

BOARD OF DIRECTORS*

Mr. Abhay Firodia
Chairman & Managing Director

Mr. S. S. Marathe	Mr. S. N. Inamdar
Mr. Bharat V. Patel	Mr. Pratap Pawar
Mrs. Anita Ramachandran	Mr. S. Padmanabhan
Dr. Rolf Bacher	Mr. M. G. Chopda
Mr. Sudhir Mehta	Mr. Vinay Kothari
Mr. Prasan Firodia	Mr. M. Venkataiah
Mr. S. A. Gundecha	(w. e. f. 27th June, 2006)

BOARD OF MANAGEMENT

DIRECTORS

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

MEMBERS

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

Auditors :
Messrs P. G. Bhagwat
Chartered Accountants,
Pune

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

Registered Office :
Mumbai-Pune Road,
Akurdi, Pune - 411 035

Works :
Akurdi, Pune - 411 035
Pithampur,
District Dhar - 452 002

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NOTICE.

Notice is hereby given that the 47th Annual General Meeting of the Members of **Force Motors Limited** will be held on **Saturday, the 30th day of September, 2006 at 11.30 a.m.**, at the Registered Office of the Company at Bombay Pune Road, Akurdi, Pune - 411 035 to transact the following business:-

ORDINARY BUSINESS.

- 1) To consider and adopt Directors' Report, Audited Balance Sheet and Profit & Loss Account for the year ended on 31st March, 2006 together with the Auditor's Report thereon.
- 2) To appoint a Director in place of Dr. Rolf Bacher, who retires by rotation and being eligible offers himself for reappointment.
- 3) To appoint a Director in place of Mr. M. G.Chopda, who retires by rotation and being eligible offers himself for reappointment.
- 4) To appoint a Director in place of Mr. Sudhir Mehta, who retires by rotation and being eligible offers himself for reappointment.
- 5) To appoint a Director in place of Mr. Prasan Firodia, who retires by rotation and being eligible offers himself for reappointment.
- 6) To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS.

- 7) To appoint Mr.Pratap Pawar as a Director of the Company. Mr.Pratap Pawar was appointed as an Additional Director of the Company w.e.f. 28th January, 2006. As per the provisions of Section 260 of the Companies Act, 1956, he holds office up to the date of the ensuing Annual General Meeting and in respect of whom the Company has received a notice, in writing, from a Member proposing his candidature for the Office of Director and signifying intention to move the following resolution as an Ordinary Resolution :-

“RESOLVED that Mr.Pratap Pawar be and is hereby appointed as a Director of the Company.”

- 8) To appoint Mr.S.Padmanabhan as a Director of the Company. Mr.S.Padmanabhan was appointed as an Additional Director of the Company w.e.f. 27th June, 2006. As per the provisions of Section 260 of the Companies Act, 1956, he holds office up to the date of the ensuing Annual General Meeting and in respect of whom the Company has received a notice, in writing, from a Member proposing his candidature for the Office of Director and signifying intention to move the following resolution as an Ordinary Resolution :-

“RESOLVED that Mr. S. Padmanabhan be and is hereby appointed as a Director of the Company.”

NOTES.

- 1) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE SAID MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
- 2) The Explanatory Statement setting out the material facts concerning the Special Business mentioned at Item Nos.7 and 8 of the Notice, as required by Section 173 of the Companies Act, 1956, is annexed hereto.
- 3) The Register of Members and Share Transfer Books of the Company will be closed from Thursday, the 28th day of September, 2006 to Saturday, the 30th day of September, 2006 (both days inclusive).
- 4) The requisite information about the Directors retiring by rotation is included in the Report on Corporate Governance.
- 5) **Members desirous of obtaining any information concerning the accounts or operations of the Company are requested to address their questions to the Assistant Company Secretary of the Company, so as to reach at least 15 days before the date of the meeting so that the information required may be made available at the meeting.**
- 6) The unclaimed dividend pertaining to the Company's financial year 1997-98 has been transferred to the Investor Education and Protection Fund as required by Section 205A read with Section 205C of the Companies Act, 1956.
- 7) Equity shares of the Company are listed on Pune Stock Exchange Limited, Shivleela Chambers, 752, Sadashiv Peth, R. B. 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
Date : 19th August, 2006

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

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

ITEM NO. 7

In exercise of the powers vested by Article 115 of the Articles of Association of the Company, the Board of Directors of your Company appointed Mr. Pratap Pawar as an Additional Director w.e.f. 28th January, 2006.

