



53rd Annual Report

2011 - 12

FORCE MOTORS LIMITED

Mumbai - Pune Road, Akurdi, Pune - 411 035. INDIA

BOARD OF DIRECTORS

Mr. Abhay Firodia, Chairman

Mr. Prasan Firodia, Managing Director

Mr. Sudhir Mehta

Mr. Pratap Pawar

Mr. L. Lakshman

Mrs. Anita Ramachandran

Mr. S. Padmanabhan

Mr. Arun Sheth

Mr. Vinay Kothari

Mr. Atul Chordia

Mr. S. A. Gundecha

Mr. R. B. Bhandari

COMPANY SECRETARY

Mrs. Aparna G. Lambore

AUDITORS

M/s. P. G. Bhagwat
Chartered Accountants,
Pune.

COST AUDITORS

M/s. Joshi Apte & Associates
Cost Accountants,
Pune.

REGISTERED OFFICE

Mumbai-Pune Road,
Akurdi, Pune – 411 035.

WORKS

- (i) Mumbai-Pune Road,
Akurdi, Pune – 411 035.
- (ii) Pithampur,
District Dhar – 454 775.
- (iii) Urse, Taluka Maval,
District Pune - 410 506.

I N D E X

1. Notice of Annual General Meeting	03 - 04
2. Directors' Report	05 - 07
3. Management Discussion and Analysis	08 - 09
4. Report on Corporate Governance	10 - 15
5. Auditors' Certificate on Corporate Governance	16
6. Auditors' Report with Annexure	17 - 19
7. Balance Sheet	20
8. Statement of Profit & Loss	21
9. Cash Flow Statement	22
10. Notes to Financial Statements	23 - 42

**NOTICE**

Notice is hereby given that the 53rd Annual General Meeting of the Members of Force Motors Limited will be held on **Saturday, the 22nd day of September 2012 at 11.30 a.m.**, at the Registered Office of the Company at Mumbai - 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 2012 together with the Directors' Report and Auditors' Report thereon.
- 2) To declare a dividend.
- 3) To appoint a Director in place of Mr. Vinay Kothari, 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. S. A. Gundecha, who retires by rotation and being eligible, offers himself for reappointment.
- 6) To appoint a Director in place of Mr. R. B. Bhandari, who retires by rotation and being eligible, offers himself for reappointment.
- 7) To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

- 8) To consider and, if thought fit, to pass with or without modifications the following resolution as an ordinary resolution:

"RESOLVED that pursuant to the provisions of Section 293 and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded to the Board of Directors of the Company for contributing, to charitable and other funds, not directly related to the business of the Company or welfare of its employees, a sum upto ` 5,00,00,000 (Rupees Five Crores only), during the Financial Year 2012-13."

- 9) To consider and, if thought fit, to pass with or without modifications, the following resolution as a special resolution:-

"RESOLVED that the Articles of Association of the Company be and are hereby altered by substituting in line no. 2 of Article 118 the numerals and words " 20,000 (Rupees Twenty Thousand only)" in place of " 10,000 (Rupees Ten Thousand only)."

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 A PROXY NEED NOT BE A MEMBER OF THE COMPANY.**

- 2) The Explanatory Statement setting out the material facts concerning the Special Business as mentioned at Item no. 8 of the Notice, as required by Section 173 of the Companies Act, 1956, is annexed hereto.

- 3) The requisite information about the Directors, retiring by rotation, is included in the Report on Corporate Governance.

- 4) The Register of Members and Share Transfer Books of the Company will be closed from Thursday, the 20th day of September 2012 to Saturday, the 22nd day of September 2012 (both days inclusive) for the purpose of ascertaining entitlement to the dividend that may be declared at the ensuing Annual General Meeting.

- 5) The payment of dividend, if declared, at the ensuing Annual General Meeting will be made after Saturday, the 22nd day of September 2012 to those members holding shares in physical form and whose names appear in the Register of Members of the Company on Wednesday, the 19th day of September 2012, and who hold shares of the Company in dematerialized form and whose name is entered as a beneficial owner in the records of the Depositories on that date.

- 6) Members holding shares in physical form are requested to intimate immediately any change in their address / details of their bank account / details for transfer of dividend, if declared, through Electronic Clearance Service (ECS) before Wednesday, the 19th day of September 2012. These details may kindly be intimated to the Company at the Registered Office or to the Registrar and Share Transfer Agent of the Company, Link Intime India Private Limited, Block no. 202, 'A' Wing, 2nd floor, Akshay Complex, Near Ganesh Temple, Off. Dhole Patil Road, Pune - 411 001.

