtained from a Practicing Company Secretary and the same was submitted with the stock exchanges within the stipulated time.

The Company has taken various steps to ensure that the shareholders-related matters are given due priority and the matters/issues raised are resolved at the earliest.

For any query or request, detailed address of our RTA is produced below:-

Karvy Computershare Private Limited
 "Karvy House" 46 Avenue 4, Street -1,
 Banjara Hills, Hyderabad – 500 034
 Phone: + 91-40-23312454, 23320751/52/53
 Fax: + 91-40-23311968
 Email: einward.ris@karvy.com

Forthcoming AGM: Date, time and venue

The 16th Annual General Meeting of the Company is scheduled for, Monday, 6th September, 2010, at 11.00 am at MPCU SHAH AUDITORIUM, Shree Delhi, Gujrati Samaj Marg, Delhi - 110 054.

Financial year

The Company's financial year was from April 1, 2009 to March 31, 2010.

Listing on Stock Exchanges

The equity shares of the Company are listed on:

1. Bombay Stock Exchange Limited (BSE)
2. The National Stock Exchange of India Limited (NSE)

The Annual listing fee, for the equity shares of the Company, pertaining to the year 2010-11, has been paid to the concerned Stock Exchanges on demand.

Stock Codes

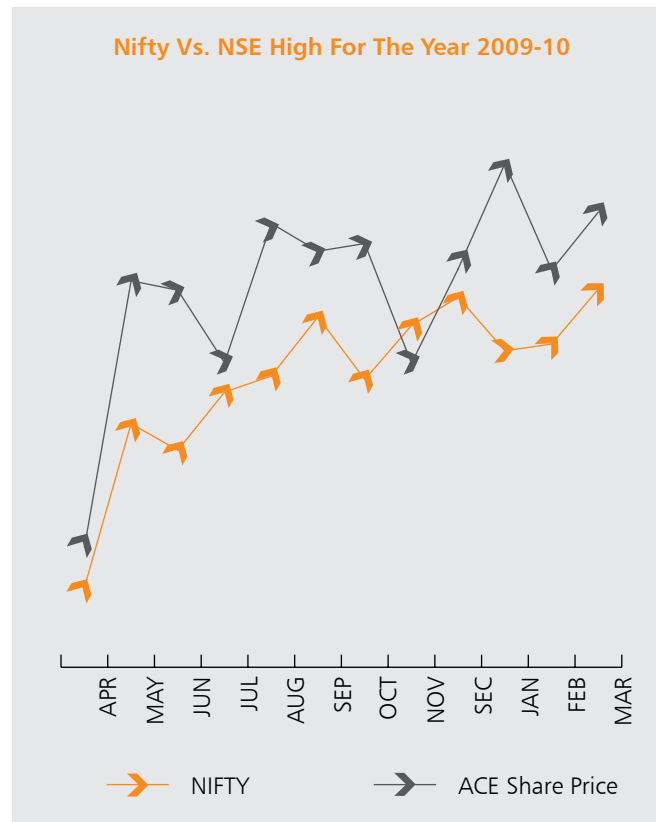
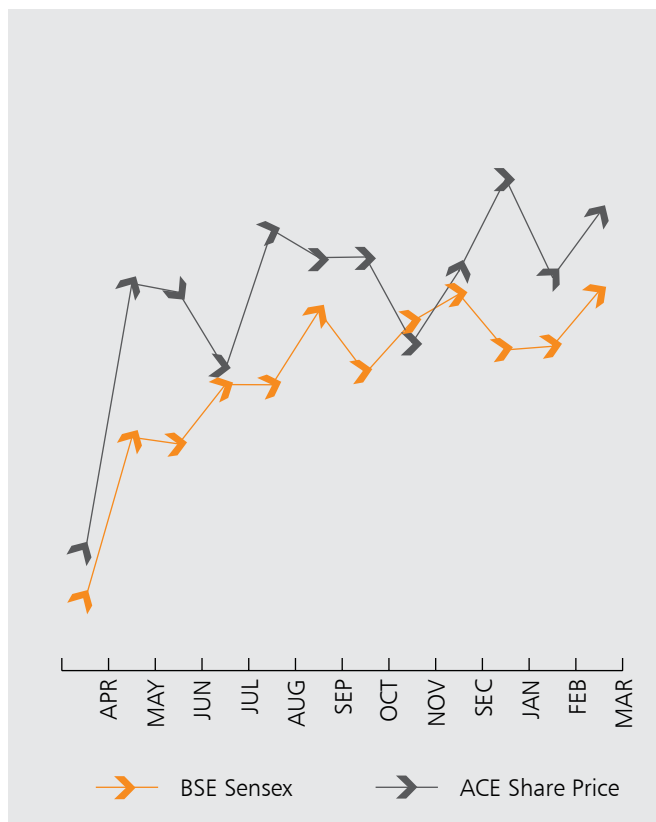
The stock codes of the Company's securities are as follows:

Stock Exchanges	Security Code	Type of Security
Bombay Stock Exchange	532762	Equity Shares
National Stock Exchange of India Limited (NSE)	ACE	Equity Shares

MARKET PRICE DATA: HIGH, LOW DURING EACH MONTH IN LAST FINANCIAL YEAR

MONTH(S) 2009-10	NSE		BSE		MONTH END	
	HIGH (in Rs.)	LOW (in Rs.)	HIGH (in Rs.)	LOW (in Rs.)	BSE SENSEX	NIFTY
APRIL	19.50	11.85	19.40	11.70	11,403.25	3473.95
MAY	40.65	16.00	40.70	16.00	14,625.25	4448.95
JUNE	39.90	25.20	40.00	25.25	14,493.84	4291.10
JULY	34.15	22.75	33.90	23.05	15,670.31	4636.45
AUGUST	45.20	30.50	44.95	30.20	15,666.64	4732.35
SEPTEMBER	43.00	35.55	42.75	36.00	17,126.84	5083.95
OCTOBER	43.60	33.20	42.80	33.15	15,896.28	4711.70
NOVEMBER	34.10	26.80	36.00	26.65	16,926.22	5032.70
DECEMBER	41.60	30.00	41.70	30.10	17,464.81	5201.05
JANUARY	49.95	35.00	49.00	35.15	16,357.96	4882.05
FEBRUARY	41.50	36.10	41.20	35.00	16,429.55	4922.30
MARCH	46.10	38.15	46.25	38.00	17,527.77	5249.10

PERFORMANCE IN COMPARISON TO BROAD-BASED INDICES SUCH AS SENSEX AND NIFTY



SHAREHOLDING PATTERN AS ON 31.03.2010

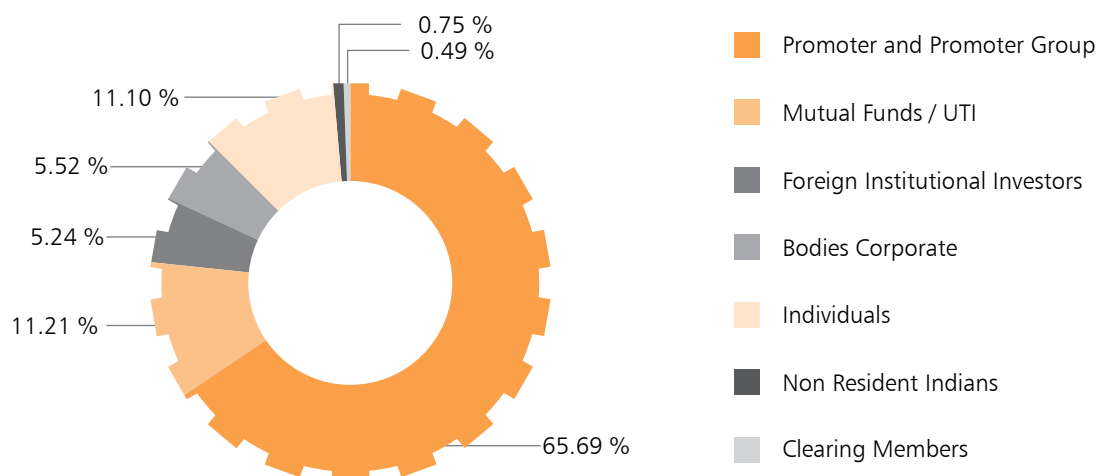
Category of Shareholding	Number of Shareholders	Shareholding in% by amount
Resident individuals & Others	19837	75.86
Banks, FIs, Insurance Company	0	0
Mutual Funds/ UTI	8	11.15
Non-residents/FII	222	6.09
Bodies Corporate	531	6.90
TOTAL	20598	100.00

DISTRIBUTION OF SHAREHOLDING BY SIZE AS ON 31.03.2010

No. of Shareholders	% to Total	Shareholding of nominal value of Rs. 2	No. of Shares	Amount (in Rs.)	% to Total
19939	96.80	Upto 5000	5696465	11392930.00	6.34
350	1.70	5001 to 10000	1324585	2649170.00	1.47
157	0.76	10001 to 20000	1127352	2254704.00	1.25
38	0.18	20001 to 30000	454001	908002.00	0.50
20	0.10	30001 to 40000	356162	712324.00	0.40
18	0.09	40001 to 50000	423770	847540.00	0.47
33	0.16	50001 to 100000	1218289	2436578.00	1.36
43	0.21	100001 and above	79284376	158568752.00	88.21
20598	100	TOTAL	89885000	179770000.00	100.00

DISTRIBUTION OF SHAREHOLDING BY OWNERSHIP AS ON 31.03.2010

Category code	Category of Shareholder	Number of Shareholders	Total number of shares	% of holding
(A)	Shareholding of Promoter and Promoter Group			
1	Indian			
(a)	Individuals/ Hindu Undivided Family	6	59041550	65.69
(B)	Public shareholding			
1	Institutions			
(a)	Mutual Funds/ UTI	8	10079663	11.21
(b)	Foreign Institutional Investors	8	4711091	5.24
2	Non-institutions			
(a)	Bodies Corporate	531	4960534	5.52
(b)	Individuals	19686	9981624	11.10
(d)	Non Resident Indians	214	670485	0.75
(e)	Trusts	1	250	0.00
(f)	Clearing Members	144	439803	0.49
TOTAL		20598	89885000	100.00



DEMATERIALISATION OF SHARES AND LIQUIDITY

As on 31st March, 2010, 99.84 % of the shareholding were held in dematerialised form as per details mentioned below:

Particular	No. of Shares	% of Total Issued Capital
Physical System	143791	0.16
NSDL	83222393	92.59
CDSL	6518816	7.25
TOTAL	89885000	100.00

The DEMAT ISIN of the Company's equity shares is INE731H01025.

Outstanding GDRs/ADRs/Warrants or any Convertible instrument

There are no outstanding GDRs /ADRs Warrants or any Convertible instrument.

COMPLAINE WITH NON MANDATORY REQUIREMENTS

- i) **Chairman of the Board and tenure of Independent Directors:** No separate office is maintained for the Non-Executive Chairman. Company became a Listed Company in the recent years only. Independent directors being new to the office, Company do not feel any need to decide upon the tenure of Independent Directors at present. However, Company would think over it in the coming years.
- ii) **Remuneration Committee:** Details given under the heading Remuneration Committee.
- iii) **Shareholders Rights:** The Financial results are not sent to the shareholder of the Company on half yearly basis. However, Company takes at most care that results are brought with in knowledge of shareholders by publishing them in prominent newspapers of the Country, through out the India.
- iv) **Audit Qualification:** During the year under review, there was no audit qualification in the Company's Financial Statements. The Company continues to adopt best practices to ensure a regime of unqualified financial statements.
- v) **Training of Board Members:** The Board regularly discusses and informs the Board Members of its business model of the Company as well as the risk profile of Business parameters of the Company. The independent Directors are encouraged to attend training programmes that may be of relevance and interest to the Directors in discharging their responsibilities to the Company's Stakeholders under the emerging Business Environment.
- vi) **Mechanism for evaluation of non-executive Board Members:** The performance evaluation of non-executive Board Members is done on regular basis. The Board while evaluating the performance of Directors takes in to consideration, attendance by the Directors at the meeting of the Board and Committee thereof and the value addition that a Director is bringing to the Board of the Company.
- vii) **Whistler Blower Mechanism:** No formal Whistle Blower Mechanism(WBM) has been framed by the Board so far, but the Board always encourages the employees to report any unethical behavior, fraud or violation of any Company's Code of Conduct. The Board is always ready to take safeguards against such employees who report to the Board of any Committee thereof of any unethical behavior.

PLANT LOCATIONS

The following are the plant locations of the Company:-

Plant - 1

Jajru Road,
25th Mile Stone,
Delhi Mathura Road
Ballabgarh-121 004
Distt. Faridabad (Haryana)

Plant - 2

Dhudhola Link Road,
Village Dhudhola
Palwal-121 102
Haryana

Plant - 3

Plot no C-5/6/7/8
Industrial Area UPSIDC
Bazpur-262 123
Dist. Uddham Singh Nagar, Uttaranchal.

Plant - 4

Dhudhola Link Road,
Village Dhudhola
Palwal-121 102
Haryana

Besides this, the company has dedicated Product Support Division at Faridabad.

Company is also in the process of setting up other plants at Uttaranchal and Faridabad

ADDRESS FOR CORRESPONDENCE

Action Construction Equipment Limited
Jajru Road,
25th Mile Stone,
Delhi Mathura Road
Ballabgarh-121 004
Dist. Faridabad (Haryana)
Phone: + 91-129-2306111
Fax No.:+ 91-129-2307562
Email Id: cs@ace-cranes.com

DECLARATION REGARDING CODE OF CONDUCT

I hereby declare that all Directors and Senior Management Personnel have confirmed compliance with the Code of Conduct as adopted by the Company.

Vijay Agarwal
Chairman & Managing Director

Place: Ballabgarh
Date: 27th May, 2010

Financial Statements (Standalone)



- 65** Auditors' Report
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- 69** Profit and Loss Account
- 70** Cash Flow Statement
- 71** Schedules and Notes
- 89** Balance Sheet Abstract

Auditors' Report To The Members

We have audited the attached Balance Sheet of Action Construction Equipment Limited as at 31st March, 2010, the Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these Financial Statements based on our audit.

We have conducted our audit in accordance with Auditing Standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the statement on the Companies (Auditor's Report) order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- c. The Balance Sheet and Profit & Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
- d. In our opinion, the Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report

comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;

- e. On the basis of written declaration received from the Directors, as on 31st March, 2010, and taken on record by the Board of Directors we report that none of the Directors is disqualified as on 31st March, 2010, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- f. In our opinion and to the best of our information and according to the explanations given to us, the said financial statements read together with the significant accounting policies and notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - i. in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010,
 - ii. in the case of the Profit & Loss Account, of the profit for the year ended on that date and,
 - iii. In the case of the Cash Flow Statement, of the cash flow of the company for the year ended on that date.

For Rajan Chhabra & Co.
Chartered Accountants

(Rajan Chhabra)
Proprietor
Membership No.088276
FRN:- 009520N

Place: Faridabad
Dated: 27th May, 2010

Annexure to the Auditors' Report

The Annexure referred to in the Auditor's Report to the Members of Action Construction Equipment Limited for the year ended March 31, 2010.

We report that:

(I) (a) The company has generally maintained proper records showing full particulars including quantitative details and situation of fixed assets.

(b) According to the information and explanations given to us, there is a regular programme of verification of fixed assets which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. The management during the year has physically verified fixed assets and no material discrepancies were noticed on such verification.

There was sale of Plant & Machineries worth Rs. 27.07 lac and Vehicles worth Rs. 24.70 lac during the year. Though, if we compare with total value of fixed assets, it is not substantial.

(II) According to the information and explanations given to us, the inventory of stores and spares were physically verified by the Management.

In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and nature of its business.

According to the information and explanations given to us, no material discrepancies have been noticed on physical verification of stock of stores and spares as compared to the books and records.

(III) The Company has neither granted nor taken any loans secured or unsecured, to or from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.

(IV) In our opinion, and according to information and explanations given to us, there is adequate internal control procedure commensurate with the size of the company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods.

During the course of our audit no major weakness has been noticed in the internal controls.

(V) On the basis of our examination of the books of accounts, the transactions in respect of any party during the financial year that needs to be entered in the register pursuant to the section 301 of the Companies Act, 1956 have so been entered.

In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301, in respect of any party, during the year have been made at the prices which are reasonable having regard to prevailing market prices at the relevant time

(VI) The company has not accepted any deposits from the public during the year and consequently, the directive issued by the Reserve Bank of India and the provisions of section 58A and 58AA of the Companies Act, 1956, and the rules framed there under are not applicable.

(VII) In our opinion, the company's internal audit system is commensurate with its size and nature of its activities. However, it requires further strengthening due to increase in the activities of the company in recent past.

