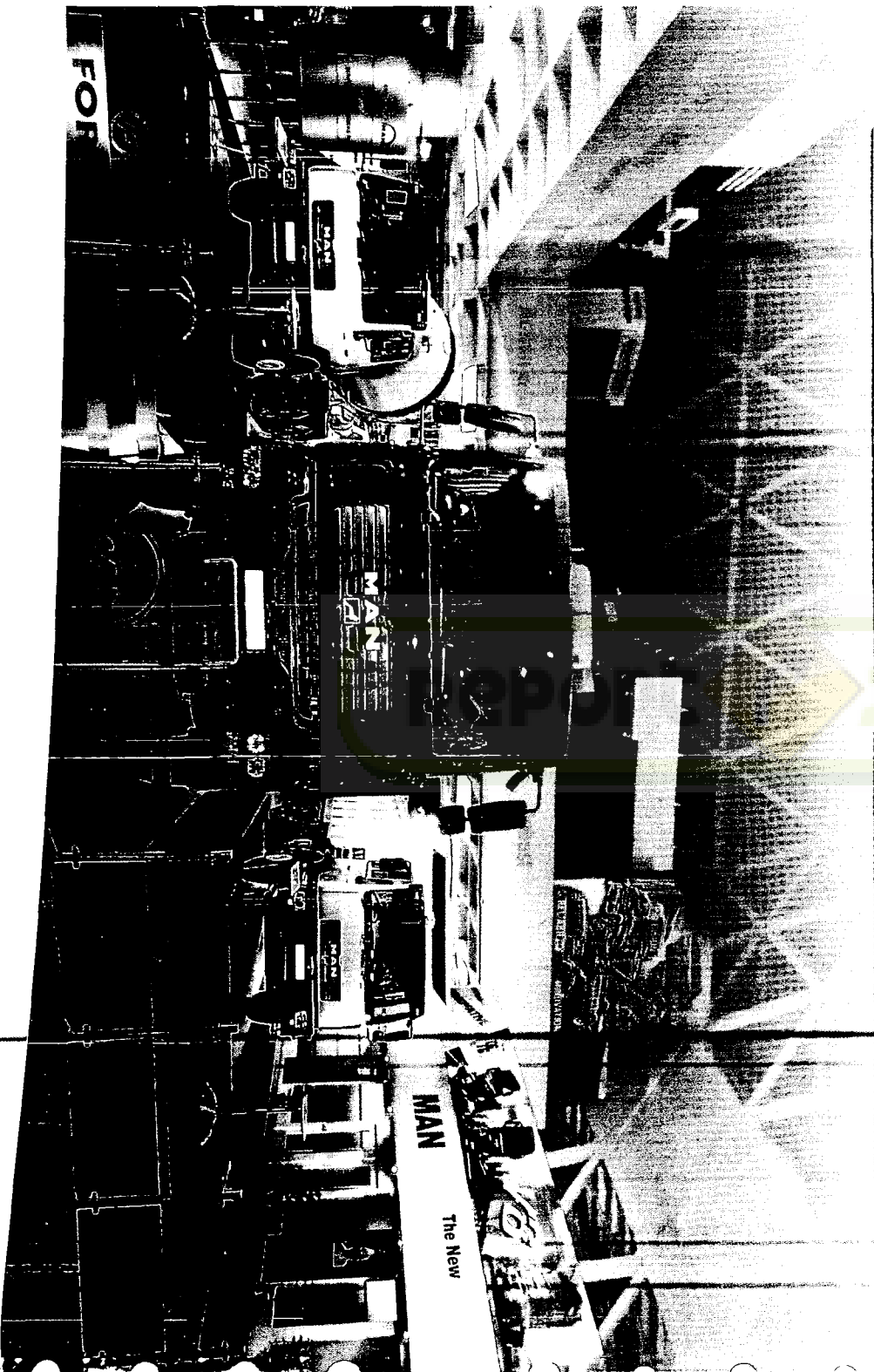
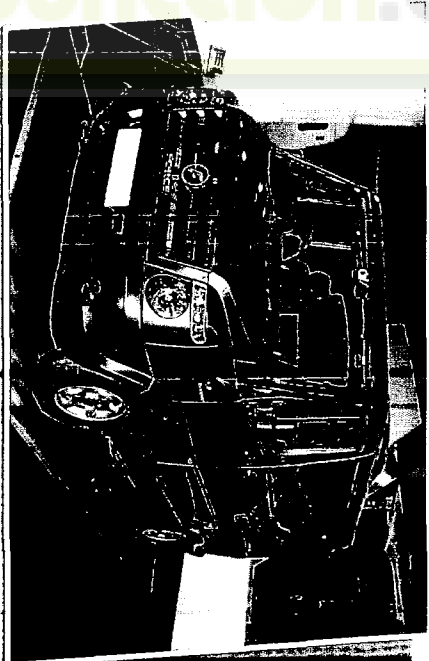
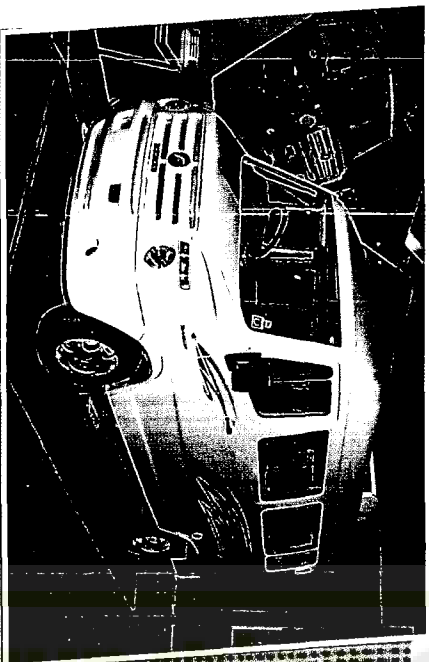
