

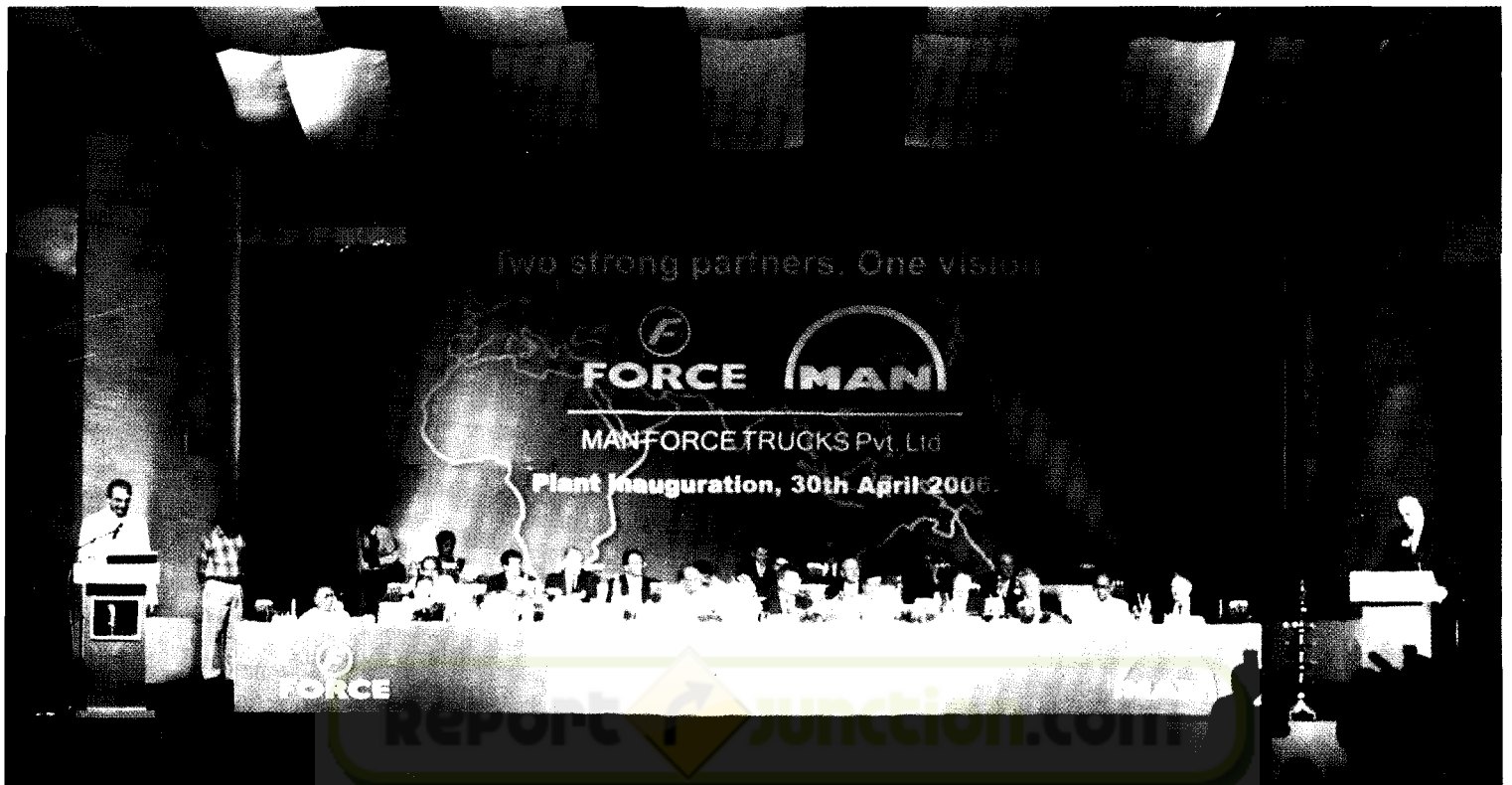


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Report Date: 2006

FORCE MOTORS LIMITED
A FIRODIA ENTERPRISE
(Formerly known as Bajaj Tempo Ltd.)
Mumbai-Pune Road, Akurdi, Pune - 411 035. (INDIA)



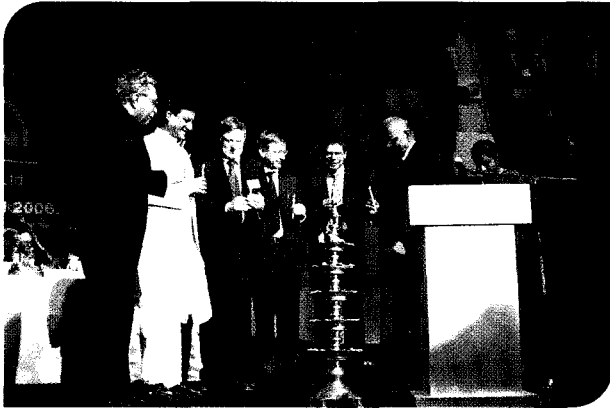
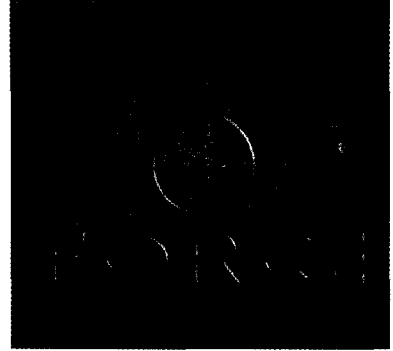
TWO STRONG PARTNERS : ONE VISION



Dignitaries on the dias



The who's who of the world of business, government and social circuit graced the occasion



The function began with the traditional lighting of the lamp.