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

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

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

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

ITEM NO. 8

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

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

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

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

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

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

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

Pune - 411 035
Date : 19th August, 2006

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

DIRECTORS' REPORT

To

The Members,

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

1. Financial Results

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

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

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

In the light of this situation, the Board of Directors has not recommended payment of any dividend for the year under report.

2. Name Change

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

3. Market Situation

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

4. Exports

The export turnover for the year under report was Rs. 16.12 crores against the previous year's exports of Rs. 10.96 crores. Export performance currently is at a significantly higher level. Recent emphasis on exports are expected to yield beneficial results.

5. Research & Development

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

6. Foreign Collaborations

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

7. Industrial Relations

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

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

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

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

8. Foreign Exchange

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

9. Conservation of Energy

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

Infrastructural changes such as change in the material used for roofing, use of variable frequency drives, maintenance of power factor and preventive maintenance steps have assisted in saving in the cost of energy.

The implementation of TQM/TPM programmes are continuously assisting the Company in improved energy utilization, particularly in Departments like Heat Treatment, Press Shop and Paint Shop.

10. Environment

The Effluent Treatment plants, installed in the Company's facilities at Akurdi and Pithampur are being upgraded continuously. As reported earlier, the Company acquired the membership of Bombay Waste Management Limited for disposal of hazardous waste. The tree plantation activity at the Company's various estates has been further intensified. The Company is constructing an artificial lake at its Pithampur estate towards the efforts to harvest rainwater. The available well water at Akurdi Plant is increasingly being used for industrial purposes.

11. Fixed Deposits

94 Fixed Deposits of Rs. 18,08,000 matured for repayment on or before 31st March, 2006 but remained unclaimed on that date. Out of these 34 deposits amounting to Rs. 8,51,000 have since been repaid/renewed.

12. Orders for Machinery

Since the close of the Accounting Year the Company has placed orders for new machinery, equipments and capital assets for Rs. 2.55 crores.

13. Directors

The Board of Directors in their meeting held on 28th January, 2006 appointed Mr. Pratap Pawar as an Additional Director of the Company. Mr. S. Padmanabhan was also appointed as an Additional Director of the Company on 27th June, 2006.

As per the provisions of Section 260 of the Companies Act, 1956, Mr. Pratap Pawar and Mr. S. Padmanabhan hold office till the conclusion of the ensuing Annual General Meeting. The Company has received a notice, in respect of each of them, proposing their candidature for the directorship of the Company.

Dr. V. G. Bhide, Director of the Company, passed away on 25th June, 2006. Dr. Bhide was associated with the Company as a Director since 1st April, 1995. The Company was privileged to have the benefit of his mature advice and rich contribution on various issues, in particular, on scientific issues.

Mr. M. Gurudutt passed away on 9th August, 2006 in the USA. Mr. Gurudutt had a close association with the Company as a Technical Consultant and later as a Director spanning a period of two decades. He made an outstanding contribution in bringing to the Company's Research & Development Activities and Engineering Efforts, clarity and strength. He was instrumental in training a whole generation of Engineers of the Company, to innovate boldly. The Company greatly benefited from his advice and contribution.

Dr. Rolf Bacher, Mr. M. G. Chopda, Mr. Sudhir Mehta and Mr. Prasan Firodia, Directors of the Company, retire by rotation and being eligible offer themselves for reappointment.

14. Audit Committee

Due to the sad demise of Dr. V. G. Bhide, the Audit Committee was reconstituted by the Board of Directors w.e.f. 27th June, 2006. Mr. Vinay Kothari and Mr. Pratap Pawar, Independent Directors, are the Members of the reconstituted Audit Committee along with Mr. S. A. Gundecha, Director.

15. Corporate Governance

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

16. 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.

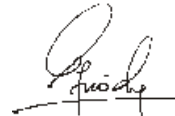
17. Other

The statement pursuant to Section 212 of the Companies Act, 1956 relating to Subsidiary Company and its 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 two employees who were in receipt of remuneration exceeding Rs. 2,00,000/- per month and employed throughout the financial year.

18. 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.
19. 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.
20. 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 2005-06.
21. The Directors express their grateful thanks to the Dealers, Suppliers and Banks for their support, and express their warm appreciation of the sincere co-operation and dedicated work by a majority of the employees of the Company.

