

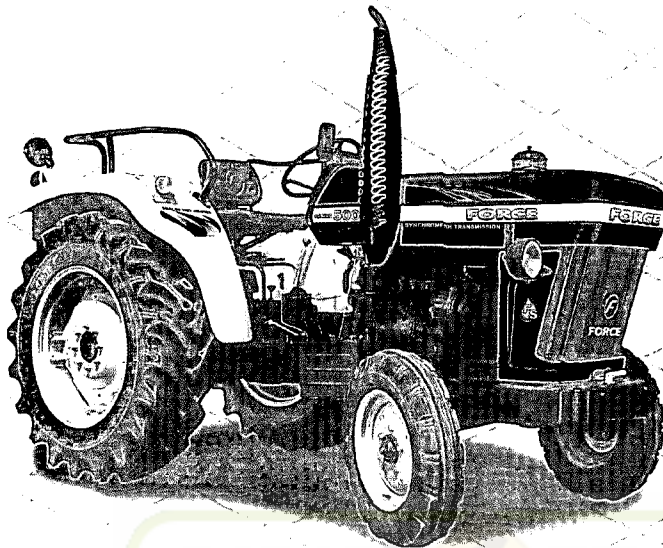


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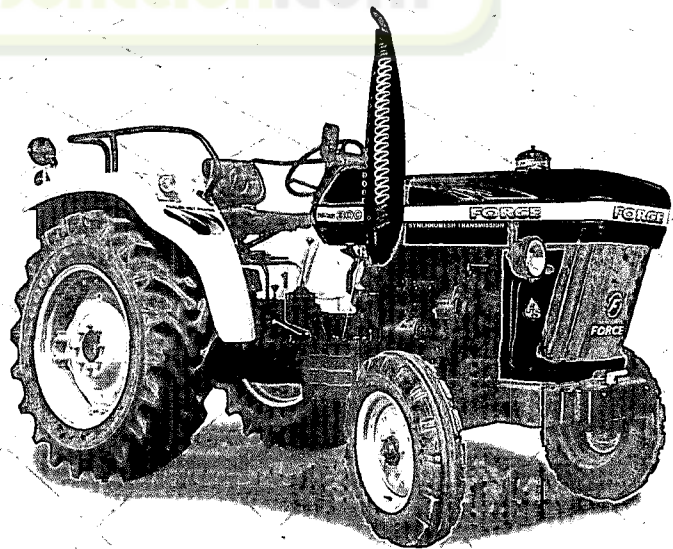
48th Annual Report 2006-2007

New Tractor Range

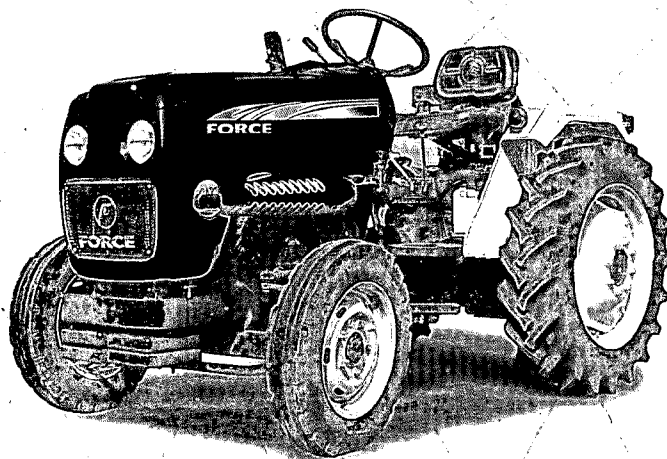
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OX 25