(VIII) According to the records of the company, the company is generally regular in depositing undisputed statutory dues including Provident fund, Income tax, Wealth Tax, Sales tax, Custom duty, Excise duty, Cess, Service tax and any other statutory dues with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of Provident fund, Income tax, Wealth Tax, Sales tax, Custom duty, Excise duty, Cess, Service tax and any other statutory dues were outstanding at the year end for a period of more than six months from the date they become payable.

(IX) The company has no accumulated losses at the end of the financial year and it has not incurred any cash losses in the current and immediately preceding financial year.

Annexure to the Auditors' Report (Contd.)

- (X) Based on our audit procedure and on the information and explanations given by the management, we are of the opinion that the company has not defaulted in repayment of dues to any financial Institution and Bank.
- (XI) In our opinion, the company has not granted loans and advances on the basis of security by way of pledge of shares and other securities; hence this point of order is not applicable.
- (XII) The provisions of any special statute applicable to a chit fund, nidhi, mutual benefit fund or a society are not applicable to this company.
- (XIII) According to the information and explanations given to us, the company is not dealing or trading in shares, securities, debenture and other investments.
- (XIV) The company has not issued corporate guarantee in favour of Banks and financial institutions.
- (XV) According to the information & explanations given to us the, Term Loans have been applied for the purpose for which obtained.
- (XVI) The company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (XVII) The company has not issued any debentures during the year, hence, this point is not applicable.
- (XVIII) The Cost Records, as applicable, are maintained by the Company.
- (XIX) Management has disclosed the end use of money raised by the public issue, (to the extent utilized) and the same has been verified by us (Note no B – 1 of Schedule 16 of Balance Sheet).
- (XX) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year.

For Rajan Chhabra & Co.
Chartered Accountants

(Rajan Chhabra)
Proprietor
Membership No.088276
FRN:- 009520N

Place: Faridabad
Dated: 27th May, 2010

Balance Sheet as at 31st March, 2010

	Schedules Annexed	as at 31st March, 2010	(Rs. in lac) as at 31st March, 2009
SOURCES OF FUNDS			
SHAREHOLDERS FUNDS			
Share Capital	1	1,797.70	1,797.70
Reserves & Surplus	2	15,292.91	13,897.04
LOAN FUNDS			
Secured Loans	3	3,017.98	3,913.99
DEFERRED TAX LIABILITIES		75.08	77.74
TOTAL		20,183.67	19,686.47
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	4	8,853.27	8,053.31
Less: Depreciation		1,643.52	1,141.60
Net Block		7,209.75	6,911.71
Capital\Building Work In Progress		195.40	4.93
INVESTMENTS	5	199.95	108.94
CURRENT ASSETS, LOAN AND ADVANCES			
Inventories	6	5,633.38	5,086.36
Sundry Debtors		5,116.63	5,258.48
Cash & Bank Balances		1,888.10	1,776.50
Loans & Advances		11,902.50	9,165.63
		24,540.61	21,286.97
LESS : CURRENT LIABILITIES & PROVISIONS			
Current Liabilities	7	7,685.78	5,814.04
Provisions		4,283.35	2,820.15
		11,969.13	8,634.19
Net Current Assets		12,571.48	12,652.78
Miscellaneous Expenditure (To The Extent Not Written Off or Adjusted)		7.09	8.11
TOTAL		20,183.67	19,686.47

As per our Report appended to the Balance Sheet
For Rajan Chhabra & Co.
Chartered Accountants

(Rajan Chhabra)
Proprietor
Membership No. 088276

Place : Faridabad
Date : 27th May, 2010

For and on behalf of the Board of Directors

Vijay Agarwal
Chairman & Managing Director

Subhash C. Verma
Independent Director

P.K. Bansal
Chief Finance Officer

Ashish K. Bhatt
Company Secretary

Sorab Agarwal
Executive Director

Profit & Loss Account for the year ended 31st March, 2010

	Schedules Annexed	Current year 2009-10	(Rs. in lac) Previous year 2008-09
INCOME			
Gross Sales		43,783.42	44,783.50
<i>Less: Excise Duty</i>		1,071.38	1,933.31
Net Sales		42,712.04	42,850.19
Other Income	8	686.76	1,870.53
TOTAL INCOME		43,398.80	44,720.72
EXPENDITURE			
Raw Materials Consumed	9	32,265.82	36,143.53
(Increase)/Decrease In Stock	10	297.41	(1,746.37)
Manufacturing Expenses	11	2,255.17	2,188.61
Employees Expenses	12	2,090.71	1,736.65
Selling & Distribution Expenses	13	1,228.57	1,108.34
Administrative & Other Expenses	14	1,201.05	1,370.79
Interest	15	257.81	328.68
Depreciation	4	525.21	573.90
TOTAL EXPENDITURE		40,121.75	41,704.13
Profit Before Tax		3,277.05	3,016.59
Provision For Income Tax		832.84	722.71
Provision For Wealth Tax		2.87	2.43
Provision For Deferred Taxation		(2.67)	(22.05)
Provision For Fringe Benefit Tax		-	40.06
Profit After Tax		2,444.01	2,273.44
Balance Brought Forward		1,207.72	1,354.93
Profit Available For Appropriation		3,651.73	3,628.37
Transferred To General Reserve		1,000.00	2,000.00
Dividend		898.85	359.54
Tax On Dividend		149.29	61.11
Balance Carried To Balance Sheet		1,603.59	1,207.72
Earnings Per Share (Rs.) Basic & Diluted -		2.72	2.53

As per our Report appended to the Balance Sheet
For Rajan Chhabra & Co.
Chartered Accountants

(Rajan Chhabra)
Proprietor
Membership No . 088276

Place : Faridabad
Date : 27th May, 2010

P.K. Bansal
Chief Finance Officer

For and on behalf of the Board of Directors

Vijay Agarwal
Chairman & Managing Director

Subhash C. Verma
Independent Director

Ashish K. Bhatt
Company Secretary

Sorab Agarwal
Executive Director

Cash Flow Statement

	as at 31st March, 2010	(Rs. in lac) as at 31st March, 2009
A. CASH FLOW FROM OPERATING ACTIVITIES		
NET PROFIT AFTER TAX AS PER PROFIT AND LOSS ACCOUNT	2,444.02	2,273.44
Adjustments For :		
Interest Expenses	257.81	328.68
Depreciation	525.21	573.90
Interest Received	(373.43)	(370.71)
Profit On Sale Of Fixed Assets.	(4.54)	(92.19)
Loss On Sale Of Fixed Assets.	0.22	0.83
Provision For Income Tax	832.84	722.71
Provision For Wealth Tax	2.87	2.43
Provision For Deferred Tax	(2.67)	(22.05)
Provision For Fringe Benefit Tax	-	40.06
Misc Exp. Written Off	1.01	1.01
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	- 3,683.34	1,184.67
Adjustments For :		
Trade & Other Receivable	141.85	9.53
Inventories	(547.03)	(1,736.05)
Trade Payable	1,871.75	237.71
Loans & Advances	(1,696.68)	(2,505.64)
Provision Of Income Tax & Wealth Tax For Earlier Year Adj.	- (230.11)	(4,706.71)
Cash Generated From Operations	3,453.23	(1,248.60)
Direct Taxes Paid	(1,040.18)	294.21
Net Cash From Operating Activities	- 2,413.05	(954.39)
B. CASH FLOW FROM INVESTMENT ACTIVITIES		
Purchase Of Fixed Assets (Incl. Building Wip)	(1,042.21)	(991.53)
Sale Of Fixed Assets	32.82	316.76
Investments	(91.02)	(67.04)
Interest Received	373.43	370.71
Net Cash From Investing Activities	- (726.98)	(371.10)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds From Secured Loans	(896.01)	1,775.50
Interest Paid	(257.82)	(328.68)
Dividend & Tax Thereon	(420.64)	(420.64)
Net Cash From Financing Activities	(1,574.47)	1,026.18
Net Increase In Cash & Cash Equivalents (A+B+C)	111.60	(299.31)
Opening Balance Of Cash & Cash Equivalents	1,776.50	2,075.81
Closing Balance Of Cash & Cash Equivalents	1,888.10	1,776.50

As per our Report appended to the Balance Sheet
For Rajan Chhabra & Co.
Chartered Accountants

(Rajan Chhabra)
Proprietor
Membership No . 088276

Place : Faridabad
Date : 27th May, 2010

For and on behalf of the Board of Directors

Vijay Agarwal
Chairman & Managing Director

Subhash C. Verma
Independent Director

P.K. Bansal
Chief Finance Officer

Ashish K. Bhatt
Company Secretary

Sorab Agarwal
Executive Director

Schedules **Annexed** to and forming part of balance sheet as at 31st March, 2010 and profit & loss account for year ended 31st March, 2010

(Rs. in lac)

as at
31st March, 2010 as at
31st March, 2009

SCHEDULE 1 - SHARE CAPITAL

AUTHORISED

10,00,00,000 Equity Shares of Rs. 2/- each	2,000.00	2,000.00
	2,000.00	2,000.00

ISSUED AND SUBSCRIBED

89,885,000 Equity Shares of Rs. 2/- each, fully paid and subscribed	1,797.70	1,797.70
As Per Balance Sheet	1,797.70	1,797.70

SCHEDULE 2 - RESERVES & SURPLUS

a) Revaluation Reserve	144.88	144.88
b) Share Premium	7,044.44	7,044.44
c) General Reserve	6,500.00	5,500.00
d) Profit & Loss Account	1,603.59	1,207.72
As Per Balance Sheet	15,292.91	13,897.04

SCHEDULE 3 - LOAN FUNDS

SECURED LOANS

a) Cash Credit/Working Capital Demand Loans - Banks	363.21	3,088.22
b) Buyers Credit - Banks	2,640.02	795.44
c) For Vehicles - From Pvt Institutions Angst Hypothecation	14.75	30.33
As Per Balance Sheet	3,017.98	3,913.99

Schedules **Annexed** to and forming part of balance sheet as at 31st March, 2010 and profit & loss account for year ended 31st March, 2010

(Rs. in lac)

SCHEDULE 4 - FIXED ASSETS

Particulars	Gross Block			Depreciation				Net Block		
	as at 01.04.2009	Additions	Sales	as at 31.03.2010	up to 01.04.2009	for the Year	Deductions/ Adjustments	Total 31.03.2010	as at 31.03.2010	as at 31.03.2009
TANGIBLE ASSETS										
Land	2,447.24	168.42	-	2,615.66	-	-	-	-	2,615.66	2,447.24
Building - Factory	2,112.33	70.61	-	2,182.94	323.57	163.65	-	487.22	1,695.72	1,788.76
Building - Office	1,621.87	-	-	1,621.87	174.40	72.37	-	246.77	1,375.10	1,447.48
Plant & Machinery	890.29	343.40	27.07	1,206.62	228.17	111.89	7.61	332.45	874.17	662.11
Furniture & Fixtures	245.95	35.16	-	281.11	69.23	34.98	-	104.21	176.90	176.72
Office Equipment	72.66	15.97	-	88.63	25.03	7.43	-	32.46	56.17	47.62
Motor Vehicles	487.14	110.56	24.70	573.00	228.75	77.76	15.66	290.85	282.15	258.40
Computer	137.90	53.00	-	190.90	83.06	34.73	-	117.79	73.11	54.85
INTANGIBLE ASSETS										
Computer Software	37.92	10.60	-	48.52	9.39	13.59	-	22.98	25.54	28.53
Technical Know How	-	44.04	-	44.04	-	8.81	-	8.81	35.23	-
GRAND TOTAL	8,053.30	851.76	51.77	8,853.29	1,141.60	525.21	23.27	1,643.54	7,209.75	6,911.71

(Rs. in lac)

as at
31st March, 2010

as at
31st March, 2009

SCHEDULE 5 - INVESTMENTS

(Long Term, Unquoted, Unless Otherwise Stated)

A) INVESTMENT IN GOVERNMENT SECURITIES

6 - Years National Saving Certificates

0.55

0.50

B) INVESTMENTS IN SUBSIDIARY COMPANY

1000 Equity Shares For Euro 1 each in Frested Ltd. Cyprus

0.58

0.58

999,999 Equity Shares For Rs. 10 each in Action Developers Ltd.

10.00

10.00

Re 1 each paid Up.

C) INVESTMENT IN PARTNERSHIP FIRM

188.82

97.86

As Per Balance Sheet

199.95

108.94

Schedules **Annexed** to and forming part of balance sheet as at 31st March, 2010 and profit & loss account for year ended 31st March, 2010

(Rs. in lac)

as at
31st March, 2010

as at
31st March, 2009

SCHEDULE 6 - CURRENT ASSETS, LOANS & ADVANCES

CURRENT ASSETS

Inventories

(As Verified, Valued And Certified By The Management)

Raw Materials	3,198.05	2,353.62
Work -In-Progress	942.36	1,179.31
Finished Goods	1,492.97	1,553.43
As Per Balance Sheet	5,633.38	5,086.36

Sundry Debtors

(Unsecured, Considered Good Unless Otherwise Stated)

Exceeding Six Months	1,494.33	1,517.31
Others	3,643.43	3,763.31
Less: Provision For Doubtful Debts	21.13	22.14
As Per Balance Sheet	5,116.63	5,258.48

Cash & Bank Balances

(i) Cash In Hand	30.12	19.58
(ii) With Scheduled Banks		
(a) In Current Accounts	25.38	175.34
(b) Margin Money With Banks (Including Accrued Interest)	398.09	59.73
(c) Fixed Deposits (Including Accrued Interest)	1,430.68	908.62
(iii) Bank Balance Lying In IPO Account		
(a) In Current Account	3.83	9.35
(b) Fixed Deposits (Including Accrued Interest)	-	603.88
As Per Balance Sheet	1,888.10	1,776.50

LOANS & ADVANCES

(Unsecured, Considered Good Unless Otherwise Stated)

Advances Recoverable In Cash Or In Kind	7,274.15	5,497.04
Loan To Subsidiary	1,526.36	1,606.78
Advance Income Tax	2,716.91	1,764.70
Advance Fringe Benefit Tax	102.62	72.62
Advance Wealth Tax	5.26	2.83
Tax Deducted At Source	277.20	221.66
As Per Balance Sheet	11,902.50	9,165.63

Schedules **Annexed** to and forming part of balance sheet as at 31st March, 2010 and profit & loss account for year ended 31st March, 2010

	as at 31st March, 2010	(Rs. in lac) as at 31st March, 2009
SCHEDULE 7 - CURRENT LIABILITIES & PROVISIONS		
A) CURRENT LIABILITIES		
Sundry Creditors		
- Trade	4,946.18	3,919.37
- Others	957.92	1,064.72
Other Liabilities	452.90	331.49
Advances From Customers	1,328.78	498.46
As Per Balance Sheet	7,685.78	5,814.04
B) PROVISIONS		
Provision For Income Tax	3,132.16	2,299.32
Provision For Wealth Tax	8.13	5.26
Provision For Fringe Benefit Tax	94.92	94.92
Provision For Dividend On Equity Shares	898.85	359.54
Provision For Tax On Dividend	149.29	61.11
As Per Balance Sheet	4,283.35	2,820.15

	Current Year 2009-10	(Rs. in lac) Previous Year 2008-09
SCHEDULE 8 - OTHER INCOME		
Service Charges Received	212.72	1,152.02
Interest Received	373.43	370.71
Rent Received	56.13	161.63
Misc. Income	0.60	0.60
Profit On Sale Of Assets	4.54	92.19
Duty Draw Back Received	7.42	11.52
Hiring Charges Received	-	12.00
Commission Received	31.92	69.86
As Per Profit & Loss Account	686.76	1,870.53

Schedules **Annexed** to and forming part of balance sheet as at 31st March, 2010 and profit & loss account for year ended 31st March, 2010

(Rs. in lac)

Current Year
2009-10

Previous Year
2008-09

SCHEDULE 9 - RAW MATERIALS CONSUMED

Opening Stock Of Raw Material	2,353.62	2,363.93
Add : Purchases (Including Expenses Thereon - Less Rejection And Returns)	33,110.25	36,133.22
Less : Closing Stock Of Raw Material	3,198.05	2,353.62
As Per Profit & Loss Account	32,265.82	36,143.53

SCHEDULE 10 - (INCREASE)/DECREASE IN WIP & FINISHED GOODS

Opening Stock : Work In Progress	1,179.31	348.86
Finished Goods	1,553.43	637.51
TOTAL	2,732.74	986.37
Closing Stock : Work In Progress	942.36	1,179.31
Finished Goods	1,492.97	1,553.43
TOTAL	2,435.33	2,732.74
As Per Profit & Loss Account	297.41	(1,746.37)

SCHEDULE 11 - MANUFACTURING EXPENSES

Manufacturing Expenses	657.86	660.53
Power & Fuel	156.31	128.66
Repair - Machinery	33.03	19.97
Repair - Building	27.74	11.05
Packing, Forwarding & Freight	1,380.23	1,368.40
As Per Profit & Loss Account	2,255.17	2,188.61

SCHEDULE 12 - EMPLOYEES EXPENSES

Salaries, Wages & Bonus	1,902.46	1,587.12
Contribution To Provident & Other Funds	72.02	59.99
Welfare Expenses	116.23	89.54
As Per Profit & Loss Account	2,090.71	1,736.65

Schedules **Annexed** to and forming part of balance sheet as at 31st March, 2010 and profit & loss account for year ended 31st March, 2010

	Current Year 2009-10	(Rs. in lac) Previous Year 2008-09
SCHEDULE 13 - SELLING & DISTRIBUTION EXPENSES		
Selling Expenses	883.94	693.47
Commission On Sales	344.63	414.87
As Per Profit & Loss Account	1,228.57	1,108.34
SCHEDULE 14 - ADMINISTRATIVE & OTHER EXPENSES		
Rent	51.46	63.46
Rate Fees & Taxes	27.25	28.14
Insurance	46.75	33.54
Traveling & Conveyance	417.65	369.34
Communication Expenses	80.83	83.00
Bank Charges	107.39	101.22
Vehicle Expenses	37.49	33.13
Loss On Foreign Currency Transactions	39.44	233.88
Miscellaneous Expenses	392.79	425.08
As Per Profit & Loss Account	1,201.05	1,370.79
SCHEDULE 15 - INTEREST		
To Banks	254.72	319.41
To Others	3.09	9.27
As Per Profit & Loss Account	257.81	328.68

Schedules **Annexed** to and forming part of balance sheet as at 31st March, 2010 and profit & loss account for year ended 31st March, 2010

SCHEDULE 16 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

(A) SIGNIFICANT ACCOUNTING POLICIES -

1. System of Accounting

The Financial Statement have been prepared to comply with the mandatory Accounting Standards issued by The Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on accrual basis. The accounting policies have been consistently applied by the company unless otherwise stated.