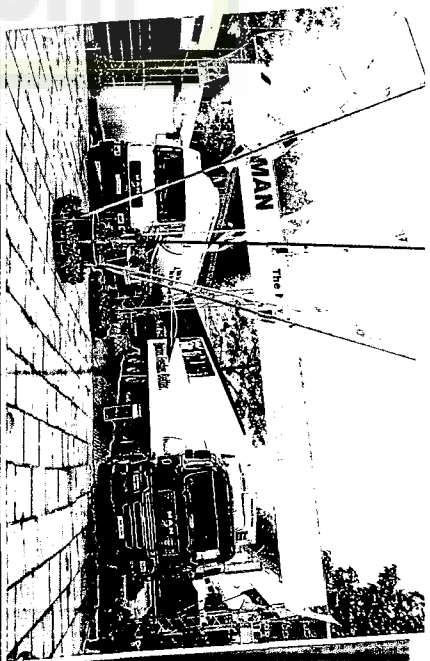
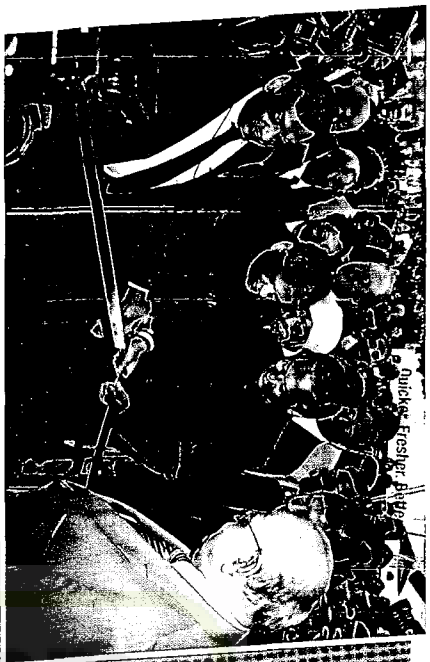