Exciting New Traveller Range

TRAVELLER **STRONG**



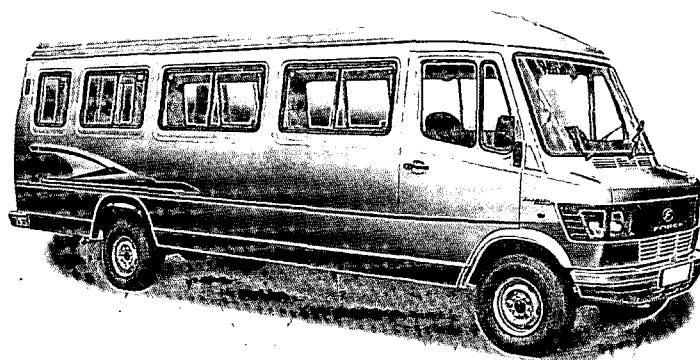
TRAVELLER **X STRONG**



TRAVELLER **SLEEK**

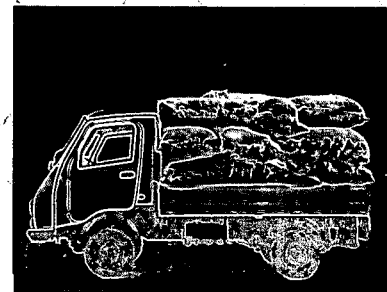
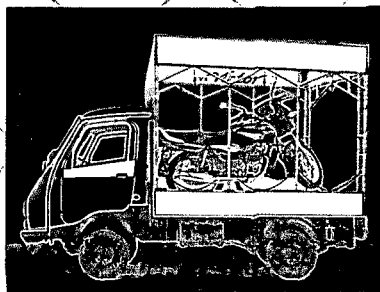
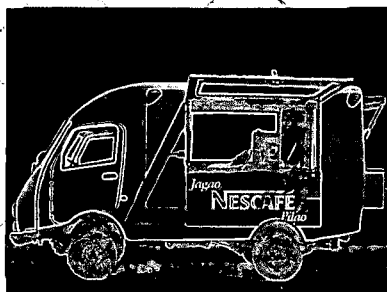
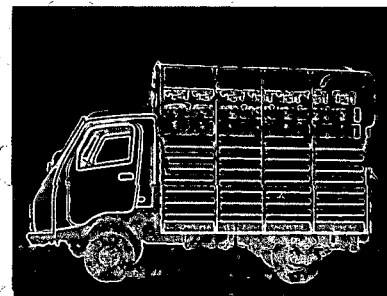
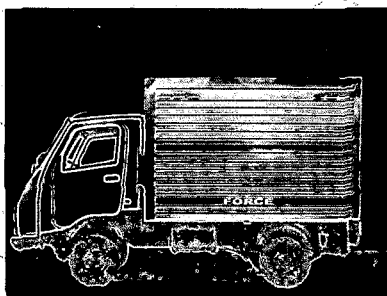


TRAVELLER **SMOOTH**





New M4 from Force Motors.



BOARD OF DIRECTORS*

Mr. Abhay Firodia, Chairman & Managing Director

Mr. S. S. Marathe

Mr. S. N. Inamdar

Mr. Bharat V. Patel

Mr. Pratap Pawar

Mrs. Anita Ramachandran

Mr. S. Padmanabhan

Mr. Sudhir Mehta

Mr. Vinay Kothari

Mr. Prasan Firodia

Mr. S. A. Gundecha

Mr. R. B. Bhandari

(* w.e.f. 29th June, 2007)

Auditors :

Messrs P. G. Bhagwat
Chartered Accountants,
Pune

Cost Auditors :

Messrs Dhananjay V.
Joshi & Co.,
Cost Accountants,
Pune

Registered Office :

Mumbai-Pune Road,
Akurdi, Pune - 411 035

Works :

Akurdi, Pune - 411 035

Pithampur,
District Dhar - 452 002

I N D E X

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NOTICE.

Notice is hereby given that the 48th Annual General Meeting of the Members of **Force Motors Limited** will be held on **Saturday, the 29th day of September, 2007 at 11.30 a.m.**, at the Registered Office of the Company at Bombay Pune Road, Akurdi, Pune – 411 035 to transact the following business :-

ORDINARY BUSINESS.