2. Fixed Assets

All Fixed Assets are valued at historical costs less accumulated depreciation. Cost of assets comprise of purchase price and any attributable cost of bringing the asset to its working condition.

3. Depreciation

Depreciation has been provided on WDV method as per rates prescribed by Schedule XIV of the Companies Act, 1956.

4. Investments

Investments are valued at the cost.

5. Inventory Valuation

- (a) Raw Materials and Components are valued at cost.
- (b) Work in Progress is valued at prime cost and includes direct labour & overhead charges.
- (c) Finished goods are valued at works cost/ landed cost and inclusive of Excise Duty & Cess thereon, if any.

6. Foreign Currency Transactions

Foreign Currency Transactions are accounted for on the exchange rate prevailing at the transaction date. Current Assets and Current Liabilities on the date of Balance Sheet are restated at the exchange rates prevailing at that date. Variations

on settlement/restatement are recognised as gain or loss in exchange in Profit & Loss Account.

7. Revenue Recognition

- (a) Sales are recognised at the time of dispatch of Goods from the factory.
- (b) Services are recognised when performed as per contract.

8. Benefits to Employees

(a) Short term Employee Benefit:

All employee benefits payable within twelve months of rendering of the service are classified as short-term benefits. Such benefits include salaries, wages, bonus, short term compensated absences, awards, ex gratia etc. and are recognised in the period in which the employee renders the related service.

(b) Post Employment benefits:

(i) Defined Contribution Plans:

The Company's State government provident fund scheme and employee state insurance scheme are defined contribution plans. The contribution paid/ payable under the scheme is recognised during the period in which the employee renders the related service.

(ii) Defined Benefits Plans:

The employee's gratuity fund scheme, long term compensated absences are company's defined benefit plans. The present value of the obligation under such defined benefit plans is determined based on the actuarial valuation on the date of the balance sheet. Gratuity Liability is funded through a Group Gratuity Scheme with Life Insurance Corporation of India wherein contributions are made and charged to revenue on annual basis.

Schedules **Annexed** to and forming part of balance sheet as at 31st March, 2010 and profit & loss account for year ended 31st March, 2010

9. Accounting for Taxes on Income

Provision for taxation for the year comprises of current taxes and deferred taxes. Current taxes consist of Income Tax/ Wealth Tax payable on current year Income / Wealth. Deferred Tax is calculated for timing differences and has been accounted as per provisions of the Accounting Standard-22 issued by The institute of Chartered Accountants of India.

10. Impairment of Assets

The carrying amount of assets is reviewed at each Balance Sheet date to ascertain Impairment based on Internal/ external factors. An impairment loss is recognised, when the carrying amount of an asset exceed its realisable value. The realisable value is greater of the assets net selling price.

11. Borrowing Costs

Borrowing costs that are attributable to the acquisition, construction of qualifying assets are capitalised as part of cost of such assets upto the date the assets are ready for its intended use. All other borrowing costs are recognised as an expenses in the year in which they are incurred.

12. Expenditure during Construction Period

In case of new projects/substantial expansions of existing factories, expenditure incurred, including trial production expenses net of revenue earned and attributable interest and financing costs prior to commencement of commercial production are capitalized.

13. Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised for liabilities that can be measured only by using a substantial degree of estimation, if

- the Company has a present obligation as a result of a past event;
- a probable outflow of resources is expected to settle the obligation and;
- the amount of obligation can be reliably estimated; Reimbursements expected in respect of expenditure required to settle a provision is recognised only when it is virtually certain that the reimbursement will be received.

Contingent Liability is disclosed in case of

- a present obligation arising from the past event, when it is not probable that an outflow of resources will be required to settle the obligation;
 - a possible obligation, of which the probability of outflow of resources is remote. Contingent Assets are neither recognised nor disclosed.
- Provisions, Contingent Liabilities and Contingent Assets are reviewed at each Balance Sheet date.

(B) OTHER NOTES

- Out of the Funds raised through IPO Rs. 5980 lac, Rs. 5976 lac (see annexure) have been utilized till 31st March, 2010 and balance amount is lying unutilised & will be utilised as per amendments made to "Proposed Deployment of Funds" by the shareholders of the Company in its Annual General Meeting held on 1st August, 2008. The Shareholders of the Company has authorised the Board of Directors to utilise remaining IPO proceeds in the best interest of the Company.
- The Board of Director's, in it's meeting held on 6th Apr'10, has recommended interim dividend for F.Y. 2009-10 @Rs. 1/- per Equity Share of Rs. 2 each (50%).

Schedules **Annexed** to and forming part of balance sheet as at 31st March, 2010 and profit & loss account for year ended 31st March, 2010

3. The Company has separate in-house R & D Centre in the Factory Premises. The status of R & D Expenses during the year is as under:

	(Rs. in lac)
(a) Capital Expenditure	144.26
(b) Revenue Expenditure (incl. salary to R & D Staff & other related expenses)	331.86

4. Miscellaneous Expense to the extent not written off, includes Life Time Club Membership, being amortized over a period of ten years, commencing from 2007-08, in accordance with Accounting Standard 26 issued by The institute of Chartered Accountants of India.

5. In absence of any information requested from the vendors with regards to their registration (filing of Memorandum) under "The Micro, Small and Medium Enterprises Development Act, 2006 (27 of 2006)", liability can not be ascertained at the close of the year and hence no disclosures have been made in this regards.

6. Contingent Liabilities, not provided for:

Particulars	2009-10	2008-09
Bank Guarantees including Corporate Guarantees	571.53	293.80
Letter of Credits	1,382.49	195.33
Claim against the Company, not acknowledge as Debts	185.38	148.43
Sales Tax, Excise & Income Tax Matters, pending before Assessing / Appellate Authorities	107.52	28.33
	2,246.92	665.89

7. Miscellaneous Expenses include Auditor's Remuneration as under:

Audit Fee	2.75	2.75
Taxation Matters	1.36	1.60
TOTAL	4.11	4.35

Schedules **Annexed** to and forming part of balance sheet as at 31st March, 2010 and profit & loss account for year ended 31st March, 2010

8. Remuneration paid to Whole-time Directors:

(Rs. in lac)

S. No.	Names of the Directors	Salary & Allowances	Contribution to PF, Gratuity and Other Funds	Other benefits and perquisites	Excess remuneration, since refunded	TOTAL
1.	Sh. Vijay Agarwal, Chairman & Managing Director	189.00		15.40	-	204.40
2.	Smt. Mona Agarwal, Whole-time Director	126.00	-	9.74	-	135.74
3.	Sh. Sorab Agarwal, Executive Director	33.60	-	2.40	-	36.00
4.	Sh. Vijay Kumar Singh, Whole-time Director	5.19	0.05	0.41	-	5.65
	TOTAL	353.79	0.05	27.95	-	381.79

9. Calculation of Net Profit u/s 349 of the Companies Act, 1956:

(Rs. in lac)

Particulars

2009-10

Net Profit as per Profit and Loss A/c

Add: Whole-time Director's Remuneration

Add: Loss on Sale of Assets

Less: Profit on Sale of Assets

Less: Interest on Fixed Deposits from Bank on IPO Proceeds

Net Profit on which Director's remuneration is payable

	3,277.05
381.79	
0.22	382.01
	3,659.06
4.54	
0.75	5.29
	3,653.77

Schedules **Annexed** to and forming part of balance sheet as at 31st March, 2010 and profit & loss account for year ended 31st March, 2010

10. Calculation for Deferred tax:

Particulars	2009-10	(Rs. in lac) 2008-09
The breakup of net Deferred Tax Liabilities/(Assets) as on March 31, 2010 are as under-		
Deferred tax Liabilities on account of: -		
Difference between book and tax depreciation		
- Depreciation as per Income Tax	507.30	478.44
- Depreciation as per Co's Act	525.21	573.90
	(17.91)	(95.46)
- 1/5th of IPO Expenses - u/s 35D 2 (c) iv (as per Income Tax)	75.86	75.86
Total Deferred tax Liabilities-	57.95	(19.60)
Deferred tax Assets-		
Expenditure disallowable under Section 43B & others	65.80	45.26
Total Deferred tax Assets-	65.80	45.26
Net Deferred Tax (Assets)/Liabilities	(7.85)	(64.86)

11. Segment Reporting in terms of Accounting Standard -17 - issued by The Institute of Chartered Accountants of India. Information about the primary business segments of the Company:

Sr. No	Particulars	Accounting Year ended 31-3-2010	Previous Accounting Year ended 31-3-2009
1.	Segment Revenue		
	A) Cranes	29,486.39	36,930.85
	B) Material Handling/Construction Equipment	5,346.64	4,085.71
	C) Tractor	7,879.01	1,833.63
	TOTAL	42,712.04	42,850.19
	Less: Inter Segment Revenue	-	-
	Net Sales / Income from Operations	42,712.04	42,850.19
2.	Segment Results		
	A) Cranes	3,122.63	3,734.75
	B) Material Handling/Construction Equipment	187.62	160.12
	C) Tractor	680.16	(288.46)
	TOTAL	3,990.41	3,606.41
	Less: Interest	257.81	328.68
	Less- Other Unallocable Expenditure	455.55	261.14
	Profit Before Tax	3,277.05	3,016.59
3.	Capital Employed		
	A) Cranes	14,919.34	14,797.18
	B) Material Handling/Construction Equipment	5,019.78	4,411.92
	C) Tractor	17.49	246.64
	TOTAL	19,956.61	19,455.74

Schedules **Annexed** to and forming part of balance sheet as at 31st March, 2010 and profit & loss account for year ended 31st March, 2010

12. As per Accounting Standard 18, "Related Party Disclosure" issued by The Institute of Chartered Accountants of India, the disclosures of transactions with the Related Parties as defined in the Accounting Standard are given below-

a. Associate Companies / Entities-

ACE Steelfab Pvt. Ltd.
ACE TC Rentals Pvt. Ltd.
Namo Metals

b. Subsidiary Companies.

FRESTED Limited, Cyprus
Wholly Owned Subsidiary
SC FORMA SA, Romania

Fellow Subsidiary

Action Developers Ltd., India

Wholly Owned Subsidiary

c. Key Management Personnel-

Sh. Vijay Agarwal
Smt. Mona Agarwal
Sh. Sorab Agarwal
Sh. V K Singh

d. Relatives of Key Management Personnel and Enterprises, over which Relatives of Key Management Personnel exercise significant influence-

Smt. Surbhi Garg

e. Related Party Transactions-

(Rs. in lac)

Nature of Transaction	Period	Associates Companies/Firm			Subsidiary Companies			Key Management Personnel	Total
		ACE Steelfab Pvt Ltd	ACE TC Rentals Pvt Ltd.	Namo Metals	FRESTED Ltd, CYPRUS	SC FORMA SA, Romania	Action Developers Ltd.		
Purchase of Goods	2009-10	5,425.28	-	-	-	36.24	-	-	5,461.52
	2008-09	5,162.63	-	-	-	-	-	-	5,162.63
Sales of Goods	2009-10	236.09	391.50	-	-	-	-	-	627.59
	2008-09	514.54	284.00	-	-	92.99	-	-	891.53
Remuneration Paid	2009-10	-	-	-	-	-	-	381.79	381.79
	2008-09	-	-	-	-	-	-	313.71	313.71
Licence Fee Paid	2009-10	-	-	-	-	-	-	35.77	35.77
	2008-09	-	-	-	-	-	-	32.88	32.88
Rent Received	2009-10	2.40	0.60	-	-	-	-	-	3.00
	2008-09	2.40	0.60	-	-	-	-	-	3.00
Interest Received	2009-10	77.50	-	18.52	125.81	-	-	-	221.83
	2008-09	70.96	7.59	7.68	144.34	-	-	-	230.57
Investment in Equity	2009-10	-	-	-	-	-	-	-	-
	2008-09	-	-	-	-	-	10.00	-	10.00
Loan to Subsidiary	2009-10	-	-	-	(206.24)	-	-	-	(206.24)
	2008-09	-	-	-	215.34	-	-	-	215.34

Schedules **Annexed** to and forming part of balance sheet as at 31st March, 2010 and profit & loss account for year ended 31st March, 2010

13. Disclosure as required by Clause 32 of the Listing Agreement :

(Rs. in lac)

Particulars	2009-10	2008-09	2009-10	2008-09
	Amount at the end of Financial Year		Maximum amount outstanding during the Financial Year	
1. Loan and advances in the nature of loans:				
a. To Subsidiary Companies-				
FRESTED LIMITED, CYPRUS	1,526.35	1,606.78	1,526.35	1,606.78
SC FORMA SA, ROMANIA	-	-		
ACTION DEVELOPERS LTD, INDIA	-	-		
b. To Companies in which Directors are interested	FRESTED LIMITED, CYPRUS			
c. Where there is no repayment schedule or repayment beyond seven years or no interest or interest below Section 372A of Companies Act, 1956	Repayment of Loan would be in nine installments from 31st March 2011, @11% p.a. interest			
2. Investment by the Subsidiary Companies in the shares of Action Construction Equipment Ltd.	NIL		NIL	

14. The Company has entered into agreements in the nature of Lease/ Leave and Licence agreement with different Lessors/ Licensors for the purpose of establishment of office premises/ residential accomodations. These are generally in nature of operating Lease/leave and Licence and disclosure required as per Accounting Standard-19 issued by The institute of Chartered Accountants of India with regard to the above is as under-

- (a) Payment under Lease/Leave and License for period:
1. Not later than 1 year Rs. 6.51 lac
 2. Later than 1 year, but not later than 5 years Rs.4.65 lac.
- (b) There are no transactions in the nature of Sub Lease.
- (c) Payments recognised in the profit and Loss Account for the year ended 31st March, 2010 is Rs.51.46 lac.