The grand entry of MAN FORCE trucks into the hall was initiated through a remote controlled switch by Mr. Samuelsson.



The Joint Venture Agreement was signed by Mr. Anton Weinmann, Chairman of MAN Nutzfahrzeuge and Mr. Abhay Firodia, CMD, Force Motors Ltd.



Shaking hands after exchanging the agreement copies

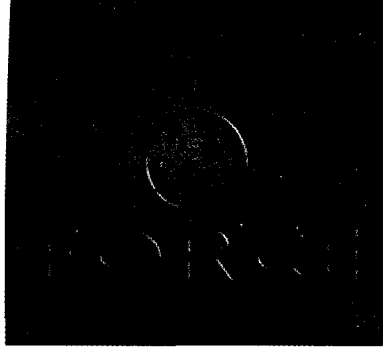
The Joint Venture Agreement was signed by Mr. Anton We



Shri Sharad Pawar addressing the audience.



600 BHP Truckology Generation Truck from Germany was the star attraction



STATE-OF-THE-ART MANUFACTURING FACILITIES



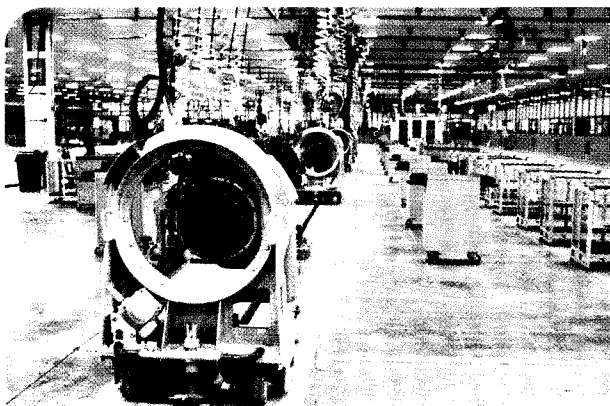
The Main Entrance to the MAN FORCE TRUCKS Plant at Pithampur



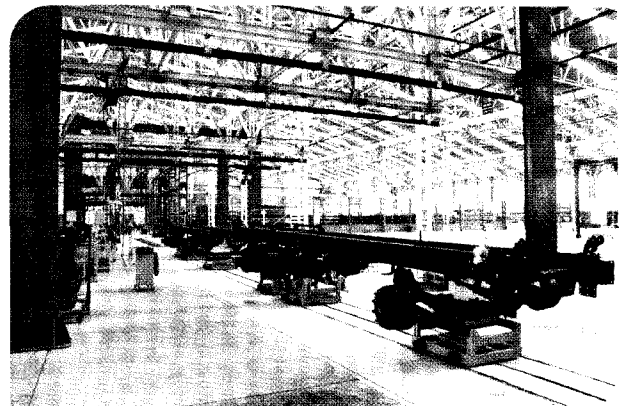
Start-of-the-art Plant



MAN range of HCV's on display



Engine Assembly Line



Vehicle Assembly Line

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
Dr. Rolf Bacher	Mr. M. G. Chopda
Mr. Sudhir Mehta	Mr. Vinay Kothari
Mr. Prasan Firodia	Mr. M. Venkataiah
Mr. S. A. Gundecha	* (w. e. f. 27th June, 2006)

BOARD OF MANAGEMENT

DIRECTORS

Mr. Abhay Firodia
Dr. Rolf Bacher
Mr. Sudhir Mehta
Mr. Prasan Firodia
Mr. M. Venkataiah
Mr. S. A. Gundecha

MEMBERS

Mr. V. M. Mundada	Business Head (3-Wheelers)
Mr. Y. Nath	Advisor (Projects)
Mr. Amol Sandil	Advisor (Marketing)
Mr. B. S. Khargonkar	President (4-Wheelers)
Mr. N. P. Rangunathan	President (Tractors)
Mr. Arvind Goel	President (HCV)

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



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NOTICE.

Notice is hereby given that the 47th Annual General Meeting of the Members of **Force Motors Limited** will be held on **Saturday, the 30th day of September, 2006** 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, 2006 together with the Auditor's Report thereon.
- 2) To appoint a Director in place of Dr. Rolf Bacher, who retires by rotation and being eligible offers himself for reappointment.
- 3) To appoint a Director in place of Mr. M. G. Chopda, 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. Pratap Pawar as a Director of the Company. Mr. Pratap Pawar was appointed as an Additional Director of the Company w.e.f. 28th January, 2006. 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. Pratap Pawar be and is hereby appointed as a Director of the Company."