For and on behalf of the Board of Directors



Pune 411 035
19th August, 2006.

ABHAY FIRODIA
Chairman & Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS

I. OVERALL PERFORMANCE OF THE COMPANY

The overall performance of the Company, for the year under report, was marginally better than the previous year, but continued to be affected by the industrial relations issue at the Company's Akurdi, Pune Plant. Concentration of management's attention and resources, on the project for industrialization of Heavy Commercial Vehicles, also affected the existing business. The market evolution and new products from competition also affected the performance during the year under report. The burden of material cost increases, particularly increase in cost of steel, could not be fully passed on to the customer, and this affected the bottomline of the Company.

II. INDUSTRY STRUCTURE AND DEVELOPMENTS IN EXISTING BUSINESS.

During the year under report the shift in the three-wheeled vehicles' market became more obvious. Both in the passenger and load carrier usage the market shifted to the lower capacity vehicles due to increased cost of fuel and operations for the customer. Introduction of smaller versions of four-wheeled load carriers also resulted in shrinkage of the market in the three-wheeled segment in which the Company operates. These changes affected the Company's performance in the three-wheeled vehicles field.

To cater to these changing needs of the customer, the Company introduced 'Minidor CB' version during the year under report and the initial response has been encouraging. The Product Development Programme for development of a smaller four-wheeled, load carrier vehicle, on the lines of earlier product, has been undertaken and the Company expects to introduce such product in the third quarter of the current financial year. These steps are expected to help the Company to gain volume in the field of small LCVs.

The new range of Minibuses – Citiline – met with good success, and the Company could gain market share. This was also assisted by larger volumes of the well established Traveller Range and Trax Range of vehicles.

The Company's performance in the field of load carrying Light Commercial Vehicles was satisfactory and moderate gain on the volume of products sold was registered.

The Tractor market continued to be influenced more by financing arrangement than the technical or product superiority. The Company could achieve a sale of 4,461 units of Tractors during the year under report compared to 4,077 units of Tractors in the previous year.

The Company has gained ground in the market segments in which it has presence. The footprint of Company's Product Range does not however cover large portions of the markets for passenger or goods vehicles.

III. HEAVY COMMERCIAL VEHICLES PRODUCT

As reported earlier, with the assistance of MAN

Nutzfahrzeuge AG (MAN) and MAN Österreich AG, the Company is in the process of developing a range of Heavy Commercial Vehicles with Gross Vehicle Weight ranging between 15 tons to 50 tons.

After considering the progress made by the Company in absorption of technologies obtained from MAN and the product development efforts made by the Company, MAN expressed a desire to participate in the project of manufacture and sale of Heavy Commercial Vehicles. The Company signed a Letter of Intent, for formation of a Joint Venture, in the month of November 2005. Subsequent discussions resulted in a Joint Venture Agreement which was signed on 30th April, 2006.

The Company has established a new plant at Pithampur for manufacture of Heavy Commercial Vehicles, which was also inaugurated on that date.

Several prototypes of the vehicles have been made, tested internally and with the testing agencies as per the requirements of the Motor Vehicles Act. The Company expects to start commercial production in the second quarter of the current financial year. The initial sales are also planned during this period.

The emphasis is on the manufacture of Heavy Commercial Vehicles, with maximum local content, in order to have the benefit of lower costs due to localization, maintaining the high technology and quality standard. This step is expected to give a competitive capability to the Company. MAN desire to market large quantities of these Heavy Commercial Vehicles in select export markets.

In order to implement the Joint Venture Project, MAN FORCE TRUCKS Private Limited, a Subsidiary Company, was registered under the Companies Act, 1956.

The Company is in the process of transferring all assets, liabilities, benefits and obligations of the contracts – acquired, created or entered into – for the implementation of the Heavy Commercial Vehicles Project to this Subsidiary Company. As per the agreed arrangement, MAN will hold 30% of the equity of this Subsidiary Company; whereas 70% of the equity would be owned by the Company. This Subsidiary Company would be managed by a Board of Directors consisting of nine Directors, six representing the Company and three nominees of MAN.

The Consortium of Banks, led by State Bank of India, has extended a line of credit of Rs.400 crores for various projects of the Company, including the Heavy Commercial Vehicles Project. The Company is in discussions with these banks for seeking their approval to this transfer. On receipt of permissions of the Banks, the transfer process would be completed. The Company has initiated the process of seeking approval of the Members of the Company, for this transfer, by Postal Ballot. The Madhya Pradesh Audyogik Kendra Vikas Nigam (Indore) Limited has already approved, in principle, the transfer of a portion of the leasehold land situated at Pithampur to this Subsidiary Company.