Schedules **Annexed** to and forming part of balance sheet as at 31st March, 2010 and profit & loss account for year ended 31st March, 2010

**15. Disclosure pursuant to Accounting Standard -15 (Revised),
issued by The Institute of Chartered Accountants of India
Employee Benefits:**

(Rs. in lac)

	2009-10	2008-09
A. Expenses recongnised in P & L Account		
a) Current Service Cost	18.55	11.37
b) Interest Cost	-	-
c) Employee Contribution	-	-
d) Actuarial (Gain)/Loss	43.97	3.76
e) Past Service Cost	-	-
g) Settlement Cost	(4.80)	-
Total Expenses, debited to P & L Account	57.72	15.13
B. Net Asset/(Liability) recognised in the Balance Sheet as at 31st March, 2010-		
a) Present Value of defined Benefit Obligation at the end of the year	60.23	41.58
b) Fair Market Value of Plan Assets with LIC at the end of the year	67.33	41.58
Net Asset/(Liability)	7.10	-
C. Change in the obligation during the year-		
a) Present Value of Defined benefit obligation at the beginning of the year	41.58	26.30
b) Current Service Cost	18.55	11.37
c) Interest Cost	-	2.37
d) Settlement Cost	-	-
e) Actuarial (Gain)/Loss	1.39	3.76
f) Benefit Payment	(1.29)	(2.23)
g) Present Value of Defined benefit obligation at the end of the year	60.23	41.58

Schedules **Annexed** to and forming part of balance sheet as at 31st March, 2010 and profit & loss account for year ended 31st March, 2010

15. Disclosure pursuant to Accounting Standard -15 (Revised), issued by The Institute of Chartered Accountants of India Employee Benefits: (Contd.)

(Rs. in lac)

	2009-10	2008-09
D) Change in the Assets during the year ended March 31, 2010-		
a) Plan assets at the beginning of the year	41.58	26.30
b) Actuarial (Gain)/Loss	(1.00)	3.76
c) Contribution	23.23	11.37
d) Benefit Payment	(1.29)	(2.23)
e) Return on the Plan Assets	4.81	2.37
f) Plan assets at the end of the year	67.33	41.58

E) Actuarial Assumption-

a) Discounted Rate	8.50% p.a.
b) Mortality Rate	LIC (1994-1996) Ultimate
c) Withdrawal rate	1% to 3% depending on Age.
d) Salary Escalation	10%
e) Retirement Age	58

Liability in respect of unavailed privilege leave was hitherto valued at the salary rates prevailing on the balance sheet date. During the year, the company has valued the compensated absences, specified in AS 15 (Revised) on actuarial basis. Further para 132 of AS 15 (Revised 2005) does not require any specific disclosure except where the expense resulting from compensated

absences is of such size, nature of incidence that its disclosure is relevant under other accounting standards. In the opinion of the management, the expense resulting from compensated absences is not significant and hence no disclosures are prepared under various paragraphs of AS 15 (Revised 2005).

16. CIF Value of Imports:

(Rs. in lac)

	2009-10	2008-09
Raw Materials, Spare Parts & Finished Products	7,278.45	14,017.35

Schedules **Annexed** to and forming part of balance sheet as at 31st March, 2010 and profit & loss account for year ended 31st March, 2010

17. I) Capacity & Production:

	Unit	Licensed Capacity		Installed Capacity		Production-No. of Equipment	
		Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
a) Cranes	Nos.	N.A	N.A	N.A	N.A	2811	2666
b) Material Handling / Construction Equipment	Nos.	N.A	N.A	N.A	N.A	536	424
c) Tractor	Nos.	N.A	N.A	N.A	N.A	2569	627
TOTAL						5916	3717

II) Turnover:

	Current Year		Previous Year	
	Qty. in Unit	Rs.in lac	Qty. in Unit	Rs.in lac
a) Cranes	2828	29,474.42	2826	35,662.14
b) Material Handling / Construction Equipment	537	5,358.61	440	4,216.02
c) Tractor	2562	7,879.01	622	2,972.03
d) Excise Duty		1,071.38		1,933.31
TOTAL VALUE	5927	43,783.42	3888	44,783.50

18. Details of Raw Material consumed:

S. No.	Items	Quantity in units		(Rs. in lac) Value	
		Current Year	Previous Year	Current Year	Previous Year
1	Engine	5593	3308	3848.56	2,653.76
2	Others	-	-	28,417.26	33,489.77
	TOTAL			32,265.82	36,143.53

Schedules **Annexed** to and forming part of balance sheet as at 31st March, 2010 and profit & loss account for year ended 31st March, 2010

19. Earning in Foreign Exchange:

	2009-10	(Rs. in lac) 2008-09
Export of Goods (F.O.B. Value)	420.99	1,315.51

20. Expenditure in Foreign Currency:

Foreign Traveling Expenses	45.39	61.00
Club Membership Fees	0.78	0.34
Exhibition Expenses	-	6.22
Sales Promotion	0.38	-
Freight payment	55.56	-
Commission on Sale	1.15	-
Technical Knowhow	39.62	-
TOTAL	142.88	67.56

21. Value of Imported Material Consumed:

	Imported value	%	Indigenous value	%	(Rs. in lac) Total Value
Current Year	7,175.61	22.24%	25,090.21	77.76%	32,265.82
Previous Year	12,980.92	35.91%	23,162.61	64.09%	36,143.53

22. Earning Per Share (Basic & Diluted):

Particulars	2009-10	(Rs. in lac) 2008-09
Opening no. of shares of Rs. 2 each	89,885,000	89,885,000
Closing no. of shares of Rs. 2 each	89,885,000	89,885,000
Weighted average no. of Equity Shares of Rs. 2 each (Basic & Diluted)	89,885,000	89,885,000
Profit After Tax - (Rs. In lac)	2,444.01	2,273.44
EPS (In Rupees)- Basic & Diluted	2.72	2.53

Schedules **Annexed** to and forming part of balance sheet as at 31st March, 2010 and profit & loss account for year ended 31st March, 2010

- 23.** All Credit Facilities from Banks are secured by way of hypothecation of the Company's entire stocks of raw materials, semi-finished and finished goods, consumable stores and spares and such other movable including book-debts, bills whether documentary or clean, outstanding monies, receivables, both present & future and Plant & Machinery on pari passu basis and First charge by way of equitable mortgage of property situated at Jajru Road. 25th Mile Stone, Delhi Mathura Road, Ballabhgarh, Haryana on pari passu basis.
- 24.** Balance of some of Sundry Debtors, Sundry Creditors and Loans & Advances are subject to confirmation and reconciliation by the parties and

adjustment, if any, required on reconciliation, will be done in the year in which the same is reconciled. Further, Management does not expect any material difference in the financial Statements for the year.

- 25.** The Cash Flow Statement has been prepared under the "Indirect Method" set out in Accounting Standard (AS-3) issued by The Institute of Chartered Accountants of India.
- 26.** Previous years figures have been regrouped to make them comparable with current year figures wherever necessary.
- 27.** Schedules 1 to 16 form integral part of the accounts and are duly authenticated.

As per our Report appended to the Balance Sheet
For Rajan Chhabra & Co.
Chartered Accountants

Rajan Chhabra
Proprietor
Membership No . 088276

Place : Faridabad
Date : 27th May, 2010

For and on behalf of the Board of Directors

Vijay Agarwal
Chairman & Managing Director

Subhash C. Verma
Independent Director

P.K. Bansal
Chief Finance Officer

Ashish K Bhatt
Company Secretary

Sorab Agarwal
Executive Director

ANNEXURE

Details of monies utilized out of funds raised through IPO of the Company as per Schedule - 16, (B) -Other Notes - 1 :-

Sr. No.	Particulars	2009-10
1	New Manufacturing Plants	1,716.47
2	Modernise and Expansion	135.16
3	Acquisition	929.00
4	Working Capital	2,259.32
5	Corporate Office	532.56
6	Issue Expenses	403.67
	TOTAL	5,976.18

Financial Statements (Consolidated)



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Auditors' Report

TO THE BOARD OF DIRECTORS OF ACTION CONSTRUCTION EQUIPMENT LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF ACTION CONSTRUCTION EQUIPMENT LIMITED AND ITS SUBSIDIARIES-

We have examined the attached Consolidated Balance Sheet of Action Construction Equipment Limited and its Subsidiaries as at 31st March 2010, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date. These Financial Statements are the responsibility of the Action Construction Equipment Limited's management. Our responsibility is to express an opinion on these Financial Statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework generally accepted in India and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of subsidiaries, namely FRESTED LIMITED, Cyprus and SC FORMA SA, Romania, whose Financial Statements reflect net total assets of Rs. -1121.94 lac as at 31st March, 2010 and total revenue of Rs. 57.08 lac for the year ended on that date. These Financial Statements have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiaries, is based solely on the report of the other auditors.

We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard - 21, viz, "CONSOLIDATED FINANCIAL STATEMENTS" and Accounting Standard - 23, viz, "ACCOUNTING FOR INVESTMENTS IN ASSOCIATES" issued by The Institute of Chartered Accountants of India, on the basis of the separate audited financial statements of Action Construction Equipment Limited and its subsidiaries included in the Consolidated Financial Statements.

In our opinion and to the best of our information and according to explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of Action Construction Equipment Limited and its subsidiaries, the said Consolidated Financial Statements read together with the accounting policies and notes thereon give a true and fair view in conformity with the accounting principles generally accepted in India:

1. In the case of the Consolidated Balance Sheet, of the state of affairs of Action Construction Equipment Limited and its subsidiaries as at 31st March 2010;
2. In the case of the Consolidated Profit and Loss Account, of the profit for the year ended on that date; and
3. In the case of the Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

For Rajan Chhabra & Co.
Chartered Accountants

(Rajan Chhabra)
Proprietor
Membership No.088276

Place: Faridabad
Dated: 27th May, 2010

Balance Sheet as at 31st March, 2010 (Consolidated)

	Schedules Annexed	as at 31st March, 2010	(Rs. in lac) as at 31st March, 2009
SOURCES OF FUNDS			
SHAREHOLDERS FUNDS			
Share Capital	1	1,797.70	1,797.70
Reserves & Surplus	2	14,115.31	12,516.74
Minority Interest		29.42	34.20
LOAN FUNDS			
Secured Loans	3	3,017.98	3,913.99
DEFERRED TAX LIABILITIES			
		75.08	77.74
		-	-
		-	-
TOTAL		19,035.49	18,340.37
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	4	11,367.30	10,558.92
Less: Depreciation		3,431.59	3,119.42
Net Block		7,935.71	7,439.50
Capital/Building Work In Progress		301.64	119.97
INVESTMENTS			
	5	0.55	0.50
Current Assets, Loan And Advances			
	6		
Inventories		5,966.43	5,460.31
Sundry Debtors		5,120.54	5,204.36
Cash & Bank Balances		1,958.47	1,858.22
Loans & Advances		10,382.51	7,592.64
		23,427.95	20,115.53
LESS : CURRENT LIABILITIES & PROVISIONS			
	7		
Current Liabilities		8,366.47	6,536.43
Provisions		4,283.35	2,820.15
		12,649.82	9,356.58
Net Current Assets		10,778.13	10,758.95
Miscellaneous Expenditure (To The Extent Not Written Off Or Adjusted)		19.46	21.45
TOTAL		19,035.49	18,340.37

As per our Report appended to the Balance Sheet
For Rajan Chhabra & Co.
Chartered Accountants

(Rajan Chhabra)
Proprietor
Membership No . 088276

Place : Faridabad
Date : 27th May, 2010

For and on behalf of the Board of Directors

Vijay Agarwal
Chairman & Managing Director

Subhash C. Verma
Independent Director

P.K. Bansal
Chief Finance Officer

Ashish K Bhatt
Company Secretary

Sorab Agarwal
Executive Director

Profit & Loss Account for the year ended 31st March, 2010 (Consolidated)

	Schedules Annexed	Current year 2009-10	(Rs. in lac) Previous year 2008-09
INCOME			
Gross Sales		43,817.03	44,747.72
Less: Excise Duty		1,071.38	1,933.31
Net Sales		42,745.65	42,814.41
Other Income	8	565.90	1,713.81
TOTAL INCOME		43,311.55	44,528.22
EXPENDITURE			
Raw Materials Consumed	9	32,444.76	36,192.94
(Increase)/Decrease In Stock	10	111.43	(1,839.36)
Manufacturing Expenses	11	2,261.28	2,197.25
Employees Expenses	12	2,117.91	1,786.43
Selling & Distribution Expenses	13	1,229.54	1,109.38
Administrative & Other Expenses	14	1,297.63	1,543.59
Interest	15	257.81	347.76
Depreciation	4	531.11	580.36
TOTAL EXPENDITURE		40,251.47	41,918.35
Profit Before Tax		3,060.08	2,609.87
Provision For Income Tax		833.67	722.71
Provision For Wealth Tax		2.87	2.43
Provision For Deferred Taxation		(2.67)	(22.05)
Provision For Fringe Benefit Tax		-	40.06
Profit After Tax, Before Minority Interest		2,226.21	1,866.72
Minority Interest		129.77	122.57
Balance Brought Forward		(262.52)	445.24
Translation On Opening Balance In Respect Of Foreign Subsidiaries		(0.52)	(276.40)
Profit Available For Appropriation		2,092.94	2,158.13
Transferred To General Reserve		1,000.00	2,000.00
Dividend		898.85	359.54
Tax On Dividend		149.29	61.11
Balance Carried To Balance Sheet		44.80	(262.52)
Earnings Per Share (Rs.) Basic & Diluted		2.48	2.08

As per our Report appended to the Balance Sheet
For Rajan Chhabra & Co.
Chartered Accountants

(Rajan Chhabra)
Proprietor
Membership No . 088276

Place : Faridabad
Date : 27th May, 2010

P.K. Bansal
Chief Finance Officer

For and on behalf of the Board of Directors

Vijay Agarwal
Chairman & Managing Director

Subhash C. Verma
Independent Director

Ashish K Bhatt
Company Secretary

Sorab Agarwal
Executive Director

Cash Flow Statement (Consolidated)

	as at 31st March, 2010	(Rs. in lac) as at 31st March, 2009
A. Cash Flow From Operating Activities :		
NET PROFIT AFTER TAX AS PER PROFIT AND LOSS ACCOUNT	2,226.21	1,866.72
Adjustments For :		
Interest Expenses	257.81	347.76
Depreciation	531.11	580.36
Interest Received	(229.27)	(218.74)
Profit On Sale Of Fixed Assets	(26.16)	(92.19)
Loss On Sale Of Fixed Assets	0.22	0.83
Provision For Income Tax	833.67	722.71
Provision For Wealth Tax	2.87	2.43
Provision For Deferred Tax	(2.67)	(22.05)
Provision For Fringe Benefit Tax	-	40.06
Exchange Difference On Translation	431.33	(150.18)
Misc. Exp. Written Off	1.99	(0.44)
Operating Profit Before Working Capital Changes	4,027.11	3,077.27
Adjustments For :		
Trade & Other Receivable	83.82	195.98
Inventories	(506.12)	(1,769.94)
Trade Payable	1,830.04	514.50
Loans & Advances	(1,749.69)	(1,476.80)
Provision Of Income Tax & Wealth Tax For Earlier Year	-	(712.26)
Adjusted	(341.95)	(3,248.52)
Cash Generated From Operations	3,685.16	(171.25)
Direct Tax Paid	(1,040.18)	(294.21)
Net Cash From Operating Activities	2,644.98	(465.46)
B. Cash Flow From Investment Activities :		
Purchase Of Fixed Assets (Including Capital\Building Work In Progress)	(1,249.14)	(1,338.78)
Sale Of Fixed Assets	54.44	316.77
Investments	(0.05)	40.82
Interest Received	229.27	218.74
Change In Minority Interest	(4.78)	(4.97)
Net Cash From Investing Activities	(970.26)	(767.42)
C. Cash Flow From Financing Activities :		
Proceeds From Secured Loans	(896.02)	1,712.49
Interest Paid	(257.81)	(347.76)
Dividend & Tax Thereon	(420.64)	(420.64)
Net Cash From Financing Activities	(1,574.47)	944.09
Net Increase In Cash & Cash Equivalents (A+B+C)	100.25	(288.79)
Opening Balance Of Cash & Cash Equivalents	1,858.22	2,147.01
Closing Balance Of Cash & Cash Equivalents	1,958.47	1,858.22

As per our Report appended to the Balance Sheet
For Rajan Chhabra & Co.
Chartered Accountants

(Rajan Chhabra)
Proprietor
Membership No . 088276

Place : Faridabad
Date : 27th May, 2010

For and on behalf of the Board of Directors

Vijay Agarwal
Chairman & Managing Director

Subhash C. Verma
Independent Director

P.K. Bansal
Chief Finance Officer

Ashish K Bhatt
Company Secretary

Sorab Agarwal
Executive Director

Schedules **Annexed** to and forming part of Consolidated balance sheet as at 31st March, 2010 and profit & loss account for year ended 31st March, 2010

(Rs. in lac)

