Press Release

November 15, 2012

CARE REVISES THE RATING ASSIGNED TO THE COMMERCIAL PAPER ISSUE OF ACTION CONSTRUCTION EQUIPMENT LTD

Rating

Instrument	Amount (Rs. cr)	Rating[1]	Remarks
Commercial Paper Issue*	30	CARE A1 [A One]	Revised from CARE A1+ [A One Plus]

**Carved out of sanctioned working-capital limits*

Rating Rationale

The revision in the long-term rating takes into account the moderation in the financial risk profile of ACE characterized by diminution in liquidity indicators, deterioration in leverage ratios and decline in its profitability margins owing to the rising input costs largely attributable to depreciation in rupee. The rating, however, continues to take into account ACE's experienced promoters with established track record, the company's leading position in the 'pick and carry' crane segment, its pan-India presence through strong dealership network and wide product portfolio. The rating also draws strength from favourable capital structure and comfortable cash balances. The rating also takes cognizance of ACE's significant dependence on the prospects of the infrastructure sector and cyclicality inherent in the construction industry.

Going forward, ability of the company to hedge its foreign exchange exposure and maintain low debt levels while controlling its operating cycle shall be the key rating sensitivities.

Background

Action Construction Equipment Ltd (ACE), promoted by Mr Vijay Agarwal and his wife Mrs Mona Agarwal, was incorporated on January 13, 1995 as a Private Limited Company. It was converted into a Public Limited Company on October 04, 2005.

The company is engaged in the manufacturing of cranes, material handling/construction equipments and tractors. Its four manufacturing facilities are located at Ballabhgarh (Faridabad), Dudholla (Faridabad), Uddham Singh Nagar (Uttarakhand) and Kashipur (Uttarakhand). Presently, the company has an installed capacity of 7,500 units p.a. of cranes (57% utilization during FY12 (refers to period from April 1 to March 31)), 1,300 units p.a. of material handling and other construction equipment machinery (91% utilization) and 6,000 units p.a. of tractors (62% utilization).

During FY12, ACE registered a PBILDT and a PAT of Rs.58.19 crore and Rs.28.47 crore respectively on a total operating income of Rs.847.57crore. As per provisional results for the quarter ended June 30, 2012, it has posted an income of Rs.165.58 cr with a PBDILT and a PAT of Rs.7.18 cr and Rs.1.01 cr respectively.

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[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

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