A separate organization for key functions relating to this Project is already in place. A separate distribution channel for distribution of Heavy Commercial Vehicles is being created.

IV. OUTLOOK FOR 2006-07 AND CONCERNS

The Company should be able to achieve moderate growth in the various product segments in which the Company's offerings are today available. The regulations governing the passenger transport segment would continue to be the area of concern and performance of the Company depends on the regulatory decisions of various State Governments and the Central Government, such as, issuance of permits, road tax and petroleum price strategies.

Though the Company has the assistance of MAN available in various areas relating to production, quality, marketing and export of Heavy Commercial Vehicles, the efforts and the risk associated with introduction of new products remains at high level.

On the balance, the year 2006-07 is expected to be a year with moderate growth. Also the effect of the initial cost of introduction, and of separation of the Heavy Commercial Vehicles business into a separate legal entity, needs to be kept in mind. This may have an effect on the bottomline for 2006-07.

An early resolution of the present stalemate on the industrial relations front will have beneficial effect on the prospects of Company's business, but as the matter is subjudice and the litigation is time consuming, the Company has limited leverage on this aspect.

V. FINANCIAL PERFORMANCE

During the financial year 2005-06, the Company achieved net sales of Rs. 933.94 crores compared to Rs. 856.33 crores during the previous year. This growth of 9% is a moderate growth. The material cost was 75.24% of the net sales compared to 72.67% in the previous year. Input cost pressure continued through the year. The employee cost went up from 11.39% to 13.73%. Implementation of new projects resulted in additional cost of interest which went up from Rs. 1.84 crores for the previous year to Rs. 7.51 crores for the year under report. Change in the depreciation method resulted in the comparable decrease in the depreciation charged to Profit & Loss

Account for the year. In spite of this the depreciation charge was Rs. 42.67 crores compared to Rs. 31.21 crores for the previous year due to substantial capital investment.

As reported in the Board Report of even date, the Board of Directors considered it fit to change the method of charging depreciation from 'Written Down Value Method' to 'Straight Line Method'. The impact of this change has been explained in detail in Note No. 17 to the Notes to Accounts.

The profit for the year, net of depreciation and gratuity provision effects, was Rs. 29.41 crores compared to Rs. 6.65 crores of the previous year. The Company decided to change the accounting policy for accounting of gratuity liability from the Financial Year 2005-06.

The Company's borrowings, both secured and unsecured, were Rs. 225.19 crores as compared to Rs. 57.72 crores in the previous year.

VI. 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.

VII. CAUTIONARY STATEMENT

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

REPORT ON CORPORATE GOVERNANCE.

STATEMENT ON COMPANY'S PHILOSOPHY & CODE OF GOVERNANCE :

- As reported earlier, the basic objective of the Company is to create efficient, low cost, utilitarian transport solutions for Indian market. The ideas of simplicity, swadeshi, self-reliance and social responsibility of the Founder of the Company, Shri. N. K. Firodia, continue to influence the Company's strategies and policies.
- The Company believes that in the present economic environment, a relationship built on trust and transparency with all stakeholders – customers, dealers, suppliers, shareholders, employees and society in general – would help the Company in the task of achieving the objective of creating value. 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 between the Company and the stakeholder .

BOARD OF DIRECTORS :

- The Board of Directors of the Company (as of 31st March, 2006) ('**the Board**' for brevity) consisted of 14 Directors. 13 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 investors. 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 :-

Sr. No.	Name of the Director	Number of Companies in which Directorships held	Number of Companies of which Chairman
1	Mr. Abhay Firodia	11	1
2	Mr. S. S. Marathe	13	3
3	Mr. S. N. Inamdar	13	—
4	Mr. Bharat V. Patel	4	1
5	Mrs. Anita Ramachandran	6	—
6	Mr. Pratap Pawar *	15	2
7	Mr. M. G. Chopda	1	—
8	Dr. V. G. Bhide	1	—
9	Dr. Rolf Bacher	—	—
10	Mr. Sudhir Mehta	3	—
11	Mr. Vinay Kothari	3	—
12	Mr. Prasan Firodia	2	—
13	Mr. M. Venkataiah	2	—
14	Mr. S. A. Gundecha	3	—

* appointed as Additional Director w.e.f. 28th January, 2006.