- 1) To consider and adopt Directors' Report, Audited Balance Sheet and Profit & Loss Account for the year ended on 31st March, 2007 together with the Auditor's Report thereon.
- 2) To appoint a Director in place of Mr. S. S. Marathe, who retires by rotation and being eligible offers himself for reappointment.
- 3) To appoint a Director in place of Mr. Bharat V. Patel, who retires by rotation and being eligible offers himself for reappointment.
- 4) To appoint a Director in place of Mrs. Anita Ramachandran, who retires by rotation and being eligible offers herself for reappointment.
- 5) To appoint a Director in place of Mr. Vinay Kothari, who retires by rotation and being eligible offers himself for reappointment.
- 6) To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS.

- 7) To consider and if thought fit to pass with or without modifications the following resolution as an Ordinary Resolution :-

"RESOLVED that in accordance with the provisions of sections 198, 269, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby accords its approval to the appointment and payment of remuneration and perquisites and giving of benefits and amenities as set out hereinafter to Mr. Abhay Navalmal Firodia as the Managing Director of the Company w.e.f. 1st July, 2007 upto 30th June, 2012 :-

REMUNERATION :-

- 1) The Managing Director shall be paid a salary of Rs. 2,00,000 per month.
- 2) The Managing Director shall be paid a commission of such an amount as may be decided by the Board of Directors of the Company for each Financial Year provided that the amount of commission shall not exceed 5% of the net profits of the Company computed as per the provisions of sections 349 and 350 of the Companies Act, 1956 as reduced by salary, perquisites and cost of benefits incurred by the Company for the Managing Director.

3) PERQUISITES :-

- a) Provision of car for use on Company's business and for personal purposes.
- b) Leave Travel Concession for self and family once in a year in accordance with the rules of the Company.
- c) Personal Accident and Medical Insurance Policies for an amount, the annual premium for which shall not exceed Rs. 10,000.

- d) Reimbursement of medical expenses incurred for self and family.
- e) Free telephone facility at residence.
- f) Fees of two clubs, provided that admission or life membership fees shall not be paid by the Company.

Provided that the valuation of above perquisites/benefits shall be done as per the provisions of the Income Tax Act and Rules made there under.

- g) Contribution to Provident Fund and Superannuation Fund to the extent not taxable under the Income Tax Act.
- h) Gratuity at the rate of half a month's salary for each completed year of service.
- i) Encashment of leave at the end of the tenure as per the rules of the Company.

Provided that the remuneration aforesaid, including all perquisites, benefits and amenities shall be allowed as a minimum remuneration in any year in the event of absence or inadequacy of profits for that year, subject to a ceiling of Rs. 2,00,000 (Rupees Two Lacs Only) per month or Rs. 24,00,000 (Rupees Twenty Four Lacs Only) per annum excluding the perquisites/benefits mentioned in serial no.3(g), (h) and (i)."

'RESOLVED FURTHER that the minimum remuneration in case of inadequacy or absence of profits is approved for a period of three years and the minimum remuneration for the further period shall be reviewed at appropriate time."

- 8) To appoint Mr. R. B. Bhandari as a Director of the Company. Mr. R. B. Bhandari was appointed as an Additional Director of the Company w.e.f. 29th June, 2007. As per the provisions of Section 260 of the Companies Act, 1956, he holds office up to the date of the ensuing Annual General Meeting and in respect of whom the Company has received a notice, in writing, from a Member proposing his candidature for the Office of Director and signifying intention to move the following resolution as an Ordinary Resolution :-

"RESOLVED that Mr. R. B. Bhandari be and is hereby appointed as a Director of the Company."

NOTES.

- 1) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE SAID MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
- 2) The Explanatory Statement setting out the material facts concerning the Special Business mentioned at Item Nos.7 and 8 of the Notice, as required by Section 173 of the Companies Act, 1956, is annexed hereto.
- 3) The Register of Members and Share Transfer Books of the Company will be closed from Thursday, the 27th day of September, 2007 to Saturday, the 29th day of September, 2007 (both days inclusive).
- 4) The requisite information about the Directors retiring by rotation is included in the Report on Corporate Governance.