Members holding shares in dematerialized form shall address communication to their respective Depository Participants.

- 7) Members are requested to note that pursuant to the provisions of Section 205C of the Companies Act, 1956 the dividend remaining unclaimed / unpaid for a period of seven years from the date it became due for payment shall be credited to the Investor Education and Protection Fund (Fund) set up by the Central Government. Members who have so far not claimed the dividend that was declared for the financial year 2009-10 and/or 2010-11 are requested to make their claim with the Company immediately, as no claim shall lie against the Fund or the Company in respect of amount once credited to the said Fund.

- 8) Members are requested to note that pursuant to the provisions of Sections 205A(5) and 205C of the Companies Act, 1956, the Company has transferred the unpaid or unclaimed dividends till the financial year 2003-04 to the Investor Education and Protection Fund established by the Central Government.

9) The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participant(s) with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company / Registrar and Transfer Agent.

10) **Members desirous of obtaining any information concerning the accounts or operations of the Company are requested to address their questions to the 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.**

11) **GREEN INITIATIVE : As a step for paperless communication with the Members of the Company, Company has decided to forward all notices, circulars and other documents to be served on Members through electronic mode.**

Members of the Company are requested to communicate their e-mail address on which

they would like to have these communications. The e-mail address can be communicated by a letter addressed to the Secretarial Department, Force Motors Limited, Mumbai - Pune Road, Akurdi, Pune - 411 035 or Link Intime India Private Limited, Block no. 202, 'A' Wing, 2nd floor, Akshay Complex, Near Ganesh Temple, Off. Dhole Patil Road, Pune - 411 001 and should be signed as per the specimen signature recorded with the Company or Registrar and Transfer Agent.

12) Equity shares of the Company are listed on the Pune Stock Exchange Limited, Shivleela Chambers, 752, Sadashiv Peth, R.B. Kumbhar Marg, Pune - 411 030 and BSE Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001. The Company has paid the annual listing fees to each of the Stock Exchanges.

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

Pune - 411 035
28th July 2012

APARNA G. LAMBORE
Company Secretary

Explanatory Statement as required by Section 173 (2) of the Companies Act, 1956

Item No. 8

As per the provisions of Section 293(1)(e) of the Companies Act, 1956 (the Act), the Board of Directors of a public company is authorized to contribute to charitable and other funds not directly relating to the business of the company or welfare of its employees amounts, the aggregate of which, in any financial year shall not exceed fifty thousand rupees or five percent of its average profits as determined in accordance with the provisions of sections 349 and 350 of the Companies Act, 1956 made during the three immediately preceding financial years, whichever is greater. Considering the Company's profitability position in recent years and the requirement of donating certain amount to charitable institutions, the Board of Directors consider that the consent of the Members of the Company should be obtained to contribute the sum up to ₹ 5,00,00,000 (Rupees Five Crores only) to the charitable institutions and funds during Financial Year 2012-13.

None of the Directors of the Company is interested in the resolution, mentioned at Item no.8

Item No. 9

At present, as per the provisions of Article 118 of the Articles of Association of the Company, each Director is entitled for a remuneration in the form of meeting fees, for attending each meeting of the Board of Directors or Committee thereof, of ₹ 10,000.

Considering the change in business environment and time required to be committed by the Directors, for attending the meetings of the Board or of a Committee thereof, the Company proposes to increase the meeting fees from ₹ 10,000 to ₹ 20,000, for each meeting of the Board or of a Committee thereof, attended by Non-working Directors.

As per the provisions of Section 310 of the Companies Act, 1956 read with Rule 10B of the Companies (Central Government's) General Rules and Forms, 1956, the Company can make payment up to ₹ 20,000, as a meeting fee, as stated above. It is proposed to amend Article 118 of the Articles of Association of the Company, as stated in the resolution, to achieve the increase in the meeting fees payable to the Directors.

All Directors of the Company, other than the Managing Director, may be deemed to be interested in this resolution to the extent of meeting fees payable to each of them.

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

Pune - 411 035
28th July 2012

APARNA G. LAMBORE
Company Secretary

DIRECTORS' REPORT

To

The Members,

The Directors present the 53rd Annual Report, together with the audited accounts for the financial year ended on 31st March 2012.