- 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	—	3	—
Mrs. Anita Ramachandran	1	2	1	—
Mr. Pratap Pawar	2	1	2	—
Mr. Sudhir Mehta*	1	—	1	—
Mr. M. Venkataiah	1	—	1	1

* of a bank

- During the Financial Year 2005-06, 7 meetings of the Board were held on 5th April, 2005, 18th June, 2005, 30th July, 2005, 27th September, 2005, 25th October, 2005, 8th January, 2006 and 28th January, 2006. The attendance of Directors during the Financial Year 2005-06 and General Meetings are as under :-

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

* appointed as Additional Director w.e.f. 28th January, 2006.

- 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.

8. 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.

9. 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 2005-06 are as under :-

Name of the Director	Salary (Rs.)	Value of Perquisites (Rs.)
Mr. Abhay Firodia	24,00,000	7,56,630

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

10. The details of sitting fees paid to Non-Working Directors during the financial year 2005-06 are as under :-

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

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

11. 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	Legal fees.	1,30,000
	Interest paid on fixed deposits placed with the Company.	56,000
Mr. M. G. Chopda	Interest paid on Fixed Deposits placed with the Company.	5,35,407
Dr. Rolf Bacher	Technical Consultancy Fees.	1,20,87,148
Mr. S. A. Gundecha	Interest paid on fixed deposits placed with the Company.	75,952

No Stock Options are granted to any of the Directors.

12. 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

13. No financial transaction was entered into with the Subsidiary Company Tempo Finance (West) Private Limited. The value of purchases and sales from/to 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. 40.12 crores and Rs. 2.11 crores respectively. No other transaction was entered into with any other promoter.

14. Mr. Pratap Pawar was appointed by the Board of Directors as an Additional Director in its meeting held on 28th January, 2006. As per the provisions of Section 260 of the Companies Act, 1956, Mr. Pawar holds office till the conclusion of ensuing Annual General Meeting. The Company has received a notice proposing his candidature for directorship.

15. Though Mr. S. Padmanabhan has been appointed as an Additional Director of the Company on 27th June, 2006, in view of the provisions of Section 260 of the Companies Act, 1956, Mr. Padmanabhan holds office till the conclusion of ensuing Annual General Meeting. The Company has received a notice proposing his candidature for directorship.

16. Dr. Rolf Bacher, Mr. M.G. Chopda, Mr. Sudhir Mehta and Mr. Prasan Firodia, Directors of the Company, retire by rotation and being eligible offer themselves for reappointment.

17. The requisite information about these Directors is as under :-

Dr. Rolf Bacher

Dr. Rolf Bacher, 57, has a doctorate in Engineering with specialization in the field of agricultural tractors and off road vehicles. He has more than two decades of experience in Design of Consultancy. His technical inputs in realizing the tractor and the export variety of cross-country vehicles have been invaluable. He made immense contribution in conceptualizing and implementing the Heavy Commercial Vehicles Project of the Company and Joint Venture with MAN Nutzfahrzeuge AG. He holds 50,706 equity shares of Rs. 10/- each of the Company.

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. M. G. Chopda

Mr. M. G. Chopda, 71, is B.E. (Elect. & Mech.), MIE, V.D.I., F.I.W.M. (London). He has over 47 years of experience of automobile manufacturing, establishment and operation of production facilities. Mr. Chopda joined the Board as Executive Director and had been the Joint Managing Director of the Company till 31st May, 2004. He holds 820 equity shares of the Company.

Mr. Chopda holds directorship in Jaya Hind Industries Limited.

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. Sudhir Mehta

Mr. Sudhir Mehta, 37, holds a Bachelor's degree from Depauw University of U.S.A. and Master's degree in Business Management from the University of Chicago, U.S.A. and has extensive experience as an Investment Banker and as an entrepreneur.

He holds directorships of Pinnacle Industries Limited, State Bank of Indore, Pinnacle Fey Private Limited and is a Member of two Committees of State Bank of Indore.

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. Prasan Firodia

Mr. Prasan Firodia, 27, is a Bachelor in Business Administration. He has an experience of over 2 years of managing companies. He holds 2,03,463 equity shares of the Company.

He is the Managing Director of Jaya Hind Industries Limited and also holds directorship in Jaya Hind Investments Private Limited.