49th Annual Report

2007 - 2008



FORCE MOTORS LIMITED



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. L. Lakshman

Mr. Sudhir Mehta

Mr. Vinay Kothari

Mr. Prasan Firodia

Mr. S. A. Gundecha

Mr. Dinesh Chhabra

Mr. R. B. Bhandari

(* w.e.f. 25th June, 2008)

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

INDEX

1. Notice of Annual General Meeting with the Explanatory Statement.	4 - 5
2. Directors' Report	6 - 8
3. Management Discussion & Analysis	9 - 10
4. Report on Corporate Governance	11 - 15
5. Auditor's Certificate on Corporate Governance	16
6. Auditor's Report with Annexure	17 - 19
7. Annual Accounts for the year 2007-08	20 - 41
8. Auditor's Report on Consolidated Accounts	43
9. Consolidated Accounts for the year 2007-08	44 - 61
10. Subsidiary Companies Accounts for the year 2007-08	
(a) MAN FORCE TRUCKS Pvt. Ltd.	63 - 82
(b) Tempo Finance (West) Private Limited	83 - 92



NOTICE.

Notice is hereby given that the 49th Annual General Meeting of the Members of Force Motors Limited will be held on **Saturday, the 27th day of September, 2008 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 Audited Balance Sheet and Profit & Loss Account for the year ended on 31st March, 2008 together with the Directors' Report and Auditor's Report thereon.
- 2) To appoint a Director in place of Mr. S. N. Inamdar, who retires by rotation and being eligible offers himself for reappointment.
- 3) To appoint a Director in place of Mr. S. A. Gundecha, who retires by rotation and being eligible offers himself for reappointment.
- 4) To appoint a Director in place of Mr. Sudhir Mehta, who retires by rotation and being eligible offers himself for reappointment.
- 5) To appoint a Director in place of Mr. Prasan Firodia, who retires by rotation and being eligible offers himself for reappointment.
- 6) To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS.

- 7) To appoint Mr. L. Lakshman as a Director of the Company. Mr. L. Lakshman was appointed as an Additional Director of the Company w.e.f. 29th September, 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. L. Lakshman be and is hereby appointed as a Director of the Company."

- 8) To appoint Mr. Dinesh Chhabra as a Director of the Company. Mr. Dinesh Chhabra was appointed as an Additional Director of the Company w.e.f. 25th June, 2008. 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. Dinesh Chhabra 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 OF THE COMPANY.
- 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 25th day of September, 2008 to Saturday, the 27th day of September, 2008 (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) 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.
- 7) 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
26th July, 2008

RUCHI AGARWAL
Asst. Co. Secretary

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

ITEM NO. 7

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. L. Lakshman as an Additional Director w.e.f. 27th September, 2007.

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

Mr. L. Lakshman, aged 62 years, is a Mechanical Engineer from the University of Madras and an alumnus of London Business School, London, UK. Mr. Lakshman has wide and long experience in automobile industry.

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

None of the Directors, except Mr. L. Lakshman, is interested in the resolution mentioned at Item No.7.

Directors of your Company appointed Mr. Dinesh Chhabra as an Additional Director w.e.f. 25th June, 2008.

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

Mr. Dinesh Chhabra, aged 45 years, is B.Com (Hon's) and a Fellow member of the Institute of Chartered Accountants of India. Mr. Chhabra has experience of over 22 years in Treasury, Finance, Business Strategies and Project Management.

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

None of the Directors, except Mr. Dinesh Chhabra, is interested in the resolution mentioned at Item No.8.

ITEM NO. 8

In exercise of the powers vested by Article 115 of the Articles of Association of the Company, the Board of

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

Pune - 411 035
26th July, 2008

RUCHI AGARWAL
Asst. Co. Secretary

DIRECTORS' REPORT

To

The Members,

The Directors present the 49th Annual Report together with the audited accounts for the financial year ended on 31st March, 2008.

1. Financial Results

	2007-08 Rs.	2006-07 Rs.
Gross Sales	1067,23,68,873	1138,31,01,963
Other Income	65,43,65,577	92,96,23,207
Gross Profit/(Loss)	(41,66,71,931)	3,09,63,883
Depreciation	39,01,57,145	41,47,99,423
Provision for Taxes (net)	2,96,88,758	(89,16,946)
Loss After Tax Adjustments	(83,65,17,834)	(37,49,18,594)
Balance in Profit & Loss Account Carried Forward	(35,81,60,956)	47,83,56,878

2. Name Change

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

3. Market Situation

In view of the provisions of the Listing Agreement the aspect of Market Situation, Status of Operations and developments in the business - are dealt with in the "Management Discussion & Analysis" attached hereto.

4. Exports

The export turnover for the year under report was Rs. 38.59 crores against the previous year's export of Rs. 28.56 crores.

