

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

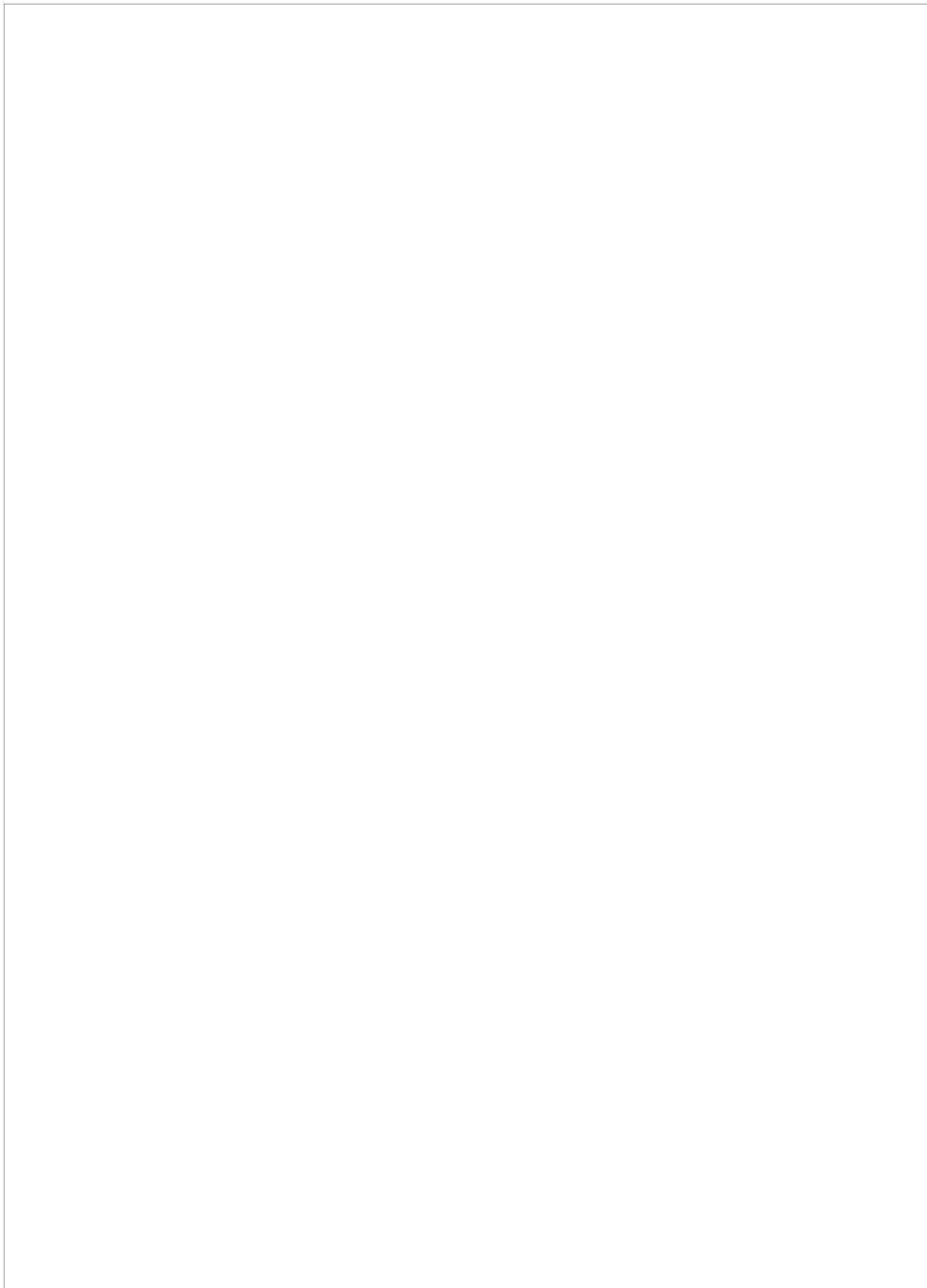
Registered Office :

Mumbai-Pune Road,
Akurdi, Pune - 411 035

Works :

Akurdi, Pune - 411 035

Pithampur,
District Dhar - 452 002



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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 –

- (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

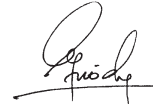
The statement pursuant to Section 212 of the Companies Act, 1956 relating to Subsidiary Companies and their Accounts are annexed hereto.

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 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.

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 2006-07.

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



ABHAY FIRODIA
Chairman & Managing Director

Pune 411 035
31st July, 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

I. OVERALL PERFORMANCE OF THE COMPANY

The Sales Revenue of the Company, for the year under report, grew marginally over the previous year. On the background of a booming Automobile Industry and in spite of significant increase in the sale of Light Commercial Vehicles produced by the Company, the performance of the Company was constrained by the shifting market preference in the small commercial vehicle arena. The market for Minidor vehicles shrank, to the advantage of smaller 3 wheelers and 4 wheeled Small Commercial Vehicles. Fall in the sale of Minidor vehicles mainly contributed to take-away the advantage of the growth in the Light Commercial Vehicle field for the Company. Changing preference of the customers, away from cost effective utilitarian vehicles, also impacted the sale of the Company's traditional products.

The introduction of successor models, with superior aggregates and more market friendly demeanor, has got significantly delayed. This had deleterious effect on the maintenance of sales revenues. The pressure from costs, comprising primarily cost of materials, has also affected the bottom line.

In spite of the above, the Company has significantly gained ground in the market segments in which it has presence, yet on account of market dynamics, the addressable markets for the Company's traditional and established range of products have shrunk.

Though delayed, the New Products, appropriate for main stream markets in the Light Commercial Vehicles and Small Commercial Vehicles (Minidor) segments, are now progressively being introduced. It is expected that these products, with superior technology, contemporary styling, and excellent benefits for the customers, and importantly with a close alignment to current market expectations, will enable the Company to regain volumes and market shares.

II. HEAVY COMMERCIAL VEHICLES

During the year under report the Heavy Commercial Vehicles Project of the Company was converted into a 'Joint Venture' with the world renowned MAN Nutzfahrzeuge AG (MAN). The Plant established at Pithampur for the production of full range of Heavy Commercial Vehicles, from 16 Tons GVW to 49 Tons GCW capability, and also all the Designs, Technology etc. are thus now vested in the new Joint Venture Company 'MAN FORCE TRUCKS Private Limited',

Your company owns 70% of the Equity Capital of this JV. The balance 30% is owned by MAN. The extensive process of formation of the Joint Venture, transfer of assets, transfer of technology, reorganization of the financing arrangements entered into with consortium of Banks, and therewith completing the entire administrative, legal and commercial process, including obtaining permissions from various Governments and Government Departments, and from the Members of the Company was completed smoothly in the year under report. The Joint Venture project has begun operation

independently as of 1st December 2006.

The localization programme for these products, undertaken to be manufactured by the Joint Venture Company, is progressing rapidly.

III. OUTLOOK FOR 2007-2008 AND OPPORTUNITIES AND CONCERNS

In the Management Discussion and Analysis, relating to the report for the year 2005-06, it was stated that the year 2006-07 is expected to be a year with moderate growth. It needs to be stated again that the year 2007-08 will similarly be a year of moderate growth, taking into account the fact that the revenue streams from the introduction of the new products, which are progressively now being introduced in the current year i.e. 2007-08, will build-up over the next several quarters. On the whole, though the top line and consequently the bottom line will show modest growth, the important aspect is that, having completed the major project for the industrialization and aggressive localization of the Heavy Commercial Vehicle project, the Company has now again started to introduce new products in its traditional field with vigor and commitment. The management resources are deployed to this end. The results will only come over the ensuing couple of years.

Efforts made over the last few years to explore foreign markets are now beginning to yield substantial results. The Company's products have been well received in several foreign markets, including North and South Africa and parts of Middle East. Strong efforts are being made to establish Company's presence in these markets, particularly in the passenger carrying commercial vehicle segment.

The Company has developed a variety of armour protected vehicles for peace time duties. The markets in the Middle East, Africa and near countries are receptive to such products. This is an interesting new opportunity that the Company is pursuing.

Strategically - the availability of Technologies, Products, Aggregates, Plants, Market Opportunities etc. is favourable. The product alignment to market is now rapidly being achieved, for the traditional products of the Company.

Having transitioned from being a company which fundamentally did its business with its own resources, during the previous two years gradually significant borrowings have been resorted to, both for capex for new products and projects, as also for connected working capital. In this transitional phase, till the revenue streams from the new projects are established, it is inevitable, that higher incurrence of interest costs will be discernible. Major capital expenditures connected with this phase of modernization are either already carried out or are already committed. It is Company's objective over the next few years to revert to status quo ante in terms of effecting plough back or arrange own funds, for its own operations to the extent possible.

In the recent two quarters, the tight money policy announced by the Government of India with the laudable aim of controlling inflation, has put a major damper on the purchase of commercial vehicles. Operators of Small Commercial Vehicles are more prone to be affected by higher interest rates, than investors in the Large and Heavy Trucks. This aspect should be borne in mind while assessing the performance of the Company in the very recent past. The expected easing of the interest regime and improved availability of retail finance, should surely improve the revenue streams for the Industry.

IV. FINANCIAL PERFORMANCE

During the financial year 2006-07, the Company achieved net sales of Rs. 973.68 crores compared to Rs. 933.94 crores during the previous year. There is a small growth of 4.25%. The material cost was 78.03% of the net sales compared to 75.24% in the previous year. This increase in the material cost is a result, both, of higher materials costs, and of change in the Company's product mix. The input cost pressure continued throughout the year. The employee cost was 13.81% of the net sales compared to 13.73% in the previous year. Depreciation for the year was Rs. 41,47,99,423, i.e. 4.24% of the net turnover compared to Rs. 42,67,90,015, being 4.57% of the net turnover in the previous year.

The other income of the Company included a sum of Rs. 15,25,80,062, being profit on sale of assets and Rs. 26,80,00,572, being profit on sale of investments, viz. 30% equity capital of MAN FORCE TRUCKS Private Limited to MAN.

The publicity and sales promotion expenses went down from Rs. 59.30 crores in the previous year to Rs. 49.02 crores for the year under report.

The Company incurred a loss of Rs. 37,49,18,594 for the year after depreciation, interest and tax adjustment, compared to profit of Rs. 30,13,40,657 in the previous year.

The Company's borrowings, both secured and unsecured, were Rs. 249.32 crores compared to Rs. 225.19 crores in the previous year. A portion of the term loan, being Rs. 84.29 crores, as been transferred to the Subsidiary Company, MAN FORCE TRUCKS Private Limited in the scheme of transfer of Heavy Commercial Vehicles Project.

Company's liabilities in foreign exchange, as on 31st March, 2007, were U.S. \$ 55,302, € 24,99,651 and Japanese Yen 28,35,000.

V. INTERNAL CONTROL SYSTEMS

As reported earlier, the internal controls are structured at three different levels.

The first level being - the 'Internal Audit Department' which exercises internal control over each type of Expenditure. The second level employs the services of an 'External Auditors' Firm, to audit the processes and activities of key functions in the organization such as the materials, personnel functions. The 'Statutory Auditors' operate at the apex, third level. In the opinion of the Board of Directors, these systems are adequate considering the size and nature of the Company's business.

VI. 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.

REPORT ON CORPORATE GOVERNANCE.

STATEMENT ON COMPANY'S PHILOSOPHY & CODE OF GOVERNANCE :

- The Company's decision making process and operational methods are guided by the philosophy of "creating low cost, hi-tech products, which are suitable for Indian markets". Simplicity, self-reliance, social responsibility, trust and transparency in dealings with all stakeholders, the edifice on which this business was started by Late Mr. N. K. Firodia, the founder of the Company, continues to be the guiding principles for the Organization, in arranging the activities. The Company's philosophy on the 'Code of Governance' is based on compliance of applicable provisions and requires exchange of relevant information and appropriate disclosures to each group of stakeholders, connected with the area of common interest/stake between the Company and the stakeholder.

BOARD OF DIRECTORS :

- The Board of Directors of the Company (as of 31st March, 2007) (**'the Board'** for brevity) consisted of 13 Directors. 12 Directors were Non-Executive Directors and only 1 Director was Executive Director. 7 Directors were independent Directors.

The Company's Board did not consist of any Nominee Directors appointed by lenders or other investor. Mr. Abhay Firodia, Chairman & Managing Director of the Company and Mr. Prasan Firodia represent promoters of the Company.

- The details of other directorships of the Directors of the Company are as under :-

Name of the Director	Number of Companies in which Directorships	Number of Companies of which Chairman held
Mr. Abhay Firodia	12	1
Mr. S. S. Marathe	13	3
Mr. S. N. Inamdar	10	--
Mr. Bharat V. Patel	4	1
Mr. S. Padmanabhan	15	--
Mrs. Anita Ramachandran	6	--
Mr. Pratap Pawar	12	2
Mr. M. G. Chopda *	1	--
Dr. Rolf Bacher	1	--
Mr. Sudhir Mehta	4	--
Mr. Vinay Kothari	3	--
Mr. Prasan Firodia	3	--
Mr. M. Venkataiah	2	--
Mr. S. A. Gundecha	3	--

* ceased to be a Director w.e.f. 31st March, 2007.

- The details of Committee positions held by the Directors of the Company in other Companies are as under:-

Name of the Director	Number of Audit Committee Memberships	Number of Remuneration Committee Memberships	Number of Shareholders Grievance Committee Memberships	Number of Chairmanships
Mr. S. S. Marathe	7	1	2	2
Mr. S. N. Inamdar	5	2	1	3
Mr. Bharat V. Patel	3	1	3	2
Mr. S. Padmanabhan	8	2	-	-
Mrs. Anita Ramachandran	1	2	1	-
Mr. Pratap Pawar	2	1	2	-
Mr. Sudhir Mehta*	1	-	1	-
Mr. M. Venkataiah	1	-	1	-

* of a bank

- During the Financial Year 2006-07, ten meetings of the Board were held on 29th April, 2006, 9th June, 2006, 27th June, 2006, 29th July, 2006, 19th August, 2006, 30th September, 2006, 28th October, 2006, 23rd November, 2006, 1st December, 2006 and 27th January, 2007. The attendance of Directors during the Financial Year 2006-07 for Board Meetings and General Meeting are as under :-

Name of the Director	Number of Board Meetings attended	Whether present at Annual General Meeting
Mr. Abhay Firodia	10	Yes
Mr. S. S. Marathe	8	Yes
Mr. S. N. Inamdar	7	Yes
Mr. Bharat V. Patel	6	Yes
Mrs. Anita Ramachandran	6	Yes
Mr. Pratap Pawar	7	No
Mr. M. G. Chopda *	10	Yes
Dr. Rolf Bacher	4	No
Mr. S. Padmanabhan	5	No
Mr. Sudhir Mehta	8	Yes
Mr. Vinay Kothari	8	Yes
Mr. Prasan Firodia	10	Yes
Mr. M. Venkataiah	9	Yes
Mr. S. A. Gundecha	10	Yes

* ceased to be a Director w.e.f. 31st March, 2007.

- The Board is presented with all the relevant information in various matters affecting the working of the Company and which requires deliberation at the highest level. Besides key operational and financial information, the Board is presented with information relevant to strategy formulation, for deliberations. This includes information as per annexure to Clause 49 of the Listing Agreement. At each meeting, the Managing Director presents an elaborate report on the operations of the Company, including an assessment of the market, operational issues and operating profitability. Also presented are an assessment of the strategic and technological issues enabling a discussion on the strategy, projects and tactics employed in the management of the Company's affairs.

7. The Directors made all disclosures as per the requirement of the Companies Act, 1956 from time to time to the Board of Directors regarding their financial interest in the transactions with the Company. The related party disclosure forms part of the notes to accounts as per the disclosure requirement of Accounting Standard No.18 issued by the Institute of Chartered Accountants of India. The Directors have informed the Company about the Committee Positions occupied by them in other Companies and changes therein.

8. Mr. Abhay Firodia was appointed as the Managing Director for a period of 5 years w.e.f. 1st July, 2002. The details of remuneration paid to the Working Director during the financial year 2006-07 is as under :-

Name of the Director	Salary (Rs.)	Value of Perquisites (Rs.)
Mr. Abhay Firodia	24,00,000	7,59,347

The remuneration being paid to the Working Director is approved by the Members on 31st May, 2002.

Mr. A. N. Firodia is reappointed as the Managing Director w.e.f. 1st July, 2007 and the consent of the Members of the Company is being sought for the appointment and payment of remuneration to Mr. Firodia w.e.f. 1st July, 2007 to 30th June, 2012.

9. The details of sitting fees paid to Non-Working Directors during the financial year 2006-07 are as under :-

Name of the Director	Sitting fees paid for attending Board Meetings and Committee Meetings (Rs.)
Mr. S. S. Marathe	80,000
Mr. S. N. Inamdar	70,000
Mr. Bharat V. Patel	60,000
Mrs. Anita Ramachandran	60,000
Mr. Pratap Pawar	90,000
Mr. M. G. Chopda *	1,00,000
Dr. Rolf Bacher	40,000
Mr. S. Padmanabhan	50,000
Mr. Sudhir Mehta	80,000
Mr. Vinay Kothari	1,30,000
Mr. Prasan Firodia	1,00,000
Mr. M. Venkataiah	90,000
Mr. S. A. Gundecha	1,50,000

* ceased to be a Director w.e.f. 31st March, 2007.

Sitting fees of Rs.10,000 per meeting is paid to Non-Executive Directors, including Independent Directors for every meeting of the Board of Directors or Committee thereof attended. The Members of the Company have approved this payment.

10. The details of financial transactions with Non-Executive Directors are as under :-

Name of the Director	Nature of Payment	Amount of Consideration Paid (Rs.)
Mr.S.N.Inamdar	Interest paid on fixed deposits placed with the Company.	56,000
Mr.M.G.Chopda *	Interest paid on Fixed Deposits placed with the Company.	5,64,204
Dr. Rolf Bacher	Technical Consultancy Fees.	96,16,997
Mr.S.A.Gundecha	Interest paid on Fixed Deposits placed with the Company.	54,582

No Stock Options are granted to any of the Directors.

* ceased to be a Director w.e.f. 31st March, 2007.

11. The details of shares of the Company held by Non-Executive Directors are as under :-

Name of the Director	Number of shares held
Mr. S. S. Marathe	666
Mr. S. N. Inamdar	800
Mr. M. G. Chopda *	820
Dr. Rolf Bacher	50,706
Mr. Vinay Kothari	101
Mr. Prasan Firodia	2,03,463
Mr. S. A. Gundecha	2,012

* ceased to be a Director w.e.f. 31st March, 2007.

12. No financial transaction was entered into with Tempo Finance (West) Private Limited, a subsidiary company.

The Company transferred assets worth Rs. 118,47,13,875 and also transferred liabilities worth Rs. 96,33,91,197 to MAN FORCE TRUCKS Private Limited, another subsidiary Company, as per the approval granted by the Members of the Company by a resolution passed by Postal Ballot in the month of September, 2006. The sale and purchase transactions with this subsidiary company amounts to Rs. 27,59,09,431 and Rs. 1,18,85,329 respectively. During the Financial Year 2006-07 the Company has also received reimbursement/charges, for the services rendered to this subsidiary Company, amounting to Rs. 4,96,83,638.

The sales to and purchase from Jaya Hind Industries Limited, which Company is deemed to be a Promoter as per the provisions of the Securities Exchange Board of India (Substantial Acquisition of Shares) Regulations, 1997, were Rs. 4,80,13,370 and Rs. 51,02,73,864 respectively.

As per the undertaking given to the Consortium of Banks, led by State Bank of India, Jaya Hind Investments Private Limited, the Promoter of this Company placed a deposit of Rs. 50,00,00,000 with the Company for augmenting the requirement of funds for the projects under implementation.

13. On 31st March, 2007, Mr.M.G.Chopda resigned from the directorship of the Company. Dr.Rolf Bacher and Mr.M.Venkataiah also ceased to be directors of the Company by resignation w.e.f. 14th May, 2007 and 29th June, 2007 respectively.
14. Mr. R. B. Bhandari has been appointed as an Additional Director by the Board of Directors w.e.f. 29th June 2007. In view of the provisions of Section 260 of the Companies Act 1956, Mr. Bhandari holds office till the conclusion of ensuing Annual General Meeting. The Company has received a notice proposing his candidature for directorship.
15. Mr. S. S. Marathe, Mr. Bharat V. Patel, Mrs. Anita Ramachandran and Mr. Vinay Kothari, Directors of the Company, retire by rotation and being eligible offer themselves for reappointment.
16. The requisite information about these Directors is as under :-

Mr. S. S. Marathe

Mr. S. S. Marathe, 84, M.A. (Economics), B.Sc. (Hons) from London School of Economics is a Renowned Economist. He was Secretary to the Government of India, Ministry of Industry, and after retirement has extensive experience as a Company Director. He was on the Board of Directors of the Reserve Bank of India and also was the Chairman, of SICOM Ltd., for about ten years. He was the first Chairman of IDBI Bank Ltd. He holds directorships in the following Companies :-

Automotive Axles Ltd., Bharat Forge Ltd., Deepak Fertilisers & Petrochemicals Corpn. Ltd., Finolex Industries Ltd., Futura Polyesters Ltd., Kinetic Motor Co. Ltd., Kirloskar Bros. Ltd., Sandvik Asia Ltd., Synise Technologies Ltd., Tata Asset Management Ltd., GDA Trustee & Consultancy Pvt. Ltd., Life & General Associates Pvt. Ltd. and Pan Gulf Group Ltd.

The Committee positions held by Mr. Marathe are as under:-

- (a) **Audit Committee** - Bharat Forge Ltd., Deepak Fertilisers & Petrochemicals Corpn. Ltd., Automotive Axles Ltd., Finolex Industries Ltd., Futura Polyesters Ltd., Kirloskar Bros. Ltd. and Sandvik Asia Ltd.
- (b) **Shareholders / Investors Grievance Committee** - Automotive Axles Ltd. and Finolex Industries Ltd.
- (c) **Remuneration Committee** - Kirloskar Brothers Ltd.

