

Ref: NSE/LIST/11814

January 22, 2015

The Company Secretary
Action Construction Equipment Limited
Corporate Office & Plant II
Dudhola Link Road, Dudhola, Palwal,
Haryana - 121102

Kind Attn.: Mr. Rajan Luthra

Dear Sir,

Sub: Observation letter for draft Scheme of Amalgamation between ACE TC Rentals Private Limited and Action Construction Equipment Limited and their respective shareholders

This has reference to draft Scheme of Amalgamation between ACE TC Rentals Private Limited (“Transferor Company”) and Action Construction Equipment Limited (“Transferee Company”) and their respective shareholders under sections 391 - 394 and other applicable provisions of the Companies Act, 1956 and the Companies Act, 2013 submitted to NSE vide your letter dated June 30, 2014.

Based on our letter reference no Ref: NSE/LIST/248828-F submitted to SEBI and pursuant to SEBI Circular No. CIR/CFD/DIL/5/2013 dated February 04, 2013 and SEBI Circular no. CIR/CFD/DIL/8/2013 dated May 21, 2013, SEBI vide letter dated January 20, 2015, has given following comments on the draft Scheme of Amalgamation:

“1) Conclusion on the Scheme of Arrangement

- *As listing of the unlisted company is being achieved through backdoor as part of the Scheme, it may jeopardize and tarnish the image of the securities market as a non-transparent and inefficient way of raising capital and listing. It may also affect the development of a strong, transparent and credible primary securities market, which is an important prerequisite for the economic development of the country. Further, the promoters/ shareholders of the unlisted company by virtue of getting the ‘listing’ status may derive the benefits of ‘listing’ which they otherwise are not entitled to, as it appears that they are not complying with the necessary regulatory framework.*
- *The Scheme of Arrangement in its current form resulting in substantial acquisition of voting rights by the promoter of ACEL may be detrimental to the public shareholders of ACEL as the substantial acquisition is achieved through a non-transparent, inequitable and unfair method.*
- *As part of the Scheme, the shareholders of the unlisted company are receiving shares of the listed company as consideration. Such an acquisition is being done as a share swap, which is akin to preferential allotment without complying with the regulatory requirements. The shareholders of the unlisted companies are receiving marketable securities of the listed company in lieu of the shares of the unlisted companies which may not be marketable which tantamount to undue enrichment.*



2) *The above comments / observations do not preclude the company from filing the draft scheme with the Hon'ble High Court for sanction”*

Further, in case the Company proposes to file the present scheme with the Hon'ble High Court, the company is advised to take following actions:

- a. The objections/observation of the SEBI and / or Stock Exchange shall be incorporated in the petition to be filed before the Hon'ble High Court and the Company is obligated to bring the aforesaid objections to the notice of the Hon'ble High Court;
- b. To request the Hon'ble High Court to serve a notice on Stock Exchange and SEBI, in case if any clarification is required to enable Stock Exchange and SEBI to appear before the Hon'ble High Court.
- c. To provide a copy of advertisement to Stock Exchange, in case the Hon'ble High Court directs the company to advertise the scheme inviting objections, if any, to the scheme, before approving the scheme.

Yours faithfully,
For National Stock Exchange of India Limited

Samir Rajdev
Manager