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. Pratap Pawar

Mr. Pratap Pawar, 61, is a Bachelor of Engineering

from Birla Institute of Technology and Science, Pilani. He has over 35 years of experience as a Technocrat and Industrialist. He specializes in marketing and finance. At present he is the Managing Director and Managing Editor of Sakal Papers Limited, a leading Marathi daily.

Mr. Pratap Pawar holds directorships in Ajay Metachem Private Limited, P. P. Holdings Limited, Sakal Papers Limited, Sakal Printers Private Limited, Appropriate Powercon Equipments Private Limited, Pan Gulf Group Limited, United Risk Insurance Broking Company Private Limited, Baramati Grape Industries Limited, United Metachem Private Limited, Ajay International Private Limited, Panhala Investments Private Limited, Kirloskar Oil Engines Limited, Finolex Cables Limited, Finolex Wire Products Private Limited, Bharat Forge Limited. He is also associated with several Charitable Organizations and Industry Associations.

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

(i) Finolex Cables Limited	2
(ii) Kirloskar Oil Engines Limited	2
(iii) Bharat Forge Limited	1

The Company has 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. S. Padmanabhan

Mr. S. Padmanabhan, 66, is an I.A.S. (R). He has had a distinguished career as a bureaucrat. Subsequent to his retirement, he is associated with several leading companies as Director, Management Consultant and Advisor.

Mr. Padmanabhan holds directorships in the following companies :- Videocon Industries Limited, Applicomp (India) Limited, Videocon Appliances Limited, Videocon Power Limited, Videocon Communications Limited, Sudarshan Chemical Industries Limited, Kitchen Appliances (India) Limited, Asian Electronics Limited, Desai Brothers Limited, Premier Limited, Goa Energy Private Limited, Aquapharm Chemicals Private Limited, Rajkumar Forge Limited.

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

(i) Videocon Industries Limited	1
(ii) Premier Automobiles Limited	2
(iii) Asian Electronics Limited	1
(iv) Rajkumar Forge Limited	2

The Company has 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.

COMMITTEES

18. The Board appointed a Remuneration Committee consisting of three Independent Directors, viz., Mr.S.N.Inamdar, Chairman of the Committee, Mr.B.V.Patel and Dr.V.G.Bhide. The terms of reference of the Remuneration Committee includes inter alia decision/recommendation about the remuneration payable to the Managerial Personnel.

During the year under Report, the remuneration of the Managerial Personnel was not reviewed as the appointment of the Chairman & Managing Director is made up to 30th June, 2007. The details of remuneration paid to all Directors are indicated above.

19. The Audit Committee consists of three Directors - Mr. Vinay Kothari, Dr. V.G. Bhide and Mr. S. A. Gundecha. Dr. V. G. Bhide 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 the Stock Exchanges and as per the provisions of Section 292 A of the Companies Act, 1956.

20. The Audit Committee met on 18th June, 2005, 30th July, 2005, 25th October, 2005 and 28th January, 2006. The attendance record of the Committee Members were as under :-

Sr. No.	Name of the Committee Member	Number of Meetings attended
i.	Dr. V. G. Bhide	4
ii.	Mr. Vinay Kothari	4
iii.	Mr. S. A. Gundecha	3

21. The Audit Committee has reviewed the Unaudited Financial Results (Provisional) for the three quarters and Audited Annual Accounts for the Financial year 2005-06 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 an 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. 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.

22. The Board has appointed a Committee as Shareholders'/Investors' Grievance Committee consisting of 2 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, 14 investors grievances were received and 13 grievances were solved to the satisfaction of the concerned member. As of 31st March, 2006, one grievance was pending. As of date of report, seven transfer of shares held in physical form is pending. During the year under report, the Company processed 681 share transfers and requests for dematerialization of shares. As of date, no shareholder's grievance is pending.

SHAREHOLDERS

23. 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.
24. The Unaudited Financial Results for the first, second and third quarters and 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 quarters ended on 30th June, 2005, 30th September, 2005 and 31st December, 2005 and Audited Results for the Financial Year 2005-06 were published in the Economic Times and Maharashtra Times, 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 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 31st July, 2005, 25th October, 2005 and 29th January, 2006.
25. **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
29th Sept. 2003	11.30 a.m.	Bombay-Pune Road, Akurdi, Pune - 411 035.	--	Approval for payment of commission to Non-Working Directors, up to 1% of net profits of the Company, for the Financial Years 2003-04 to 2007-08.
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.	--	--