The Company received intimation in the prescribed form as per the provisions of the Companies (Disqualification of Director Under Section 274(1)(g) of the Companies Act, 1956) Rules, 2003 from him.

Mr. Bharat V. Patel

Mr. Bharat V. Patel, 62, is M. A. from Notre Dame University and M.B.A. from Michigan University and is currently Chairman of Procter & Gamble Hygiene & Healthcare Limited. Mr. Patel is a renowned Marketing and Management Expert, with wide experience in the Fast Moving Consumer Goods Industry and is leading various industrial associations. Mr. Patel, inter alia, holds directorships in the following Companies:-

Procter & Gamble Hygiene and Health Care Ltd., Wockhardt Ltd., NESCOLtd. and Yes Bank Ltd.

The Committee positions held by Mr. Patel are as under: -

- (a) **Audit Committee** - Procter & Gamble Hygiene and Health Care Ltd., Wockhardt Ltd. and Yes Bank Ltd.
- (b) **Shareholders / Investors Grievance Committee** - Procter & Gamble Hygiene and Health Care Ltd., Wockhardt Ltd. and Yes Bank Ltd.
- (c) **Remuneration Committee** - NESCO Ltd.

The Company received intimation in the prescribed form as per the provisions of the Companies (Disqualification of Director Under Section 274(1)(g) of the Companies Act, 1956) Rules, 2003 from him.

Mrs. Anita Ramachandran

Mrs. Anita Ramachandran, 52, is a commerce graduate with Post Graduation in Business Management and Management Science. Mrs. Ramachandran is a renowned expert in Human Resource Management. She has wide experience in Corporate Consultancy Services. She is presently heading Cerebrus Consultants Private Limited, Mumbai.

She holds directorships in the following Companies: - Cerebrus Consultants Pvt. Ltd., Connexus Consultants Pvt. Ltd., HCL Infosystems Ltd., UTIAMC Pvt. Ltd., Swadhaar Finaccess, Geometric Software Solutions Co. Ltd. and Godrej & Boyce Mfg. Co. Ltd.

The Committee positions held by Mrs. Ramachandran are as under: -

- (a) **Audit Committee** - Geometric Software Solutions Co. Ltd.
- (b) **Shareholders / Investors Grievance Committee** - Geometric Software Solutions Co. Ltd. & HCL Infosystems Ltd.
- (c) **Remuneration / Compensation Committee** - UTIAMC Pvt. Ltd.

The Company received intimation in the prescribed form as per the provisions of the Companies (Disqualification of Director Under Section 274(1)(g) of the Companies Act, 1956) Rules, 2003 from her.

Mr. Vinay Kothari

Mr. Vinay Kothari, 43, is a Commerce Graduate and holds MBA Degree from IESE Business School, Spain. Mr. Vinay Kothari has business interest in Real Estate, Construction and in Textile business.

He holds directorships in the following Companies :- Blue Rose Knitwear Ltd., Lifestyle Property Ventures Pvt. Ltd., and Savera India Riding System Co. Pvt. Ltd.

The Company received intimation in the prescribed form as per the provisions of the Companies (Disqualification of Director Under Section 274(1)(g) of the Companies Act, 1956) Rules, 2003 from him.

Mr. R. B. Bhandari

Mr. R. B. Bhandari, 62, is a Commerce Graduate. Mr. Bhandari has a long experience in Company accounts and Internal Audit functions. Mr. Bhandari worked as Internal Auditor of the Company for over 18 years.

He holds directorship in R. K. Force Motors Ltd.

The Company received intimation in the prescribed form as per the provisions of the Companies (Disqualification of Director Under Section 274(1)(g) of the Companies Act, 1956) Rules, 2003 from him.

Mr. A. N. Firodia

Mr. Abhay Firodia, 62, is B.A.(Hons) and has an experience of business management of over 40 years. The Remuneration Committee and the Board of Directors, subject to approval of the Members of the Company, has reappointed Mr. Abhay Firodia as Managing Director of the Company for a period of five years w.e.f. 1st July, 2007.

Mr. Firodia is acting as a Managing Director of the Company w.e.f. 1st July, 1987.

Mr. Firodia presently holds directorships in the following companies: -

Jaya Hind Industries Limited, Jaya Hind Investments Private Limited, MAN FORCE Trucks Private Limited, ZF Steering Gear (India) Limited, Sudarshan Chemical Industries Limited, Bharat Hotels Limited, Dhoot Industrial Finance Limited, Dhoot Compack Limited, Prasanna Holdings Private Limited, Dhanna Engineering Private Limited and RAN Chemicals Private Limited.

Mr. Firodia holds 1,53,755 equity shares of the Company.

COMMITTEES

17. The reconstituted Remuneration Committee consists of three Independent Directors, viz. Mr. S. N. Inamdar, Mr. Bharat V. Patel and Mr. Pratap Pawar. Mr. S. N. Inamdar is the Chairman of this Committee. The Remuneration Committee considered and approved remuneration to be paid to Mr. A. N. Firodia on his reappointment as the Managing Director w.e.f. 1st July 2007.
18. After demise of Dr. V. G. Bhide, the Audit Committee was re-constituted by the Board. Mr. Pratap Pawar was appointed as a Member of the Audit Committee w.e.f. 27th June 2006. Now the Audit Committee consists of three Directors - Mr. Vinay Kothari, Mr. Pratap Pawar and Mr. S. A. Gundecha. Mr. Pratap Pawar and Mr. Vinay Kothari are Non-Executive Independent Directors, whereas Mr. S. A. Gundecha is a Non-Executive Director. Mr. Vinay Kothari, Chairman of the Audit Committee, has majored in finance and accounts in his MBA degree.
The terms of reference of the Audit Committee includes oversight of Company's reporting processes and financial information, review of financial statements, both audited and unaudited, review of accounting policies and practices, review of compliance with accounting standards, recommendation of appointment and remuneration of auditors, review of related party transactions and other areas indicated in Clause 49 of the Listing Agreement executed by the Company with Stock Exchanges and as per the provisions of Section 292A of the Companies Act, 1956.
19. The Audit Committee met on 29th April, 2006, 27th June, 2006, 29th July, 2006, 28th October, 2006 and 27th January, 2007. The attendance record of the Committee Members were as under: -

Name of the Committee Member	Number of Meetings attended
Mr. Vinay Kothari	5
Mr. Pratap Pawar	2
Mr. S. A. Gundecha	5

20. The Audit Committee has reviewed the Unaudited Financial Results (Provisional) for the three quarters and Audited Annual Accounts for the financial year 2006-07 in its meetings. During the year under report, the Audit Committee interacted with the Auditors of the Company regarding internal control systems, discussed the financial results, and also held a post

statutory audit review of the financial accounts. This Committee also interacted with executives of the Company on finance related matters. The Committee reviewed the risk management policies; insurance cover sought by the Company and also the foreign exchange exposure management systems. The remuneration of the Auditors was decided in consultation with the Audit Committee. Similarly, the transactions with the subsidiary company, MAN FORCE TRUCKS Private Limited and transfer of shares of that subsidiary to MAN Nutzfahrzeuge AG were also considered and reviewed by the Audit Committee. Extensive data/details connected with the financial management of the Company and on other related aspects were submitted to the Committee in each of the meetings. The Certificate from the Managing Director and Head of Finance Department was also submitted to the Audit Committee and to the Board. The Audit Committee is empowered to require presence of any of the employee of the Company. No employee has sought access to the Audit Committee during the year under report.

21. The Board has appointed a Committee as Shareholders'/Investors' Grievance Committee consisting of two Directors, viz. Mr. Sudhir Mehta and Mr. Vinay Kothari. Mrs. Aparna G. Lambore, Assistant Company Secretary is the designated Compliance Officer. During the year under report 11 investors grievances were received and 11 grievances were resolved to the satisfaction of the concerned member. As of 31st March, 2007 no grievance was pending. As of date of report, three transfer of shares held in physical form is pending. During the year under report, the Company processed 473 share transfers and requests for dematerialization of shares. As of date also, no shareholder's grievance is pending.

SHAREHOLDERS

22. The power to approve transfer of shares lodged in physical form is delegated by the Board to the Chairman & Managing Director of the Company and transfer of shares are approved by him regularly. The Officers are authorised to accept the valid dematerialization requests and such requests are processed in time by the Shares Department of the Company.
23. The Unaudited Financial Results for the first, second and third quarters and audited results for the last quarter were made available to the Stock Exchanges where the shares of the Company are quoted on the same day on which they were approved and taken on record by the Board. The Unaudited Financial Results for the quarter ended on 30th June, 2006, were published in Indian Express, Loksatta and Financial Express whereas the quarterly results for the quarters ended on 30th September, 2006 and 31st December, 2006 were published in the Economic Times and Maharashtra Times after the information was made available to the Stock Exchanges in the prescribed format. Audited Results for the Financial Year 2006-07 were published in the Economic Times, Maharashtra Times and DNA after the information was made available to the Stock Exchanges in the prescribed format. The working results of the Company are available on the Company's website www.forcemotors.com. Similarly, requisite data are filed on the Electronic Data Information Filing and Retrieval System (EDIFAR) as directed by the SEBI and the Stock Exchanges. The Unaudited Quarterly Results are subject to limited review by the Statutory Auditors of the Company. The appropriate certificates for each quarter have been filed with the Stock Exchanges on 29th July, 2006, 28th October, 2006, 27th January, 2007.

24. General Body Meetings: The details of the last 3 Annual General Meetings are as under :-

Annual General Meeting Held On	Time	Location	Number of Special Resolution	Subject of Special Resolution
11th Sept. 2004	11.30 a.m.	Bombay-Pune Road, Akurdi, Pune - 411 035.	1	Amendment in the Articles of Association of the Company for increasing the sitting fees being paid to Directors for attending the meetings of the Board or Committee thereof
27th Sept. 2005	11.30 a.m.	Bombay-Pune Road, Akurdi, Pune - 411 035.	--	--
30th Sept. 2006	11.30 a.m.	Bombay-Pune Road, Akurdi, Pune - 411 035.	--	--

25. A Postal Ballot was conducted as per the provisions of Section 192A of the Companies Act, 1956 read with the Companies (Passing of resolution by Postal Ballot) Rules, 2001 to obtain approval of the Members of the Company, as per the provisions of Section 293 of the Companies Act, 1956, for transfer of assets, liabilities, rights and obligations of the contract acquired, created or made by the Company for manufacture of Heavy Commercial Vehicles to MAN FORCE TRUCKS Private Limited, a subsidiary Company.

26. No penalties were imposed by the Stock Exchanges or SEBI on the Company in any manner related to capital markets.

27. No presentation was made to any institutional investors or analyst during the year 2006-07.

28. Annual General Meeting: -

Time	: 11.30 a.m.
Date	: 29th September, 2007.
Venue	: Registered Office of the Company at Bombay-Pune Road, Akurdi, Pune - 411 035.

29. Financial Calendar.

Unaudited Financial Results published on or before

For Quarter 1 : 31st July

For Quarter 2 : 31st October

For Quarter 3 : 31st January

Audited Results : 30th June

30. Period of book closure : Thursday, 27th September, 2007 to Saturday, 29th September, 2007.

31. Shares of the Company are listed on the Pune Stock Exchange Limited and Bombay Stock Exchange Limited.

32. The Stock Code allotted by the Bombay Stock Exchange Limited is 500033.

33. The price data of the last financial year is as under:

Month	High (Rs.)	Low (Rs.)
April 2006	812.70	595.00
May 2006	974.50	705.00
June 2006	775.00	538.50
July 2006	550.95	362.00
August 2006	487.00	380.00
September 2006	547.00	411.50
October 2006	543.90	445.00
November 2006	469.95	402.00
December 2006	474.95	390.00
January 2007	438.50	395.00
February 2007	470.00	365.00
March 2007	390.00	309.00

The share transfers are processed by the Company in-house. The Company has already procured the hardware and software for establishing connectivity with Depositories directly.

34. The share transfers are processed by the Shares Department and approved by the Chairman & Managing Director of the Company as per the powers delegated to him by the Board and Company has not appointed any Registrars or Transfer Agents.

35. Distribution of shareholding as on 31st March, 2007 was as under :-

Category (Shares)	Number of shareholders	Percentage of shareholders	Number of shares	Percentage to total number of shares held
1 to 500	6406	87.78	668451	5.07
501 to 1000	437	5.99	317271	2.41
1001 to 2000	204	2.80	285557	2.17
2001 to 3000	64	0.88	159326	1.21
3001 to 4000	44	0.60	154392	1.17
4001 to 5000	22	0.30	102153	0.78
5001 to 10000	51	0.70	361113	2.74
10001 & above	69	0.95	11127999	84.45
Total	7297	100.00	13176262	100.00

36. The shares of the Company are available for dematerialization. The International Securities Identification Number code allotted to the shares of the Company is INE451A01017.

As of 31st March, 2007, the number of equity shares of the Company held through depositories were 20,29,448.

37. The Company has not issued any GDRs, ADRs or Warrants or Convertible Instruments.

38. The Company's plants are located at Bombay Pune Road, Akurdi, Pune - 411 035 and Plot No.3, Sector No.1, Pithampur Industrial Estate, Pithampur, District Dhar, Madhya Pradesh.

39. The address for correspondence is - Shares Department, Force Motors Limited, Bombay Pune Road, Akurdi, Pune - 411 035.

40. COMPLIANCES :

The certificate obtained from the Statutory Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated in clause 49 of the Listing Agreement is attached to the Board Report. The Code of Conduct approved by the Board is available on the website of the Company. The confirmation about compliance of the code is being obtained on annual basis. The Company has complied with the mandatory requirements of Clause 49 of the Listing Agreement executed by the Company with the Stock Exchanges.

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the members of Force Motors Limited

We have examined the compliance of conditions of Corporate Governance by Force Motors Limited, for the year ended 31st March, 2007, as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchange(s).

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For **M/s. P. G. Bhagwat**
Chartered Accountants

Place : Pune
Date : 31st July, 2007

S. S. Athavale
Partner
Membership No. 83374

AUDITORS' REPORT

To The Members of Force Motors Limited

We have audited the attached Balance Sheet of Force Motors Limited as at 31st March 2007, and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 (as amended by Companies (Auditor's Report) (Amendment) Order, 2004) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that :

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- (iii) The Balance Sheet and the Profit and Loss Account & Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- (v) On the basis of written representations received from the directors, as on 31st March 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2007;
 - (b) in the case of the Profit and Loss Account, of the **LOSS** for the year ended on that date; and
 - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For M/s. P. G. Bhagwat
Chartered Accountants

Place : Pune
Date : 29th June, 2007

S. S. Athavale
Partner
Membership No. 83374

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in Paragraph 3 of our report of even date)

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.
- (b) All the assets have been physically verified by the management during the year and there is a regular program of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) Although substantial part of the fixed assets have been disposed off during the year, it has not affected the going concern assumption.
2. (a) The inventory has been physically verified during the year by the management, which is, in our opinion, at reasonable intervals.
- (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of our examination of the records of inventory, we are of the opinion that the Company is maintaining proper records of inventory. No material discrepancies were noticed on verification between the physical stocks and the book records.
3. (a) The Company has not granted any loans to Companies, firms and other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, during the year.
- (b) The Company has not taken any loans from companies, firms and other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, during the year except an unsecured sum of Rs. 50 crores from a party.
- (c) The rate of interest and other terms and conditions of the unsecured loan taken by the Company, are prima facie not prejudicial to the interest of the Company.
- (d) The payment of the principal amount and interest are also regular.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system.
5. (a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the Register required to be maintained under that section.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of five lakh rupees in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A and 58AA or any other relevant provisions of the Act and the rules framed there under, with regard to the deposits accepted from the public. As informed to us, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained.
9. (a) According to the records of the Company, the Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education & Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth-tax, Custom-duty, Excise-duty, Cess, Service-tax and other statutory dues applicable to it.
According to the information and explanations given to us, no undisputed statutory dues including Provident Fund, Investor Education Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth-tax, Custom duty, Excise-duty, Cess, Service tax and other statutory dues applicable to it were outstanding, as at the balance sheet date for a period of more than six months from the date they became payable.

- (b) According to the records of the Company, there are no dues of Sales-tax, Income-tax, Customs-duty, Wealth-tax, Excise-duty, Cess and Service-tax which have not been deposited on account of any dispute, except :

Type of the dues	Amount outstanding (Rs.)	Forum
Customs Duty	12,98,331	Asst. Commissioner of Customs, Mumbai, CESAT, Mumbai
Sales Tax	1,90,62,706	Maharashtra Sales Tax Tribunal, Mumbai / Sr. Asst. Commissioner, Sales Tax, Pune / Appellate Dy. Commissioner of Commercial Tax, Jaipur / Sales Tax Officer, U.P. / Commissioner of Commercial Tax, Jhansi / Madhya Pradesh Commercial Tax Tribunal, Bhopal / Appellate Dy. Commissioner of Commercial Tax, Indore
Excise Duty	30,52,989	Commissioner (Appeals), Central Excise, Indore / Commissioner of Central Excise (Appeals), Pune / CESAT, West Regional Bench, Mumbai & M.P. High Court

10. There are no accumulated losses in the Company. The Company has not incurred any cash losses during the financial year covered by our audit and the immediately preceding financial year.
11. Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to any financial institution, bank or debenture holders.
12. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit funds are not applicable to the company.
14. The Company is not dealing or trading in shares, securities, debentures and other investments.
15. The Company has not given any guarantee for loans taken by others from bank or financial institutions.
16. The term loans have been applied for the purpose for which they were raised.
17. The funds raised on short-term basis have not been used for long term investment.
18. The Company has not made preferential allotment of shares during the year.
19. No money has been raised by debenture issues during the year.
20. No money has been raised by public issues during the year.
21. Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For **M/s. P. G. Bhagwat**
Chartered Accountants

Place : Pune
Date : 29th June, 2007

S. S. Athavale
Partner
Membership No. 83374

Balance Sheet as at 31st March, 2007

	Schedule	Rupees	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
I SOURCES OF FUNDS :				
1. Shareholders' Funds				
(a) Share Capital	1	13,17,90,383		13,17,90,383
(b) Reserves and Surplus	2	173,42,84,000		210,92,02,594
			186,60,74,383	224,09,92,977
2. Loan Funds				
(a) Secured Loans	3	174,71,79,144		207,32,97,195
(b) Unsecured Loans	4	74,60,29,000		17,86,25,000
			249,32,08,144	225,19,22,195
		Total	435,92,82,527	449,29,15,172
II APPLICATION OF FUNDS :				
1. Fixed Assets				
(a) Gross Block	5	787,45,63,213		735,43,10,025
(b) Less : Depreciation		532,73,89,103		506,00,06,103
(c) Net Block		254,71,74,110		229,43,03,922
(d) Capital Work-in-progress		42,82,92,246		85,95,52,655
			297,54,66,356	315,38,56,577
2. Investments	6		72,58,52,569	2,57,52,569
3. Deferred Tax Assets			15,52,20,465	12,04,46,195
4. Current Assets, Loans and Advances				
(a) Inventories	7	203,91,60,179		213,83,86,357
(b) Sundry Debtors		119,90,28,983		106,87,86,064
(c) Cash and Bank Balances		18,27,06,168		14,13,91,526
(d) Other Current Assets		3,34,480		10,47,539
(e) Loans and Advances		62,10,77,851		101,89,03,061
			404,23,07,661	436,85,14,547
5. Less : Current Liabilities & Provisions				
(a) Liabilities	8	315,81,11,438		292,05,57,098
(b) Provisions		38,14,53,086		25,50,97,618
			353,95,64,524	317,56,54,716
Net Current Assets			50,27,43,137	119,28,59,831
		Total	435,92,82,527	449,29,15,172

As per our separate report of even date attached

For **M/s. P. G. Bhagwat**
Chartered Accountants

S. S. Athavale
Partner
Membership No. 83374

Place : Pune
Date : 29th June, 2007

A. N. Firodia Chairman & Managing Director
Prasan Firodia Director

Mrs. A. G. Lambore
Asst. Secretary

Pune 411 035
Date : 29th June, 2007

**Profit & Loss Account
for the year ended 31st March, 2007**

	Schedule	Rupees	For the year ended 31st March, 2007 Rupees	For the year ended 31st March, 2006 Rupees
INCOME				
Sales including Excise Duty		1138,95,58,130		1087,01,61,150
Less : Excise duty		162,69,97,886		153,08,10,665
Net Sales		976,25,60,244		933,93,50,485
Less : Commission on Sales		64,56,167		12,25,442
Other Income	9		975,61,04,077 92,96,23,207	933,81,25,043 42,71,42,710
			1068,57,27,284	976,52,67,753
EXPENDITURE				
Materials	10	761,80,98,551		702,67,89,557
Other Expenses	11	323,36,09,213		300,64,68,066
Depreciation		41,47,99,423		42,67,90,015
		1126,65,07,187		1046,00,47,638
Less : Expenditure included in above items, capitalised.		19,69,44,363		19,11,49,207
			1106,95,62,824	1026,88,98,431
PROFIT FOR THE YEAR			(38,38,35,540)	(50,36,30,678)
Depreciation in respect of earlier years written back			—	79,76,99,458
Less : Provision for Taxation - Current Tax		14,55,000		2,80,00,000
- Fringe Benefit Tax		1,55,00,000		1,70,00,000
- Deferred Tax		(3,47,74,270)		(5,20,71,800)
[Current Tax includes Rs. 14,55,000/- (Rs. 41,75,000/-) for Wealth Tax]			(1,78,19,270)	(70,71,800)
Less : Taxation provision in respect of earlier year			89,02,324	(2,00,077)
PROFIT AFTER TAX			(37,49,18,594)	30,13,40,657
Add : Balance of Profit as per last account			85,32,75,472	55,19,34,815
Balance carried forward			47,83,56,878	85,32,75,472
Basic and Diluted Earnings per share (Rs.) (Nominal value per share Rs. 10/-)			(28.45)	22.87

As per our separate report of even date attached

For **M/s. P. G. Bhagwat**
Chartered Accountants

A. N. Firodia Chairman & Managing Director
Prasan Firodia Director

S. S. Athavale
Partner
Membership No. 83374

Mrs. A. G. Lambore
Asst. Secretary

Place : Pune
Date : 29th June, 2007

Pune 411 035
Date : 29th June, 2007

Schedules forming part of the Balance Sheet

SCHEDULE 1 : SHARE CAPITAL

	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
Authorised :		
2,00,00,000 (2,00,00,000) Shares of Rs.10/- each	20,00,00,000	20,00,00,000
Issued :		
1,32,13,802 (1,32,13,802) Equity Shares of Rs.10/- each	13,21,38,020	13,21,38,020
Subscribed and paid up :		
1,31,76,262 (1,31,76,262) Equity Shares of Rs.10/- each fully paid up [of the above 2,00,918 (2,00,918) Equity Shares are allotted as fully paid Shares pursuant to a contract without payment being received in cash and 57,29,934 (57,29,934) Equity Shares are allotted as fully paid Bonus Shares by capitalisation of reserves]	13,17,62,620	13,17,62,620
Add : Amount paid on Forfeited Shares	27,763	27,763
Total	13,17,90,383	13,17,90,383

Note : Offer on Right basis for 17,932 **(17,932)** Equity Shares of Rs. 10/- each is kept in abeyance as per provisions of Section 206A of the Companies Act, 1956.