Particulars	as at 31st March, 2010	as at 31st March, 2009
SCHEDULE 1 - SHARE CAPITAL		
AUTHORISED		
10,00,00,000 Equity Shares of rs. 2/- each	2,000.00	2,000.00
	2,000.00	2,000.00
ISSUED AND SUBSCRIBED		
89,885,000 Equity Shares of Rs. 2/- each, fully paid and subscribed	1,797.70	1,797.70
As Per Balance Sheet	1,797.70	1,797.70
SCHEDULE 2 - RESERVES & SURPLUS		
a) Revaluation Reserve	442.80	234.82
b) Share Premium	7,044.44	7,044.44
c) General Reserve	6,583.27	5,500.00
d) Profit & Loss Account	44.80	(262.52)
As Per Balance Sheet	14,115.31	12,516.74
SCHEDULE 3 - LOAN FUNDS		
SECURED LOANS		
a) Cash Credit/Working Capital Demand Loans - Banks	363.21	3,088.22
b) Buyer Credit - Banks	2,640.02	795.44
c) For Vehicles - From Pvt. Institutions Against Hypothecation	14.75	30.33
As Per Balance Sheet	3,017.98	3,913.99

Schedules **Annexed** to and forming part of Consolidated balance sheet as at 31st March, 2010 and profit & loss account for year ended 31st March, 2010

(Rs. in lac)

SCHEDULE 4 - FIXED ASSETS

Gross Block				Depreciation				Net Block		
Particulars	as at 01.04.2009	Additions	Sales	as at 31.03.2010	Up To 01.04.2009	For The Year	Deductions/ Adjustments	Total 31.03.2010	as at 31.03.2010	as at 31.03.2009
TANGIBLE ASSETS										
Land	2,635.06	168.42	-	2,803.48	-	-	-	-	2,803.48	2,427.26
Building-Factory	3,389.65	286.32	-	3,675.97	1,535.06	164.81	-	1,699.87	1,976.10	2,052.91
Building-Office	1,638.81	-	-	1,638.81	191.34	72.37	-	263.71	1,375.10	1,465.62
Plant and Machinery	1,479.05	343.40	50.46	1,771.99	789.14	116.11	31.00	874.25	897.74	694.52
Furniture and Fixture	246.09	35.16	-	281.25	69.32	35.03	-	104.35	176.90	176.72
Office Equipment	72.66	15.97	-	88.63	25.03	7.43	-	32.46	56.17	47.62
Motor Vehicals	503.23	110.56	27.29	586.50	244.84	77.76	18.25	304.35	282.15	258.40
Computer	144.58	53.00	-	197.58	85.61	35.20	-	120.81	76.77	57.39
INTANGIBLE ASSETS										
Computer Software	37.92	10.60	-	48.52	9.39	13.59	-	22.98	25.54	28.53
Technical Know How	-	44.04	-	44.04	-	8.81	-	8.81	35.23	-
Goodwill	230.53	-	-	230.53	-	-	-	-	230.53	230.53
TOTAL	10,377.58	1,067.47	77.75	11,367.30	2,949.73	531.11	49.25	3,431.59	7,935.71	7,439.50

Rs. in lac

Particulars	as at 31st March, 2010	as at 31st March, 2009
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SCHEDULE 5 - INVESTMENTS

(Long Term, Unquoted, Unless Otherwise Stated)

A) Investment In Government Securities

6 - Years National Saving Certificates

As Per Balance Sheet

0.55

0.50

0.55

0.50

Schedules **Annexed** to and forming part of Consolidated balance sheet as at 31st March, 2010 and profit & loss account for year ended 31st March, 2010

(Rs. in lac)

as at
31st March, 2010 as at
31st March, 2009

SCHEDULE 6 - CURRENT ASSETS, LOANS & ADVANCES

CURRENT ASSETS

Inventories

(As Verified, Valued And Certified By The Management)

Raw Materials	3,438.11	2,634.58
Work -In-Progress	942.36	1,179.31
Finished Goods	1,585.96	1,646.42
As Per Balance Sheet	5,966.43	5,460.31

Sundry Debtors

(Unsecured, Considered Good Unless Otherwise Stated)

Exceeding Six Months	1,494.51	1,550.43
Others	3,647.16	3,676.07
Less: Provision For Doubtful Debts	21.13	22.14
As Per Balance Sheet	5,120.54	5,204.36

Cash & Bank Balances

(i) Cash In Hand	32.24	19.69
(ii) With Scheduled Banks	-	-
(a) In Current Accounts	93.63	256.95
(b) Margin Money With Banks (Including Accrued Interest)	398.09	59.73
(c) Fixed Deposits (Including Accrued Interest)	1,430.68	908.62
(iii) Bank Balance Lying In Ipo Account	-	-
(a) In Current Account	3.83	9.35
(b) Fixed Deposits (Including Accrued Interest)	-	603.88
As Per Balance Sheet	1,958.47	1,858.22

LOANS & ADVANCES

(Unsecured, Considered Good Unless Otherwise Stated)

Advances Recoverable In Cash Or In Kind	7,280.52	5,530.83
Advance Taxes & Tax Deducted At Source		
Advance Income Tax	2,716.91	1,764.70
Advance Fringe Benefit Tax	102.62	72.62
Advance Wealth Tax	5.26	2.83
Tax Deducted At Source - Certificates	277.20	221.66
As Per Balance Sheet	10,382.51	7,592.64

Schedules **Annexed** to and forming part of Consolidated balance sheet as at 31st March, 2010 and profit & loss account for year ended 31st March, 2010

	as at 31st March, 2010	(Rs. in lac) as at 31st March, 2009
SCHEDULE 7 - CURRENT LIABILITIES & PROVISIONS		
A) CURRENT LIABILITIES		
Sundry Creditors		
- Trade	5,451.42	4,363.41
- Others	1,115.98	1,308.38
Other Liabilities	470.29	366.18
Advances From Customers	1,328.78	498.46
As Per Balance Sheet	8,366.47	6,536.43
B) Provisions		
Provision For Income Tax	3,132.16	2,299.32
Provision For Wealth Tax	8.13	5.26
Provision For Fringe Benefit Tax	94.92	94.92
Provision For Dividend On Equity Shares	898.85	359.54
Provision For Tax On Dividend	149.29	61.11
As Per Balance Sheet	4,283.35	2,820.15

	Current Year 2009-10	(Rs. in lac) Previous Year 2008-09
SCHEDULE 8 - OTHER INCOME		
Service Charges Received	212.72	1,152.02
Interest Received	229.27	218.74
Rent Received	56.13	161.63
Misc. Income	2.28	(4.21)
Profit On Sale Of Assets	26.16	92.19
Commission Received	31.92	69.86
Duty Draw Back Received	7.42	11.52
Hiring Charges Received	-	12.00
Profit On Foreign Currency Transactions	-	0.06
As Per Profit & Loss Account	565.90	1,713.81

Schedules **Annexed** to and forming part of Consolidated balance sheet as at 31st March, 2010 and profit & loss account for year ended 31st March, 2010

(Rs. in lac)

Current Year
2009-10

Previous Year
2008-09

SCHEDULE 9 - RAW MATERIALS CONSUMED

Opening Stock Of Raw Material	2,634.58	2,704.00
Add : Purchases Of Raw Materials (Including Expenses- Thereon, Less Rejection And Returns)	33,248.29	36,123.52
Less : Closing Stock Of Raw Material	3,438.11	2,634.58
As Per Profit & Loss Account	32,444.76	36,192.94

SCHEDULE 10 - (INCREASE)/DECREASE IN WIP & FINISHED GOODS

Opening Stock : Work In Progress	1,179.31	348.86
Finished Goods	1,646.42	637.51
	2,825.73	986.37
Closing Stock : Work In Progress	942.36	1,179.31
Finished Goods	1,771.94	1,646.42
	2,714.30	2,825.73
AS PER PROFIT & LOSS ACCOUNT	111.43	(1,839.36)

SCHEDULE 11 - MANUFACTURING EXPENSES

Manufacturing Expenses	657.86	660.53
Power & Fuel	162.42	137.30
Repair - Machinery	33.03	19.97
Repair - Building	27.74	11.05
Packing, Forwarding & Freight	1,380.23	1,368.40
AS PER PROFIT & LOSS ACCOUNT	2,261.28	2,197.25

SCHEDULE 12 - EMPLOYEES EXPENSES

Salaries, Wages & Bonus	1,923.13	1,622.71
Contribution To Provident & Other Funds	78.55	74.18
Welfare Expenses	116.23	89.54
As Per Profit & Loss Account	2,117.91	1,786.43

Schedules **Annexed** to and forming part of Consolidated balance sheet as at 31st March, 2010 and profit & loss account for year ended 31st March, 2010

	(Rs. in lac)	
	Current Year 2009-10	Previous Year 2008-09
SCHEDULE 13 - SELLING & DISTRIBUTION EXPENSES		
Selling Expenses	884.91	694.51
Commission On Sale	344.63	414.87
As Per Profit & Loss Account	1,229.54	1,109.38
SCHEDULE 14 - ADMINISTRATIVE & OTHER EXPENSES		
Rent	53.96	67.19
Rate Fees & Taxes	27.25	52.38
Insurance	46.75	33.59
Travelling & Conveyance	417.99	374.00
Communication Expenses	83.69	88.02
Bank Charges	107.93	101.53
Vehicle Expenses	38.54	33.13
Loss On Foreign Currency Transactions	39.57	235.60
Penalties To State Budget & Others	17.36	25.05
Miscellaneous Expenses	464.59	533.10
As Per Profit & Loss Account	1,297.63	1,543.59
SCHEDULE 15 - INTEREST		
To Banks	254.72	338.49
To Others	3.09	9.27
As Per Profit & Loss Account	257.81	347.76

Schedules **Annexed** to and forming part of Consolidated balance sheet as at 31st March, 2010 and profit & loss account for year ended 31st March, 2010

SCHEDULE 16 - NOTES ON ACCOUNTS

(A) BACKGROUND

Action Construction Equipment Limited (Company) was incorporated at New Delhi (India) on 13th January, 1995, to manufacture, supply of Hydraulic Mobile Cranes, Mobile Tower Cranes, Material Handling and Construction Equipment.

The Company concluded its Initial Public Offer (IPO) in September 2006 and its Equity Shares listed at Bombay Stock Exchange Ltd. and National Stock Exchange of India Ltd. on 26th September 2006. The IPO comprised of 46,00,000 Equity Shares of face value of Rs. 10 each allotted at a premium of Rs. 120 per share and on 24th March, 2008, the Company has sub-divided its Shares from face value of Rs. 10 each to Rs. 2 each.

In December 2006, the Company has incorporated its wholly owned subsidiary (WOS) in CYPRUS in the name of FRESTED LIMITED, for overseas Investments. The Company has acquired 73.90% stake in SC FORMA SA, a Romanian Company through its wholly owned subsidiary (WOS), FRESTED LIMITED, Cyprus, in the line of its "Object of the Issue" mentioned in the Prospectus of its IPO. The Company, further, acquired 15.60% stake in SC FORMA SA, Romania in the year 2007-08, increasing the total stake to 89.50%.

In May 2008, the company has incorporated a wholly owned Subsidiary, namely Action Developers Ltd.

(B) STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting:

The Financial Statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by The Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention and on accrual basis.

2. Principles of Consolidation:

The Consolidated Financial Statements (CFS) relate to Action Construction Equipment Limited (hereinafter referred as the "Company") and its Subsidiaries, Fellow Subsidiary Company and Partnership Firm. The Consolidated Financial Statements have been prepared in accordance with applicable Accounting Standards on the following basis:

- (a) The Financial Statements of the Company and its Subsidiary Companies, are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses in accordance with Accounting Standard - 21 "Consolidated Financial Statement" (CFS) and Accounting Standard - 23 "Accounting for Investments in Associates in Consolidated Financial Statements", issued by The Institute of Chartered Accountants of India.
- (b) The Consolidated Financial Statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate Financial Statements except as otherwise disclosed in the Notes to Accounts.
- (c) The excess of cost to the Company of its investment in the Subsidiary Company is recognised in the financial statements as Goodwill, which is tested for impairment on every balance sheet date. The excess of Company's share of equity and reserves of the Subsidiary Company over the cost of acquisition is treated as Capital Reserve.
- (d) The Consolidated Financial Statements are prepared in Indian Rupees, which is the

Schedules **Annexed** to and forming part of Consolidated balance sheet as at 31st March, 2010 and profit & loss account for year ended 31st March, 2010

functional currency for Action Construction Equipment Limited, However, the USD & RON are the functional currencies for its foreign subsidiaries located in the Cyprus and Romania, respectively. The translation of the functional currencies into the reporting

currency is performed for assets & liabilities of the foreign subsidiaries currency using the current exchange rates in effect at the balance sheet date, The resultant translation exchange gain/loss has been adjusted in Reserves and Surplus.

3. The Consolidated Financial Statements represent consolidation of following accounts other than the Company (Action Construction Equipment Limited), as detailed below:

Name of Company	Country of Incorporation	Relation	Percentage of ownership interest at the end of	
			As at 31st March, 2010	As at 31st March, 2009
Frested Ltd.	Cyprus	Subsidiary	100.00%	100.00%
SC Forma SA	Romania	Fellow Subsidiary	89.50%	89.50%
Action Developers Ltd.	India	Subsidiary	100.00%	100.00%
Namo Metals	India	Partnership Firm	90.00%	90.00%

4. Fixed Assets:

All Fixed Assets are valued at historical costs less accumulated depreciation. Cost of assets comprise of purchase price and any attributable cost of bringing the asset to its working condition.

5. Depreciation:

Depreciation has been provided on WDV method as per rates prescribed by Schedule XIV of the Companies Act, 1956.

6. Investments:

Investments are valued at the cost.

7. Inventory Valuation:

- Raw Materials and Components are valued at cost.
- Work in Progress is valued at prime cost and includes direct labour & overhead charges.
- Finished goods are valued at works cost/ landed cost and inclusive of Excise Duty & Cess thereon, if any.

8. Foreign Currency Transactions:

Foreign Currency Transactions are accounted for on the exchange rate prevailing at the transaction date. Current Assets and Current Liabilities on the date of Balance Sheet are restated at the exchange rates prevailing on that date. Variations on settlement/restatement are recognised as gain or loss in exchange in Profit & Loss Account.

9. Revenue Recognition:

- Sales are recognized at the time of despatch of Goods from the factory.
- Services are recognized when performed as per contract.

10. Benefits to Employees:

(a) Short term Employee Benefit:

All employee benefits payable within twelve months of rendering of the service are classified as short-term benefits. Such benefits include salaries, wages, bonus, short term compensated absences, awards, exgratia etc. and are recognised in the period in which the employee renders the related service.

Schedules **Annexed** to and forming part of Consolidated balance sheet as at 31st March, 2010 and profit & loss account for year ended 31st March, 2010

(b) Post Employment benefits:

(i) Defined Contribution Plans:

The Company's State government provident fund scheme and employee state insurance scheme are defined contribution plans. The contribution paid / payable under the scheme is recognised during the period in which the employee renders the related service.

(ii) Defined Benefits Plans:

The employee's gratuity fund scheme, long term compensated absences are company's defined benefit plans. The present value of the obligation under such defined benefit plans is determined based on the actuarial valuation on the date of the balance sheet. Gratuity Liability is funded through a Group Gratuity Scheme with Life Insurance Corporation of India wherein contributions are made and charged to revenue on annual basis.

11. Accounting for Taxes on Income:

Provision for taxation for the year comprises of current taxes and deferred taxes. Current taxes consist of Income Tax/Wealth Tax payable on current year Income / Wealth. Deferred Tax is calculated for timing differences and has been accounted as per provisions of the Accounting Standard-22 issued by The Institute of Chartered Accountants of India. Provision for Fringe Benefit Tax has been made in accordance with the applicable Income Tax Laws prevailing for relevant assessment years.

12. Impairment of Assets:

The carrying amount of assets is reviewed at each Balance Sheet date to ascertain Impairment based on Internal/external factors. An impairment loss is recognised, when the carrying amount of an asset exceed its realisable value. The realisable value is greater of the assets net selling price.

13. Borrowing Costs:

Borrowing costs that are attributable to the acquisition, construction of qualifying assets are capitalised as part of cost of such assets upto the date the assets are ready for its intended use. All other borrowing costs are recognised as an expenses in the year in which they are incurred.

14. Expenditure during Construction Period:

There are no such expenditure during the year

15. Provisions, Contingent Liabilities and Contingent Assets:

Provisions are recognised for liabilities that can be measured only by using a substantial degree of estimation, if

- the Company has a present obligation as a result of a past event;
- a probable outflow of resources is expected to settle the obligation and;
- the amount of obligation can be reliably estimated;

Reimbursements expected in respect of expenditure required to settle a provision is recognised only when it is virtually certain that the reimbursement will be received

Contingent Liability is disclosed in case of

- a present obligation arising from the past event, when it is not probable that an outflow of resources will be required to settle the obligation;
- a possible obligation, of which the probability of outflow of resources is remote.

Contingent Assets are neither recognised nor disclosed.