- 5) **Members desirous of obtaining any information concerning the accounts or operations of the Company are requested to address their questions to the Assistant Company Secretary of the Company, so as to reach at least 15 days before the date of the meeting so that the information required may be made available at the meeting.**
- 6) The unclaimed dividend pertaining to the Company's financial year 1998-99 has been transferred to the Investor Education and Protection Fund as required by Section 205A read with Section 205C of the Companies Act, 1956.
- 7) Equity shares of the Company are listed on Pune Stock Exchange Limited, Shivleela Chambers, 752, Sadashiv Peth, R. B. Kumthekar Marg,

Pune - 411030 and Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001. The Company has paid the annual listing fees to each of the Stock Exchanges.

- 8) The Members are requested to advise the Company immediately of any change in their addresses.

By Order of the Board of Directors
For **FORCE MOTORS LIMITED**

Pune - 411 035
31st July, 2007

Mrs. APARNA G. LAMBORE
Asst. Co. Secretary

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956

ITEM NO. 7

Mr. Abhay Navalmal Firodia was reappointed as the Managing Director for a period of five years w.e.f. 1st July, 2002 as per the terms and conditions contained in the Ordinary Resolution passed by the Members of the Company in their Extraordinary General Meeting held on 31st May, 2002.

Mr. A. N. Firodia, is B.A. (Hons) and has an experience of business management of over 40 years.

He has been appointed as the Managing Director of this Company w.e.f. 1st July, 1987 and became the Chairman of the Company w.e.f. 3rd May, 1995. Considering the progress made by the Company over the years and the experience and expertise of Mr. A. N. Firodia, it is in the interest of the Company to continue to avail of the benefit of his services.

The remuneration, benefits and amenities to be given to him, as set out in the Notice, are within the limits and are in accordance with the Schedule XIII to the Companies Act, 1956.

These terms and conditions of reappointment of Mr. A. N. Firodia as Managing Director, concerning his remuneration, were approved by the Remuneration Committee of the Board of Directors in its meeting held on 26th May, 2007 and by the Board of Directors in its meeting held on 29th June, 2007 and in the opinion of the Board, these terms and conditions are reasonable.

It is proposed to approve the payment of minimum remuneration only for the period of three years as per the provisions of Schedule XIII to the Companies Act, 1956 and appropriate proposal will be put before the Members of the Company for the further period of two years of the remaining period of reappointment of Mr. A. N. Firodia as Managing Director at appropriate time, if required.

The requisite information required as per Clause 49 of the Listing Agreement and other applicable provisions is included in the Report on Corporate Governance.

Mr. Prasan Firodia, Director of the Company is the son of Mr. A. N. Firodia. Except Mr. A. N. Firodia and Mr. Prasan Firodia, none of the other Directors of the Company is interested in the business mentioned at Item No.7.

This along with the proposed resolution may be treated as an abstract pursuant to Section 302 of the Companies Act, 1956.

ITEM NO. 8

In exercise of the powers vested by Article 115 of the Articles of Association of the Company, the Board of Directors of your Company appointed Mr. R. B. Bhandari as an Additional Director w.e.f. 29th June, 2007.

As per the provisions of Section 260 of the Companies Act, 1956, Mr. R. B. Bhandari holds office till the date of ensuing Annual General Meeting. The Company has received a notice from a Member proposing the candidature of Mr. R. B. Bhandari for the office of Director.

Mr. R. B. Bhandari, aged 62 years, is a Commerce graduate. Mr. Bhandari has wide and long experience in Company Accounts and Internal Audit functions.

The requisite information required to be provided, as per the provisions of Clause 49 of the Listing Agreement, in case of appointment of Mr. R. B. Bhandari is included in the Report on Corporate Governance.

None of the Directors, except Mr. R. B. Bhandari, is interested in the resolution mentioned at Item No.8.

By Order of the Board of Directors
For **FORCE MOTORS LIMITED**

Pune - 411 035
31st July, 2007

Mrs. APARNA G. LAMBORE
Asst. Co. Secretary

DIRECTORS' REPORT

To

The Members,

The Directors have pleasure in presenting the 48th Annual Report together with the audited accounts for the financial year ended on 31st March, 2007.