SCHEDULE 2 : RESERVES AND SURPLUS

	Rupees	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
1. Capital Reserve :			
As per last account		25,00,000	25,00,000
2. Share Premium :			
As per last account		59,19,77,215	59,19,77,215
3. General Reserve :			
As per last account		66,14,49,907	66,14,49,907
4. Balance as per Profit and Loss Account		47,83,56,878	85,32,75,472
	Total	<u>173,42,84,000</u>	<u>210,92,02,594</u>

SCHEDULE 3 : SECURED LOANS

	Rupees	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
1. Loans & Advances from Banks on Cash Credit Accounts		71,36,41,682	77,64,03,908
2. Term Loan from Banks	103,35,37,462		123,00,00,000
Interest accrued and due on above	--		39,48,389
[Due in next 12 months Rs. 11,30,00,000/- (Rs. 39,48,389/-)]		103,35,37,462	123,39,48,389
3. Buyers' Credit from State Bank of India		--	6,29,44,898
[Due in next 12 months Rs. Nil/- (Rs. 6,29,44,898/-)]			
	Total	<u>174,71,79,144</u>	<u>207,32,97,195</u>

Item No. 1 is secured by hypothecation of Company's stock of raw materials, stock-in-process, stores, finished goods, tools and book debts, present and future, situated at Akurdi, District Pune and Pithampur, District Dhar (M.P.). Charges created in favour of bankers to the Company rank pari passu inter se.

Item No. 2 is secured by first charge by way of hypothecation of all movable fixed assets and second charge on all current assets of the Company, both present and future. The Company is in process of creating first charge by way of equitable mortgage on immovable properties at its factories at Akurdi, District Pune and Pithampur, District Dhar (M.P.).

Item No. 3 is secured by lien on specific assets acquired against the loan.

SCHEDULE 4 : UNSECURED LOANS

	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
1. Fixed Deposits	24,60,29,000	17,86,25,000
[Due in next 12 months Rs. 1,77,45,000/- (Rs. 1,92,27,000/-)]		
2. Inter corporate Deposits	50,00,00,000	--
Total	<u>74,60,29,000</u>	<u>17,86,25,000</u>

SCHEDULE 5 : FIXED ASSETS

	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
1. Net Fixed Assets, as per Annexure	254,71,74,110	229,43,03,922
2. Capital Work-in-progress :		
(i) Buildings under construction	5,85,26,266	29,17,26,282
(ii) Machinery under installation / in transit	10,54,01,816	29,70,06,548
(iii) Other Assets	26,43,64,164	27,08,19,825
	<u>42,82,92,246</u>	<u>85,95,52,655</u>
Total	<u>297,54,66,356</u>	<u>315,38,56,577</u>

SCHEDULE 6 : INVESTMENTS (Long Term)

	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
1. Government and Trust Securities :		
Quoted		
5,900 (5,900) 6.75% Tax free US64 Bonds of Rs. 100/- each	3,76,770	3,76,770
2. Trade Investments :		
Quoted		
9,39,000 (9,39,000) Equity Shares of Rs.10/- each, fully paid, in Z. F. Steering Gear (India) Limited	1,20,30,000	1,20,30,000
Unquoted		
10,50,050 (10,40,050) Equity Shares of Rs.10/- each, fully paid, in Tempo Finance (North) Private Limited - a Subsidiary Company	1,05,49,299	1,04,49,299
7,00,00,000 (Nil) Equity Shares of Rs.10/- each, fully paid, in MAN FORCE TRUCKS Private Limited - a Subsidiary Company	70,00,00,000	--
20,000 (20,000) Equity Shares of Rs.10/- each, fully paid, in Tempo Finance (North) Private Limited	2,00,000	2,00,000
3. Other Investments :		
Quoted		
63,125 (63,125) Equity Shares of Rs. 10/- each, fully paid, in ICICI Bank Limited	26,96,250	26,96,250
Unquoted		
5 (5) Shares of Rs. 50/- each, fully paid, in Mittal Tower Premises Co-Operative Society Limited	250	250
Total	<u>72,58,52,569</u>	<u>2,57,52,569</u>

Aggregate amount of Investments :

	As on 31-03-2007		As on 31-03-2006	
	Cost Rupees	Market Value Rupees	Cost Rupees	Market Value Rupees
Quoted	1,51,03,020	24,08,30,252	1,51,03,020	28,91,71,220
Unquoted	71,07,49,549	--	1,06,49,549	--

SCHEDULE 7 : CURRENT ASSETS, LOANS AND ADVANCES

	Rupees	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
A. CURRENT ASSETS :			
1. Inventories :			
(i) Stores and Spares	13,63,89,004		12,92,72,012
(ii) Finished Goods	52,73,15,553		60,65,29,037
(iii) Excise Duty on Inventory of Finished Goods	7,14,52,052		10,29,51,349
(iv) Work-in-progress	29,39,71,481		38,64,96,534
(v) Raw Materials and Components, including Rs. 5,75,20,943/- (Rs. 6,54,60,630/-) in transit	101,00,32,089		91,31,37,425
		203,91,60,179	213,83,86,357
2. Sundry Debtors :			
Unsecured			
(i) Debts outstanding for a period exceeding six months :			
- Considered Good	5,19,92,197		1,49,38,732
- Considered Doubtful	3,60,60,455		3,89,75,132
	8,80,52,652		5,39,13,864
(ii) Other Debts	114,70,36,786		105,38,47,332
	123,50,89,438		110,77,61,196
Less : Provision for Doubtful Debts	3,60,60,455		3,89,75,132
		119,90,28,983	106,87,86,064
3. Cash and Bank Balances :			
(i) Cash balance and cheques on hand	16,57,55,429		12,75,29,244
(ii) Balance with scheduled banks in current accounts	1,40,03,825		1,37,16,968
(iii) Balance with scheduled banks in deposit accounts	29,41,231		1,39,631
(iv) Balance with Rajgurunagar Sahakari Bank Ltd., Rajgurunagar, Dist. Pune, in current account [Maximum balance Rs. 5,683/- (Rs. 5,683/-)]	5,683		5,683
		18,27,06,168	14,13,91,526
4. Other Current Assets :			
Interest accrued on deposits		3,34,480	10,47,539
B. LOANS AND ADVANCES :			
Unsecured, Considered good			
1. Advances recoverable in cash or in kind or for value to be received	21,44,73,255		13,61,65,826
2. Sundry Advances	58,59,238		58,10,674
3. Sundry Deposits [including Govt. Securities of Rs. 1,79,600/- (Rs. 1,79,600/-), cost Rs. 1,73,995/- (Rs. 1,73,995/-) deposited with Govt. Authorities]	4,86,70,310		7,70,11,657
4. Advances against capital expenditure	29,14,97,213		75,74,44,226
5. Advance payment of Tax (Net of provision) [Contra Refer Schedule 8 item (B)-8]	6,05,77,835		4,24,70,678
		62,10,77,851	101,89,03,061
	Total	404,23,07,661	436,85,14,547

SCHEDULE 8 : CURRENT LIABILITIES AND PROVISIONS

	Rupees	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
(A) CURRENT LIABILITIES :			
1. Sundry Creditors			
(i) Small Scale Industrial Undertakings	--		6,14,56,859
(ii) Others (Refer Note No. 9)	277,89,70,694		253,62,29,158
	<u>277,89,70,694</u>		<u>259,76,86,017</u>
2. Advances and Deposits against Orders	13,62,40,407		11,01,63,145
3. Unclaimed Dividend	11,63,962		12,88,771
4. Interest accrued but not due on loans, advances and deposits	2,04,96,015		75,74,681
5. Other Liabilities	22,12,40,360		20,38,44,484
		<u>315,81,11,438</u>	<u>292,05,57,098</u>
(B) PROVISIONS :			
6. For Product Warranties and Service Charges	8,45,45,994		2,90,89,523
7. For Gratuity and Leave Encashment	29,69,07,092		22,60,08,095
8. For Taxation :			
Taxation provision for the earlier years	5,83,51,305		18,23,51,305
Taxation provision for the year	1,69,55,000		4,50,00,000
	<u>7,53,06,305</u>		<u>22,73,51,305</u>
Less : Advance payment of tax	<u>13,58,84,140</u>		<u>26,98,21,983</u>
[Contra Refer Schedule 7 item B-5]	(6,05,77,835)		(4,24,70,678)
		<u>38,14,53,086</u>	<u>25,50,97,618</u>
	<u>Total</u>	<u>353,95,64,524</u>	<u>317,56,54,716</u>

Schedules forming part of the Profit & Loss Account

SCHEDULE 9 : OTHER INCOME

	Rupees	For the year ended 31st March, 2007 Rupees	For the year ended 31st March, 2006 Rupees
Machining and Processing charges		27,04,811	11,37,711
Miscellaneous receipts :			
Refunds	--		16,53,787
Service Charges received	4,61,14,481		--
Other receipts	35,94,47,278		38,60,55,924
		<u>40,55,61,759</u>	<u>38,77,09,711</u>
Interest :			
On Short Term Deposits with Banks	1,47,825		5,07,708
Others	5,81,40,933		2,39,21,832
[Income-tax deducted at source Rs. 6,37,287/- (Rs. 3,20,776/-)]		<u>5,82,88,758</u>	<u>2,44,29,540</u>
Income from Investments [Including Rs. 1,33,80,750/- (Rs. 58,68,750/-) on Trade Investments]		1,39,57,138	64,45,138
Excess provision in previous year written back		2,85,30,107	72,00,790
Profit on sale of Assets		15,25,80,062	2,19,820
Profit on sale of Investments		26,80,00,572	--
		<u>Total</u>	<u>92,96,23,207</u>
			<u>42,71,42,710</u>

SCHEDULE 10 : MATERIALS

	Rupees	For the year ended 31st March, 2007 Rupees	For the year ended 31st March, 2006 Rupees
Raw material and Components consumed		665,15,29,161	654,79,54,713
Stores consumed		53,63,58,660	50,37,62,805
Fabrication and processing charges		19,16,00,689	13,16,66,831
Freight, octroi, entry tax etc.		6,68,71,504	6,42,69,646
Increase (-) / Decrease (+) in Stock-in-Trade		17,17,38,537	(22,08,64,438)
		<u>Total</u>	<u>761,80,98,551</u>
			<u>702,67,89,557</u>

SCHEDULE 11 : OTHER EXPENSES

	Rupees	For the year ended 31st March, 2007 Rupees	For the year ended 31st March, 2006 Rupees
Power and Fuel		19,72,38,586	18,20,50,547
Repairs :			
Buildings	1,70,97,744		2,05,37,288
Machinery	5,27,55,760		6,07,53,972
Others	2,13,82,828		1,48,56,547
		9,12,36,332	9,61,47,807
Warranty Claims and Service charges		15,49,21,182	4,55,76,678
Publicity and Sales promotion		49,02,08,038	59,29,91,666
Salaries, Wages, Bonus, Leave encashment etc.		111,74,89,689	97,04,95,802
Contribution to Provident Fund and other Funds & Schemes		17,07,96,092	26,17,96,557
Staff and Labour Welfare Expenses		6,06,36,643	4,96,82,611
Insurance		3,11,50,304	3,30,79,174
Rent		81,43,279	61,35,364
Rates, Taxes and duties		11,97,46,911	13,53,52,630
Forwarding charges		13,13,85,420	14,59,94,575
Miscellaneous Expenses		32,70,89,189	31,32,74,269
Prior year expenses		57,68,841	40,00,936
Guarantee Commission to Banks and Finance Brokerage		19,37,858	29,71,046
Audit Fees, Legal and Professional charges		8,10,75,084	8,84,89,296
Directors' Fees		11,00,000	8,00,000
Interest :			
On Fixed Loans	12,39,65,020		1,74,92,466
On Bank and Other accounts	7,30,63,571		5,76,70,545
		19,70,28,591	7,51,63,011
Loss on sale of Assets		5,50,079	10,08,089
Provision for Doubtful Debts		6,46,376	14,55,008
Loss on derecognition of Intangible Assets		4,54,30,719	--
Donations		30,000	3,000
		Total	
		323,36,09,213	300,64,68,066

Annexure to Schedule 5 — Fixed Assets

	Intangible Assets		Free Hold Land		Lease Hold Land		Buildings		Plant, Machinery & Equipment		Dies and Jigs		Electric Installation		Furniture & Fixtures		Electric Fittings		Vehicles		Aircraft		Total		
	Rupees		Rupees		Rupees		Rupees		Rupees		Rupees		Rupees		Rupees		Rupees		Rupees		Rupees		Rupees		
GROSS BLOCK																									
Cost as at 31st March, 2006	71,76,97,536	★	2,24,38,495	★	43,76,215	★★	56,66,32,942	★★	421,26,70,663	113,89,33,652	10,16,02,845	5,53,67,833	1,46,29,693	20,21,63,728	31,77,96,223	735,43,10,025	663,57,05,261								
Additions	7,25,88,531		1,04,37,102		—		34,07,18,566		78,47,62,336	26,54,37,913	2,43,10,362	1,21,12,952	36,50,625	2,48,40,951	—	153,88,59,358	72,36,80,493								
Deductions	32,80,88,699		28,25,822		12,18,136		32,17,09,396		23,01,39,134	8,56,71,213	2,12,28,523	54,15,043	25,10,350	1,97,99,854	—	101,86,06,170	50,75,729								
Cost as at 31st March, 2007	46,21,97,368		3,00,49,775		31,58,079		58,56,42,132		476,72,93,865	131,87,00,552	10,46,84,684	6,20,65,742	1,57,69,968	20,72,04,825	31,77,96,223	787,45,63,213	735,43,10,025								
DEPRECIATION																									
Up to 31st March, 2006	26,65,66,057	★★★	—	★★★	7,50,801	★★★	20,49,72,482	★★★	364,62,11,274	70,46,95,677	5,82,24,308	2,97,79,204	71,03,980	9,24,55,455	4,92,46,865	506,00,06,103	463,66,00,748								
This Year	8,26,15,697	★★★	—	★★★	44,528	★★★	2,27,40,458	★★★	115,28,96,731	11,25,66,448	49,66,474	38,21,022	7,66,870	1,65,84,606	1,77,96,589	41,47,99,423	42,67,90,015								
Deductions	11,32,65,907		—		2,25,733		44,74,669		1,65,61,184	49,30,144	3,80,637	6,45,958	40,273	68,91,918	—	14,74,16,423	33,84,660								
Depreciation as at 31st March, 2007	23,59,15,847		—		5,69,596		22,32,38,271		378,25,46,821	81,23,31,981	6,28,10,145	3,29,54,268	78,30,577	10,21,48,143	6,70,43,454	532,73,89,103	506,00,06,103								
Net Block as at 31st March, 2007	22,62,81,521		3,00,49,775		25,88,483		36,24,03,861		98,47,47,044	50,63,68,571	4,18,74,539	2,91,11,474	79,39,391	10,50,56,682	25,07,52,769	254,71,74,110	229,43,03,922								
Net Block as at 31st March, 2006	45,11,31,479		2,24,38,495		36,25,414		36,16,60,460		56,64,59,389	43,42,38,175	4,33,78,537	2,55,88,629	75,25,713	10,97,08,273	26,85,49,358	229,43,03,922	199,91,04,513								

Intangible assets include cost of software, implementation cost and technical know how fees.

★ Out of above, 2700 Sq.Mtrs. Land given on lease to M.S.E.B. for 99 years w.e.f. 1-8-1989.

★★ Includes office premises on ownership basis Rs. 5,00,000/-.

★★★ Includes residential premises in Co-Op. Society to be formed.

Certain Buildings completed are capitalised - pending finalisation of Contractors' bills, adjustment in cost, if any required, will be carried out during the financial year in which the same is finalised.

★★★ Amortisation charges for one year in respect of software, implementation cost, technical know how and leasehold land.

As per our separate report of even date attached

For M/s. P. G. Bhagwat
Chartered Accountants

S. S. Athavale
Partner
Membership No. 83374

Place : Pune
Date : 29th June, 2007

A. N. Firodia
Prasan Firodia

Chairman & Managing Director
Director

Pune 411 035
Date : 29th June, 2007

Notes forming part of the Accounts for the Year Ended 31st March, 2007.

1. Accounting Policies :

A. Depreciation :

(a) Tangible Assets :

The Depreciation on Fixed assets is provided on straight line method at the rates as per Schedule-XIV of the Companies Act, 1956.

(b) Intangible Assets :

(i) Software and their implementation costs are written off over the period of 5 years.

(ii) Technical Know-how acquired and internally generated are amortised over the useful life of the assets, not exceeding ten years.

(c) Lease hold land is amortised over the period of lease.

B. Investments (Long Term) :

Investments (Long Term) are valued at cost. A provision for diminution is made to recognise a decline, other than temporary, in the value of investments.

C. Valuation of Inventory :

Inventories are valued at lower of their cost or net realisable value. The cost of raw material, stores and consumables is measured on moving weighted average basis.

D. Employees Retirement Benefit :

The accruing liability of Gratuity is covered by Employees Group Gratuity Scheme of Life Insurance Corporation of India and the premium is accounted for in the year of accrual. The additional liability, if any, due to deficit in the Plan assets managed by LIC as compared to the present value of accrued liability on the basis of actuarial valuation, is recognised and provided for.

Benefits in respect of leave encashable at retirement / cessation are provided for based on valuation, as at the Balance Sheet date, made by independent actuaries.

E. Research and Development Expenses:

Revenue expenditure on Research and Development is charged off as an expense in the year in which incurred and capital expenditure is grouped with Fixed Assets under appropriate heads and depreciation is provided as per rates applicable.

F. Foreign Currency Transactions:

(a) Gains or losses of transactions on revenue account are recognised in the profit and loss account.

(b) Current assets and Current liabilities in foreign currency are translated at the rate of exchange prevailing at the date of Balance Sheet.

(c) The premium or discounts arising on forward contracts is amortised over the life of the contract.

G. Cost of borrowings incurred for acquisition, construction or production of qualifying asset is capitalised as per the Accounting Standard No. AS 16 issued by the Institute of Chartered Accountants of India.

2.	Estimated amounts of contracts remaining to be executed on Capital Accounts as at 31st March, 2007 and not provided for.	Rupees 32,03,02,705	Rupees (54,59,44,726)
3.	(a) The Company's Income-tax and Wealth-tax assessments have been completed upto the accounting year 2003-2004.		
	(b) The Company is registered as a dealer under various State Sales Tax Laws. The Company's Sales-tax assessments have been completed up to the accounting year 2001-2002 of Akurdi Plant & 2003-2004 of Pithampur Plant.		
4.	Payment to Auditors: (Net of service tax)	Rupees	Rupees
	(a) As Auditors	7,50,000	(7,50,000)
	(b) For Tax Audit	40,000	(25,000)
	(c) For Certificates	1,40,800	(1,36,500)
	(d) For Expenses and others	23,337	(16,422)
	(e) Provident Fund Audit Fees	15,000	(10,000)

5. Managerial Remuneration paid/payable to Chairman & Managing Director :

	Rupees	Rupees
(a) Salary	24,00,000	(24,00,000)
(b) Commission	--	--
(c) Contribution to Provident Fund, Superannuation Scheme and Gratuity Scheme	7,46,947	(7,44,230)
(d) Perquisites paid for and estimated monetary value of perquisites availed of	12,400	(12,400)

Salaries and perquisites paid for are included in the appropriate heads of accounts.