26. No 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 as it was not applicable to any of the business transactions of last three Annual General Meetings.
27. No penalties were imposed by the Stock Exchanges or SEBI on the Company in any manner related to capital markets.
28. No presentation was made to any institutional investor or analyst.
29. Annual General Meeting :-
 Time : 11.30 a.m.
 Date : 30th September, 2006.
 Venue : Registered Office of the Company at Bombay-Pune Road, Akurdi, Pune – 411 035.
30. 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
31. Period of book closure : Thursday, 28th September, 2006 to Saturday, 30th September, 2006.
32. Shares of the Company are listed on the Pune Stock Exchange Limited and Bombay Stock Exchange Limited.
33. The Stock Code allotted by Bombay Stock Exchange Limited is 500033.
34. The price data of the last financial year is as under :

Month	High (Rs.)	Low (Rs.)
April, 2005	318.70	281.00
May, 2005	365.00	280.00
June, 2005	309.00	260.15
July, 2005	297.00	261.75
August, 2005	367.00	260.00
September, 2005	430.00	339.00
October, 2005	435.15	360.00
November, 2005	407.00	366.10
December, 2005	398.00	316.00
January, 2006	550.00	332.00
February, 2006	675.00	489.50
March, 2006	621.50	510.05

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.

35. 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 the Company has not appointed any Registrars or Transfer Agents.
36. Distribution of shareholding as on 31st March, 2006 was as under :-

Category (Shares)	Number of shareholders	Percentage of shareholders	Number of shares	Percentage to total number of shares held
1 to 500	5957	86.26	676563	5.13
501 to 1000	460	6.66	335120	2.54
1001 to 2000	231	3.34	332095	2.52
2001 to 3000	69	1.00	170743	1.30
3001 to 4000	47	0.68	166028	1.26
4001 to 5000	24	0.35	110200	0.84
5001 to 10000	50	0.72	342405	2.60
10001 & above	68	0.98	11043108	83.81
Total	6906	100.00	13176262	100.00

37. 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, 2006, 19,22,496 equity shares of the Company are held through depositories.
38. The Company has not issued any GDRs, ADRs or Warrants or Convertible Instruments.
39. 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.
40. The address for correspondence is – Shares Department, Force Motors Limited, Bombay Pune Road, Akurdi, Pune – 411 035.
41. 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, 2006, 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 : 19th August, 2006

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 2006, 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 2006 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2006 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, 2006;
 - (b) in the case of the Profit and Loss Account, of the **PROFIT** 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 : 27th June, 2006

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 rate of interest and other terms and conditions of loans given by the Company, secured or unsecured, are prima facie not prejudicial to the interest of the Company. Not applicable.
- (c) The receipt of the principal amount and interest are also regular. Not applicable.
- (d) If overdue amount is more than rupees one lakh, whether reasonable steps have been taken by the Company for recovery of the principal and interest. There is no overdue amount.
- (e) The Company has not taken any loans from companies, firms and other parties covered in the Registered maintained under Section 301 of the Companies Act, 1956, during the year.
- (f) The rate of interest and other terms and conditions of loans taken by the Company, secured or unsecured, are prima facie not prejudicial to the interest of the Company. Not applicable.
- (g) The payment of the principal amount and interest are also regular. Not applicable.
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 amounts payable in respect of Income-tax, Wealth-tax, Sales-tax, Customs-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 except Rs. 1,64,038/- on account of excise duty (since paid.)

- (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	12,18,299	Asst. Commissioner of Customs, Mumbai
Sales Tax	1,42,12,874	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 / Jt. Commissioner Appeals, Lucknow / Dy Commissioner Appeals, Calicut / Assessing Authority, Delhi.
Excise Duty	33,07,045	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 : 27th June, 2006