1. Financial Results

| | 2006-07 Rs. | 2005-06 Rs. |
|---------------------------|----------------|-----------------------|
| Gross Sales | 1138,31,01,963 | 1086,89,35,708 |
| Other Income | 92,96,23,207 | 42,71,42,710 |
| Gross Profit | 1,31,59,235 | 72,08,58,795 |
| Depreciation | 41,47,99,423 | 42,67,90,015 |
| Provision for Taxes (net) | (2,67,21,594) | (72,71,877) |
| Profit / (Loss) After Tax | (37,49,18,594) | 30,13,40,657 |
| Balance Carried Forward | 47,83,56,878 | 85,32,75,472 |

The gross turnover for the year under report was Rs. 1,231.27 crores as against Rs. 1,129.73 crores for the previous year showing a marginal increase.

On the backdrop of a booming Automobile Industry, in spite of the significant growth in the sale of our light commercial vehicles, the overall revenue receipts of the Company were constrained by the decrease in the revenue receipts from the small commercial vehicles i.e. Minidor family. Thus overall only a marginal growth was achieved. Investments and project costs arising from new product introduction, product renewals, etc. on the other hand imposed a significant burden for the second year in a row.

In view of above financial results for the year 2006-07, the Board of Directors has not recommended payment of any dividend for the year under report.

2. Name Change

As reported earlier, the litigation about name change is still pending before the Hon'ble High Court of Judicature at Mumbai.

3. Market Situation

In view of the provisions of the Listing Agreement, the Market Situation, Status of Operations and developments in the Heavy Vehicles Project etc., are dealt with in the "Management Discussion & Analysis" attached hereto.

4. Exports

The export turnover for the year under report was Rs. 28.56 crores against the previous year's exports of Rs. 16.12 crores.

There is significant optimism about the growth in the volumes of export, as also the territories to which exports are achieved. The excellent growth in the exports in the previous year is expected to be maintained in the foreseeable future.

5. Research & Development

The expenditure on Research & Development for new products, including the expenditure on Projects and Tool Engineering, was 3.75% of the turnover.

The Company's pursuing of the R&D objectives of achieving high quality driveline products for light commercial vehicles, for small commercial vehicles and tractors, is expected to enable fielding, in the near future, a series of completely updated, modernised and high technology product lines, commensurate with changing customer expectations, market requirements and legislative standards.

6. Foreign Collaborations

During the year under report the progress in absorption of technology obtained from DaimlerChrysler AG and ZF Friedrichshafen AG for Engine and Gear Boxes for various range of products progressed satisfactorily.

During the year under report, services of several foreign consultants on select basis were arranged for development of clutches and drive line, design. Upgradation of Traveller range vehicles for various applications was undertaken. This assistance has supplemented the progress in rapidly conceptualizing and preparing for production of modified versions of various products such as Travellers, Tractors and Traxes.

As reported earlier and as approved by the Members of the Company, all assets, liabilities and contracts, including the technology and licenses arranged in respect of Heavy Commercial Vehicles Project were transferred to MAN FORCE TRUCKS Private Limited, a Subsidiary Company. Accordingly, the technology received from MAN Nutzfahrzeuge AG and MAN Österreich AG is now available to MAN FORCE TRUCKS Private Limited for manufacture of Heavy Commercial Vehicles as a joint venture between your Company and MAN Nutzfahrzeuge AG.

7. Industrial Relations

Litigations between rival unions of workmen employed at the Akurdi Plant, Pune, continue and there is no improvement in the relationship with unions of workmen at Pune. This issue, about recognition of unions, has, as reported earlier, affected severely operations of the Company for the past three years and the solution does not seem to be on horizon.

The Company unilaterally made various efforts and extended a helping hand to general workmen by offering incentives and productivity based increases. It is satisfying that the general response of the workmen was heartening.

The industrial relations with the permanent employees at the Pithampur Plant of your Company continue to be cordial and constructive. The Company has entered into a three years wage settlement with the union representing workmen employed at the Pithampur Plant on or about 20th January 2007.

8. Foreign Exchange

The foreign exchange outgo arising out of the import of raw materials components and capital goods, is as per the details mentioned in the Notes to Accounts.