6. Contingent Liability in respect of :

	Rupees	Rupees
(a) Taxes and Duties	15,06,07,391	(12,17,95,801)
(b) Others	16,13,14,766	(13,53,06,614)

7. Provisions made for present obligations, based on reliable estimates, expected to result into outflow of resources, are as under :

Class of Provisions and brief description	Carrying amount of Provisions as at 1-4-2006	Additional Provisions made during the year	Paid during the year against Provisions	Amounts reversed and written back	Carrying amount of Provisions as at 31-3-2007
	Rs.	Rs.	Rs.	Rs.	Rs.
(a) Warranty	1,75,92,228 (1,92,68,459)	2,83,13,782 (1,05,93,644)	1,59,06,010 (1,05,09,232)	-- (17,60,643)	3,00,00,000 (1,75,92,228)
(b) Free Service Coupons	1,14,97,294 (1,07,10,675)	5,00,73,520 (1,14,97,294)	69,24,820 (1,04,54,406)	-- (2,56,269)	5,46,45,994 (1,14,97,294)

8. Details of Intangible Assets are as under :

Class of Intangible Assets	Software	Technical Know-how acquired on or after 1-4-2003	Technical Know-how acquired on or upto 31-3-2003	Technical Know-how internally generated
	Rs.	Rs.	Rs.	Rs.
(a) Useful life of the asset	5 years	10 years	6 years	6 years
(b) Cost as on 31-3-2006	8,30,12,882	52,49,85,989	8,22,00,834	2,74,97,831
(c) Additions during the year	1,38,580	76,08,063	--	6,48,41,887
(d) Deduction during the year	--	32,80,88,697	--	--
(e) Cost as on 31-3-2007	8,31,51,462	20,45,05,355	8,22,00,834	9,23,39,718
(f) Amortisation upto 31-3-2006	5,54,30,709	13,08,20,708	6,85,01,802	1,18,12,838
(g) Amortisation during the year	1,10,26,914	4,24,99,861	1,36,99,032	1,53,89,891
(h) Amortisation on Deductions	--	11,32,65,908	--	--
(i) Amortisation upto 31-3-2007	6,64,57,623	6,00,54,661	8,22,00,834	2,72,02,729
(j) Net carrying cost as on 31-3-2007	1,66,93,839	14,44,50,694	--	6,51,36,989
(k) Net carrying cost as on 31-3-2006	2,75,82,173	39,41,65,281	1,36,99,032	1,56,84,993

9. The Interest on Delayed Payments to Small Scale and Ancillary industrial Undertakings Act, 1993 has been repealed when the Micro, Small and Medium Enterprises Development Act, 2006 came into force on 2nd October, 2006. Accordingly the Company has provided a sum of Rs. 14,76,939/- as interest on dues to Small Scale Industrial Undertakings (as per information available with the company before repeal of the first mentioned Act). The dues payable to Small Scale Industrial Undertakings on 01.10.2006 were Rs. 24,48,52,509/-.

As of 31st March, 2007, the Company has not received any intimation as to the status as a Micro, Small & Medium Enterprises from any of the suppliers, with a copy of the Memorandum filed as per the provisions of Section 8 of the Micro, Small and Medium Enterprises Development Act, 2006.

10 Details of Licensed and Installed Capacity, Production, Stocks and Turnover:
(a) Licensed, Installed Capacity and Production:

Class of Goods	Licensed Capacity Per Annum (in Nos.)	Installed Capacity Per Annum (in Nos.)	Production (in Nos.)
(i) On-road automobiles having 4 or more wheels such as light, medium and heavy commercial vehicles, Jeep type vehicles and passenger cars covered under sub-heading (5) of heading (7) of First Schedule to IDR Act including Three Wheelers.	60,000* (60,000)	55,000 (55,000)	31,841 (35,728)
(ii) Agricultural Tractor	12,000 (12,000)	12,000 (12,000)	3,828 (4,513)
(iii) Diesel Engines for other purposes	7,500 (7,500)	6,000 (6,000)	61 (52)
(iv) Moulds, Dies, Press Tools, Jigs & fixtures	1,000 (1,000)	500 (500)	1571** (534)

* Inclusive of a capacity not exceeding 10,000 **(10,000)** numbers per annum for the manufacture of Three Wheelers.

** Includes 1397 **(527)** capitalised.

Note : Installed Capacity is as estimated by the Chairman & Managing Director and accepted by the Auditors without verification.

(b) Stock and Turnover :

Class of Goods		Stock at Commencement	Stock At Close	Turnover
(i) On-road automobiles having 4 or more wheels such as light, medium and heavy commercial vehicles, Jeep type vehicles and passenger cars covered under sub-heading (5) of heading (7) of First Schedule to IDR Act including Three Wheelers.	Nos.	2,159 (1,833)	1,864 # (2,159)	32,132* (35,373)
	Amount	45,35,48,748 (36,82,79,067)	36,39,51,333 (45,35,48,748)	733,09,32,732 (712,72,84,453)
(ii) Agricultural Tractor	Nos.	325 (273)	294 \$ (325)	3,858@ (4,461)
	Amount	7,84,93,040 (6,24,59,538)	8,08,28,735 (7,84,93,040)	108,92,78,739 (123,00,94,239)
(iii) Diesel Engines for other purposes	Nos.	5 (3)	5** (5)	60*** (45)
	Amount	1,96,755 (1,67,335)	2,89,797 (1,96,755)	40,74,681 (23,71,472)
(iv) Moulds, Dies, Press Tools, Jigs & fixtures	Nos.	-- (--)	140 (--)	34 (7)
	Amount	-- (--)	40,99,055 (--)	25,36,585 (2,51,67,145)
(v) Other Items	Amount			133,57,37,507 (95,44,33,176)

* Includes 25 **(24)** vehicles capitalised.

@ Includes 1 **(Nil)** tractor capitalised.

** Excludes 1 **(5)** Engines transferred to R&D for testing.

*** Includes 22 **(18)** as service replacement and 8 **(5)** capitalised and 3 **(Nil)** engines given free of cost.

Excludes 4 **(5)** vehicles given free of cost, Nil **(20)** vehicles capitalised, Nil **(1)** vehicle written off due to loss by fire for which insurance claim is received and Nil **(3)** vehicles scrapped.

\$ Excludes 1 **(Nil)** Tractor Written off.

11 Details of Raw Materials Consumption :
(a) Raw materials including Components Consumed

		QUANTITY		VALUE	
				Rupees	Rupees
Steel and other metals	Tons	13,006	(11,136)	48,76,98,636	(46,84,07,264)
	Mtrs.	2,93,364	(5,05,341)		
Castings and Forgings	Nos	22,58,863	(23,79,358)	35,52,31,526	(39,93,70,498)
Components				580,85,98,999	(568,01,76,951)
TOTAL				665,15,29,161	(654,79,54,713)

(b) Imported and indigenous Raw Materials & Components Consumption (including Spare parts purchased)

	Rupees		Percentage	
Imported	70,96,33,047	(61,95,31,008)	10.67	(9.46)
Indigenous	594,18,96,114	(592,84,23,705)	89.33	(90.54)
Total	665,15,29,161	(654,79,54,713)	100.00	(100.00)

12 C.I.F. Value of Imports, Expenditure and Earnings in Foreign Exchange :
(a) C.I.F. Value of Imports :

	Rupees	Rupees
(i) Raw Materials	5,71,41,857	(10,97,51,691)
(ii) Components	68,73,92,008	(57,36,29,070)
(iii) Spare Parts for Resale	4,93,523	(3,96,904)
(iv) Capital Goods	26,52,89,817	(39,91,31,690)
(v) Machinery Spares, Tools & Others	6,94,34,973	(3,27,62,939)

(b) Expenditure in Foreign Currency (on Payment basis) :

(i) Travelling and Other expenses	2,10,83,618	(99,92,007)
(ii) Royalty and Technical know-how fees (net of tax)	--	(7,51,69,277)
(iii) Technical services and consultation fees (net of tax)	1,97,45,861	(1,75,84,786)

(c) Earnings in Foreign Currency :

Exports on FOB basis	28,56,38,449	(16,11,74,231)
----------------------	--------------	----------------

13. (a) The amount of net exchange differences included in the Profit / Loss for the year is Rs. 57,93,762/- debit **(Rs. 54,95,330/- debit)**

(b) The amount of net exchange differences adjusted in the carrying amount of Fixed Assets during the year is Rs. 5,42,133/- credit **(Rs. 53,42,740/- credit)**.

14. The Company's expenditure on its Research and Development activity during the year under report was as follows:

	Rupees	Rupees
(i) Capital Expenditure	3,10,56,236	(24,93,92,632)
(ii) Revenue Expenditure	36,98,64,048	(31,55,15,978)

The above expenditure is grouped with other non-R&D expenditure under various heads of Capital and Revenue expenditure.

15. The Company's liabilities and obligations in foreign currency outstanding as at 31st March, 2007, net of receivables are as under :

Liability	Hedged by forward cover contracts with bankers		Not hedged by forward cover contracts or other derivative instruments	
	Foreign currency	Amount (Rs.)	Foreign currency	Amount (Rs.)
In U.S. Dollars	6,80,000 (--)	2,96,92,200 (--)	2,30,590 (5,11,365)	1,00,42,195 (2,29,39,834)
In Euro	-- (12,18,800)	-- (6,53,32,555)	9,02,178 (30,38,057)	5,24,43,586 (16,62,72,860)
In Japanese Yen	-- (--)	-- (--)	1,40,96,520 (4,34,12,226)	5,20,76,868 (1,66,26,882)
In Pound	-- (--)	-- (--)	-- (10,958)	-- (8,58,998)

16. **Details of Deferred Tax Assets / (Liabilities) :**

Nature of Timing difference	As at 31st March, 2007	As at 31st March, 2006
(i) Difference between accounting and tax depreciation (cumulative)	(38,22,48,010)	(26,69,10,498)
(ii) Other Timing differences	15,52,20,465	9,52,70,790
(iii) Depreciation Loss	38,22,48,010	29,20,85,903
TOTAL	15,52,20,465	12,04,46,195

In considering the recognition of Deferred Tax Assets on account of loss, depreciation, deduction on actual payments, the Board has considered the relevant legal provisions of carry forward and set off and recognised the Deferred Tax Assets to the extent there is a reasonable certainty.

17. **Earnings per Share :** 31.03.2007 **31.03.2006**

Values used in calculating Earnings Per Share :

(a) Numerator :

Profit / (Loss) after tax (Rs.) (37,49,18,594) **30,13,40,657**

(b) Denominator :

Number of Equity Shares 1,31,76,262 **1,31,76,262**

Weighted average number of Equity Shares 1,31,76,262 **1,31,76,262**

18. Profit / Loss on sale of assets includes Rs. 14,49,21,467/- surplus on sale / transfer / assignment of assets of Rs. 137,67,99,999/- of Heavy Commercial Vehicles (HCV) Project to MAN FORCE TRUCKS Pvt. Ltd., a subsidiary company, in which initially Rs. 100,00,00,000/- was invested by way of subscription to 10,00,00,000 equity shares of Rs. 10/- each.

Profit on sale of Investments represents surplus on transfer of 30% equity shares out of the above to MAN Nutzfahrzeuge Aktiengesellschaft, Germany (MAN) in terms of Joint Venture agreement dated 30th April, 2006.

19. Related party disclosures (As identified by the Management)
(A) Name of the related parties and nature of related party relationship where control exists are as under :

- (a) Subsidiary Company : MAN FORCE TRUCKS Private Limited
Tempo Finance (West) Private Limited
- (b) Key Management Personnel : Mr.Abhay Firodia, Chairman & Managing Director
- (c) Relatives of Key Management Personnel : (i) Mr. Prasan Abhay Firodia : Son
(ii) Mrs. Sunanda Sudhir Mehta : Daughter
(iii) Mrs. Kamla Bansilal Bhandari : Sister
- (d) Other Related Parties : (i) Jaya Hind Industries Ltd.
(ii) Pinnacle Industries Limited
(iii) Jaya Hind Investments Pvt. Ltd.

(B) Disclosure of Transactions with these parties are mentioned below : (Rs. In Lacs)

Type of Related party	Nature of Transaction	Volume of Transactions during 2006-07	Amount outstanding as on 31-03-2007	
			Receivables	Payables
(i) Subsidiary Company MAN FORCE Trucks Private Limited	: Sale of Raw Material & Components	2,759.09 (--)	333.53 (--)	-- (--)
	: Sale of Capital Assets	11,847.14 (--)	-- (--)	-- (--)
	: Purchase of Assets	17.60 (--)	-- (--)	17.60 (--)
	: Machinery received on Loan	611.72 (--)	-- (--)	611.72 (--)
	: Purchase of Material	101.25 (--)	-- (--)	101.25 (--)
	: Processing Charges recovered	1.62 (--)	-- (--)	-- (--)
	: Service Charges	495.21 (--)	495.21 (--)	-- (--)
	: Others	126.97 (1.80)	-- (1.80)	-- (6)
(a) Key Management Personnel	: Managerial Remuneration	31.59 (31.57)	-- (--)	-- (--)
(b) Relatives of Key Management Personnel	: Expenditure on Rent	2.10 (1.63)	-- (--)	-- (--)
(c) Other Related Parties	: The Service of Information Systems / Department are shared with one of the related parties	Not quantified		

(Rs. In Lacs)

Type of Related party	Nature of Transaction	Volume of Transactions during 2006-07	Amount outstanding as on 31-03-2007		
			Receivables	Payables	
(ii) Jaya Hind Industries Ltd.	: Purchase of Capital Goods	506.64 (1,078.97)	-- (--)	27.32 (--)	
	: Purchase of Raw Materials, Components & Others	4,596.09 (4,010.66)	-- (--)	1,142.89 (380.09)	
	: Sundry Sales	154.09 (138.90)	7.19 (12.97)	-- (--)	
	: Processing Charges recovered	15.39 (11.90)	0.89 (3.90)	-- (--)	
	: Sale of Assets	236.07 (4.86)	-- (--)	-- (--)	
	: Material Given on Loan	-- (--)	14.76 (14.76)	-- (--)	
	: Machinery given on Loan	362.09 (40.28)	455.09 (--)	-- (--)	
	: Reimbursement of Expenditure	74.58 (55.19)	5.03 (7.25)	-- (--)	
	(iii) Jaya Hind Investments Private Limited	: Inter Corporate Deposit	5,000 (--)	-- (--)	5,000 (--)
		: Interest on Inter Corporate Deposit (Gross)	150.21 (--)	-- (--)	116.50 (--)
(iv) Pinnacle Industries Ltd.	: Purchase of Capital Goods	4.19 (0.54)	-- (--)	100.15 (1.77)	
	: Purchase of Raw Materials, Components & Others	3,986.03 (3,267.37)	-- (--)	252.71 (126.50)	
	: Sundry Sales	41.15 (39.98)	-- (9.53)	-- (--)	
	: Processing Charges recovered	0.09 (0.14)	-- (--)	-- (--)	
	: Sale of Assets	95.42 (--)	95.42 (--)	-- (--)	
	: Material Given on Loan	-- (1.03)	0.30 (0.30)	-- (--)	
	: Machinery given on Loan	-- (--)	1.00 (1.00)	-- (--)	
	: Reimbursement of Expenditure	33.06 (19.57)	-- (6.90)	-- (--)	

20. The Company is operating in single Segment.

21. Previous year / period's figures are re-arranged wherever necessary and shown in brackets.

As per our separate report of even date attached

For **M/s. P. G. Bhagwat**
Chartered Accountants

A. N. Firodia Chairman & Managing Director
Prasan Firodia Director

S. S. Athavale
Partner
Membership No. 83374

Mrs. A. G. Lambore
Asst. Secretary

Place : Pune
Date : 29th June, 2007

Pune 411 035
Date : 29th June, 2007

PART - IV
BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
I Registration Details

 Registration No.

 State Code (Refer Code List 1)

 Balance Sheet Date
II Capital raised during the Year (Amount in Rs. Thousands)

Public Issue

Rights Issue

Bonus Issue

Private Placement

III Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousand)

Total Liabilities

Total Assets

Sources of Funds :

Paid-up Capital

Reserves & Surplus

Secured Loan

Unsecured Loan

Application of Funds :

Net Fixed Assets

Investments

Net Current Assets

Misc. Expenditure

Accumulated Losses

Deferred Tax Asset

IV Performance of Company (Amount in Rs. Thousands)

Turnover

Total Expenditure

+ - Profit / Loss Before Tax

 (-)

+ - Profit / Loss After Tax

 (-)

(Please tick Appropriate box + for Profit - for loss)

Earning per Share in Rs.

Dividend rate %

V Generic Names of Three Principal Products / Services of Company (as per monetary terms):

1 Item Code No (ITC Code) - - 8 7 0 2 1 0

Product Description T R A X

2 Item Code No. (ITC Code) - - 8 7 0 3 1 0

Product Description M I N I D O R

3 Item Code No. (ITC Code) - - 8 7 0 2 9 0

Production Description T R A V E L L E R

As per our separate report of even date attached

For **M/s. P. G. Bhagwat**
Chartered Accountants

A. N. Firodia Chairman & Managing Director
Prasan Firodia Director

S. S. Athavale
Partner
Membership No. 83374

Mrs. A. G. Lambore
Asst. Secretary

Place : Pune
Date : 29th June, 2007

Pune 411 035
Date : 29th June, 2007

CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 31ST MARCH,	2007	2006
	Rupees	Rupees
(A) Cash flow from Operating Activities :		
Net Profit / (Loss) before tax and extraordinary items	(38,38,35,540)	29,40,68,780
Adjustments for :		
Depreciation	41,47,99,423	42,67,90,015
Depreciation for earlier years written back	--	(79,76,99,458)
Adjustment for Foreign exchange loss / (gain)	5,95,175	(24,059)
Interest Income on bank deposits & others	(2,16,139)	(5,80,275)
Profit on sale of Investments	(26,80,00,572)	--
Dividend / Income from trade investments	(1,39,57,138)	(64,45,138)
Loss / (Profit) on sale of assets	(15,20,29,983)	7,88,269
Interest expense	19,70,28,591	7,51,63,011
Provision for bad, doubtful debts and debit balances	6,46,376	14,55,008
Operating Profit before Working Capital Changes	(20,49,69,807)	(64,83,847)
Increase in Sundry Debtors and Loans & Advances	(18,09,03,941)	(31,53,11,063)
(Increase) / Decrease in Inventories	9,92,26,178	(28,77,65,803)
Increase in Sundry Creditors and Other Payables	58,82,70,130	72,63,98,272
Cash generated from operations	30,16,22,560	11,68,37,559
Direct Taxes paid	(4,39,64,481)	(1,79,47,256)
Net Cash flow from Operating Activities	(A) 25,76,58,079	9,88,90,303
(B) Cash flow from investing activities :		
Purchase of fixed assets	(87,97,07,631)	(169,55,96,686)
Proceeds from sale of assets / equipments	102,32,19,730	9,02,800
Interest received	2,16,139	5,80,275
Investments in shares of subsidiary	(100,01,00,000)	--
Proceeds from sale of Investments	56,80,00,572	--
Dividend / Income from trade investments received	1,39,57,138	64,45,138
Net cash used in Investing Activities	(B) (27,44,14,052)	(168,76,68,473)
(C) Cash flow from financing activities :		
Proceeds of long-term borrowings	25,54,75,073	135,76,24,000
Proceeds of short-term borrowings	(1,02,40,735)	31,66,22,271
Interest paid	(18,80,55,646)	(7,10,10,414)
Net cash flow from Financing Activities	(C) 5,71,78,692	160,32,35,857
Net increase / (Decrease) in Cash and Cash equivalents	(A+B+C) 4,04,22,719	1,44,57,687
Cash and Cash equivalents as at 01-04-2006	14,21,32,727	12,76,75,040
Cash and Cash equivalents as at 31-03-2007 (excluding unrealised exchange fluctuation gain)	18,25,55,446	14,21,32,727

As per our separate report of even date attached

For **M/s. P. G. Bhagwat**
Chartered Accountants

A. N. Firodia Chairman & Managing Director
Prasan Firodia Director

S. S. Athavale
Partner
Membership No. 83374

Mrs. A. G. Lambore
Asst. Secretary

Place : Pune
Date : 29th June, 2007

Pune 411 035
Date : 29th June, 2007

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956
RELATING TO SUBSIDIARY COMPANY**

Statement pursuant to Section 212 (3)

1. Name of the Subsidiary Companies	MAN FORCE TRUCKS Private Limited	Tempo Finance (West) Private Limited
2. Holding Company's interest in the Subsidiaries at the end of the Financial Year of Subsidiary, i.e. 31st March, 2007.	7,00,00,000 equity shares of Rs. 10/- each, fully paid up	10,50,050 equity shares of Rs. 10/- each, fully paid up
3. The net aggregate amount so far as it concerns the Members of Holding Company and is not dealt with in the Company's accounts of the Subsidiary Company's profit after deducting its losses.	(i) For the Financial year of Subsidiary Company ended on 31st March, 2007 : Rs. (10,06,54,800) (ii) For the previous Financial Year of the Subsidiary Company : Rs. Nil	(i) For the Financial Year of Subsidiary Company ended on 31st March, 2007 : Rs. 9,93,250/- (ii) For the previous Financial Year of the Subsidiary Company : Rs. 1,26,00,154/-
4. The net aggregate amount of profits of the Subsidiary Company after deducting its losses so far as these profits are dealt with in the Holding Company's accounts.	(i) For the Financial Year of the Subsidiary Company ended on 31st March, 2007 : Rs. Nil (ii) For the previous Financial Year of the Subsidiary Company : Rs. Nil	(i) For the Financial Year of the Subsidiary Company Ended on 31st March, 2007 : Rs. Nil (ii) For the previous Financial Year of the Subsidiary Company : Rs. 45,20,000/-

Mrs. A. G. Lambore
Asst. Secretary

Place : Pune
Date : 29th June, 2007

A. N. Firodia
Prasan Firodia
Chairman & Managing Director
Director

Place : Pune
Date : 29th June, 2007

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AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

of Force Motors Ltd. and its Subsidiaries MAN FORCE TRUCKS Pvt. Ltd. and Tempo Finance (West) Pvt. Ltd.

We have audited the attached Consolidated Balance Sheet of Force Motors Limited group, as at 31st March, 2007, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year then ended.

These financial statements are the responsibility of Force Motors Limited's Management, and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted Auditing Standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit also includes, examining on test basis, evidence supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India, and on the basis of the separate audited financial statements of Force Motors Limited and its subsidiary companies included in the consolidated financial statements.

On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of Force Motors Limited and its subsidiary companies, we are of the opinion that the said consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India :

- (a) in the case of the Consolidated Balance Sheet, of the state of affairs of Force Motors Limited and its subsidiary companies as at 31st March, 2007;
- (b) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of Force Motors Limited and its subsidiary companies for the year then ended; and
- (c) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flow of Force Motors Limited and its subsidiary companies for the year then ended.