1. Financial Results

	2011-12	2010-11
Income from Operations (Gross)	2369,16,19,208	1780,62,45,873
Other Income	24,59,73,016	5,49,76,051
Exceptional Items	960,70,94,000	--
Gross Profit	1071,65,55,435	126,78,04,453
Depreciation	60,35,64,562	44,81,72,112
Provision for Taxes (Net)	186,96,72,785	23,34,53,386
Profit After Tax	824,33,18,088	58,61,78,955
Proposed Dividend	13,17,62,620	6,58,81,310
Provision for Tax on Distributed Profit	2,13,75,191	1,06,87,596
Transfer to General Reserve	82,44,00,000	182,46,33,784
Balance in Profit & Loss Account Carried Forward	733,57,80,277	7,00,00,000

The income from operations (gross) for the year under report increased to ` 2369 crores against the previous year's sale of ` 1780 crores representing a significant growth of 33%.

2. Dividend

The Board of Directors has recommended a dividend of ` 10 per share on 1,31,76,262 equity shares of ` 10 each fully paid up.

3. Name Change

As reported earlier, petition challenging the decision of the Hon'ble High Court of Judicature at Bombay, in respect of change in the name of the Company has been admitted by the Hon'ble Supreme Court of India. The operation of the order of the Hon'ble High Court has been stayed. The matter is still under consideration of the Hon'ble Supreme Court of India.

4. Heavy Commercial Vehicle Business - the Joint Venture

The Company entered into an agreement with MAN Truck & Bus AG (MAN), the joint venture partner in the Heavy Commercial Vehicles segment. As per

this agreement, on 28th March 2012 the Company sold 5,57,97,100 equity shares of ` 10 each of MAN FORCE Trucks Private Limited, (the then joint venture company), to MAN for the agreed consideration of € 150,000,000. As per the other terms and conditions agreed with MAN, the Company will continue to hold one equity share of MAN FORCE Trucks Private Limited, (now named as MAN Trucks India Private Limited).

The Company had established a heavy commercial vehicles (HCV) division, for which it has sourced technology for engines, gear boxes, cabs, etc. under full payment - from MAN Nutzfahrzeuge AG (MAN), ZF Friedrichshafen AG, etc.

Later accepting the offer made by MAN, Company converted the technical collaboration arrangement into a Joint Venture for manufacture of Heavy Commercial Vehicles with MAN, retaining 70 % of the equity capital of the joint venture company. This was done in response to MAN's offer to enable substantial exports.

Subsequently in the year 2006 in response to the proposal made by MAN for higher participation of MAN, Company diluted its shareholding to 50 % of the equity capital of the said joint venture.

With the above referred disinvestment of 5,57,97,100 number of shares, Company ceased to be a Joint Venture Partner in MAN Trucks India Private Limited.

The Company has agreed to continue to support MAN to achieve smooth transition, by making available certain services and component supply, under a specific agreement. Company has not accepted any restriction in respect of its entry, if decided, in the Heavy Commercial Vehicles Segment.

This sale of shares of MAN Trucks India Private Limited resulted in exceptional income of ` 960,70,94,000. The tax on this exceptional income, calculated on pro-rata basis is ` 201,61,58,346.

5. Market Situation

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

6. Exports

The export turnover for the year under report was ` 23.96 crores against the previous year's export of ` 27.17 crores.

7. Research & Development

The expenditure on Research & Development for new products, including the expenditure on Projects and Tool Engineering, was 1.94 % of the operational turnover of the Company for the year under report. The Company has maintained its emphasis on research, development and tool engineering activities.

8. Foreign Collaborations

The Company entered into a Licence Agreement with Daimler AG in respect of Multi Purpose Vehicle (MPV). As per the terms and conditions of this agreement, the drawings and designs of the vehicle, (excluding the engine and the transmission systems), have been made available by Daimler AG to the Company.

The Company has entered into a Technical Collaboration Agreement, with Getriebe-und Zahnradfabrik Hermann Hagenmeyer GmbH & Cie KG (GETRAG), in respect of Transaxles required in the manufacture of the MPV.

A Technical Support Agreement has been signed with MB Tech Group GmbH KGAA in respect of availing consultancy assistance in the field of product development and process development.

The Company continues to have the benefit of technical assistance from Dr. Rolf Bacher, Germany.

9. Industrial Relations

The litigation connected with recognition of labour union at the Company's Akurdi, Pune Plant, is still pending before the Hon'ble Supreme Court of India. The industrial relations at the Pithampur Plant continued to be cordial.

10. 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 Financial Statements.

11. Environment and Conservation of Energy

Several steps to save energy and natural resources like water are being taken so as to achieve energy saving and cost reductions. The new CED - paint shop (fifth generation technology) at Pithampur is a step in this direction.

12. Fixed Deposits

28 deposits amounting to ₹ 8,86,000 matured for repayment on or before 31st March 2012 but remained unclaimed on that date. Out of these, 4 deposits amounting to ₹ 51,000 have since been repaid/renewed.