9. Environment and Conservation of Energy

The Company's efforts on conservation of energy continued with large number of innovations in the plants, particularly in the wastage prone areas. Wastage of electricity, water and air is conscientiously being arrested.

The Company has built a small catchment dam at its Pithampur plant, to help improve the sub-soil water levels, benefiting not only your Company, but a very large part of the Pithampur township. Increasing usage of well water for non-potable use is resorted to, both at Pithampur and Pune Plants, thus achieving significant water conservation.

10. Fixed Deposits

81 Fixed Deposits of Rs. 20,44,000 matured for repayment on or before 31st March, 2007 but remained unclaimed on that date. Out of these 32 deposits amounting to Rs. 13,30,000 have since been repaid/renewed.

11. Orders for Machinery

Since the close of the Accounting Year the Company has placed orders for new machinery, equipment and capital assets for Rs. 84.63 lakhs.

12. Directors

Dr. Rolf Bacher resigned from the directorship of the Company w.e.f. 14th May, 2007 in order to play an active and major role in establishing the business of the Company's subsidiary MAN FORCE TRUCKS Private Limited. The Directors place on record their appreciation of the services rendered by Dr. Bacher during his association with the Company as a Director for over 7 years. The assistance of Dr. Bacher on technical matters and in dealings with the foreign collaborators are his major contributions. His active involvement in discussions with MAN Nutzfahrzeuge AG assisted the Company to negotiate and implement the Joint Venture in record time.

Mr. M. G. Chopda, Director of the Company, resigned from the directorship of the Company w.e.f. 31st March 2007. Mr. Chopda's long association with the Company and his guidance in technical matters assisted the Company in establishing the manufacturing plants of world class standard and absorbing various technologies procured by the Company from time to time. The Directors place on record their appreciation of the services rendered by Mr. Chopda.

Mr. M. Venkataiah resigned from the directorship of the Company w.e.f. 29th June 2007. The Directors place on record their appreciation of their services rendered by Mr. Venkataiah during his association as a Director of the Company.

Mr. R. B. Bhandari was appointed as an Additional Director of the Company w.e.f. 29th June, 2007. As per the provisions of Section 260 of the Companies Act, 1956, Mr. Bhandari holds office till the conclusion of the ensuing Annual General Meeting. The Company has received a notice proposing his candidature for the directorship of the Company.

13. Committees

Mr. Vinay Kothari, Mr. Pratap Pawar, Independent Directors, and Mr. S. A. Gundecha, Non-Executive Director, are the Members of the Audit Committee appointed by the Board as per the provisions of Section 292A of the Companies Act, 1956 read with Clause 49 of the Listing Agreement.

The Remuneration Committee was reconstituted. Mr. S. N. Inamdar, Mr. Bharat V. Patel and Mr. Pratap Pawar, all Independent Directors, are the Members of the Remuneration Committee so reconstituted under the Chairmanship of Mr. S. N. Inamdar.

14. Corporate Governance

The Company has taken all necessary steps to implement the provisions of Listing Agreement and a detailed report on the various issues, including the Auditor's Report on Corporate Governance are attached to this Report.

15. Directors' Responsibility Statement

As required by sub-section 2AA of Section 217 of the Companies Act, 1956, the Directors state that –

- in the preparation of Annual Accounts, the applicable Accounting Standards had been followed along with proper explanation relating to material departures;
- the Directors have selected such accounting policies and applied them consistently and made judgements 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/loss of the Company for that period;
- the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- the Annual Accounts are prepared on a going concern basis.

16. Other

The statement pursuant to Section 212 of the Companies Act, 1956 relating to Subsidiary Companies and their Accounts are annexed hereto.

Under the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of employees are set out in the annexure to the Directors' Report. However, in terms of the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Directors' Report is being sent to all the Members of the Company excluding the aforesaid annexure. The Members interested in obtaining a copy of the said annexure may write to the Company at the Registered Office of the Company. The Company had nine employees who were in receipt of remuneration exceeding Rs. 2,00,000 per month and employed throughout the financial year and three employees who were in receipt of remuneration exceeding Rs. 2,00,000 per month and employed for part of the financial year.