Provisions, Contingent Liabilities and Contingent Assets are reviewed at each Balance Sheet date.

Schedules **Annexed** to and forming part of Consolidated balance sheet as at 31st March, 2010 and profit & loss account for year ended 31st March, 2010

(C) OTHERS NOTES

1. Contingent Liabilities, not provided for:

(Rs. in lac)

	2009-10	2008-09
Bank Guarantees including Corporate Guarantees	571.53	293.80
Letter of Credits	1,382.49	195.33
Claim against the Company, not acknowledge as Debts	185.38	148.43
Sales Tax, Excise & Income Tax Matters, pending before Assessing / Appellate Authorities	107.52	28.33
TOTAL	2,246.92	665.89

2. Miscellaneous Expenses include Auditor's Remuneration as under:

Audit Fee	5.75	6.09
Taxation Matters	1.36	1.60
TOTAL	7.11	7.69

3. Remuneration paid to Whole-time Directors:

(Rs. in lac)

S. No.	Names of the Directors	Salary & Allowances	Contribution to PF, Gratuity and Other Funds	Other benefits and perquisites	Excess remuneration, since refunded	TOTAL
1.	Sh. Vijay Agarwal, Chairman & Managing Director	189.00	-	15.40	-	204.40
2.	Smt. Mona Agarwal, Whole-time Director	126.00	-	9.74	-	135.74
3.	Sh. Sorab Agarwal, Executive Director	33.60	-	2.40	-	36.00
4.	Sh. Vijay Kumar Singh, Whole-time Director	5.19	0.05	0.41	-	5.65
	TOTAL	353.79	0.05	27.95	-	381.79

Schedules **Annexed** to and forming part of Consolidated balance sheet as at 31st March, 2010 and profit & loss account for year ended 31st March, 2010

4. Calculation for Deferred tax Liabilities/(Assets):

(Rs. in lac)

	2009-10	2008-09
The breakup of net Deferred Tax Liabilities/(Assets) as on March 31, 2010 are as under-		
Deferred Tax Liabilities-		
Difference between book and tax depreciation		
- Depreciation as per Income Tax	507.30	478.44
- Depreciation as per Co's Act	525.21	573.90
	(17.91)	(95.46)
- 1/5th of IPO Expenses - u/s 35D 2 (c) iv (as per Income Tax)	75.86	75.86
Total Deferred tax Liabilities-	57.95	(19.60)
Deferred Tax Assets-		
Expenditure disallowable under Section 43B & others	65.80	45.26
Total Deferred tax Assets-	65.80	45.26
Net Deferred Tax (Assets)/Liabilities	(7.85)	(64.86)

5. Segment Reporting in terms of Accounting Standard -17 issued by The Institute of Chartered Accountants of India:

(a) Information about the primary business segments of the Company:

(Rs. in lac)

Sr. no.	Particulars	Current Accounting Year ended 31-3-2010	Previous Accounting Year ended 31-3-2009
1.	Segment Revenue		
	A) Cranes	29,486.39	36,837.86
	B) Material Handling/Construction Equipment	5,346.64	4,085.71
	C) Tractor	7,879.01	1,833.63
	D) Subsidiaries Business	33.61	57.21
	TOTAL	42,745.65	42,814.41
	Less: Inter Segment Revenue	-	-
	Net Sales / Income from Operations	42,745.65	42,814.41
2.	Segment Results		
	A) Cranes	3,122.63	3,734.75
	B) Material Handling/Construction Equipment	187.62	160.12
	C) Tractor	680.16	(288.46)
	D) Subsidiaries Business	(216.97)	(387.64)
	TOTAL	3,773.44	3,218.77
	Less: Interest	257.81	347.76
	Less- Other Unallocable Expenditure	455.55	261.14
	Profit before Tax	3,060.08	2,609.87
3.	Capital Employed		
	A) Cranes	14,919.34	14,797.18
	B) Material Handling/Construction Equipment	5,019.78	4,411.92
	C) Tractor	17.49	246.64
	D) Subsidiaries Business	(1,487.88)	(1,483.58)
	TOTAL	18,468.73	17,972.16

Schedules **Annexed** to and forming part of Consolidated balance sheet as at 31st March, 2010 and profit & loss account for year ended 31st March, 2010

(b) Since Segment Revenues from external customers are not more than 10% of enterprise revenue, hence, Secondary Segment reporting is not required to be provided as per Accounting Standard - 17 "Segment Reporting" issued by The Institute of Chartered Accountants of India.

6. As per Accounting Standard 18, "Related Party Disclosure " issued by The Institute of Chartered Accountants of India, the disclosures of transactions with the Related Parties as defined in the Accounting Standard are given below-

a. Associate Companies / Entities-

ACE Steelfab Pvt. Ltd.
ACE TC Rentals Pvt. Ltd.
Namo Metals

b. Subsidiary Companies.

FRESTED Limited, Cyprus
Wholly Owned Subsidiary
SC FORMA SA, Romania
Fellow Subsidiary
Action Developers Limited, India
Wholly Owned Subsidiary

c. Key Management Personnel-

Sh. Vijay Agarwal
Smt. Mona Agarwal
Sh. Sorab Agarwal
Sh. Vijay Kumar Singh

d. Relatives of Key Management Personnel and Enterprises, over which Relatives of Key Management Personnel exercise significant influence-

Smt. Surbhi Garg

e. Related Party Transactions-

(Rs. in lac)

Nature of Transaction	Period	Associates Companies/Firm			Subsidiary Companies			Key Management Personnel	Total
		ACE Steelfab Pvt Ltd	ACE TC Rentals Pvt Ltd.	Namo Metals	FRESTED Ltd, CYPRUS	SC FORMA SA, Romania	Action Developers Ltd.		
Purchase of Goods	2009-10	5,425.28	-	-	-	36.24	-	-	5,461.52
	2008-09	5,162.63	-	-	-	-	-	-	5,162.63
Sales of Goods	2009-10	236.09	391.50	-	-	-	-	-	627.59
	2008-09	514.54	284.00	-	-	92.99	-	-	891.53
Remuneration Paid	2009-10	-	-	-	-	-	-	381.79	381.79
	2008-09	-	-	-	-	-	-	313.71	313.71
Licence Fee Paid	2009-10	-	-	-	-	-	-	35.77	35.77
	2008-09	-	-	-	-	-	-	32.88	32.88
Rent Received	2009-10	2.40	0.60	-	-	-	-	-	3.00
	2008-09	2.40	0.60	-	-	-	-	-	3.00
Interest Received	2009-10	77.50	-	18.52	125.81	-	-	-	221.83
	2008-09	70.96	7.59	7.68	144.34	-	-	-	230.57
Investment in Equity	2009-10	-	-	-	-	-	-	-	-
	2008-09	-	-	-	-	-	10.00	-	10.00
Loan to Subsidiary	2009-10	-	-	-	(206.24)	-	-	-	(206.24)
	2008-09	-	-	-	215.34	-	-	-	215.34

Schedules Annexed to and forming part of Consolidated balance sheet as at 31st March, 2010 and profit & loss account for year ended 31st March, 2010

7. The Company has entered into agreements in the nature of Lease/ Leave and Licence agreement with different Lessors/ Licensors for the purpose of establishment of office premises/ residential accommodations. These are generally in nature of operating Lease/leave and Licence and disclosure required as per Accounting Standard-19 issued by The Institute of Chartered Accountants of India with regard to the above is as under-
- (a) Payment under Lease/Leave and License for period:
1. Not later than 1 year Rs. 6.51 lac
 2. Later than 1 year, but not later than 5 years Rs.4.65 lac.
- (b) There are no transactions in the nature of Sub Lease.
- (c) Payments recognised in the profit and Loss Account for the year ended 31st March, 2010 is Rs.51.46 lac

8. **Disclosure pursuant to Accounting Standard -15 (Revised), issued by The Institute of Chartered Accountants of India- Employee Benefits:**

(Rs. in lac)

Particulars	2009-10	2008-09
A. Expenses recongnised in P & L Account		
a) Current Service Cost	18.55	11.37
b) Interest Cost	-	-
c) Employee Contribution	-	-
d) Actuarial (Gain)/Loss	43.97	3.76
e) Past Service Cost	-	-
g) Settlement Cost	(4.80)	-
Total Expenses, debited to P & L Account	57.72	15.13
B. Net Asset/(Liability) recognised in the Balance Sheet as at 31st March, 2010-		
a) Present Value of defined Benefit Obligation at the end of the year	60.23	41.58
b) Fair Market Value of Plan Assets with LIC at the end of the year	67.32	41.58
Net Assets/(Liability)	7.09	-

Schedules **Annexed** to and forming part of Consolidated balance sheet as at 31st March, 2010 and profit & loss account for year ended 31st March, 2010

8. Disclosure pursuant to Accounting Standard -15 (Revised), issued by The Institute of Chartered Accountants of India - Employee Benefits: (Contd.)

(Rs. in lac)

Particulars	2009-10	2008-09
C) Change in the obligation during the year-		
a) Present Value of Defined benefit obligation at the beginning of the year	41.58	26.30
b) Current Service Cost	18.55	11.37
c) Interest Cost	-	2.37
d) Settlement Cost	-	-
e) Actuarial (Gain)/Loss	1.39	3.76
f) Benefit Payment	(1.29)	(2.23)
g) Present Value of Defined benefit obligation at the end of the year	60.23	41.58
D. Change in the Assets during the year ended March, 31, 2010-		
a) Plan assets at the beginning of the year	41.58	26.30
b) Actuarial (Gain)/Loss	(1.00)	3.76
c) Contribution	23.23	11.37
d) Benefit Payment	(1.29)	(2.23)
e) Return on the Plan Assets	4.81	2.37
g) Plan assets at the end of the year	67.33	41.58
E) Actuarial Assumption-		
a) Discounted Rate	8.50% p.a.	
b) Mortality Rate	LIC (1994-1996) Ultimate	
c) Withdrawal rate	1% to 3% depending on Age.	
d) Salary Escalation	10%	
e) Retirement Age	58	

Liability in respect of unavailed privilege leave was hitherto valued at the salary rates prevailing on the balance sheet date. During the year, the company has valued the compensated absences, specified in AS 15 (Revised) on actuarial basis. Further para 132 of AS 15 (Revised 2005) does not require any specific disclosure except where the expense resulting from compensated absences is of such size, nature of incidence that its disclosure is relevant under other accounting standards. In the opinion of the management, the expense resulting from compensated absences is not significant and hence no disclosures are prepared under various paragraphs of AS 15 (Revised 2005).

Schedules **Annexed** to and forming part of Consolidated balance sheet as at 31st March, 2010 and profit & loss account for year ended 31st March, 2010

9. Earning Per Share (Basic & Diluted):

Annualised earning per equity shares have been calculated based on net profit after taxation of Rs. 2226.21 lac. Basic and Diluted Earning per Share for the year is Rs.2.48 (Previous Year - Rs. 2.08)

10. Miscellaneous expenditure (to the extent not written off or adjusted) represents:

- (a) R & D expenditure - Rs. 12.38 lac.
- (b) Life Time Club Membership - Rs. 7.09 lac (being amortized over a period of ten years, commencing from 2007-08)

11. Balance of Sundry Debtors and Sundry Creditors are subject to confirmation by the parties and adjustment, if any, required on reconciliation, will

be done in the year in which the same is reconciled. Further, Management does not expect any material difference in the financial statements for the year.

12. The Cash Flow Statement has been prepared under the "Indirect Method" set out in Accounting Standard (AS-3) issued by The Institute of Chartered Accountants of India.

13. Previous years figures have been regrouped to make them comparable with current year figures wherever necessary.

14. Schedules 1 to 16 form integral part of the accounts and are duly authenticated.

As per our Report appended to the Balance Sheet
For Rajan Chhabra & Co.
Chartered Accountants

(Rajan Chhabra)
Proprietor
Membership No . 088276

For and on behalf of the Board of Directors

Vijay Agarwal
Chairman & Managing Director

Subhash C. Verma
Independent Director

Place : Faridabad
Date : 27th May, 2010

P.K. Bansal
Chief Finance Officer

Ashish K Bhatt
Company Secretary

Sorab Agarwal
Executive Director

Statement Pursuant to section 212 of the companies act, 1956 as at 31st march, 2010

	Rs. in lac Frested Limited Cyprus	Rs. in lac SC Forma SA Romania	Rs. in lac Action Developers Limited
a Capital	0.58	156.41	10.00
b Reserves & Surplus	(934.38)	(344.55)	(2.79)
c Total Assets (Fixed Assets + Current Assets)	59.93	761.12	7.44
d Total Liabilities (Debts+Current Liabilities)	4.98	651.33	0.23
e Details of Investment (except in case of investment in subsidiaries)	-	-	-
f Turnover (Including other Income)	0.17	56.91	-
g Profit/(Loss) Before Taxation	(130.00)	(67.77)	(0.68)
h Provision for Taxation	-	0.83	-
i Profit/(Loss) After Taxation	(130.00)	(68.60)	(0.68)
j Proposed Dividend	-	-	-
k Exchange rate used (in Rs.)	44.21	14.54	1.00
l Local Currency	USD	RON	INR
m Relation	Subsidiary	Fellow Subsidiary	Subsidiary

The Financial Statements of Foreign Subsidiaries have been converted into Rupees on the basis of appropriate exchange rates as on 31st March, 2010.

Note:

1. The Ministry of Company Affairs, Government of India vide letter No. 47/387/2010-CL-III dated 18.05.2010 has granted approval under section 212 (8) of the Companies Act, 1956 for the financial year ended 31.03.2010, whereby the Balance Sheet, Profit and Loss Account of the Subsidiaries and other documents required to be attached

thereto u/s 212 (1) of the Companies Act, 1956, are not attached to the Company's Accounts, pursuant to said approval.

2. The Annual Accounts of the Subsidiary Companies and the related detailed information will be made available to the members of the holding and Subsidiary Companies seeking information at any point of time. The annual accounts of the subsidiary companies will also be kept for inspection by any investor in registered office of the Company between 11 a.m to 1 p.m on all working days.

For and on behalf of the Board of Directors

Vijay Agarwal
Chairman & Managing Director

Subhash C. Verma
Independent Director

Place : Faridabad
Date : 27th May, 2010

P.K. Bansal
Chief Finance Officer

Ashish K Bhatt
Company Secretary

Sorab Agarwal
Executive Director



NOTICE

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

Day, Date: Monday, 6th September, 2010
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, 2010, audited Profit & Loss Account for the year ended 31st March, 2010, Board's Report and addendum thereto, Auditors' Report.
2. To appoint a Director in place of Mr. Sorab Agarwal, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Girish Narian Mehra(IAS Retd.), who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint M/s. Rajan Chhabra & Co., Chartered Accountants, retiring Auditors as Auditors of the Company, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

SPECIAL BUSINESS

5. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:-

"RESOLVED THAT pursuant to the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, Maj. Gen.(Retd.) Dr. K.C. Agarwal, who was appointed as an Additional Director of the company and who under Section 260 of the Companies Act, 1956 holds office only upto the date of this Annual General Meeting and being eligible, offers himself for appointment and in respect of whom the company has received notice in writing from one of the members, pursuant to the provisions of Section 257 of the Companies Act, 1956, signifying his intention to propose the candidature of Maj. Gen.(Retd.) Dr. K.C. Agarwal for

the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

6. To consider re-appointment of Mr. Vijay Agarwal, Chairman and Managing Director of the Company and pass the following resolution(s), as **Special Resolution(s)**, with or without modification(s):-

"RESOLVED THAT pursuant to the provisions of Sections 198, 268, 269, 309, 310, 311, 316, 317, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 including any statutory amendments, modifications, or re-enactments thereof, and subject to the approval of the Central Government and such other approvals, if required, in this regard, the consent of the Shareholders be and is hereby accorded to re-appoint Mr. Vijay Agarwal as Chairman and Managing Director of the Company from 1st October, 2010 till 30th September, 2015, on the terms and conditions as recommended by the Remuneration Committee and approved by Board of Directors of the Company and as set out in the explanatory statement which forms part of this resolution.

RESOLVED FURTHER THAT the remuneration as set out in the explanatory statement which forms a part of this resolution, payable to Mr. Vijay Agarwal, Chairman and Managing Director (CMD), is subject to the condition that in case of adequate profits the total remuneration payable in any financial year by way of salary, perquisites and other allowances shall not exceed the overall limit of five percent (5%) of the net profits of the company as applicable to each of the Managing/Whole-time Directors of the Company and/or ten percent (10%) of the net profits of the Company for all the Managing/Whole-time Directors in accordance with the provisions of Sections 198, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII including any statutory amendments, modifications, or re-enactments thereof, as may be made thereto and for the time being in force or to the remuneration specifically approved by the Central Government.