13. 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 ₹ 20.05 crores.

14. Directors

Mr. Vinay Kothari, Mr. Sudhir Mehta, Mr. S. A. Gundecha and Mr. R. B. Bhandari, Directors of the Company, retire by rotation and being eligible offer themselves for reappointment.

Mr. S. N. Inamdar ceased to be the Director of the Company w.e.f. 16th April 2012. Mr. Inamdar has been closely associated with the Company for over

three decades. His advice and guidance has greatly benefitted the Company. Board places on records its appreciation for the services rendered by Mr. Inamdar in his capacity as Director.

15. Audit Committee

Mr. Vinay Kothari, Mr. Pratap Pawar, Mr. S. Padmanabhan, Mr. Arun Sheth, Independent Directors, and Mr. S. A. Gundecha, Non-Executive Director, are the Members of the Audit Committee.

16. Corporate Governance

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

17. 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.

18. Other

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 two employees who were in receipt of remuneration exceeding ₹ 5,00,000 per month and employed throughout the financial year and six employees who were in receipt of remuneration exceeding ₹ 5,00,000 per month and employed for part of the financial year.

- 19.** 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.
- 20.** The Central Government has directed to conduct audit of the cost records of the Financial Year 2011-12 and accordingly M/s. Joshi Apte & Associates, Cost Accountants, Pune, were appointed as the Cost Auditors, for that year. The Cost Audit Report is under preparation.

- 21.** 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
28th July 2012



ABHAY FIORDIA
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

I. INDUSTRY STRUCTURE AND DEVELOPMENTS

The growth of the automobile industry in India moved in sympathy with the growth of the economy. The pace of economic growth in India during the year under review was less than in the previous years. The macro-economic environment shows strains – arising from delays in implementation of infrastructure projects, global economic uncertainties and above all lack of direction in governance. While the fundamentals remain strong the sentiment for growth has weakened.

II. PERFORMANCE OF THE COMPANY

During the year under report, the company achieved a top line growth of 33 per cent. The sales turnover stood at ` 2282.26 crores compared to the previous year's turnover of ` 1715.68 crores, having sold 30,515 vehicles during the year under report compared to 26,037 vehicles in the year 2010-11.

The light commercial vehicles (LCV) and utility vehicles (UV) business of the Company showed strong growth, an increase in sales by 40 per cent. The tractor business of the Company has also shown good signs of growth. From small beginnings, the numbers sold having increased by 70 per cent.

The Traveller range of vehicles with the common rail engine has been well received. The growth in this product category has been gratifying. The Company has taken various steps to enhance production in order to cater to this growing market. A Euro IV version of the Traveller with further advancement in styling has also been introduced in the market.

The Company unveiled the 'Traveller 26' at the Auto Expo in January 2012. This product is the largest known monocoque panel van in the world. Having been evolved from the iconic Traveller vehicle, it represents a big step forward in consolidating the Company's van business. With the 26-seater monocoque Traveller vehicle, the Company is poised to offer to the market a technically most advanced product. It is highly reliable, very sophisticated in terms of technology (common rail engine, high safety features), excellent operating economy, wide variety of usages, in terms of air conditioned tourist bus, modern special school bus, and for application in the segment for transporting mid-sized groups – over medium, small and even long distances. The regular mass production of the Traveller 26 is now taken up.

Sale of Trax vehicles improved during the relevant period. The anomaly in the taxation structure relating to Tariff Item 8702.10 remains not fully resolved, and this does adversely affect the cost of the vehicle to the customer, and thus the vehicles' sales volumes.

The Trump 40, the small commercial vehicle (SCV), has continued to gain volumes during the relevant period. It is appreciated in the market for its ruggedness, performance and operating economy.

The tractor business of the Company is being re-energized. The OX-25 a full service small tractor, has been especially appreciated both for Orchard usage, and for regular tillage / haulage operations. Steps are initiated to achieve significant growth in this product line.

New Product-lines, new collaborations, Technologies and Plans.

During the year under review, the Company's SUV "Force One" was launched through the new sales vertical, focused on personal vehicles. The initial response from the market has been very gratifying. The customer expectations in the personal vehicles market are substantially different from the customer expectations in the commercial vehicles market. The Company has moved with elaborate planning to ensure compliance with market expectations, to achieve success in this venture. The Company is confidently moving forward to consolidate its position and aspires to grow, in this rapidly growing segment.