- 8) To appoint Mr. S. Padmanabhan as a Director of the Company. Mr. S. Padmanabhan was appointed as an Additional Director of the Company w.e.f. 27th June, 2006. 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. S. Padmanabhan 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 28th day of September, 2006 to Saturday, the 30th day of September, 2006 (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 1997-98 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. Kumbhar 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
Date : 19th August, 2006

Mrs. A. G. LAMBORE
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. Pratap Pawar as an Additional Director w.e.f. 28th January, 2006.

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

Mr. Pratap Pawar is B.E. from BITS, Pilani. Mr. Pawar has had a distinguished career as an industrialist and as a newspaper magnate. Mr. Pawar is associated with several companies and social organizations. He has been President of the Mahratta Chamber of Commerce, Industries & Agriculture. He was President of the Indian Newspaper Society.

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

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

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. S. Padmanabhan as an Additional Director w.e.f. 27th June, 2006.

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

Mr. S. Padmanabhan is I.A.S. (R). He has occupied several important positions in Government, including Managing Director of SICOM. After retirement from Government he has had a very successful career with a number of leading companies, as Advisor. Mr. Padmanabhan is associated with several leading companies.

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

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

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

Pune - 411 035
Date : 19th August, 2006

Mrs. A. G. LAMBORE
Asst. Co. Secretary

DIRECTORS' REPORT

To

The Members,

The Directors have pleasure in presenting the 47th Annual Report together with the audited accounts for the financial year ended on 31st March, 2006.

1. Financial Results

	2005-06 Rs.	2004-05 Rs.
Gross Sales	1086,89,35,708	999,63,95,484
Other Income	42,71,42,710	39,32,67,220
Gross Profit	72,08,58,795	37,86,58,419
Depreciation	42,67,90,015	31,21,10,260
Provision for Taxes (net)	(72,71,877)	3,93,60,881
Profit After Tax	30,13,40,657	2,71,87,278
Balance Carried Forward	85,32,75,472	55,19,34,815

The gross turnover for the year under report was Rs. 1,129.73 crores as against Rs. 1,039.17 crores for the previous year showing a marginal increase. Emphasis on Heavy Commercial Vehicle Project, stiff competition and limited opportunity to pass the cost increases to the customers affected the performance of the Company.

Your company has so far been following "written down value method" for writing off depreciation. While this method was found appropriate in earlier years, taking into account technological changes in Engines and Transmissions led by Environments Regulations, extent of fresh investments made and to be made for future plans of the Company, the Board of Directors felt it necessary to review the accounting policy for depreciation. In order that the financial statements reflect a more appropriate presentation of the affairs of the Company and the financial results, the Board of Directors feel that it would be prudent under the circumstances to shift to the "Straight Line Method" from the present Written Down Value Method in accordance with the rates prescribed in Schedule XIV of the Companies Act, 1956. The Board of Directors intend to continue to follow the Straight Line Method henceforth. Attention of Members is invited to Note No.17 to Notes to Accounts.

In the light of this situation, 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 of 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. 16.12 crores against the previous year's exports of Rs. 10.96 crores. Export performance currently is at a significantly higher level. Recent emphasis on exports are expected to yield beneficial results.

5. Research & Development

The expenditure on Research & Development for new products, including the expenditure on Projects and Tool Engineering, was 5.78% of the turnover. The Company has maintained its emphasis on research, development and tool engineering activities.

6. Foreign Collaborations

The progress in procurement and absorption of technology as per the technical collaboration agreements with MAN Nutzfahrzeuge AG, Man Österreich AG, DaimlerChrysler AG and ZF Friedrichshafen AG for engines, cabs, axles and gear boxes for various range of products, including Heavy Commercial Vehicles, progressed satisfactorily during the year under report. Your Company continued the emphasis of availing of services of Experts, on select basis as consultants, to bridge the technological gap either for product development or for process engineering, and to supplement the efforts of the Research & Development Department.

7. Industrial Relations

As reported earlier, the operations of the Company were affected by litigation between rival unions of the workmen at Akurdi, Pune Plant. Claims for recognition by rival unions, operating at the Akurdi, Pune Plant, impacted the operations of the Company and such impact continued during the year under report. The Company's endeavour to extend a helping hand for the general workmen did not meet with appropriate response from the leadership of the unions.

During the month of April, 2006, the litigation went from the lower court to the higher court and the impasse thus caused continued to damage the business of the Company, its suppliers and dealers, along with the interest of normal workmen themselves.

This aspect is currently hindering the Company's performance and development efforts.

The industrial relations at the Pithampur Plant, on the other hand, have been cordial and constructive. The operations at Pithampur, dependent on Pune for critical supplies, it may be recalled – were adversely affected due to the labour trouble at Pune.

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. Conservation of Energy

While continuing the Company's efforts to establish improved efficiency usage, several major and minor steps were taken during the year under report.