RESOLVED FURTHER THAT where in any financial year during the currency of the tenure of the CMD, the Company has no profits or its profits are inadequate, the CMD shall be entitled to same remuneration by way of salary, perquisites and other allowances, as is approved by the Shareholders of the Company, subject to fulfillment of conditions specified under Section II Part II of Schedule XIII of the Companies Act and subject to the approval of Central Government and other authorities, if required.

RESOLVED FURTHER THAT the Board of Directors of the Company, be and are hereby authorised to vary the remuneration of Mr. Vijay Agarwal, Chairman and Managing Director of the Company, within the limits of the following:-

- a) In case of adequate profits the total remuneration payable in any financial year by way of salary, perquisites and other allowances shall not exceed the overall limit of five percent (5%) of the net profits of the company as applicable to each of the Managing/Whole-time Directors of the Company and/or ten percent (10%) of the net profits of the Company for all the Managing/Whole-time Directors in accordance with the provisions of Sections 198, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII including any statutory amendments, modifications, or re-enactments thereof, as may be made thereto and for the time being in force or to the remuneration specifically approved by the Central Government.
 - b) In case, the Company has no profits or its profits are inadequate, CMD shall be entitled to remuneration by way of salary, perquisites and other allowances as per the limits specified under Section II Part II of Schedule XIII of the Companies Act and subject to the approval of Central Government and other authorities, if required, and subject to the fulfillment of conditions specified therein for payment of such remuneration.
7. To consider re-appointment of Mrs. Mona Agarwal, Whole-time Director of the Company and pass the following resolution(s), as **Special Resolution(s)**, with or without modification(s):-

“RESOLVED THAT pursuant to the provisions of Sections

198, 268, 269, 309, 310, 311, 316, 317, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 including any statutory amendments, modifications, or re-enactments thereof, and subject to the approval of the Central Government and such other approvals, if required, in this regard, the consent of the Shareholders be and is hereby accorded to re-appoint Mrs. Mona Agarwal as Whole-time Director of the Company from 1st October, 2010 till 30th September, 2015, on the terms and conditions as recommended by the Remuneration Committee and approved by Board of Directors of the Company and as set out in the explanatory statement which forms part of this resolution.

RESOLVED FURTHER THAT the remuneration as set out in the explanatory statement which forms a part of this resolution, payable to Mrs. Mona Agarwal, Whole-time Director (“WTD”), is subject to the condition that in case of adequate profits the total remuneration payable in any financial year by way of salary, perquisites and other allowances shall not exceed the overall limit of five percent (5%) of the net profits of the company as applicable to each of the Managing/Whole-time Directors of the Company and/or ten percent (10%) of the net profits of the Company for all the Managing/Whole-time Directors in accordance with the provisions of Sections 198, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII including any statutory amendments, modifications, or re-enactments thereof, as may be made thereto and for the time being in force or to the remuneration specifically approved by the Central Government.

RESOLVED FURTHER THAT where in any financial year during the currency of the tenure of the WTD, the Company has no profits or its profits are inadequate, the WTD shall be entitled to same remuneration by way of salary, perquisites and other allowances, as is approved by the Shareholders of the Company, subject to fulfillment of conditions specified under Section II Part II of Schedule XIII of the Companies Act and subject to the approval of Central Government and other authorities, if required.

RESOLVED FURTHER THAT the Board of Directors of the Company, be and are hereby authorised to vary the remuneration of Mrs. Mona Agarwal, Whole-

time Director of the Company, within the limits of the following:-

- c) In case of adequate profits the total remuneration payable in any financial year by way of salary, perquisites and other allowances shall not exceed the overall limit of five percent (5%) of the net profits of the company as applicable to each of the Managing/Whole-time Directors of the Company and/or ten percent (10%) of the net profits of the Company for all the Managing/Whole-time Directors in accordance with the provisions of Sections 198, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII including any statutory amendments, modifications, or re-enactments thereof, as may be made thereto and for the time being in force or to the remuneration specifically approved by the Central Government.
 - a) In case, the Company has no profits or its profits are inadequate, WTD shall be entitled to remuneration by way of salary, perquisites and other allowances as per the limits specified under Section II Part II of Schedule XIII of the Companies Act and subject to the approval of Central Government and other authorities, if required, and subject to the fulfillment of Conditions specified therein for payment of such remuneration.
8. To consider re-appointment of Mr. Sorab Agarwal, Executive Director of the Company and pass the following resolution(s), as **Special Resolution(s)**, with or without modification(s):-

"RESOLVED THAT pursuant to the provisions of Sections 198, 268, 269, 309, 310, 311, 316, 317, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 including any statutory amendments, modifications, or re-enactments thereof, and subject to the approval of the Central Government and such other approvals, if required, in this regard, the consent of the Shareholders be and is hereby accorded to re-appoint Mr. Sorab Agarwal as Executive Director of the Company from 1st October, 2010 till 30th September, 2015, on the terms and conditions as recommended by the Remuneration Committee and approved by Board of Directors of the Company and as set out in the explanatory statement which forms part of this resolution.

RESOLVED FURTHER THAT the remuneration as set out

in the explanatory statement which forms a part of this resolution, payable to Mr. Sorab Agarwal, Executive Director ("ED"), is subject to the condition that in case of adequate profits the total remuneration payable in any financial year by way of salary, perquisites and other allowances shall not exceed the overall limit of five percent (5%) of the net profits of the company as applicable to each of the Managing/Whole-time Directors of the Company and/or ten percent (10%) of the net profits of the Company for all the Managing/Whole-time Directors in accordance with the provisions of Sections 198, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII including any statutory amendments, modifications, or re-enactments thereof, as may be made thereto and for the time being in force or to the remuneration specifically approved by the Central Government.

RESOLVED FURTHER THAT where in any financial year during the currency of the tenure of the ED, the Company has no profits or its profits are inadequate, the ED shall be entitled to same remuneration by way of salary, perquisites and other allowances, as is approved by the Shareholders of the Company, subject to fulfillment of conditions specified under Section II Part II of Schedule XIII of the Companies Act and subject to the approval of Central Government and other authorities, if required.

RESOLVED FURTHER THAT the Board of Directors of the Company, be and are hereby authorised to vary the remuneration of Mr Sorab Agarwal, Executive Director of the Company, within the limits of the following:-

- b) In case of adequate profits the total remuneration payable in any financial year by way of salary, perquisites and other allowances shall not exceed the overall limit of five percent (5%) of the net profits of the company as applicable to each of the Managing/Whole-time Directors of the Company and/or ten percent (10%) of the net profits of the Company for all the Managing/Whole-time Directors in accordance with the provisions of Sections 198, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII including any statutory amendments, modifications, or re-enactments thereof, as may be made thereto and for the time being in force or to the remuneration specifically approved by the Central Government.

- c) In case, the Company has no profits or its profits are inadequate, ED shall be entitled to remuneration by way of salary, perquisites and other allowances as per the limits specified under Section II Part II of Schedule XIII of the Companies Act and subject to the approval of Central Government and other authorities, if required, and subject to the fulfillment of conditions specified therein for payment of such remuneration.
9. To consider ESOS Scheme-2010 of the Company and pass following resolution(s), as **Special Resolution(s)**, with or without modification(s):-

"RESOLVED THAT pursuant to the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory amendment or enactment thereof) (the "Act") and in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme), Guidelines, 1999, (including any statutory amendment or enactment thereof), (the "Guidelines") and subject to such approvals, consents, permissions and sanctions as may be necessary from appropriate authorities and bodies and subject to such conditions as may be prescribed by them while granting such approvals, consents, permissions and sanctions, the Board of Directors of the Company (the "Board") ("which term shall be deemed to include any committee thereof") be and is hereby authorized on behalf of the Company to create, offer, grant and allot an aggregate of upto 10,00,000 (Ten lac) options to the employees and Directors including Independent Director (as defined under the Guidelines, whether existing or future) of the Company and each option convertible into one equity shares of the face value of Rs.2/- each on payment of such exercise price as may be decided by the Board and as per terms and conditions framed by the Board with regard to the Employee Stock Option Scheme-2010 ("ESOS 2010), salient features of which are set out in explanatory statement to the notice.

RESOLVED FURTHER THAT the Non-Executive Directors including Independent Directors should be allotted a maximum of 1,00,000(One Lac) options under ESOS 2010, whether allotted in one financial year or more, which should be within the overall limit of the options, that can be granted by the Company under ESOS-2010.

RESOLVED FURTHER THAT subject to the terms and conditions stated herein, the equity shares allotted pursuant to the aforesaid resolution shall in all respect rank pari passu inter se with the then existing equity shares of the Company.

RESOLVED FURTHER that the Board be and hereby authorised to issue and allot equity shares as and when the options are exercised in accordance with the terms and conditions of the said ESOS-2010.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, as described above, the Board be and is hereby authorized on behalf of the Company to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary or desirable for such purpose, and with power on behalf of the Company to settle all questions, difficulties or doubts that may arise in regard to such issue(s) or allotment(s) including to amend or modify any of the terms of such issue or allotment, as it may, in its absolute discretion deem fit, without being required to seek any further consent or approval of the Members, subject to the condition that such modification/amendment shall always be in accordance with the provisions of the said applicable Acts and Guidelines."

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. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, with regard to the special business is attached herewith.
4. The Equity Shares of the Company are listed on the National Stock Exchange of India Limited (NSE) & Bombay Stock Exchange Limited (BSE).
5. The Register of Members and Share Transfer Book will remain closed from Friday, 3rd September, 2010 to Monday, 6th September, 2010 (days are inclusive) for payment of dividend.

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 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.
8. Members holding shares in electronic form may kindly note that their Bank Account details and 9-digit MICR Code of their Bankers, as noted in the records of their Depository, shall be used for the purpose of overprinting on Dividend Warrants, or remittance of dividend through Electronic Clearing Service (ECS), wherever applicable. It is, therefore, necessary that the Members should ensure that their correct bank details and/or 9-digit MICR Code number are noted in the records of the DP. Kindly ensure that the ECS mandate is correctly recorded with your DP so that no ECS rejection takes place.
Reserve Bank of India (RBI) is providing Electronic Clearing Service (ECS) facility for payment of dividend in selected cities. Members holding shares in physical mode and who are desirous of availing this facility may give the details of their bank account i.e. 9-digit MICR Code in the format prescribed for this purpose (which can be obtained from the Registrar and Share Transfer Agent) along with photocopy of a cheque or a blank cancelled cheque relating to the bank account.
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. 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 annexure forming part of the Notice.
11. Members are requested to:-
 - (i) Bring their copy of Annual Report and attendance Slip at the venue of the meeting.
 - (ii) Quote their Folio/DP & Client Id No. in all correspondence with the Company/ R&T Agent.
 - (iii) 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.
 - (iv) Note that **no gifts** will be distributed at the Annual General Meeting.
 - (v) Note that **shareholders present in person or through registered proxy** shall only be entertained.
 - (vi) 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.

By Order of the Board
For Action Construction Equipment Limited
Sd/-

Place: New Delhi

(Ashish K Bhatt)

Date: 27th May, 2010

Company Secretary

EXPLANATORY STATEMENT

(Pursuant to Section 173(2) of the Companies Act, 1956)

The following Explanatory Statement sets out all the material facts relating to the Special Business under Item No. 5 to 9 of the accompanying Notice.

In Respect of Item No. 5

Maj. Gen.(Retd.) Dr. K.C. Agarwal was appointed as additional director on the Board of the Company on 21st January, 2010 and will hold office only upto the date of the forthcoming Annual General Meeting. Earlier also, he was occupying the position of Independent Director in the Company, has resigned due to his personal assignments.

Major General (Retd.) Dr. K.C Agarwal is Ph. D in Mechanical Engineering from IIT Delhi. He is a retired Major General from Indian Army. During his tenure with Indian Army, he was Director in a DRDO Laboratory and has experience of 28 years. He was also a Vice Chancellor of Rai University. He is presently Director General in IAMR group of Institutions. He has very good knowledge of IT related products and services.

Dr. K.C. Agarwal does not have any shareholding in the Company as on 31st March, 2010. He does not have Directorship in any other Company apart from Action Construction Equipment Ltd. (ACE) Except, Dr. K.C. Agarwal, no other Director is interested in the Resolution, relating to his appointment.

Thus, the Board of Directors recommend passing of the resolution(s) at item No. 5

In Respect of Item No. 6

Mr. Vijay Agarwal is Chairman and Managing Director of the Company, has over 38 years of experience in material handling and heavy engineering industry. He has done B.E. (Mechanical) & MBA from FMS, Delhi and is looking after overall management and planning of the Company. While he held top positions in different reputed Industrial organizations for a period of 20 years, he started ACE in the year 1995. Due to his vast experience in his field and continuous efforts, the company has achieved overwhelming success in a short span of 15 years

Under his able guidance only, the Company, from a mere turnover of Rs. 8 crores in the FY year 1995-96, posted a turnover of Rs. 429 crores in FY2008-09 and Rs. 427 crores in FY 2009-10. Profit of the Company rose from a mere Rs.14 Lac in FY 1995-96 to a peak Rs. 36 Crores approx. in the FY 2007-08, Rs. 23 crores approx. in FY 2008-09 and Rs. 24 crores approx. in FY 2009-10. It was due to his persistence and never tiring efforts, that the Company is able to achieve the unexpected profits and growth in yesteryears. He has single handedly mentored the Company and has proved to be a guiding light throughout all these years of the Company's journey. Under his unmatched guidance, the Company was able to win many awards and accolades, were able to obtain various certifications for the products of the Company.

Thus it is proposed to re-appoint Mr. Vijay Agarwal as Chairman and Managing Director on the following remuneration. The Shareholders are further informed that the remuneration of Mr. Vijay Agarwal, Chairman and Managing Director of the Company can be varied by Board of Directors, subject to the

conditions as laid down in the resolution itself :-

Detailed Remuneration of Mr. Vijay Agarwal

a) Salary :

Rs. 15,00,000/- per month

b) Commission:

1% of the amount of net profits calculated as per Section 198 & 349 of the Companies Act, 1956 for the financial year of the Company

c) Ex-Gratia:

Ex-Gratia shall be equivalent to one month salary

d) Perquisites:

(i) Housing

Residential Accommodation or House Rent allowance @ 40 % of the Salary

Expenses pertaining to gas, electricity, water and other utilities will be borne and reimbursed by the Company.

(ii) Medical Reimbursement

Reimbursement of actual Medical expenses incurred in India and/or abroad and including hospitalisation, nursing home and surgical charges for himself and family.

(iii) Leave Travel Concession.

Reimbursement of all the expenses (like travel fare, lodging, boarding, conveyance and other expenses) incurred for self and family during the leave travel holiday periods, whenever undertaken in India or abroad.

iv) Club Membership

Subscription or reimbursement of Membership fee for clubs in India or abroad including admission and life membership fees, subject to a maximum of two clubs.

v) Personal Accident Insurance

Personal Accident Insurance policy for an amount, the annual premium of which shall not exceed Rs. 20,000 p.a.

vi) Contribution to Provident, Superannuation and Annuity Fund

The Company's contribution to above funds shall be as per rules framed by the Company in this behalf.

vii) Gratuity

Gratuity at the rate of half month's salary for each completed year of service.

viii) Leave

Entitled to leave with full pay or encashment thereof as per the rules of the Company.

ix) Other facilities

The Company shall provide free of cost, conveyance and communicating facilities (whether in the form of Telephone, Telex or other communication facilities) to the CMD at his residence and if the same is paid by CMD, to provide for reimbursement thereof.

The Board of Directors thus recommends passing of resolution(s) as set out in item No.6 to this Notice.

Mr. Vijay Agarwal holds 29538550 Nos. of shares in the Company. He is also a Director in the following Companies:-

1. ACE Steelfab (Pvt.) Ltd.
2. ACE TC Rentals (Pvt.) Ltd.
3. Action Developers Ltd.
4. Frested Ltd. Cyprus
5. SC Forma SA, Romania.

Mr. Vijay Agarwal is a member of Audit committee in ACE. Apart from this, he does not have membership in any other committee.

The resolution(s) passed by Remuneration Committee and approved by the Board of Directors of the Company in its meeting held on 27th May, 2010 are open to shareholders inspection, on all business days, at its registered office, between 10:30 a.m. to 12:30 p.m.

Except Mr. Vijay Agarwal, Mrs. Mona Agarwal, Whole-Time Director and Mr. Sorab Agarwal, Executive Director of the Company, no other director is concerned or interested in the resolution(s) as set out in Item No.6.