The Company has enhanced its focus on each of its sales channels. It is investing to improve the management of retail sales through dealers. Both the channel, as also the Company's sales organisation, are being ramped up, and energised, with this investment under way. The Company expects, during the year, to establish a number of Company owned show rooms, regional offices and regional training centres etc. at important locations in the country.

The Government of Madhya Pradesh has granted an attractive incentive package to the Company for diversification and growth, under the "Mega Project" category. Based on this, the Company has commenced construction activity for the new plant for the production of new generation vehicles. In addition to construction on existing land available with the company, it has taken effective steps to acquire additional land. It is expected that the project for the MPV category of vehicles will be on stream by middle of next year.

Under the licensing arrangement with Daimler AG, the technology transfer has already been effected, so also the Company has signed a licensing agreement with M/s. GETRAG for a transaxle, to complement the licence for the MPV. Effective steps for productionising, including the procurement of plant, machinery, equipment, tools, etc. is well under way.

The Company has awarded a contract to Dürr Systems GmbH, and its Indian associate company, for a robotised top coat painting line to be commissioned during the course of the current financial year.

Additional press shop capacity has been installed at Pithampur to support higher production volumes.

The engine facility at Pithampur, as also the engine plants both at Pithampur and Akurdi, Pune, are being modernised and expanded, to cover new generation engines to meet Euro IV and Euro V emission requirements and future technological standards. Appropriate investments at both plants have been made in this regard during the previous year.

The Company has drawn up a road map for future engine, transmissions and vehicles in alignment with the expected evolution of the market, in the segments in which the Company operates. All steps to develop products, to acquire the necessary technology, and to implement production facilities are being taken.

III. OPPORTUNITIES, THREATS AND RISK FACTORS

The year under review was a year of impressive growth for the automobile industry in India generally. On this background your Company too registered a revenue increase of 33 per cent.

The growth prospects for the product segments in which the Company operates, particularly vans, utility vehicles and light commercial vehicles, are expected to show strong demand in the near future, and your Company is committed to expand its production, sales and market share.

The project for the introduction of the SUV has been a great learning experience for the Company, and will have a significant beneficial influence - on the sales, service, production and engineering activities of the Company - also on our other product lines.

Your Company is poised to enter a new phase in its history. The opportunities opened up by virtue of its expanded and market aligned product lines outweigh the risks at present.

The Company intends to focus on light commercial vehicles, utility vehicles and Traveller businesses to achieve growth in the current somewhat dampened overall market conditions. The Company also expects to introduce new versions, variants and models of cross-country vehicles and sports utility vehicles.

IV. FINANCIAL PERFORMANCE

As stated above, the Company sold 30,515 numbers of vehicles during the financial year 2011-12 compared to 26,037 vehicles in the previous year 2010-11. The proportion of LCVs and UVs have increased in relation to the Small Commercial Vehicles (SCV).

The Profit, before Finance Costs and Taxes, from operations for the year under report was ₹ 85.74 crores compared to operating profit for the previous year 2010-11 amounting to ₹ 105.08 crores.

The net profit of the Company after Finance Costs, Depreciation and Taxes items was ₹ 824.33 crores for the year 2011-12, which includes exceptional item / gain as compared to the net profit of ₹ 58.62 crores for the year 2010-11.

Considering the above, the Board of Directors of the Company has recommended a dividend of ₹ 10 per share on 1,31,76,262 equity shares of ₹ 10 each for the consideration of the Members.

A sum of ₹ 82,44,00,000 is transferred to the General Reserve Account. The Reserves and Surplus of the Company as on 31st March 2012 stood at ₹ 1130,11,63,775.

V. INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

The Company has proper and adequate systems of internal control, processes and procedures, backed by company policies. These systems also ensure that all transactions are authorized, recorded and reported correctly. Regular internal audits and checks are carried out to provide assurance that adequate systems are in place and that the responsibilities at various levels are discharged effectively. The emphasis on internal control prevails across functions and processes. A strong system of internal controls supported by Internal and External Auditors and comprehensive reviews by the Audit Committee have strengthened the internal control within the organization. These systems are adequate, considering the size and nature of the Company's business.

VI. HUMAN RESOURCE DEVELOPMENT

Human Resource Development activity is greatly strengthened by a comprehensive initiative. Training initiative at the Head Office, at both plants and also for the field force comprising of Company's employees as also the employees of Company's dealers - has been greatly emphasized. Increase in Management bandwidth at senior and middle management levels in view of growth aspirations is being carried out.

VII. CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations may be forward looking statements. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include, amongst others, economic conditions affecting demand / supply and price conditions in the markets in which the Company operates, changes in the Government regulations, tax laws and other statutes and incidental factors.