For **M/s. P. G. Bhagwat**
Chartered Accountants

Place : Pune
Date : 29th June, 2007

S. S. Athavale
Partner
Membership No. 83374

Consolidated Balance Sheet as at 31st March, 2007

	Schedule	Rupees	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
I SOURCES OF FUNDS :				
1. Shareholders' Funds				
(a) Share Capital	1	13,17,90,383		13,17,90,383
(b) Reserves and Surplus	2	150,64,04,533		211,90,92,257
			163,81,94,916	225,08,82,640
2. Minority Interest			26,24,88,304	55,60,991
3. Loan Funds				
(a) Secured Loans	3	266,12,86,259		207,32,97,195
(b) Unsecured Loans	4	74,60,29,000		17,86,25,000
			340,73,15,259	225,19,22,195
		Total	530,79,98,479	450,83,65,826
II APPLICATION OF FUNDS :				
1. Fixed Assets				
(a) Gross Block	5	914,40,00,096		735,43,58,824
(b) Less : Depreciation		549,85,85,756		506,00,06,103
(c) Net Block		364,54,14,340		229,43,52,721
(d) Capital Work-in-progress		55,41,81,663		85,95,52,655
			419,95,96,003	315,39,05,376
2. Investments	6		1,53,03,270	1,53,03,270
3. Deferred Tax Assets			22,94,47,524	12,06,26,074
4. Current Assets, Loans and Advances				
(a) Inventories	7	308,28,27,301		213,86,30,431
(b) Sundry Debtors		120,64,02,479		106,95,91,906
(c) Cash and Bank Balances		26,84,69,175		16,33,25,354
(d) Other Current Assets		5,79,315		13,03,217
(e) Loans and Advances		95,43,70,807		102,14,70,395
		551,26,49,077		439,43,21,303
5. Less : Current Liabilities & Provisions	8			
(a) Liabilities		426,73,94,411		292,06,92,579
(b) Provisions		38,81,01,688		25,50,97,618
		465,54,96,099		317,57,90,197
Net Current Assets			85,71,52,978	121,85,31,106
6. Miscellaneous Expenditure (Preliminary expenses to the extent not written off)			64,98,704	--
		Total	530,79,98,479	450,83,65,826

As per our separate report of even date attached

For **M/s. P. G. Bhagwat**
Chartered Accountants

A. N. Firodia Chairman & Managing Director
Prasan Firodia Director

S. S. Athavale
Partner
Membership No. 83374

Mrs. A. G. Lambore
Asst. Secretary

Place : Pune
Date : 29th June, 2007

Pune 411 035
Date : 29th June, 2007

**Consolidated Profit & Loss Account
for the year ended 31st March, 2007**

	Schedule	Rupees	For the year ended 31st March, 2007 Rupees	For the year ended 31st March, 2006 Rupees
INCOME				
Sales including Excise Duty		1140,65,32,097		1087,01,61,150
Less : Excise duty		166,08,72,185		153,08,10,665
Net Sales		974,56,59,912		933,93,50,485
Less : Commission on Sales		90,27,953		12,25,442
			973,66,31,959	933,81,25,043
Income from hire purchase			58,094	2,34,525
Other Income	9		74,81,85,640	42,86,30,439
			1048,48,75,693	976,69,90,007
EXPENDITURE				
Materials	10	763,36,80,215		702,67,89,557
Other Expenses	11	334,51,03,327		300,65,64,017
Depreciation		44,07,94,910		42,67,90,015
		1141,95,78,452		1046,01,43,589
Less : Expenditure included in above items, capitalised.		19,69,44,363		19,11,49,207
			1122,26,34,089	1026,89,94,382
PROFIT FOR THE YEAR			(73,77,58,396)	(50,20,04,375)
Depreciation in respect of earlier years written back			--	79,76,99,458
Less : Provision for Taxation - Current Tax		21,72,000		2,85,60,000
- Fringe Benefit Tax		1,56,50,000		1,70,00,000
- Deferred Tax		(10,88,21,450)		(5,20,73,888)
[Including Rs. 14,55,000/- (Rs. 41,75,000/-) for Wealth Tax]			(9,09,99,450)	(65,13,888)
Less : Taxation provision in respect of earlier year			89,01,465	(2,00,131)
PROFIT AFTER TAX			(65,56,60,411)	30,24,09,102
Add : Balance of Profit as per last account			86,27,84,723	56,06,45,621
Amount available for appropriation			20,71,24,312	86,30,54,723
Appropriations				
Transfer to General Reserve II			3,20,000	2,70,000
Balance carried forward			20,68,04,312	86,27,84,723
Profit for the year attributable to Minority Interest			(4,28,77,600)	2,43,160
Balance Net Profit			(61,27,82,811)	30,21,65,942
Basic and Diluted Earnings per share (Rs.) (Nominal value per share Rs. 10/-)			(46.51)	22.93

As per our separate report of even date attached

For **M/s. P. G. Bhagwat**
Chartered Accountants**A. N. Firodia** Chairman & Managing Director
Prasan Firodia Director**S. S. Athavale**
Partner
Membership No. 83374**Mrs. A. G. Lambore**
Asst. SecretaryPlace : Pune
Date : 29th June, 2007Pune 411 035
Date : 29th June, 2007

Schedules forming part of the Balance Sheet
SCHEDULE 1 : SHARE CAPITAL

	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
Authorised :		
2,00,00,000 (2,00,00,000) Shares of Rs.10/- each	20,00,00,000	20,00,00,000
Issued :		
1,32,13,802 (1,32,13,802) Equity Shares of Rs.10/- each	13,21,38,020	13,21,38,020
Subscribed and paid up :		
1,31,76,262 (1,31,76,262) Equity Shares of Rs.10/- each fully paid up [of the above 2,00,918 (2,00,918) Equity Shares are allotted as fully paid Shares pursuant to a contract without payment being received in cash and 57,29,934 (57,29,934) Equity Shares are allotted as fully paid Bonus Shares by capitalisation of reserves]	13,17,62,620	13,17,62,620
Add : Amount paid on Forfeited Shares	27,763	27,763
Total	13,17,90,383	13,17,90,383

Note : Offer on Right basis for 17,932 **(17,932)** Equity Shares of Rs. 10/- each is kept in abeyance as per provisions of Section 206A of the Companies Act, 1956.

SCHEDULE 2 : RESERVES AND SURPLUS

	Rupees	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
1. Capital Reserve :			
As per last account		25,00,000	25,00,000
2. Share Premium :			
As per last account		59,19,77,215	59,19,77,215
3. General Reserve :			
As per last account	66,18,18,310		66,18,18,310
Less : Minority Interest	76,469		79,249
		<u>66,17,41,841</u>	<u>66,17,39,061</u>
4. General Reserve II :			
As per last account	27,22,500		24,52,500
Add : Transfer from Profit and Loss Account	3,20,000		2,70,000
	<u>30,42,500</u>		<u>27,22,500</u>
Less : Minority Interest	6,31,529		5,85,652
		<u>24,10,971</u>	<u>21,36,848</u>
5. Balance as per Profit and Loss Account	20,68,04,312		86,27,84,723
Less : Minority Interest	(4,09,70,194)		20,45,590
		<u>24,77,74,506</u>	<u>86,07,39,133</u>
	Total	<u><u>150,64,04,533</u></u>	<u><u>211,90,92,257</u></u>

SCHEDULE 3 : SECURED LOANS

	Rupees	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
1. Loans & Advances from Banks on Cash Credit Accounts		78,48,48,797	77,64,03,908
2. Term Loan from Banks	187,64,37,462		123,00,00,000
Interest accrued and due on above	--		39,48,389
		<u>187,64,37,462</u>	<u>123,39,48,389</u>
[Due in next 12 months Rs. 11,30,00,000/- (Rs. 39,48,389)]			
3. Buyers' Credit from State Bank of India		--	6,29,44,898
[Due in next 12 months Rs. Nil (Rs. 6,29,44,898/-)]			
	Total	<u>266,12,86,259</u>	<u>207,32,97,195</u>

Item No. 1 is secured by hypothecation of Company's stock of raw materials, stock-in-process, stores, finished goods, tools and book debts, present and future, situated at Akurdi, District Pune and Pithampur, District Dhar (M.P.). Charges created in favour of bankers to the Company rank pari passu inter se.

Item No. 2 is secured by first charge by way of hypothecation of all movable fixed assets and second charge on all current assets of the Company, both present and future. The Company is in process of creating by way of equitable mortgage on immovable properties at its factories at Akurdi District Pune and Pithampur, District Dhar (M.P.).

Item No. 3 is secured by lien on specific assets acquired against the loan.

SCHEDULE 4 : UNSECURED LOANS

	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
1. Fixed Deposits	24,60,29,000	17,86,25,000
[Due in next 12 months Rs. 1,77,45,000/- (Rs. 1,92,27,000/-)]		
2. Inter corporate Deposits	50,00,00,000	--
Total	<u>74,60,29,000</u>	<u>17,86,25,000</u>

SCHEDULE 5 : FIXED ASSETS

	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
1. Net Fixed Assets, as per Annexure	364,54,14,340	229,43,52,721
2. Capital Work-in-progress :		
(i) Buildings under construction	5,86,29,130	29,17,26,282
(ii) Machinery under installation / in transit	23,05,46,453	29,70,06,548
(iii) Other Assets	26,50,06,080	27,08,19,825
	<u>55,41,81,663</u>	<u>85,95,52,655</u>
Total	<u>419,95,96,003</u>	<u>315,39,05,376</u>

SCHEDULE 6 : INVESTMENTS (Long Term)

	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
1. Government and Trust Securities :		
Quoted		
5,900 (5,900) 6.75% Tax free US64 Bonds of Rs. 100/- each	3,76,770	3,76,770
2. Trade Investments :		
Quoted		
9,39,000 (9,39,000) Equity Shares of Rs.10/- each, fully paid, in Z. F. Steering Gear (India) Limited	1,20,30,000	1,20,30,000
Unquoted		
20,000 (20,000) Equity Shares of Rs.10/- each, fully paid, in Tempo Finance (North) Private Limited	2,00,000	2,00,000
3. Other Investments :		
Quoted		
63,125 (63,125) Equity Shares of Rs. 10/- each, fully paid, in ICICI Bank Limited	26,96,250	26,96,250
Unquoted		
5 (5) Shares of Rs. 50/- each, fully paid, in Mittal Tower Premises Co-Operative Society Limited	250	250
Total	1,53,03,270	1,53,03,270

Aggregate amount of Investments :

	As on 31-03-2007		As on 31-03-2006	
	Cost Rupees	Market Value Rupees	Cost Rupees	Market Value Rupees
Quoted	1,51,03,020	24,08,30,252	1,51,03,020	28,91,71,220
Unquoted	2,00,250	--	2,00,250	--

SCHEDULE 7 : CURRENT ASSETS, LOANS AND ADVANCES

	Rupees	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
A. CURRENT ASSETS :			
1. Inventories :			
(i) Stores and Spares	14,78,21,370		12,92,72,012
(ii) Finished Goods	56,63,78,834		60,65,29,037
(iii) Excise Duty on Inventory of Finished Goods	7,80,16,021		10,29,51,349
(iv) Work-in-progress	30,48,77,349		38,64,96,534
(v) Raw Materials and Components, including Rs. 55,35,29,371/- (Rs. 6,54,60,630/-) in transit	198,57,33,727		91,31,37,425
(vi) Stock on hire	--		3,02,168
	<u>308,28,27,301</u>		<u>213,86,88,525</u>
Less : Stock Reserve	--		58,094
		308,28,27,301	<u>213,86,30,431</u>
2. Sundry Debtors :			
Unsecured			
(i) Debts outstanding for a period exceeding six months :			
- Considered Good	5,23,65,521		1,50,10,911
- Considered Doubtful	3,60,60,455		3,89,75,132
	<u>8,84,25,976</u>		<u>5,39,86,043</u>
(ii) Other Debts	115,44,89,569		105,48,25,708
	<u>124,29,15,545</u>		<u>110,88,11,751</u>
Less : Provision for Doubtful Debts	3,65,13,066		3,92,19,845
		120,64,02,479	<u>106,95,91,906</u>
3. Cash and Bank Balances :			
(i) Cash balance and cheques on hand	16,62,22,660		12,75,29,329
(ii) Balance with scheduled banks in current accounts	7,66,61,347		1,56,43,892
(iii) Balance with scheduled banks in deposit accounts	2,55,79,485		2,01,46,450
(iv) Balance with Rajgurunagar Sahakari Bank Ltd., Rajgurunagar, Dist. Pune, in current account [Maximum balance Rs. 5,683/- (Rs. 5,683/-)]	5,683		5,683
		26,84,69,175	<u>16,33,25,354</u>
4. Other Current Assets :			
(i) Interest accrued on deposits	5,79,315		13,03,217
(ii) Other Charges receivable	2,89,687		2,89,687
	<u>8,69,002</u>		<u>15,92,904</u>
Less : Provision for bad and doubtful debts	2,89,687		2,89,687
		5,79,315	<u>13,03,217</u>
B. LOANS AND ADVANCES :			
Unsecured, Considered good			
1. Advances recoverable in cash or in kind or for value to be received	42,30,31,876		13,61,65,826
2. Sundry Advances	65,41,191		58,10,674
3. Sundry Deposits [including Govt. Securities of Rs. 1,79,600/- (Rs. 1,79,600/-), cost Rs. 1,73,995/- (Rs. 1,73,995/-) deposited with Govt. Authorities]	6,30,04,131		7,70,11,657
4. Advances against capital expenditure	39,77,83,773		75,74,44,226
5. Inter Corporate Deposits	25,00,000		25,00,000
6. Advance payment of Tax (Net of provision) [Contra Refer Schedule 8 item (B)-8]	6,15,09,836		4,25,38,012
		95,43,70,807	<u>102,14,70,395</u>
	Total	551,26,49,077	<u>439,43,21,303</u>

SCHEDULE 8 : CURRENT LIABILITIES AND PROVISIONS

	Rupees	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
(A) CURRENT LIABILITIES :			
1. Sundry Creditors			
(i) Small Scale Industrial Undertakings	--		6,14,56,859
(ii) Others	385,52,94,899		253,63,48,264
	<u>385,52,94,899</u>		<u>259,78,05,123</u>
2. Advances and Deposits against orders	13,62,40,407		11,01,63,145
3. Unclaimed Dividend	11,63,962		12,88,771
4. Interest accrued but not due on loans, advances and deposits	2,31,29,962		75,74,681
5. Other Liabilities	25,15,65,181		20,38,60,859
		<u>426,73,94,411</u>	<u>292,06,92,579</u>
(B) PROVISIONS :			
6. For Product Warranties and Service Charges	9,04,35,891		2,90,89,523
7. For Gratuity and Leave encashment	29,76,65,797		22,60,08,095
8. For Taxation			
Taxation provision for the earlier years	5,95,71,305		18,35,86,305
Taxation provision for the year	1,78,22,000		4,55,60,000
	<u>7,73,93,305</u>		<u>22,91,46,305</u>
Less : Advance payment of tax	13,89,03,141		27,16,84,317
[Contra Refer Schedule 7 item B-6]	<u>(6,15,09,836)</u>		<u>(4,25,38,012)</u>
		38,81,01,688	25,50,97,618
	<u>Total</u>	<u>465,54,96,099</u>	<u>317,57,90,197</u>

Schedules forming part of the Profit & Loss Account

SCHEDULE 9 : OTHER INCOME

Rupees	For the year ended 31st March, 2007 Rupees	For the year ended 31st March, 2006 Rupees
Machining and Processing charges	25,16,828	11,37,711
Miscellaneous receipts :		
Refunds	--	16,53,787
Other receipts	36,28,78,542	38,60,55,924
	<hr/>	<hr/>
	36,28,78,542	38,77,09,711
Interest :		
On Short Term Deposits with Banks	64,07,954	9,17,766
Others	5,84,40,933	2,49,99,503
[Income-tax deducted at source Rs. 21,08,931/- (Rs. 6,56,519/-)]	<hr/>	<hr/>
	6,48,48,887	2,59,17,269
Income from Investments [Including Rs. 1,33,80,750/- (Rs. 58,68,750/-) on Trade Investments]	1,39,57,138	64,45,138
Excess provision in previous year written back	2,85,30,107	72,00,790
Profit on sale of Assets	74,53,566	2,19,820
Profit on sale of Investment	26,80,00,572	--
Total	<hr/> <hr/>	<hr/> <hr/>
	74,81,85,640	42,86,30,439

SCHEDULE 10 : MATERIALS

	For the year ended 31st March, 2007 Rupees	For the year ended 31st March, 2006 Rupees
Raw material and Components consumed	695,33,64,079	654,79,54,713
Stores consumed	53,72,02,598	50,37,62,805
Fabrication and processing charges	19,21,29,643	13,16,66,831
Freight, octroi, entry tax etc.	7,27,53,283	6,42,69,646
Increase (-) / Decrease (+) in Stock-in-Trade	(12,17,69,388)	(22,08,64,438)
Total	<hr/> <hr/>	<hr/> <hr/>
	763,36,80,215	702,67,89,557

SCHEDULE 11 : OTHER EXPENSES

	Rupees	For the year ended 31st March, 2007 Rupees	For the year ended 31st March, 2006 Rupees
Power and Fuel		19,96,90,066	18,20,50,547
Repairs :			
Buildings	1,74,12,366		2,05,37,288
Machinery	5,29,85,518		6,07,53,972
Others	2,15,56,209		1,48,56,547
		<u>9,19,54,093</u>	<u>9,61,47,807</u>
Warranty Claims and Service charges		16,08,11,079	4,55,76,678
Publicity and Sales promotion		49,28,61,895	59,29,91,666
Salaries, Wages, Bonus, Leave encashment etc.		112,74,40,981	97,04,95,802
Contribution to Provident Fund and other Funds & Schemes		17,14,84,937	26,17,96,557
Staff and Labour Welfare Expenses		6,10,49,226	4,96,82,611
Consideration for Services of personnel		3,69,40,789	--
Insurance		3,24,01,096	3,30,79,174
Rent		94,03,171	61,35,364
Rates, Taxes and duties		12,01,15,676	13,53,55,130
Forwarding charges		13,21,00,735	14,59,94,575
Miscellaneous Expenses		34,12,50,429	31,32,99,653
Prior year expenses		57,68,841	40,00,936
Guarantee Commission to Banks and Finance Brokerage		21,69,512	29,71,046
Audit Fees, Legal and Professional charges		8,12,10,871	8,85,50,988
Directors' Fees		11,00,000	8,00,000
Interest :			
On Fixed Loans	15,29,98,884		1,74,92,466
On Bank and Other accounts	7,60,66,327		5,76,70,717
		<u>22,90,65,211</u>	<u>7,51,63,183</u>
Loss on sale of Assets		3,45,050	10,08,089
Loss on Derecognition of Intangible Assets		4,54,30,719	--
Provision for Doubtful Debts		8,54,274	14,61,211
Donations		30,000	3,000
Miscellaneous expenses written off		16,24,676	--
		<u><u>334,51,03,327</u></u>	<u><u>300,65,64,017</u></u>

Annexure to Schedule 5 — Fixed Assets - Consolidated

	\$ Intangible Assets		Free Hold Land	Lease Hold Land	Buildings		Plant, Machinery & Equipment	Dies and Jigs	Electric Installation	Furniture & Fixtures	Electric Fittings	Vehicles	Aircraft	Total	Previous Year Total
	Rupees	Rupees			Rupees	Rupees									
GROSS BLOCK															
Cost as at 31st March, 2006	71,77,46,335	2,24,38,495	43,76,215	56,66,32,942	421,26,70,663	113,89,33,852	10,16,02,845	5,53,67,833	1,46,29,693	20,21,63,728	31,77,96,223	735,43,58,824	663,57,54,060		
Additions	7,40,02,421	1,04,37,102	77,00,209	40,66,09,811	87,29,97,067	31,36,26,498	2,48,23,632	1,37,23,473	40,05,337	6,76,97,114	—	179,56,22,664	72,36,80,493		
Deductions	—	28,25,822	—	—	10,88,117	—	—	84,969	—	19,82,484	—	59,81,392	50,75,729		
Cost as at 31st March, 2007	79,17,48,756	3,00,49,775	1,20,76,424	97,32,42,753	508,45,79,613	145,25,60,350	12,64,26,477	6,90,06,337	1,86,35,030	26,78,78,358	31,77,96,223	914,40,00,096	735,43,58,824		
DEPRECIATION															
Up to 31st March, 2006	26,65,66,057	—	7,50,801	20,49,72,482	364,62,11,274	70,46,95,677	5,82,24,308	2,97,79,204	71,03,980	9,24,55,455	4,92,46,865	506,00,06,103	463,66,00,748		
This Year	9,25,94,090	—	3,29,550	2,69,26,385	15,78,39,034	11,64,65,218	53,08,398	40,39,718	8,14,305	1,86,81,623	1,77,96,589	44,07,94,910	42,67,90,015		
Deductions	—	—	—	—	7,70,260	—	—	29,013	—	14,15,984	—	22,15,257	33,84,660		
Depreciation as at 31st March, 2007	35,91,60,147	—	10,80,351	23,18,98,867	380,32,80,048	82,11,60,895	6,35,32,706	3,37,89,909	79,18,285	10,97,21,094	6,70,43,454	549,85,85,756	506,00,06,103		
Net Block as at 31st March, 2007	43,25,88,609	3,00,49,775	1,09,96,073	74,13,43,886	128,12,99,565	63,13,99,455	6,28,93,771	3,52,16,428	1,07,16,745	15,81,57,264	25,07,52,769	364,54,14,340	229,43,52,721		
Net Block as at 31st March, 2006	45,11,80,278	2,24,38,495	36,25,414	36,16,60,460	56,64,59,389	43,42,38,175	4,33,78,537	2,55,88,629	75,25,713	10,97,08,273	26,85,49,358	229,43,52,721	199,91,53,312		

Intangible assets include cost of software, implementation cost and technical know how fees.