In Respect of Item No. 7

Mrs. Mona Agarwal, (55), is the wife of Mr. Vijay Agarwal. She looks after the Administration & HR department of the Company since 1995. Under her guidance, the company's administrative affairs are being handled in a professional manner. She has helped the company to formulate effective and motivating HR Policies.

Thus, it is proposed to re-appoint Mrs. Mona Agarwal as

Whole-time Director on the following remuneration. The Shareholders are further informed that the remuneration of Mrs. Mona Agarwal, Whole-time Director of the Company can be varied by Board of Directors, subject to the conditions as laid down in the resolution itself :-

Detailed Remuneration of Mrs. Mona Agarwal

a) Salary:

Rs. 7,50,000/- per month

b) Commission:

1% of the amount of net profits calculated as per Section 198 & 349 of the Companies Act, 1956 for the financial year of the Company

c) Ex-Gratia:

Ex-Gratia shall be equivalent to one month salary

d) Perquisites:

(i) Housing

Residential Accommodation or House Rent allowance @ 40 % of the Salary

Expenses pertaining to gas, electricity, water and other utilities will be borne/reimbursed by the Company.

(ii) Medical Reimbursement

Reimbursement of actual Medical expenses incurred in India and/or abroad and including hospitalisation, nursing home and surgical charges for himself and family.

(iii) Leave Travel Concession.

Reimbursement of all the expenses (like travel fare, lodging, boarding, conveyance and other expenses) incurred for self and family during the leave travel holiday periods, whenever undertaken in India or abroad.

iv) Club Membership

Subscription or reimbursement of Membership fee for clubs in India or abroad including admission and life membership fees, subject to a maximum of two clubs.

v) Personal Accident Insurance

Personal Accident Insurance policy for an amount, the annual premium of which shall not exceed Rs. 20,000 p.a.

vi) Contribution to Provident, Superannuation and Annuity Fund

The Company's contribution to above funds shall be as per rules framed by the Company in this behalf.

vii) Gratuity

Gratuity at the rate of half month's salary for each completed year of service.

viii) Leave

Entitled to leave with full pay or encashment thereof as per the rules of the Company.

ix) Other facilities

The Company shall provide free of cost, conveyance and communicating facilities (whether in the form of Telephone, Telex or other communication facilities) to WTD at his residence and if the same is paid by her, to provide for reimbursement thereof.

The Board of Directors thus recommends passing of resolution(s) as set out in item No.7 to this Notice.

Mrs. Mona Agarwal holds 25132650 Nos. of shares in the Company. She is also a Director and Member in the following Companies:-

1. ACE Steelfab (Pvt.) Ltd.
2. ACE TC Rentals (Pvt.) Ltd.
3. Action Developers Ltd.
4. Frested Ltd. Cyprus
5. SC Forma SA, Romania.

Mrs. Mona Agarwal, is not a member of any Committee, in any Company.

The resolution(s) passed by Remuneration Committee and approved by the Board of Directors of the Company in its meeting held on 27th May, 2010 are open to shareholders inspection, on all business days, at its registered office, between 10:30 a.m. to 12:30 p.m.

Except Mr. Vijay Agarwal, CMD, Mrs. Mona Agarwal, Whole-Time Director and Mr. Sorab Agarwal, Executive Director of the Company, no other director is concerned or interested in the resolution(s) as set out in Item No. 7.

In respect of Item No. 8

Mr. Sorab Agarwal, (33), is the son of Mr. Vijay Agarwal. He has done B.E. (Mechanical) and is looking after the marketing functions of the Company. Mr. Sorab Agarwal has

been associated with the company since the last 12 years and under his marketing capability, the Company has ventured into new territories and increased market share considerably. He has played a major role in setting up all India competent Sales & Services network, aimed at achieving target oriented results. He takes care for brand building of the Company.

Thus it is proposed to re-appoint Mr. Sorab Agarwal as Executive Director on the following remuneration. The Shareholders are further informed that the remuneration of Mr. Sorab Agarwal, Executive Director of the Company can be varied by Board of Directors, subject to the conditions as laid down in the resolution itself :-

Detailed Remuneration of Mr. Sorab Agarwal

a) Salary :

Rs. 2,00,000/- per month

b) Commission:

1% of the amount of net profits calculated as per Section 198 & 349 of the Companies Act, 1956 for the financial year of the Company

c) Ex-Gratia:

Ex-Gratia shall be equivalent to one month salary

d) Perquisites:

(i) Housing

Residential Accommodation or House Rent allowance @ 40 % of the Salary.

Expenses pertaining to gas, electricity, water and other utilities will be borne/reimbursed by the Company.

(ii) Medical Reimbursement

Reimbursement of actual Medical expenses incurred in India and/or abroad and including hospitalisation, nursing home and surgical charges for himself and family.

(iii) Leave Travel Concession.

Reimbursement of all the expenses (like travel fare, lodging, boarding, conveyance and other expenses) incurred for self and family during the leave travel holiday periods, whenever undertaken in India or abroad.

iv) Club Membership

Subscription or reimbursement of Membership fee for clubs in India or abroad including admission and life membership fees, subject to a maximum of two clubs.

v) Personal Accident Insurance

Personal Accident Insurance policy for an amount, the annual premium of which shall not exceed Rs. 20,000 p.a.

vi) Contribution to Provident, Superannuation and Annuity Fund

The Company's contribution to above funds shall be as per rules framed by the Company in this behalf.

vii) Gratuity

Gratuity at the rate of half month's salary for each completed year of service.

viii) Leave

Entitled to leave with full pay or encashment thereof as per the rules of the Company.

ix) Other facilities

The Company shall provide free of cost, conveyance and communicating facilities (whether in the form of Telephone, Telex or other communication facilities) to Mr. Sorab Agarwal at his residence and if the same is paid by him, to provide for reimbursement thereof.

The Board of Directors thus recommends passing of resolution(s) as set out in item No.8 to this Notice.

Mr. Sorab Agarwal holds 2235050 Nos. of shares in the Company. He is also a Director and Member in the following Companies:-

1. ACE Steelfab (Pvt.) Ltd.
2. ACE TC Rentals (Pvt.) Ltd.
3. Action Developers Ltd.

He is not a member of Shareholder's/Investors' Committee, in the Company.

The resolution(s) passed by Remuneration Committee and approved by the Board of Directors of the Company in its meeting held on 27th May, 2010 are open to shareholders inspection, on all business days, at its registered office, between 10:30 a.m. to 12:30 p.m.

Except Mr. Vijay Agarwal, CMD, Mrs. Mona Agarwal, Whole-Time Director and Mr. Sorab Agarwal, Executive Director of the Company, no other director is concerned or interested in the resolution(s) as set out in Item No.8.

In respect of Item No. 9

The Compensation Committee of Directors has approved Stock Option Scheme for the Corporate Financial year 2010-2011 ("ESOS 2010"), in accordance with the provisions of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("the Guidelines"). The same has been approved by the Board of Directors, subject to the further approval of the shareholders. The salient features of the Scheme are as under:-

(a) Number of Options:

The number of options to be granted shall not exceed 50,000 (Fifty thousand only) options per employee and 10,00,000 (Ten lac) options in aggregate.

(b) Vesting Period:

Vesting to commence after a period of one year from the date of grant of options & may extend up to three years from the date of grant.

Vesting may occur in one or more tranches, subject to the terms & conditions of vesting, as may be determined by the Board.

(c) Entitlement of Shares:

The employees shall be entitled to subscribe for 1(one) equity share of the face value of Rs. 2/- each for each option granted.

(d) Exercise Period and Process of Exercise:

- (ii) The options can be exercised within a period of 6(six) years from the date of vesting in one or more tranches subject to the minimum number as the Committee may decide at the time of grant.
- (iii) The employee shall fill up the prescribed application form for exercise of option along with the payment by way of Cheque/Demand Draft in favour of the company at respective location of the employee.
- (iv) All application received upto 5th from the end of each quarter i.e. quarter ending 31st March, 30th June, 30th September and 31st December shall be processed and equity shares in respect thereof either in physical mode or dematerialized mode as desired by the employee shall be allotted within one month from the end of each quarter.

(v) The options granted to the employees are not transferable.

(e) Exercise Price:

The exercise price shall be the average of the daily closing price of equity shares, one week prior to immediately preceding the date on which option are granted. However, the Board ("including any Committee") would be authorised to revise the exercise price.

(f) Lock-in period:

There will be no Lock-in period once the shares are allotted.

(g) Lapse of Options:

The options, whether vested or not, and which are not exercised, are bound to lapse on happening of any of the below three conditions:-

- On expiry of the last date of the exercise period;
- On termination of the employee because of misconduct;
- In case of resignation, upon cessation of employment.

(h) Appraisal Process:

Respective Unit heads and the functional heads shall carry out the appraisal process as per the guidelines given to them by Human Resource Department (HRD) of the company with due weightage to the qualification, experience, subject knowledge, performance, length of service, potentials etc.

Based on the appraisal made by the Unit heads/functional heads, the HRD would submit its recommendation to the Compensation Committee of Directors for the grant of options.

(i) Accounting Policy:

The company shall confirm to the accounting policies specified in the aforesaid Guidelines of SEBI or any other policy as may be prescribed under the law in respect of the accounting of such options.

(j) Adjustments in case of Corporate Action (e.g.) Split/Rights/Bonus issue, merger and sale of division etc:

A fair and reasonable adjustment in the manner as provided in the said Guidelines shall be made to the number of options and to the exercise price in case of Corporate Actions(e.g. Split/rights/bonus issue, merger, sale of division etc.) by the company between date of

grant of options and exercise of the options The Board would be authorised to do such adjustments.

(k) Valuation of Options:

The Company shall use any of the methods as specified in the Guidelines and which are deemed appropriate by the Board or Committee thereof.

(l) Employee Compensation Cost:

The company shall calculate the employee compensation cost by any of the methods specified in the Guidelines and which are deemed appropriate by the Board or Committee thereof. The difference between the employees compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of options, shall be disclosed in Directors' report and the impact of this difference on profits and EPS of the Company shall also be disclosed in Annual Report.

(M) Options to be granted to Non-Executive Directors including Independent Director

The total options to be granted to Non-Executive Directors including Independent Director should not exceed 1,00,000 (One Lac) shares in aggregate under ESOS 2010, whether allotted in a single financial year or more than one financial years.

The Compensation Committee of Directors will monitor the administration and superintendence of ESOS once approved by the shareholders. The Committee shall be authorised to settle any dispute that may arise with respect to interpretation of any of the provisions of ESOS or in implementation thereof.

Approval of the shareholders is being sought for the ESOS-2010 for all the eligible employees of the company.

As the ESOS of shares would entail further issue of shares to the persons other than the existing shareholders of the company, the consent of the members is being sought pursuant to the provisions of Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956.

The Board of Directors recommends the passing of Special Resolutions at Item No. 9 of the Notice.

Such of the Directors, whether in full-time employment of the Company or not, who are eligible to participate

in ESOS-2010 may be deemed to be concerned or interested in the Resolution at Item No. 9. No other directors are in any way concerned or interested in the aforesaid resolution.

By Order of the Board of Directors

Place: New Delhi

Ashish K Bhatt

Date : 27th May, 2010

Company Secretary

assignments such as Chief Secretary (U.P.), Director General, Tourism and Secretary to Govt. of India in various departments. He retired as India's high commissioner to Canada. Presently, he is a director on the Boards of various prominent listed Companies.

Details regarding his directorship is produced in the below table

Annexure to Items 2, 3 and 5 to 8 of the Notice.

Statement required in respect of resolution Nos. 2, 5, 6, 7 and 8 i.e. Brief Profile and other details of Maj. Retd. (Gen.) Dr. K.C. Agarwal, Mr. Vijay Agarwal, Mrs. Mona Agarwal and Mr. Sorab Agarwal have already been covered under the respective explanatory statement, relating to the resolutions of their respective appointment

Brief profile of Mr. Girish Narain Mehra (IAS Retd.) is produced below.

Brief Profile of Mr. Girish Narain Mehra (IAS Retd.)

Mr. Girish Narain Mehra (IAS Retd.) is a Independent Director in the Company. He retired from Indian Administrative Services (IAS) with 37 years of experience He held important

Directorship held in Other Companies	Member ship held in Committee of these Companies	
1. Amrit Corp Limited	Audit Committee	Chairman
	Shareholders/ Investors Grievance Committee	Member
2. ABC Paper Limited	Audit Committee	Chairman
3. Bharat Seats Limited	Audit Committee	Chairman
	Shareholders/ Investors Grievance Committee	Member
4. Usha Breco Limited	Audit Committee	Chairman
5. Subros Limited	Audit Committee	Chairman
	Shareholders/ Investors Grievance Committee	Member

Mr. Girish Narain Mehra is holding 10240 equity shares of the Company as on 31st March, 2010.

[illegible]



Action Construction Equipment Ltd.

Registered Office: 5th Floor, TDI Centre, Jasola, New Delhi-110025

I/We _____ being a member of Action Construction Equipment Limited hereby appoint _____ of _____ or failing him _____ of _____ or failing him _____ of _____ as my/our proxy, in my/our absence to attend and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Monday, 6th day of September, 2010 at 11:00 a.m. at MPCU Shah Auditorium, Shree Delhi Gujrati Samaj Marg, Delhi-110054

Signature:

Signed this _____ day of _____ 10

Affix Revenue
stamp of
Rs.1/-

Ledger Folio/DP & Client Id No.	
No. of Shares	
Name	
Address	
Proxy No.	

Note : The proxy in order to be valid, must be deposited at the Registered Office of the Company duly stamped, completed and signed, not less than 48 hours before the time of holding the meeting.



Action Construction Equipment Ltd.

Registered Office: 5th Floor, TDI Centre, Jasola, New Delhi-110025

Please complete this attendance slip and hand it over at the entrance of the meeting hall, Joint shareholders may obtain attendance slip on request.

Ledger Folio/DP & Client Id No.	
No. of Shares	
Name	
Address	
Proxy No.	

I hereby record my presence at the Annual General Meeting of the Company to be held on Monday, 6th day of September, 2010 at 11:00 a.m. at MPCU Shah Auditorium, Shree Delhi Gujrati Samaj Marg, Delhi-110054

Signature of Shareholder/Proxy:

Corporate information

BOARD OF DIRECTORS

Vijay Agarwal, Chairman and Managing Director*

Mona Agarwal, Whole - time Director

Sorab Agarwal, Whole - time Director#

Subhash C. Verma, Independent Director*# ^

G.N. Mehra (IAS Retd.), Independent Director* ^

Dr. Amar Singhal, Independent Director* ^ #

Maj. Gen. (Retd.) Dr. K.C. Agarwal, Independent Director

* Also a member of Audit Committee of the Company.

^ Also a member of Remuneration Committee of the Company.

Also a member of Shareholder/Investor Grievance Committee.

CHIEF FINANCE OFFICER

P.K. Bansal

COMPANY SECRETARY

Ashish K Bhatt

STATUTORY AUDITORS

M/s Rajan Chhabra & Co.

Chartered Accountants

REGISTRAR AND SHARE TRANSFER AGENT

Karvy Computershare Private Limited

Phone: +91-40-23322454, 23320751/52/53

Fax: +91-40-23311968

E-mail: einwards.ris@karvy.com

BANKERS

ICICI Bank Ltd.

The Hongkong and Shanghai Banking Corporation of India Ltd.

Standard Chartered Bank

State Bank of Patiala

STOCK EXCHANGES

Bombay Stock Exchange Limited

National Stock Exchange of India Limited

PLANTS

Plant 1

Jajru Road, 25th Mile Stone,
Delhi-Mathura Road,
Ballabgarh (Faridabad) 121004, Haryana

Plant 2

Dhudholla Link Road, Village Dhudholla,
Palwal- 121102, Haryana

Plant 3

Plot No.C-5,6,7 & 8, UPSIDC Industrial Area-I,
Bazpur, Dist. Uddham Singh Nagar-262123,
Uttarakhand.

Plant 4

Dhudholla Link Road, Village Dhudholla,
Palwal- 121102, Haryana

PRODUCT SUPPORT DIVISION

Jajru Road, 25th Mile Stone, Delhi-Mathura Road,
Ballabgarh (Faridabad) 121004, Haryana

SUBSIDIARY COMPANIES

Frested Limited, Cyprus

SC Forma SA, Romania

Action Developers Ltd., India

REGISTERED OFFICE

5th Floor, TDI Center, Jasola,
New Delhi-110025

CORPORATE OFFICE

Dhudholla Link Road,
Village Dhudholla, Palwal-121102,
Haryana.



Action Construction Equipment Ltd.
Jajru Road, 25th Mile Stone, Delhi-Mathura Road,
Ballabgarh-121 004 (Haryana), www.ace-cranes.com