5. Research & Development

The expenditure on Research, Development, Projects and Tool Engineering was 2.93% of the turnover.

The projects for the major facelift and range extension on the Traveller, as also the launching of the four-

wheeled Small Commercial Vehicle the M-4, were completed during the previous year and corresponding products have been introduced in the market.

6. Foreign Collaborations

The production, on regular series basis of the new generation planetary 9-speed gearboxes, under licence from ZF Friedrichshafen AG, Germany, has commenced. The technology obtained for the heavy gearboxes is adequately absorbed.

During the year, further localization and adaption activity was carried out also for the New Generation LCV gearbox G-32, for which a licence has been obtained from Daimler AG. The localization of the common rail engine for which a licence was obtained from Daimler AG has also been satisfactorily completed. This new common rail engine and the matching driveline, will go into production in this year.

7. Industrial Relations

The deadlock on the Industrial Relations front continues at the Pune plant. The litigant unions are before the High Court at Bombay, in the Union recognition matter. The unfortunate aspect of this Industrial Relations imbroglio, is that the Company suffered severe handicaps in its operations at Pune and consequently at Indore also, due to the inter-union rivalry, subsequent slow-down and continued litigation. There is no obvious sign of the return of full normalcy at Pune as yet. Industrial Relations at the Pithampur plant have been satisfactory during the year.

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

Considering the severe power shortage in Pune, the Company participated in the programme mooted by the CII, to run our own standby generator sets, to relieve the energy shortage in the Pune area.

Efforts at conservation of energy and the environment, in various manufacturing establishments of the Company, continue to be pursued. The Company has taken up a project to install a modern and environment-friendly electrophoretic painting plant, at its Pithampur factory.

10. Fixed Deposits

60 deposits amounting to Rs. 9,58,000 matured for repayment on or before 31st March, 2008 but remained unclaimed on that date. Out of these, 16 deposits amounting to Rs. 1,75,000 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 other capital assets of value of Rs. 2.10 crores.

12. Directors

Mr. L. Lakshman was appointed as an Additional Director of the Company w.e.f. 29th September, 2007. Mr. Dinesh Chhabra was appointed as an Additional Director of the Company w.e.f. 25th June, 2008. As per the provisions of Section 260 of the Companies Act, 1956, Mr. Lakshman and Mr. Chhabra hold office till the conclusion of the ensuing Annual General Meeting. The Company has received notices proposing their candidature for the directorship of the Company.

Mr. S. N. Inamdar, Mr. S. A. Gundecha, Mr. Sudhir Mehta and Mr. Prasan Firodia, Directors of the Company, retire by rotation and being eligible offer themselves for reappointment.

13. Audit Committee

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.

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 –

- (a) in the preparation of Annual Accounts, the applicable Accounting Standards had been followed along with proper explanation relating to material departures;
- (b) 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;
- (c) 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;
- (d) 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 10 employees who were in receipt of remuneration exceeding Rs. 2,00,000 per month and employed throughout the financial year and 5 employees who were in receipt of remuneration exceeding Rs. 2,00,000 per month and employed for part of the financial year.

17. You are requested to appoint Auditors for the current year and fix their remuneration. M/s. P. G. Bhagwat, Chartered Accountants, Pune, Auditors to the Company, who retire at the ensuing Annual General Meeting, are eligible for reappointment.
18. The Central Government has directed to conduct audit of the cost records and accordingly M/s. Dhananjay V. Joshi & Co., Cost Accountants, Pune, were appointed as Cost Auditors for the year under report. The Cost Audit Report is under preparation.
19. As per the Accounting Standard No.21 (AS 21), the Company has included, as a part of this Annual Report, the Audited Consolidated Financial Statement for the Financial Year 2007-08.

20. The Directors express their grateful thanks to the Dealers, Suppliers and Banks for their support, and express their warm appreciation of the sincere co-operation and dedicated work by a majority of the employees of the Company.

For and on behalf of the Board of Directors

Pune 411 035
26th July, 2008.