★ Out of above, 2700 Sq.Mtrs. Land given on lease to M.S.E.B. for 99 years w.e.f. 1-8-1989.

★★ Includes office premises on ownership basis Rs. 5,00,000/-.

★★★ Includes residential premises in Co-Op. Society to be formed.

Certain Buildings completed are capitalised - pending finalisation of Contractors' bills, adjustment in cost, if any required, will be carried out during the financial year in which the same is finalised.

Amortisation charges for one year in respect of software, implementation cost, technical know how and leasehold land.

\$ Includes Goodwill, Rs. 48,799/- arising out of consolidation of accounts.

As per our separate report of even date attached

For M/s. P. G. Bhagwat
Chartered Accountants

S. S. Athavale
Partner
Membership No. 83374

Mrs. A. G. Lambore
Asst. Secretary

A. N. Firodia
Prasan Firodia
Chairman & Managing Director
Director

Place : Pune
Date : 29th June, 2007

Pune 411 035
Date : 29th June, 2007

Notes forming part of the Consolidated Accounts for the Year Ended 31st March, 2007.
1. Accounting Policies :
A. Depreciation :
(a) Tangible Assets :

The Depreciation on Fixed assets is provided on straight line method at the rates as per Schedule-XIV of the Companies Act, 1956.

(b) Intangible Assets :

(i) Software and their implementation costs are written off over the period of five years.

(ii) Technical Know-how acquired and internally generated are amortised over the useful life of the assets, not exceeding ten years.

(c) Lease hold land is amortised over the period of lease.

B. Investments (Long Term) :

Investments (Long Term) are valued at cost. A provision for diminution is made to recognise a decline, other than temporary, in the value of investments.

C. Valuation of Inventory :

Inventories are valued at lower of their cost or net realisable value. The cost of raw material, stores and consumables is measured on moving weighted average basis.

D. Employees Retirement Benefit :

The accruing liability of Gratuity is covered by Employees Group Gratuity Scheme of Life Insurance Corporation of India and the premium is accounted for in the year of accrual. The additional liability, if any, due to deficit in the Plan assets managed by LIC as compared to the present value of accrued liability on the basis of actuarial valuation, is recognised and provided for.

Benefits in respect of leave encashable at retirement / cessation are provided for based on valuation, as at the Balance Sheet date, made by independent actuaries.

E. Research and Development Expenses:

Revenue expenditure on Research and Development is charged off as an expense in the year in which incurred and capital expenditure is grouped with Fixed Assets under appropriate heads and depreciation is provided as per rates applicable.

F. Foreign Currency Transactions:

(a) Gains or losses of transactions on revenue account are recognised in the profit and loss account.

(b) Current assets and Current liabilities in foreign currency are translated at the rate of exchange prevailing at the date of Balance Sheet.

(c) The premium or discounts arising on forward contracts is amortised over the life of the contract.

G. Cost of borrowings incurred for acquisition, construction or production of qualifying asset is capitalised as per the Accounting Standard No. AS 16 issued by the Institute of Chartered Accountants of India.

2.	Estimated amounts of contracts remaining to be executed on Capital Accounts as at 31st March, 2007 and not provided for.	Rupees 35,90,61,360	Rupees (54,59,44,726)
3.	Payment to Auditors: (Net of service tax)	Rupees	Rupees
	(a) As Auditors	8,09,000	(7,59,000)
	(b) For Tax Audit	40,000	(25,000)
	(c) For Certificates	1,46,273	(1,36,500)
	(d) For Expenses and others	23,337	(16,422)
	(e) Provident Fund Audit Fees	15,000	(10,000)
4.	Contingent Liability in respect of :	Rupees	Rupees
	(a) Taxes and Duties	15,22,59,477	(12,26,46,130)
	(b) Others	16,13,14,766	(13,53,06,614)

5. Provisions made for present obligations, based on reliable estimates, expected to result into outflow of resources, are as under :

Class of Provisions and brief description	Carrying amount of Provisions as at 1-4-2006	Provisions made during the year	Paid during the year against Provisions	Amounts reversed and written back	Carrying amount of Provisions as at 31-3-2007
	Rs.	Rs.	Rs.	Rs.	Rs.
(a) Warranty	1,75,92,228 (1,92,68,459)	3,18,23,782 (1,05,93,644)	1,59,06,010 (1,05,09,232)	-- (17,60,43)	3,35,10,000 (1,75,92,228)
(b) Free Service Coupons	1,14,97,294 (1,07,10,675)	5,24,53,417 (1,14,97,294)	69,24,820 (1,04,54,406)	-- (2,56,269)	5,70,25,891 (1,14,97,294)

6. Details of Intangible Assets are as under :

Class of Intangible Assets	Software	Technical Know-how acquired on or after 1-4-2003	Technical Know-how acquired upto 31-3-2003	Technical Know-how internally generated
	Rs.	Rs.	Rs.	Rs.
(a) Useful life of the asset	5 years	10 years	6 years	6 years
(b) Cost as on 31-3-2006	8,30,12,882	52,49,85,989	8,22,00,834	2,74,97,831
(c) Additions during the year	1,38,580	90,21,954	--	6,48,41,887
(d) Cost as on 31-3-2007	8,31,51,462	53,40,07,943	8,22,00,834	9,23,39,718
(e) Amortisation upto 31-3-2006	5,54,30,709	13,08,20,708	6,85,01,802	1,18,12,838
(f) Amortisation during the year	1,10,26,914	5,24,78,253	1,36,99,032	1,53,89,891
(g) Amortisation upto 31-3-2007	6,64,57,623	18,32,98,961	8,22,00,834	2,72,02,729
(h) Net carrying cost as on 31-3-2007	1,66,93,839	35,07,08,982	--	6,51,36,989
(i) Net carrying cost as on 31-3-2006	2,75,82,173	39,41,65,281	1,36,99,032	1,56,84,993

7. (a) The amount of net exchange differences included in the Profit / Loss for the year is Rs. 35,13,848/- debit **(Rs. 54,95,330/- debit)**

(b) The amount of net exchange differences adjusted in the carrying amount of Fixed Assets during the year is Rs. 8,71,757/- debit **(Rs. 53,42,740/- credit)**.

8. The Group's liabilities and obligations in foreign currency outstanding as at 31st March, 2007, net of receivables are as under :

Liability	Hedged by forward cover contracts with bankers		Not hedged by forward cover contracts or other derivative instruments	
	Foreign currency	Amount (Rs.)	Foreign currency	Amount (Rs.)
In U.S. Dollars	18,07,939 (--)	7,85,43,238 (--)	2,30,590 (5,11,365)	1,00,42,195 (2,29,39,834)
In Euro	10,00,000 (12,18,800)	5,79,60,000 (6,53,32,555)	1,36,54,117 (30,38,057)	79,89,42,095 (16,62,72,860)
In Japanese Yen	-- (--)	-- (--)	1,40,96,520 (4,34,12,226)	5,20,76,868 (1,66,26,882)
In Pound	-- (--)	-- (--)	-- (10,958)	-- (8,58,998)

9. Details of Deferred Tax Assets / (Liabilities) :
(A) Holding Company :

Nature of Timing Difference	As at 31st March, 2007	As at 31st March, 2006
(i) Difference between accounting and tax depreciation (cumulative)	(38,22,48,010)	(26,69,10,498)
(ii) Other Timing differences	15,52,20,465	9,52,70,790
(iii) Depreciation Loss	38,22,48,010	29,20,85,903
Total	15,52,20,465	12,04,46,195

(B) Subsidiary Companies :

Nature of Timing Difference	As at 31st March, 2007	As at 31st March, 2006
(i) Difference between accounting and tax depreciation (cumulative)	(2,56,53,319)	--
(ii) Other Timing differences	1,29,21,205	1,79,879
(iii) Loss	8,69,59,174	--

10. Earnings per Share :

Values used in calculating Earnings Per Share :	31-3-2007	31-3-2006
(a) Numerator :		
Profit / (Loss) after tax (Rs.)	(61,27,82,811)	30,21,65,942
(b) Denominator :		
Number of Equity Shares	1,31,76,262	1,31,76,262
Weighted average number of Equity Shares	1,31,76,262	1,31,76,262

11. Related party disclosures (As identified by the Management)
(A) Name of the related parties and nature of related party relationship where control exists are as under :

(a) Subsidiary Company	:	MAN FORCE TRUCKS Pvt. Ltd. Tempo Finance (West) Private Ltd.
(b) Key Management Personnel	:	(i) Mr. Abhay Firodia, Chairman & Managing Director (ii) Mr. Sudhir Mehta, Director (iii) Dr. Rolf Bacher, Director
(c) Relatives of Key Management Personnel :		
(i) Mr. Abhay Firodia	(i)	Mr. Prasan Abhay Firodia : Son
	(ii)	Mrs. Sunanda Sudhir Mehta : Daughter
	(vi)	Mrs. Kamla Bansilal Bhandari : Sister
(d) Other Related Parties	:	(i) Jaya Hind Industries Ltd. (ii) Pinnacle Industries Limited (iii) Jaya Hind Investments Pvt. Ltd. (iv) MAN Nutzfahrzeuge Osterreich AG (v) MAN Nutzfahrzeuge AG

(B) Disclosure of Transactions with these parties are mentioned below :

(Rs. In Lacs)

Type of Related party	Nature of Transaction	Volume of Transactions during 2006-07	Amount outstanding as on 31-03-2007	
			Receivables	Payables
(a) Key Management Personnel	: Managerial remuneration	31.59 (31.57)	-- (--)	-- (--)
(b) Relatives of Key Management Personnel	: Expenditure on Rent	2.10 (1.63)	-- (--)	-- (--)
(c) Other Related Parties	: The Service of Information Systems / Department are shared with one of the related parties	Not quantified		
(i) Jaya Hind Industries Ltd.	: Purchase of Capital Goods	772.43 (1078.97)	-- (--)	293.11 (--)
	: Purchase of Raw Materials, Components & Others	4634.23 (4010.66)	32.38 (--)	1154.59 (380.09)
	: Sundry Sales	154.09 (138.90)	7.19 (12.97)	-- (--)
	: Processing Charges recovered	15.39 (11.90)	0.89 (3.90)	-- (--)
	: Sale of Assets	236.07 (4.86)	-- (--)	-- (--)
	: Material Given on Loan	-- (--)	14.76 (14.76)	-- (--)
	: Machinery given on Loan	653.51 (40.28)	480.66 (--)	-- (--)
	: Reimbursement of Expenditure	74.58 (55.19)	5.03 (7.25)	-- (--)
(ii) Jaya Hind Investments Pvt. Ltd.	: Inter Corporate Deposit	5,000 (--)	-- (--)	5,000 (--)
	: Interest on Inter Corporate Deposit (Gross)	150.21 (--)	-- (--)	116.50 (--)
(iii) Pinnacle Industries Ltd.	: Purchase of Capital Goods	5.75 (0.54)	-- (--)	101.71 (1.77)
	: Purchase of Raw Materials, Components & Others	4028.22 (3267.37)	-- (--)	276.17 (126.50)
	: Sundry Sales	41.25 (39.98)	-- (9.53)	-- (--)
	: Processing Charges recovered	0.09 (0.14)	-- (--)	-- (--)
	: Sale of Assets	95.42 (--)	95.42 (--)	-- (--)
	: Material Given on Loan	-- (1.03)	0.30 (0.30)	-- (--)
	: Machinery given on Loan	1.05 (--)	1.87 (1.00)	-- (--)
	: Reimbursement of Expenditure	33.06 (19.57)	-- (6.90)	-- (--)

(Rs. In Lacs)

Type of Related party	Nature of Transaction	Volume of Transactions during 2006-07	Amount outstanding as on 31-03-2007	
			Receivables	Payables
(iv) MAN Nutzfahrzeuge Osterrreich AG	: Purchase of Raw Materials, Components & Others	703.29	--	703.29
	: Payment for Technical Know How	64.85	--	311.73
	: Others	13.15	--	13.15
(v) MAN Nutzfahrzeuge AG	: Purchase of Capital Goods	566.88	--	449.27
	: Purchase of Raw Materials, Components & Others	1171.79	--	1118.54
	: Payment for Technical Know How	176.40	--	605.89
	: Others	16.12	--	16.12

12. The Consolidated financial statements have been prepared in accordance with the accounting standard 21, viz. "Consolidated Financial Statement" issued by the Institute of Chartered Accountants of India. The subsidiary Company considered in the consolidated financial statement are :

Name of the Company	Registered Office	% of voting power held by holding Company as at 31st March, 2007
Tempo Finance (West) Pvt. Ltd.	Mumbai-Pune Road, Akurdi, Pune - 411 035.	79.24
MAN FORCE TRUCKS Pvt. Ltd.	Mumbai-Pune Road, Akurdi, Pune - 411 035.	70.00

13. Previous year's figures are re-arranged wherever necessary and shown in brackets.

As per our separate report of even date attached

For **M/s. P. G. Bhagwat**
Chartered Accountants

A. N. Firodia Chairman & Managing Director
Prasan Firodia Director

S. S. Athavale
Partner
Membership No. 83374

Mrs. A. G. Lambore
Asst. Secretary

Place : Pune
Date : 29th June, 2007

Pune 411 035
Date : 29th June, 2007

CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 31ST MARCH,		2007	2006
		Rupees	Rupees
(A) Cash flow from Operating Activities :			
Net Profit / (Loss) before tax and extraordinary items		(73,77,58,396)	29,56,95,083
Adjustments for :			
Depreciation		44,07,94,910	42,67,90,015
Depreciation for earlier years written back		--	(79,76,99,458)
Adjustment for Foreign exchange loss / (gain)		64,44,710	(24,059)
Interest Income on bank deposits & others		(64,76,267)	(5,80,275)
Profit on sale of Investment		(26,80,00,572)	--
Dividend / Income from trade investments		(1,39,57,138)	(64,45,138)
Profit / (Loss) on sale of assets		(71,08,516)	7,88,269
Interest expense		22,90,65,211	7,51,63,011
Provision for bad, doubtful debts and debit balances		8,54,274	14,61,211
Miscellaneous expenditure written off		16,24,676	--
Operating Profit / (Loss) before working capital changes		(35,45,17,108)	(48,51,341)
Increase in Sundry Debtors and Loans & Advances		(41,09,98,210)	(31,52,42,453)
(Increase) / decrease in Inventories		(94,41,96,870)	(28,68,78,830)
Increase in Sundry Creditors and Other Payables		152,31,51,215	72,64,12,116
Cash generated from operations		(18,65,60,973)	11,94,39,492
Direct Taxes paid		(4,56,95,289)	(1,85,27,299)
Net Cash flow from Operating Activities	(A)	(23,22,56,262)	10,09,12,193
(B) Cash flow from investing activities :			
Purchase of fixed assets		(119,62,15,387)	(169,55,96,686)
Proceeds from sale of assets / equipments		1,08,74,651	9,02,800
Interest received		64,76,267	5,80,275
Purchase consideration on acquisition of interest in subsidiary companies		(1,00,000)	--
Sale proceeds on divesture of interest in subsidiaries		56,80,00,572	--
Preliminary expenses on formation of subsidiary company		(81,23,380)	--
Dividend / Income from trade investments received		1,39,57,138	64,45,138
Net cash used in Investing Activities	(B)	(60,51,30,139)	(168,76,68,473)
(C) Cash flow from financing activities :			
Proceeds of long-term borrowings		109,83,75,073	135,76,24,000
Proceeds of short-term borrowings		6,09,66,380	31,66,22,271
Proceeds from maturity of intercorporate deposit		--	1,50,00,000
Interest paid		(21,74,58,319)	(7,10,10,414)
Net cash flow from Financing Activities	(C)	94,18,83,134	161,82,35,857
Net increase / (Decrease) in Cash and Cash equivalents	(A+B+C)	10,44,96,733	3,14,79,577
Cash and Cash equivalents as at 01-04-2006		16,40,66,555	13,25,86,978
Cash and Cash equivalents as at 31-03-2007 (excluding unrealised exchange fluctuation gain)		26,85,63,288	16,40,66,555

As per our separate report of even date attached

For **M/s. P. G. Bhagwat**
Chartered Accountants

A. N. Firodia Chairman & Managing Director
Prasan Firodia Director

S. S. Athavale
Partner
Membership No. 83374

Mrs. A. G. Lambore
Asst. Secretary

Place : Pune
Date : 29th June, 2007

Pune 411 035
Date : 29th June, 2007

BOARD OF DIRECTORS

Mr. Abhay Firodia, Chairman
Mr. Anton Weinmann
Dr. Rolf Bacher
Dr. Karl Viktor Schallar
Mr. Sudhir Mehta
Mrs. Sabine Drzisga
Mr. S. N. Inamdar
Mr. Prasan Firodia
Mr. V. M. Mundada

Auditors

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

Registered Office

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

Works :

Pithampur, District Dhar - 452 002.

DIRECTORS' REPORT

To,
The Members,

- The Directors have pleasure in presenting the First Annual Report, together with the audited financial statements for the financial year ended on 31st March, 2007.

The Company was incorporated on 8th March, 2006 and the first financial statement for the period from the date of incorporation till 31st March, 2007 are being presented to the Members.

The Company is a Joint Venture between Force Motors Limited (**FORCE**) and MAN Nutzfahrzeuge AG, Germany (**MAN**) established as per the Joint Venture Agreement dated 30th April, 2006.

As agreed between the promoters, FORCE transferred assets, liabilities and contracts acquired, created, incurred by that Company for implementation of the Heavy Commercial Vehicle Project with services of employees.

All assets, liabilities, contracts and the benefits of development and the technology acquired by FORCE from MAN, were assigned and transferred to the Company on 30th November, 2006 and the Company started manufacturing w.e.f. 1st December, 2007.

The Assets and liabilities were transferred by FORCE at book value and have been recorded accordingly in the books of accounts of the Company.

The Company raised share capital of Rupees One billion consisting of 100 million equity shares of Rs.10 each, which is presently held by FORCE and MAN in the ratio of 70% & 30% respectively.

As a consequence of transfer of Heavy Commercial Vehicle Project, part of the term loan limits of Rs.2 billion 170 million sanctioned by the Consortium of Bankers led by State Bank of India to FORCE were transferred to the Company.

As of 31st March, 2007, the Company has utilized the limits upto Rs.843 million and the balance limits are available and are expected to be used for further acquisition of capital assets during the current financial year.

- Operations :** During the period 1st December, 2006 to 31st March, 2007, the Company manufactured 131 Heavy Commercial Vehicles having gross vehicle weight (GVW) from 16 tones to gross combined weight (GCW) of 49 tones, and sold 117 vehicles.

The financial results for the financial year under report are as under :

2006-07
Rs.

Gross Sales	24,79,26,676
Other Receipt	79,00,421
Loss before Depreciation and Interest	15,32,49,903
Interest	32,035,532
Depreciation	32,354,826
Loss for the year	217,640,261
Provision for taxation	150,000
Deferred Tax benefit	(73,997,689)
Loss carried to Balance Sheet	143,792,572

The cornerstone of the project is 'high local content'. The stated aim is to achieve full localisation by the 800th vehicle. Except for such inputs which are not expected in the long run to be localised, all other inputs are planned to be localised within the perspective of this production volume. While the localisation activity has occurred at a very rapid pace and satisfactory levels of localisation in terms of reaching high local content are achieved, there have been problems with one or two crucial component supplies, thus affecting volume production during the first half of 2007. The initial issues on establishing stable supply of local components are being successfully addressed. It is expected that from October 2007 onwards, smooth regular production can be achieved. Considering this delay of approximately six months, the volumes for domestic market and also the volumes for the export markets, have had to be re-adjusted.

It is a matter of satisfaction that the modern, lean, productive and efficient manufacturing facilities, with special emphasis on energy efficiency and environment friendliness, set up at Pithampur for production of engines, axles, vehicle cabs and vehicle chassis, are fully functional on schedule.

You will be pleased to know that the CLA 49.280 truck has been adjudged as 'The Truck of the Year 2007' by the NDTV Profit, Car and Bike Awards.

- Product Range :** While the Company has under development a full bouquet of products from 16 ton GVW to 49 ton GCW, including 4x2, 6x2 and 6x4 configurations for various applications, the products initially manufactured and introduced into the market are the higher tonnage segments.

- Tractor trailer CLA 49.280 – 6x4 – 49 ton GCW
- Tractor trailer CLA 40.200 – 4x2 – 40 ton GCW
- Tipper CLA 25.280 – 6 x 4

Also a small number of multi-axle vehicles 25.180 – 6x2 (25 ton GCW), have been produced and introduced in the market.

These products have met with excellent customer acceptance and are successfully plying in applications such as heavy haulage and construction activities.

4. Market position and prospects for the year 2007-08 :

The commercial vehicle market in India has evolved rapidly over the last decade, so that the majority of trucks sold in the country are now in the 6x2 multi-axle category, rated to carry 25 tons ñ the competitor products offer low power density of around 140 Horse Power. The market for haulage tractors is also increasing rapidly. However, power densities continue to remain low.

The superior power densities on your Company's products are appreciated by the customers along with the various high technology features built into the engine, the transmission, the planetary axles and the high comfort cabs are especially well received.

With the evolution of the market and the improvement in the road infrastructure, your Company's products with 'High Reliability' and 'High Power Density', stand to gain rapid acceptance.

Efforts are on to enlarge the product portfolio, so that during the current year additional products, both in the Tractor Trailer segment and in the Haulage segment, will be introduced.

5. Export Market and Plans : The activity of homologating a range of trucks, for various export markets is under way. The teams from the MAN FORCE TRUCKS ñ R&D are working closely in collaboration with specialists from MAN in Germany, and with various certification agencies, to achieve homologation for a range of appropriate and specially tailored vehicles, for various selected markets.

A special organisation has been set up to facilitate export on TIB (Truck in Box) basis. A dedicated facility and specialised software is commissioned for this purpose. Physical exports on regular basis are expected to occur starting October 2007, and will be ramped up in synchronisation with production ramp up for domestic markets as well.

6. Foreign Collaborations : The benefits of the Technology Agreements dated 2nd October, 2003 and 25th June, 2005 entered into between MAN and FORCE and dated 2nd October, 2003 entered into between FORCE and MAN Osterreich AG, Germany were transferred, as part of the Heavy Commercial Vehicle Project, to the Company by FORCE.

The Company has absorbed the technology fully, and regular production of vehicle is commenced as planned.

7. Foreign Exchange : The Foreign Exchange receipt and outgo arising out of import and export are as per the details mentioned in Note No. 11 in the Notes to Accounts.

8. Fixed Deposits : The Company has not accepted any Deposits from the Public.

9. Order of Machinery : Since the close of the financial year the Company has placed orders for new machinery, equipments and capital assets worth Rs.21 million.

10. Directors : As per the Shareholders' Agreement dated 1st December, 2006, FORCE nominated Mr. Abhay Firodia, Mr. Prasan Firodia, Mr. Sudhir Mehta, Dr. Rolf Bacher, Mr. S. N. Inamdar and Mr. V. M. Mundada as directors of the Company.

MAN initially nominated Mr. Anton Weinmann, Dr. Georg Pachta Reyhofen and Mr. Klaus Landsheid as directors of the Company.

Subsequently, Dr. Georg Pachta Reyhofen and Mr. Klaus Landsheid ceased to be the Director of the Company representing MAN and Dr. Ing. Karl Viktor Schaller and Ms. Sabine Drzisga replaced them.

Dr. Georg Pachta's support and technical guidance in the initial stages of the project has greatly assisted the conceptualization and implementation with speed. The Board places on record its high appreciation of service rendered by Dr. Pachta.

Mr. Klaus Landsheid's contribution in conceptualizing the contractual arrangement between FORCE and MAN and his assistance in implementation of the agreed arrangement has contributed substantially. The Board places on record its appreciation of service rendered by Mr. Klaus Landsheid.

Being the first directors, all present directors retire at the ensuing Annual General Meeting.

FORCE and MAN has intimated that the present directors representing them on the Board of Directors of the Company should subject to the approval of the Members of the Company be reappointed.

11. Auditors : M/s P. G. Bhagwat, Chartered Accountants, Pune were appointed, by the Board of Directors of the Company, as first auditors as per Section 224(5) of the Companies Act, 1956.

You are requested to appoint auditors for the current year and fix their remuneration. M/s P. G. Bhagwat, Chartered Accountants, Pune are eligible for the appointment.

12. Directors' Responsibility Statement : As required by sub-section 2AA of Section 217 of the Companies Act, 1956, the Directors state that ñ

(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.

13. 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 seven employees who were in receipt of remuneration exceeding Rs.200,000/- per month and employed for part of the financial year.

14. The Directors express their grateful thanks to the Collaborators, Bankers, Dealers, Suppliers, Employees of the Company, and also the Employees of FORCE whose services were transferred and used or who assisted the Company - in conceptualizing the Heavy Commercial Vehicle project, in transfer of this project to the Company, and in implementation of the same.

For and on behalf of the Board of Directors



ABHAY FIRODIA
Chairman

Pune 411 035.
Date : 14th May, 2007.

AUDITORS' REPORT

To The Members of MAN FORCE TRUCKS Private Limited

We have audited the attached Balance Sheet of MAN FORCE TRUCKS Private Limited, as at 31st March 2007, and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 (as amended by Companies (Auditor's Report) (Amendment) Order, 2004) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that :

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- (iii) The Balance Sheet and the Profit and Loss Account & Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- (v) On the basis of written representations received from the directors, as on 31st March 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2007;
 - (b) in the case of the Profit and Loss Account, of the **LOSS** for the year ended on that date; and
 - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **M/s. P. G. Bhagwat**
Chartered Accountants

Place : Pune
Date : 14th May, 2007

S. S. Athavale
Partner
Membership No. 83374

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in Paragraph 3 of our report of even date)

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.
- (b) All the assets have been physically verified by the management during the year and there is a regular program of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) During the year, the Company has not disposed off major part of the fixed assets.
2. (a) The inventory has been physically verified during the year by the management, which is, in our opinion, at reasonable intervals.
- (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of our examination of the records of inventory, we are of the opinion that the Company is maintaining proper records of inventory. No material discrepancies were noticed on verification between the physical stocks and the book records.
3. (a) The Company has not granted any loans to companies, firms and other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, during the year.
- (b) The Company has not taken any loans from companies, firms and other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, during the year.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system.
5. (a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the Register required to be maintained under that section.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of five lakh rupees in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. The Company has not accepted any deposits from public.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. We have broadly reviewed the books of accounts maintained by the Company pursuant to the order made by the Central Government for the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed records have been maintained. However, we have not verified these records for their correctness. As informed to us, the making of these accounts is in progress.
9. (a) According to the records of the Company, the Company is regular in depositing with appropriate authorities undisputed statutory dues including Investor Education Protection Fund, Income-tax, Sales-tax, Wealth-tax, Custom-duty, Excise-duty, Cess, Service-tax and other statutory dues applicable to it, *except for Provident Fund (Akurdi) Rs. 1,30,965/-, Provident Fund (Pithampur) Rs. 7,30,886/-, Employees State Insurance Rs. 3,331/- (Akurdi), Professional Tax Rs. 9,220/- (Akurdi) which has not been paid at all.*
According to the information and explanations given to us, no undisputed statutory dues including Investor Education Protection Fund, Income-tax, Sales-tax, Wealth-tax, Custom-duty, Excise-duty, Cess, Service-tax and other statutory dues applicable to it were outstanding, as at the Balance Sheet date for a period of more than six months from the date they became payable.
- (b) According to the records of the Company, there are no dues of Sales-tax, Income-tax, Customs-duty, Wealth-tax, Excise-duty, Cess and Service-tax which have not been deposited on account of any dispute.
10. There are accumulated losses at the end of the year in the Company. The company has cash losses during the financial year covered by our audit. This is the first financial year of the Company.
11. Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to any financial institution, bank. The company has no debenture holders.

12. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit funds are not applicable to the company.
14. The Company is not dealing or trading in shares, securities, debentures and other investments.
15. The Company has not given any guarantee for loans taken by others from bank or financial institutions.
16. The term loans have been applied for the purpose for which they were raised.
17. The funds raised on short-term basis have not been used for long term investment.
18. The Company has not made preferential allotment of shares during the year.
19. No money has been raised by debenture issues during the year.
20. No money has been raised by public issues during the year.
21. Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For **M/s. P. G. Bhagwat**
Chartered Accountants

Place : Pune
Date : 14th May, 2007

S. S. Athavale
Partner
Membership No. 83374

Balance Sheet as at 31st March, 2007

	Schedule	Rupees	As at 31st March, 2007 Rupees
I SOURCES OF FUNDS :			
1. Shareholders' Funds	1		100,00,00,000
2. Loan Funds			
(a) Secured Loans	2		91,41,07,115
		Total	<u>191,41,07,115</u>
II APPLICATION OF FUNDS :			
1. Fixed Assets	3		
(a) Gross Block		126,98,94,122	
(b) Less : Depreciation		<u>3,23,28,991</u>	
(c) Net Block		123,75,65,131	
(d) Capital Work-in-progress		<u>12,51,12,974</u>	
			136,26,78,105
2. Deferred Tax Assets			7,39,97,689
3. Current Assets, Loans and Advances	4		
(a) Inventories		104,32,72,532	
(b) Sundry Debtors		7,82,42,521	
(c) Cash and Bank Balances		6,16,10,451	
(d) Loans and Advances		<u>33,07,92,980</u>	
			151,39,18,484
4. Less : Current Liabilities & Provisions	5		
(a) Liabilities		118,01,29,837	
(b) Provisions		<u>66,48,602</u>	
			118,67,78,439
Net Current Assets			32,71,40,045
5. Miscellaneous Expenditure (Preliminary expenses to the extent not written off)			64,98,704
6. Balance of Profit and Loss Account			14,37,92,572
		Total	<u><u>191,41,07,115</u></u>

As per our separate report of even date attached

For **M/s. P. G. Bhagwat**
Chartered Accountants

A. N. Firodia Chairman
Sudhir Mehta Director

S. S. Athavale
Partner
Membership No. 83374

Place : Pune
Date : 14th May, 2007

Pune : 411 035
Date : 14th May, 2007

**Profit & Loss Account
for the year ended 31st March, 2007**

	Schedule	Rupees	For the year ended 31st March, 2007 Rupees
INCOME			
Sales including Excise Duty		25,04,98,462	
Less : Excise duty		3,38,74,299	
		<hr/>	
Net Sales		21,66,24,163	
Less : Commission on Sales		25,71,786	
		<hr/>	
Other Income	6		21,40,52,377
			<hr/> 79,00,421
			<hr/> 22,19,52,798
EXPENDITURE			
Materials	7	24,94,58,134	
Other Expenses	8	15,77,80,099	
Depreciation		3,23,54,826	
		<hr/>	
			43,95,93,059
			<hr/>
PROFIT FOR THE YEAR			(21,76,40,261)
Less : Provision for Taxation - Current Tax		--	
- Fringe Benefit Tax		1,50,000	
- Deferred Tax		(7,39,97,689)	
		<hr/>	
			(7,38,47,689)
PROFIT AFTER TAX			(14,37,92,572)
Balance carried forward			<hr/> (14,37,92,572)
Basic and Diluted Earnings per share (Rs.) (Nominal value per share Rs. 10/-)			(4.27)

As per our separate report of even date attached

For **M/s. P. G. Bhagwat**
Chartered Accountants

A. N. Firodia Chairman
Sudhir Mehta Director

S. S. Athavale
Partner
Membership No. 83374

Place : Pune
Date : 14th May, 2007

Pune 411 035
Date : 14th May, 2007

Schedules forming part of the Balance Sheet

SCHEDULE 1 : SHARE CAPITAL

As at 31st
March, 2007
Rupees

Authorised :

10,00,00,000 Equity Shares of Rs.10/- each	100,00,00,000
--	---------------

Issued :

10,00,00,000 Equity Shares of Rs.10/- each	100,00,00,000
--	---------------

Subscribed and paid up :

10, 00,00,000 Equity Shares of Rs.10/- each fully paid up	100,00,00,000
--	---------------

Total	100,00,00,000
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SCHEDULE 2 : SECURED LOANS

As at 31st
March, 2007
Rupees

1. Term Loan from Banks [Due in next 12 months Rs. Nil]	84,29,00,000
--	--------------

2. Loans and Advances from Bank on Cash Credit Account	7,12,07,115
--	-------------

Total	91,41,07,115
-------	--------------

Item No. 1 is secured by first charge by way of hypothecation of all movable fixed assets and second charge on all current assets of the Company, both present and future. The Company is in process of creating first charge by way of equitable mortgage on immovable properties at its factory at Pithampur.

Item No. 2 is secured by hypothecation of Company's stock of raw materials, stock-in-process, stores, finished goods, tools and book debts, present and future. Charges created in favour of bankers to the Company rank pari passu inter se.

SCHEDULE 3 : FIXED ASSETS

	Rupees	As at 31st March, 2007 Rupees
1. Net Fixed Assets, as per Annexure		123,75,65,131
2. Capital Work-in-progress :		
(i) Buildings under construction	1,02,864	
(ii) Machinery under Installation / in transit	12,43,68,194	
(iii) Other Assets	6,41,916	
	<hr/>	12,51,12,974
Total		<hr/> <hr/> 136,26,78,105

SCHEDULE 4 : CURRENT ASSETS, LOANS AND ADVANCES

	Rupees	As at 31st March, 2007 Rupees
A. Current Assets :		
1. Inventories :		
(i) Stores and Spares	1,14,32,366	
(ii) Finished Goods	3,90,63,281	
(iii) Excise Duty on Inventory of finished goods	65,63,969	
(iv) Work-in-progress	1,09,07,276	
(v) Raw Materials and Components, (including Rs. 49,60,08,428/- in transit)	97,53,05,640	
	<hr/>	104,32,72,532
2. Sundry Debtors :		
Unsecured -		
(i) Debts outstanding for a period exceeding six months -	--	
(ii) Other Debts	7,82,42,521	
	<hr/>	7,82,42,521
3. Cash and Bank Balances :		
(i) Cash balance and cheques on hand	4,67,146	
(ii) Balance with scheduled Banks in current accounts	6,11,43,305	
	<hr/>	6,16,10,451
		<hr/> 118,31,25,504
B. Loans and Advances		
Unsecured, Considered Goods		
1. Advances recoverable in cash or in kind or for value to be received	20,85,58,621	
2. Sundry Advances	6,81,953	
3. Sundry Deposits	1,43,33,821	
4. Advances against capital expenditure	10,62,86,560	
5. Advance payment for Tax (Net of provisions) [Contra - Refer Schedule 5, Item (B) - 4]	9,32,025	
	<hr/>	33,07,92,980
Total		<hr/> <hr/> 151,39,18,484

SCHEDULE 5 : CURRENT LIABILITIES AND PROVISIONS

	Rupees	As at 31st March, 2007 Rupees
A. Current Liabilities :		
1. Sundry Creditors :		
(i) Small Scale Industrial Undertakings	--	
(ii) Others (Refer Note No. 8)	114,71,90,542	
	<u>114,71,90,542</u>	
2. Interest accrued but not due on loans, advances and deposits	26,33,947	
3. Other Liabilities	<u>3,03,05,348</u>	
		118,01,29,837
B. Provisions :		
4. For Product Warranties and Service charges	58,89,897	
5. For Gratuity and Leave encashment	7,58,705	
6. For Taxation		
Taxation provision for the earlier years	--	
Taxation provision for the year	<u>1,50,000</u>	
	1,50,000	
Less : Advance payment of tax	<u>10,82,025</u>	
[Contra - Refer Schedule 4 item (B) 5]	(9,32,025)	
		66,48,602
Total		<u><u>118,67,78,439</u></u>

Schedules forming part of the Profit & Loss Account

SCHEDULE 6 : OTHER INCOME

	Rupees	For the Financial year ended 31st March, 2007 Rupees
Miscellaneous Receipts :		
Refunds	--	
Other receipts	<u>34,31,264</u>	
		34,31,264
Interest :		
On Short Term Deposits with Banks (Income tax deducted at Source Rs. 10,02,025/-)		44,65,341
Profit on sale of Assets		<u>3,816</u>
Total		<u><u>79,00,421</u></u>

SCHEDULE 7 : MATERIALS

	For the Financial year ended 31st March, 2007 Rupees
Raw material and Components consumed	29,19,87,445
Stores consumed	10,30,513
Fabrication and processing charges	5,28,954
Freight, octroi, entry tax etc.	58,81,779
Increase (-) / Decrease (+) in Stock-in-Trade	(4,99,70,557)
Total	<u><u>24,94,58,134</u></u>

SCHEDULE 8 : OTHER EXPENSES

	For the Financial year ended 31st March, 2007 Rupees
Power and Fuel	24,51,480
Repairs and maintenance :	
Buildings	3,14,622
Machinery	2,29,758
Others	1,73,381
	<u>7,17,761</u>
Warranty Claims and Service Charges	58,89,897
Publicity and Sales promotion	26,53,857
Salaries, Wages, Bonus, Leave Encashment etc.	4,68,92,081
Contribution to Provident Fund and other Funds & Schemes	6,88,845
Staff and Labour Welfare Expenses	4,12,583
Consideration for services of personnel	1,76,30,677
Insurance	12,50,792
Rent	12,59,892
Rates, Taxes and duties	3,68,765
Forwarding charges and Depot expenses	7,15,315
Miscellaneous Expenses	1,41,50,885
Support service charges	2,84,83,804
Guarantee Commission to Banks and Finance Brokerage	2,31,654
Audit Fees, Legal and Professional Charges	1,22,318
Interest :	
On Fixed Loans	2,90,33,864
On Bank and Other accounts	30,01,668
	<u>3,20,35,532</u>
Loss on sale of Assets	1,99,285
Miscellaneous expenses written off	16,24,676
Total	<u><u>15,77,80,099</u></u>

Annexure to Schedule 3 — Fixed Assets

	Intangible Assets		Lease Hold Land		Buildings		Plant, Machinery & Equipment		Dies and Jigs		Electric Installation		Furniture and Fixture		Electric Fittings		Vehicles		Total		
	Rupees		Rupees		Rupees		Rupees		Rupees		Rupees		Rupees		Rupees		Rupees		Rupees		
GROSS BLOCK																					
Cost as at 31st March, 2006	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Additions	32,95,02,588	89,18,345	38,76,63,832	31,75,03,767	13,56,63,642	2,17,41,793	69,05,956	28,44,653	6,07,24,188	127,14,68,764											
Deductions	--	--	--	2,34,048	13,40,594	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	15,74,642
Cost as at 31st March, 2007	32,95,02,588	89,18,345	38,76,63,832	31,72,69,719	13,43,23,048	2,17,41,793	69,05,956	28,44,653	6,07,24,188	126,98,94,122											
DEPRECIATION																					
Up to 31st March, 2006	₹	₹	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
This Year	1,54,30,843	2,87,537	42,36,587	51,88,655	41,91,649	3,48,017	3,16,133	47,753	23,07,652	3,23,54,826											
Deductions	--	--	--	5,480	20,355	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	25,835
Depreciation as at 31st March, 2007	1,54,30,843	2,87,537	42,36,587	51,83,175	41,71,294	3,48,017	3,16,133	47,753	23,07,652	3,23,28,991											
Net Block as at 31st March, 2007	31,40,71,745	86,30,808	38,34,27,245	31,20,86,544	13,01,51,754	2,13,93,776	65,89,823	27,96,900	5,84,16,536	123,75,65,131											
Net Block as at 31st March, 2006	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

* Amortisation Charges for one year in respect of technical know how and Lease hold Land.

As per our separate report of even date attached

For **M/s. P. G. Bhagwat**
Chartered Accountants

S. S. Athavale
Partner
Membership No. 83374

Place : Pune
Date : 14th May, 2007

A. N. Firodia
Sudhir Mehta
Chairman
Director

Pune : 411 035
Date : 14th May, 2007

Notes forming part of the Accounts for the Year Ended 31st March, 2007.

1. Accounting Policies :

A. Depreciation :

(a) Tangible Assets :

The Depreciation on Fixed assets is provided on straight line method at the rates as per Schedule-XIV of the Companies Act, 1956.

(b) Intangible Assets :

Technical Know-how acquired and internally generated are amortised over the useful life of the assets, not exceeding ten years.

(c) Lease hold land is amortised over the period of lease.

B. Valuation of Inventory :

Inventories are valued at lower of their cost or net realisable value. The cost of raw material, stores and consumables is measured on moving weighted average basis.

C. Employees Retirement Benefit :

The accruing liability of Gratuity and Leave Encashment to the employees are provided for, on the basis of actuarial valuation made by an independent actuary, as at the Balance Sheet date.

D. Foreign Currency Transactions:

(a) Gains or losses of transactions on revenue account are recognised in the profit and loss account.

(b) Current assets and Current liabilities in foreign currency are translated at the rate of exchange prevailing at the date of Balance Sheet.

(c) The premium or discounts arising on forward contracts is amortised over the life of the contract.

E. Cost of borrowings incurred for acquisition, construction or production of qualifying asset is capitalised as per the Accounting Standard No. AS 16 issued by the Institute of Chartered Accountants of India.

F. Miscellaneous Expenditure (to the extent not written off) :

Preliminary Expenses for incorporation of the Company are amortised over a period of five years.

2. Estimated amounts of contracts remaining to be executed on Capital Accounts as at 31st March, 2007 and not provided for.					Rupees 3,87,58,655
3. (a) This is the first year of operation. No assessment is completed till date under the Income Tax Act, 1961.					
(b) The Company is registered as a dealer under various State Sales Tax Laws. This is the first year of operations. No assessment is completed till date.					
4. Payment to Auditors: (Net of service tax)					Rupees
(a) As Auditors					50,000
(b) For Certificates					5,473
5. Contingent Liability in respect of :					Rupees
Taxes and Duties					8,01,757
6. Provisions made for present obligations, based on reliable estimates, expected to result into outflow of resources, are as under :					
Class of Provisions and brief description	Carrying amount of Provisions as at 1-4-2006	Additional Provisions made during the year	Paid during the year against Provisions	Amounts reversed and written back	Carrying amount of Provisions as at 31-3-2007
	Rs.	Rs.	Rs.	Rs.	Rs.
(a) Warranty	--	35,10,000	--	--	35,10,000
(b) Free Service Coupons	--	23,79,897	--	--	23,79,897

7. Details of Intangible Assets are as under :

Class of Intangible Assets	Technical Know-how acquired Rs.
(a) Cost as on 31-3-2006	--
(b) Additions during the year	32,95,02,588
(c) Cost as on 31-3-2007	32,95,02,588
(d) Amortisation upto 31-3-2006	--
(e) Amortisation during the year	1,54,30,843
(f) Amortisation upto 31-3-2007	1,54,30,843
(g) Net carrying cost as on 31-3-2007	31,40,71,745
(h) Net carrying cost as on 31-3-2006	--

8. As of 31st March, 2007, the Company has not received any intimation as to the status as a Micro, Small & Medium Enterprises from any of the suppliers, with a copy of the Memorandum filed as per the provisions of Section 8 of the Micro, Small and Medium Enterprises Development Act, 2006.

9 Details of Licensed and Installed Capacity, Production, Stocks and Turnover:

(a) Licensed, Installed Capacity and Production:

Class of Goods	Licensed Capacity Per Annum (In Nos.)	Installed Capacity Per Annum (In Nos.)	Production (In Nos.)
Commercial Vehicles	24,000	24,000	131

Note : The Installed Capacity is on triple shift basis as estimated by the Directors and accepted by the Auditors without verification. During the financial year, the factory operated on single shift basis.