ABHAY FIORDIA
Chairman & Managing Director

Report  junction.com

MANAGEMENT DISCUSSION AND ANALYSIS

I. OVERALL PERFORMANCE OF THE COMPANY

For the second year in a row, the Company registered significant increase in the sale of Light Commercial Vehicles. The Automobile Industry continued to do well for the year under report. In addition to the overall growth in the Industry, significant sectoral changes in demand occurred. While the Light Commercial Vehicles produced by the Company continue to register very good growth, the gains from this category of vehicles were annulled by the decrease in the market size for the Minidor type of Three-wheelers, and the rural Utility Vehicles produced by the Company. Overall, the total revenues of the Company declined by 8% and was Rs. 1132.67 crores in spite of significant growth in Light Commercial Vehicles.

The year under report also saw unprecedented increase in the cost of essential inputs, particularly steel. Your Company specializes in the production of fully body built light commercial vehicles, including factory built vans and minibuses, thus the proportion of consumption of steel sheets - in the bodies of light commercial vehicles manufactured by the Company - is significantly higher than the competition. The cost increase therefore on vehicles produced by the Company have been significant. While the minibus market has boomed, most of the minibuses built in the country have bodies which are built on drive-away truck chassis by independent bus body builders, where there is a significant price advantage due to differential taxation, etc.

The lingering unresolved Labour Issues, and Project Delays in the subsidiary company, MAN FORCE TRUCKS Pvt. Ltd., have also had a dampening effect on the operations.

II. OUTLOOK FOR 2008 - 2009

The new range of Travellers has been well accepted in the market. In the current year, as also in coming years, the expanded Traveller range (various models from 6 to 20 seats capacity) are expected to deliver revenue growth. Improved export opportunities are seen for Traveller vehicles.

A significant cultural change has occurred in the market for Utility Vehicles - where Rural Utility Vehicles (MUVs) of the type the Company manufactures, have not registered a growth in relation to the Sports Utility Vehicles (SUVs). Exports of Trax vehicles have however shown growth. New market opportunities are being explored.

The Company adopted a policy of restricting the credit sales of tractors in order to curtail exposure in the rural market. In the short run this has affected the sale for this product line. A new series, of re-engineered and face-lifted tractors has been introduced towards the end of the previous year.

Small Commercial Vehicles (SCVs) - The market for the Minidor, which has been a most successful product for over a decade, has now significantly shrunk due to changed market preferences.

The Company has introduced the first four-wheeled small commercial vehicle, and plans further to

introduce during the course of the current year and in the succeeding years, a slew of new small four-wheeled commercial vehicles - with the latest technology. In this regard, the Company has completed the development of a two-cylinder, four-valve, common rail direct injection engine. Tooling up and plant erection is completed. Trial vehicles are on road. The commercial production of which is slated to start early in the next financial year.

III. OPPORTUNITIES, THREATS AND RISKS AND FACTORS AFFECTING SALES

The high cost of fuel offers both threats and opportunities. In this regard, your Company has taken the initiative to introduce lower displacement and higher fuel efficiency engines, to improve the competitive ability of its products. Nevertheless, the down turn in the economy, the increase in interest cost, the significant increase in material costs, and overall competitive pressures continue to pose a challenge.

IV. FINANCIAL PERFORMANCE

While fixed operational costs of your Company have been brought down, the main issues impacting the performance are the following:

- (1) Major impact on the market for three-wheelers, due to demand preference change.
- (2) Project delays, resulting in delays on new revenue streams.
- (3) Severe and repeated increase in the cost of inputs.

The combination of the above, delaying the growth in top line.

Despite the above, the Product Portfolio of the Company, the Inherent Capability and Capacity of the Manufacturing Plants, and the slew of New Products which the company can introduce in the near future, does offer substantial improvement opportunities in the financial performance.

During the financial year 2007-08, the Company achieved net sales of Rs. 905.06 crores compared to Rs. 975.61 crores during the previous year. There is a de-growth of 7.23%.

The cost structure during the year was as under :-

- (1) Material cost 79.71% of net sales (previous year 78.09%).
- (2) Employee cost 15.80% of net sales (previous year 13.83%).
- (3) Publicity and sales promotion 2.38% of net sale (previous year 5.02%).
- (4) Balance costs (adjusted - net of costs capitalized) 10.14% of net sales (previous year 10.26%).
- (5) Interest 3.79% of net sales (previous year 2.02%).
- (6) Depreciation 4.31% of net sales (previous year 4.25%).