(b) Stock and Turnover :

Class of Goods	Stock at Commencement	Stock At Close	Turnover
	Nos.		
(i) Commercial Vehicles	--	24	107
	Amount		
(ii) Parts thereof and Other Items	--	--	80,98,052

(c) Stock and Turnover

Trading Activity	Quantity	Value Rupees
Opening Stock	Nil	--
Purchase	10	1,78,10,283
Sales	10	1,78,10,283
Closing Stock	Nil	--

10. Details of Raw Material Consumption :

(a) Raw materials including Components Consumed

	Quantity	Value Rupees
Raw Material and Components	--	29,19,87,445

11. Imported and indigenous Raw materials & Components Consumption (including Spare Parts purchased) :

	Rupees	Percentage
Imported	18,28,58,565	62.63
Indigenous	10,91,28,880	37.37
Total	29,19,87,445	100.00

12. C.I.F. Value of Imports, Expenditure and Earnings in Foreign Exchange :

(a) C.I.F. Value of Imports	Rupees
(i) Raw Materials	10,92,848
(ii) Components	37,64,51,486
(iii) Capital Goods	1,66,97,210
(iv) Machinery Spares, Tools & Others	4,35,88,195
(b) Expenditure in Foreign Currency (Actual Remittance) :	Rupees
(i) Travelling and Other Expenses	14,07,924
(ii) Technical know-how fees (net of tax)	2,41,25,480

13. (a) The amount of net exchange differences included in the Profit / Loss for the year is Rs. 22,79,914/- Credit.

(b) The amount of the net exchange differences adjusted in the carrying amount of Fixed Assets during the year is Rs. 14,13,890/- Debit.

14. The Company's liabilities and obligations in foreign currency outstanding as at 31st March, 2007, net of receivables are as under :

Liability	Hedged by forward cover contracts with bankers		Not hedged by forward cover contracts or other derivative instruments	
	Foreign currency	Amount (Rs.)	Foreign currency	Amount (Rs.)
In U.S. Dollars	11,27,939	4,88,51,038	--	--
In Euro	10,00,000	5,79,60,000	1,27,51,939	74,64,98,509

15. This year being the first year of operations, the Company is in the process of obtaining necessary registration and recognition under the Provident fund Act. The Company's contribution for provident fund alongwith employees share has been deposited in separate fixed deposit account with Bank of Maharashtra, Akurdi, Pune.

16. In terms of Joint Venture Agreement dated 30th April, 2006 between Force Motors Limited and MAN Nutzfahrzeuge Aktiengesellschaft, Germany (MAN), the assets amounting to Rs. 133,12,63,663/- and liabilities of Rs. 96,33,91,197/- pertaining to Heavy Commercial Vehicle project were transferred / assigned from Force Motors Limited to the Company on 29th November, 2006 at its Gross Book Value. The Company commenced its manufacturing operations from 1st December, 2006.

17. Details of Deferred Tax Assets / (Liabilities) :

Nature of Timing difference	As at 31st March, 2007
(i) Difference between accounting and tax depreciation (cumulative)	(2,56,53,319)
(ii) Other Timing differences	1,26,91,835
(iii) Loss	8,69,59,174

This being the first year of operations and considering the long term business plans and profitability, the Company has recognised differed tax assets arising out of depreciation and losses during the year.

18. Earnings per Share :

Values used in calculating Earnings Per Share :	31-03-2007
(a) Numerator :	
Profit / (Loss) after Tax (Rs.)	(14,37,92,572)
(b) Denominator :	
Number of Equity Shares	10,00,00,000
Weighted average number of Equity Shares	3,37,05,315

19. Related party disclosures (As identified by the Management)

(A) Name of the related parties and nature of related party relationship where control exists are as under :

(a) Holding Company	:	Force Motors Limited	
(b) Key Management Personnel	:	(i) Mr. Abhay Firodia, Chairman	
		(ii) Mr. Sudhir Mehta, Director	
		(iii) Dr. Rolf Bacher, Director	
(c) Relatives of Key Management Personnel	:	(i) Mr. Prasan Abhay Firodia	: Son
		(ii) Mrs. Sunanda Sudhir Mehta	: Daughter
(d) Other Related Parties	:	(i) Jaya Hind Industries Ltd.	
		(ii) Pinnacle Industries Limited	
		(iii) MAN Nutzfahrzeuge Osterrrieich AG	
		(iv) MAN Nutzfahrzeuge AG	

(B) Disclosure of Transactions with these parties are mentioned below : (Rs. In Lacs)

Type of Related party	Nature of Transaction	Volume of Transactions during 2006-07	Amount outstanding as on 31-03-2007	
			Receivables	Payables
(a) Holding Company Force Motors Limited	: Purchase of Raw Material & Components	2,759.09	--	333.53
	: Purchase of Capital Assets	11,847.14	--	--
	: Sale of Assets	17.60	17.60	--
	: Machinery given on Loan	611.72	611.72	--
	: Material given on Loan	--	--	--
	: Sale of material	101.25	101.25	--
	: Processing Charges paid	1.62	--	--
	: Service Charges	495.21	--	495.21
	: Others	126.97	--	--
(b) Other Related Parties				
	(i) Jaya Hind Industries Ltd.			
	: Purchase of Capital Goods	265.79	--	265.79
	: Purchase of Raw Materials, Components & Others	38.14	32.38	11.70
	: Machinery given on Loan	291.42	25.57	--
	(ii) MAN Nutzfahrzeuge Osterrrieich AG			
	: Purchase of Raw Materials, Components & Others	703.29	--	703.29
: Payment for Technical Know How	64.85	--	311.73	
: Others	13.15	--	13.15	

Type of Related party	Nature of Transaction	Volume of Transactions during 2006-07	Amount outstanding as on 31-03-2007	
			Receivables	Payables
(iii) MAN Nutzfahrzeuge AG	: Purchase of Capital Goods	566.88	--	449.27
	: Purchase of Raw Materials, Components & Others	1171.79	--	1118.54
	: Payment for Technical Know How	176.40	--	605.89
	: Others	16.12	--	16.12
(iv) Pinnacle Industries Ltd.	: Purchase of Capital Goods	1.56	--	1.56
	: Purchase of Raw Materials, Components & Others	42.19	--	23.46
	: Machinery given on Loan	1.05	0.87	--

20. The Company is operating in a single Segment.

21. The Company was incorporated on 8th March, 2006. The first financial year of company expired on 31.03.2007. Therefore, Previous year / period's figures are not applicable.

As per our separate report of even date attached

For **M/s. P. G. Bhagwat**
Chartered Accountants

S. S. Athavale
Partner
Membership No. 83374

Place : Pune
Date : 14th May, 2007

A. N. Firodia Chairman
Sudhir Mehta Director

Pune : 411 035
Date : 14th May, 2007

V Generic Names of Three Principal Products / Services of Company (as per monetary terms):

1 Item Code No (ITC Code)

8	7	0	4	2	2	9	0
---	---	---	---	---	---	---	---

Product Description

C	O	M	M	E	R	C	I	A	L	V	E	H	I	C	L	E	S

2 Item Code No. (ITC Code)

8	7	0	4	2	3	9	0
---	---	---	---	---	---	---	---

Product Description

C	O	M	M	E	R	C	I	A	L	V	E	H	I	C	L	E	S

As per our separate report of even date attached

For **M/s. P. G. Bhagwat**
Chartered Accountants

A. N. Firodia Chairman
Sudhir Mehta Director

S. S. Athavale
Partner
Membership No. 83374

Place : Pune
Date : 14th May, 2007

Pune : 411 035
Date : 14th May, 2007

CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 31ST MARCH,

2007
Rupees

(A) Cash flow from Operating Activities :	
Net Profit / (Loss) before tax and extraordinary items	(21,76,40,261)
Adjustments for :	
Depreciation	3,23,54,826
Unrealised Foreign exchange loss / (gain)	58,49,535
Interest Income on bank deposits & others	(44,65,341)
Loss / (Profit) on sale of assets	1,95,469
Interest expense	3,20,35,532
Miscellaneous expenses written off	16,24,676
Operating Profit before Working Capital Changes	(15,00,45,564)
Increase in Sundry Debtors and Loans & Advances	(30,18,16,916)
Increase in Inventories	(104,32,72,532)
Increase in Sundry Creditors and Other Payables	100,58,63,430
Cash generated from operations	(48,92,71,582)
Direct Taxes paid	(10,82,025)
Net Cash flow from Operating Activities	(A) <u>(49,03,53,607)</u>
(B) Cash flow from investing activities :	
Purchase of fixed assets	(133,04,36,771)
Proceeds from sale of assets / equipments	13,53,338
Interest received	44,65,341
Miscellaneous expenses not written off	(81,23,380)
Net cash used in Investing Activities	(B) <u>(133,27,41,472)</u>
(C) Cash flow from financing activities :	
Proceeds from issue of Share Capital	100,00,00,000
Proceeds of long-term borrowings	84,29,00,000
Proceeds of short-term borrowings	7,12,07,115
Interest paid	(2,94,01,585)
Net cash flow from Financing Activities	(C) <u>188,47,05,530</u>
Net increase / (Decrease) in Cash and Cash equivalents	(A+B+C) 6,16,10,451
Cash and Cash equivalents as at 01-04-2006	--
Cash and Cash equivalents as at 31-03-2007 (excluding unrealised exchange fluctuation gain)	6,16,10,451

As per our separate report of even date attached

For **M/s. P. G. Bhagwat**
Chartered Accountants

A. N. Firodia Chairman
Sudhir Mehta Director

S. S. Athavale
Partner
Membership No. 83374

Place : Pune
Date : 14th May, 2007

Pune : 411 035
Date : 14th May, 2007

Tempo Finance (West) Private Limited

BOARD OF DIRECTORS

Mr. K. C. Khinvasara
Mr. Ajay Chordia
Mr. Abhay Munot

Auditors

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

Bankers

Bank of Maharashtra
HDFC Bank Limited

Registered Office

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

DIRECTORS' REPORT

To,

The Members,

The Directors have pleasure in presenting the Sixteenth Annual Report together with the audited accounts for the Financial Year ended on 31st March, 2007.

(I) Financial Results :

Particulars	For the year	For the year
	ended	ended
	31st March, 2007	31st March, 2006
	Rupees	Rupees
Income from Hire		
Purchase	58,094	2,34,525
Other Income	20,94,788	14,87,729
Expenditure	2,32,810	95,951
Provision for Taxation	6,67,509	5,57,912
Profit for the year	12,53,422	10,68,445
Profit carried forward	1,04,42,673	95,09,251

(II) Operations :

During the year under report, the Company has concentrated in recoveries of installments and the Company has decided to give vehicles on hire on selective basis.

(III) Directors :

Mr. Abhay Munot, Director of the Company, retires by rotation and being eligible, offers himself for re-appointment.

Mr. K. C. Khinvasara, Director of the Company, retires by rotation and being eligible, offers himself for re-appointment.

(IV) Fixed Deposits :

As required by Non-Banking Financial Companies (Reserve Bank) Directions, 1998, it is hereby reported that your Company has not accepted any deposit from public as at 31st March, 2007.

(V) Auditors :

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.

(VI) Particulars of Employees :

The Company has no employee of the category mentioned under Section 217 (2A) of the Company's Act, 1956.

(VII) Director's Responsibility Statement :

As required by sub-section (2AA) of Section 217 of the Companies Act, 1956, the directors have to state that :

1. in preparation of Annual Accounts, the applicable Accounting Standards have been followed and there is no deviation from the applicable Accounting Standards.
2. 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.
3. 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.
4. the Annual Accounts are prepared on a going concern basis.

(VIII) Acknowledgement :

The Board of Directors express their grateful thanks to Force Motors Limited, Dealers of Force Motors Limited and Bankers to the Company for their support.

For and on behalf of the Board of Directors

Pune : 411035.
Date : 20th June, 2007

K.C.Khinvasara **Abhay Munot**
Director Director

Tempo Finance (West) Private Limited

AUDITORS' REPORT

To The Members of Tempo Finance (West) Private Limited

- (1) We have audited the attached Balance Sheet of Tempo Finance (West) Private Limited, as at 31st March, 2007 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
- (2) We conducted our audit in accordance with Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.
- (3) As required by the Companies (Auditor's Report) Order, 2003 (as amended by Companies (Auditor's Report) (Amendment) Order, 2004) issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- (4) Further to our comments in the annexure referred to above, we report that :
 - (i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (ii) In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books.
 - (iii) The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account.
 - (iv) In our opinion, the balance sheet and profit and loss account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
 - (v) On the basis of written representations received from the directors, as on 31st March, 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2007; and
 - (b) in the case of the Profit and Loss Account, of the **PROFIT** for the year ended on that date.

For **M/s. P. G. Bhagwat**
Chartered Accountants

Place : Pune
Date : 20th June, 2007

S. S. Athavale
Partner
Membership No. 83374

Tempo Finance (West) Private Limited

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in para 3 of our report of even date)

1. The Company does not have any fixed assets.
2. The Company does not have any inventory.
3. (a) The Company has not granted any loans to companies, firms and other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, during the year.
(b) The Company has not taken any loans from companies, firms and other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, during the year.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system.
5. (a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that there are no particulars of contracts or arrangements referred to in Section 301 of the Act that need to be entered in the Register required to be maintained under that section.
(b) In our opinion and according to the information and explanations given to us, there are no transactions made in pursuance of contracts or arrangements entered in the Registers maintained under Section 301 and exceeding the value of five lakh rupees in respect of any party during the year.
6. There are no deposits accepted by the Company from the public.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. As informed to us, the Central Government has not prescribed to the Company, the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956.
9. (a) According to the records of the Company, the Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education & Protection Fund, Employees' State Insurance, Income-tax, Wealth-tax, Custom-duty, Excise-duty, Cess, Service-tax and other statutory dues applicable to it.

According to the information and explanations given to us, no undisputed amounts payable in respect of Income-tax, Wealth-tax, Sales-tax, Custom-duty, Excise-duty, Cess and Service-tax were outstanding, as at the balance sheet date for a period of more than six months from the date they became payable.

(b) According to the records of the Company, there are no dues of Sales-tax, Income-tax, Custom-duty, Wealth-tax, Excise-duty, Cess and Service-tax which have not been deposited on account of any dispute.
10. There are no accumulated losses in the Company. The Company has not incurred any cash losses during the financial year covered by our audit and the immediately preceding financial year.
11. Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to any financial institution, bank or debenture holders.
12. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit funds are not applicable to the Company.
14. The Company is not dealing or trading in shares, securities, debentures and other investments.
15. The Company has not given any guarantee for loans taken by others from bank or financial institutions.
16. The Company has not raised any term loans during the year.
17. The funds raised on short-terms basis have not been used for long term investment.
18. The Company has not made preferential allotment of shares during the year.
19. No money has been raised by debentures issues during the year.
20. No money has been raised by public issues during the year.
21. Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For M/s. P. G. Bhagwat
Chartered Accountants

Place : Pune
Date : 20th June, 2007

S. S. Athavale
Partner
Membership No. 83374

Tempo Finance (West) Private Limited

Balance Sheet as at 31st March, 2007

	Schedule	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
I SOURCES OF FUNDS :			
1. Shareholders' Funds			
(a) Share Capital	1	1,32,51,000	1,32,51,000
(b) Reserves and Surplus	2	1,38,53,576	1,26,00,154
		Total	2,58,51,154
		2,71,04,576	2,58,51,154
II APPLICATION OF FUNDS :			
1. Current Assets, Loans and Advances	3	2,89,54,152	2,76,01,756
2. Less : Current Liabilities & Provisions	4	20,78,946	19,30,481
Net Current Assets		2,68,75,206	2,56,71,275
3. Deferred Tax Assets		2,29,370	1,79,879
		Total	2,58,51,154
		2,71,04,576	2,58,51,154

As per our separate report of even date attached

For **M/s. P. G. Bhagwat**
Chartered Accountants

S. S. Athavale
Partner
Membership No. 83374

Place : Pune
Date : 20th June, 2007

K. C. Khinvasara }
Abhay Munot } Directors

Pune 411 035
Date : 20th June, 2007

Tempo Finance (West) Private Limited

Schedules forming part of the Balance Sheet

SCHEDULE 1 : SHARE CAPITAL

	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
Authorised		
20,00,000 Equity shares of Rs. 10/- each	2,00,00,000	2,00,00,000
Issued, Subscribed and paid up :		
13,25,100 (13,25,100) Equity shares of Rs. 10/- each fully paid up (Out of the above 10,50,050 (10,40,050) Equity shares of Rs. 10/- each are held by Force Motors Limited, holding Company)	1,32,51,000	1,32,51,000
Total	<u>1,32,51,000</u>	<u>1,32,51,000</u>

SCHEDULE 2 : RESERVES & SURPLUS

	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
1. General Reserve :		
As per last account	3,68,403	3,68,403
2. General Reserve (II) :		
As per last account	27,22,500	24,52,500
Add : Transfer from Profit and Loss Account	<u>3,20,000</u>	<u>2,70,000</u>
	30,42,500	27,22,500
3. Balance of Profit as per Profit & Loss Account	1,04,42,673	95,09,251
Total	<u>1,38,53,576</u>	<u>1,26,00,154</u>

Tempo Finance (West) Private Limited

SCHEDULE 3 : CURRENT ASSETS, LOANS AND ADVANCES

	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
A. CURRENT ASSETS :		
1. Stock on Hire	--	3,02,168
Less : Stock Reserve	--	58,094
		<hr/>
		--
		2,44,074
2. Sundry Debtors :		
Unsecured, Considered good		
(i) Debts outstanding for a period exceeding six months	3,73,324	72,179
(ii) Other Debts	1,99,072	9,78,376
		<hr/>
	5,72,396	10,50,555
Less : Provision for Bad and Doubtful Debts (for doubtful & loss assets)	4,52,611	2,44,713
		<hr/>
		1,19,785
		8,05,842
3. Cash and Bank Balances :		
(i) Cash balance and cheques on hand	85	85
(ii) Balance with scheduled banks in current accounts	15,14,217	19,26,924
(iii) Balance with scheduled banks in deposit accounts	2,26,38,254	2,00,06,819
		<hr/>
		2,41,52,556
		2,19,33,828
4. Other Current Assets :		
(i) Interest accrued but not due	2,44,835	2,55,678
(ii) Other charges receivable	2,89,687	2,89,687
		<hr/>
	5,34,522	5,45,365
Less : Provision for Bad and Doubtful receivables (for doubtful & loss assets)	2,89,687	2,89,687
		<hr/>
		2,44,835
		2,55,678
B. LOANS AND ADVANCES :		
1. Advance payment of Taxes	19,36,976	18,62,334
2. Inter Corporate Deposit	25,00,000	25,00,000
		<hr/>
		44,36,976
		43,62,334
		<hr/>
Total	2,89,54,152	2,76,01,756

SCHEDULE 4 : CURRENT LIABILITIES AND PROVISIONS

	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
A. CURRENT LIABILITIES :		
1. Sundry Creditors	1,22,473	1,19,106
2. Other Liabilities	19,473	16,375
		<hr/>
		1,41,946
		1,35,481
B. PROVISIONS :		
Provision for Taxation	19,37,000	17,95,000
		<hr/>
Total	20,78,946	19,30,481

Tempo Finance (West) Private Limited

Schedules forming part of the Profit & Loss Account

SCHEDULE 5 : EXPENDITURE

	For the year ended 31st March, 2007 Rupees	For the year ended 31st March, 2006 Rupees
1. Bank Charges	9,147	3,884
2. Stamp Duty, Filing Fees & Legal Expenses	3,367	51,590
3. Payment to Auditors - as audit fees	10,102	10,102
4. Miscellaneous Expenses	208	--
5. Rates & Taxes	--	2,500
6. Fine & Penalty	1,000	21,500
7. Interest paid	1,088	172
8. Provision for doubtful debts	2,07,898	6,203
Total	2,32,810	95,951

NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2007.

(1) Accounting Policies :

- (a) The Company has followed Equated balance method for the implicit rate for accounting the Income from Hire Purchase.
- (b) Directions and guidelines issued by the Reserve Bank of India in respect of income recognition, asset classification and provision for bad and doubtful debts have been followed.

(2) Contingent Liability :

For Interest Tax under Interest Tax Act, 1974 Rs. 8,50,329/- (**Rs. 8,50,329/-**).

(3) The Company's Income Tax assessments have been completed upto the accounting year 2003-2004.

(4) The Company's Sales Tax assessments have been completed upto the accounting year 2003-2004.

(5) Breakup of deferred tax assets :

Nature	As at 31.03.2007	As at 31.03.2006
Provision for Doubtful debts	Rs. 2,29,370/-	Rs. 1,79,879/-

(6) Previous year's figures are re-arranged wherever necessary and shown in brackets.

As per our separate report of even date attached

For **M/s. P. G. Bhagwat**
Chartered Accountants

S. S. Athavale
Partner
Membership No. 83374

Place : Pune
Date : 20th June, 2007

K. C. Khinvasara
Abhay Munot } Directors

Pune 411 035
Date : 20th June, 2007

Tempo Finance (West) Private Limited

V Generic Names of Three Principal Products / Services of Company (as per monetary terms):

1	Item Code No (ITC Code)	- - - - - - - -
	Product Description	H I R E P U R C H A S E
		F I N A N C E
2	Item Code No. (ITC Code)	- - - - - - - -
	Product Description	N O T A P P L I C A B L E
3	Item Code No. (ITC Code)	- - - - - - - -
	Production Description	N O T A P P L I C A B L E

As per our separate report of even date attached

For **M/s. P. G. Bhagwat**
Chartered Accountants

S. S. Athavale
Partner
Membership No. 83374

Place : Pune
Date : 20th June, 2007

K. C. Khinvasara
Abhay Munot } Directors

Pune 411 035
Date : 20th June, 2007