S. S. Athavale
Partner
Membership No. 83374

Balance Sheet as at 31st March, 2006

	Schedule	Rupees	As at 31st March, 2006 Rupees	As at 31st March, 2005 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	210,92,02,594		180,78,61,937
			224,09,92,977	193,96,52,320
2. Loan Funds				
(a) Secured Loans	3	207,32,97,195		46,63,10,552
(b) Unsecured Loans	4	17,86,25,000		11,08,41,000
			225,19,22,195	57,71,51,552
		Total	449,29,15,172	251,68,03,872
II APPLICATION OF FUNDS :				
1. Fixed Assets				
(a) Gross Block	5	735,43,10,025		663,57,05,261
(b) Less : Depreciation		506,00,06,103		543,43,00,208
(c) Net Block		229,43,03,922		120,14,05,053
(d) Capital Work-in-progress		85,95,52,655		13,28,06,213
			315,38,56,577	133,42,11,266
2. Investments	6		2,57,52,569	2,57,52,569
3. Deferred Tax Assets			12,04,46,195	6,83,74,395
4. Current Assets, Loans and Advances				
(a) Inventories	7	213,83,86,357		185,06,20,554
(b) Sundry Debtors		106,87,86,064		76,26,53,757
(c) Cash and Bank Balances		14,13,91,526		12,71,74,556
(d) Other Current Assets		10,47,539		7,74,775
(e) Loans and Advances		101,89,03,061		40,56,64,645
		436,85,14,547		314,68,88,287
5. Less : Current Liabilities & Provisions				
(a) Liabilities	8	317,56,54,716		205,84,22,645
		317,56,54,716		205,84,22,645
Net Current Assets			119,28,59,831	108,84,65,642
		Total	449,29,15,172	251,68,03,872

As per our separate report of even date attached

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

A. N. Firodia Chairman & Managing Director
Sudhir Mehta Director

S. S. Athavale
Partner
Membership No. 83374

Mrs. A. G. Lambore
Asst. Secretary

Place : Pune
Date : 27th June, 2006

Pune 411 035
Date : 27th June, 2006

Profit & Loss Account
for the year ended 31st March, 2006

	Schedule	Rupees	For the year ended 31st March, 2006 Rupees	For the year ended 31st March, 2005 Rupees
INCOME				
Sales including Excise Duty		1087,01,61,150		999,84,97,333
Less : Excise duty		153,08,10,665		143,51,76,242
				<hr/>
Net Sales		933,93,50,485		856,33,21,091
Less : Commission on Sales		12,25,442		21,01,849
				<hr/>
Other Income	9		933,81,25,043	856,12,19,242
			42,71,42,710	39,32,67,220
				<hr/>
			976,52,67,753	895,44,86,462
EXPENDITURE				
Materials	10	702,67,89,557		622,32,04,747
Other Expenses	11	300,64,68,066		246,23,90,536
Depreciation		42,67,90,015		31,21,10,260
				<hr/>
		1046,00,47,638		899,77,05,543
Less : Expenditure included in above items, capitalised.		19,11,49,207		10,97,67,240
				<hr/>
			1026,88,98,431	888,79,38,303
PROFIT FOR THE YEAR			(50,36,30,678)	6,65,48,159
Depreciation in respect of earlier years written back (Refer Note No. 17)			79,76,99,458	—
Less : Provision for Taxation - Current Tax		2,80,00,000		63,15,000
- Fringe Benefit Tax		1,70,00,000		—
- Deferred Tax		(5,20,71,800)		3,33,05,881
				<hr/>
[Current Tax includes Rs. 41,75,000/- (Rs. 15,55,000/-) for Wealth Tax]			(70,71,800)	3,96,20,881
Add : Taxation provision in respect of earlier year			2,00,077	2,60,000
				<hr/>
PROFIT AFTER TAX			30,13,40,657	2,71,87,278
Add : Balance of Profit as per last account			55,19,34,815	52,47,47,537
				<hr/>
Balance carried forward			85,32,75,472	55,19,34,815
Basic and Diluted Earnings per share (Rs.) (Nominal value per share Rs. 10/-)			22.87	2.06

As per our separate report of even date attached

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

A. N. Firodia Chairman & Managing Director
Sudhir Mehta Director

S. S. Athavale
Partner
Membership No. 83374

Mrs. A. G. Lambore
Asst. Secretary

Place : Pune
Date : 27th June, 2006

Pune 411 035
Date : 27th June, 2006

Schedules forming part of the Balance Sheet

SCHEDULE 1 : SHARE CAPITAL

	As at 31st March, 2006 Rupees	As at 31st March, 2005 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
	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

	As at 31st March, 2006 Rupees	As at 31st March, 2005 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	85,32,75,472	55,19,34,815
Total	<u>210,92,02,594</u>	<u>180,78,61,937</u>

SCHEDULE 3 : SECURED LOANS

	Rupees	As at 31st March, 2006 Rupees	As at 31st March, 2005 Rupees
1. Loans & Advances from Banks on Cash Credit Accounts		77,64,03,908	46,63,10,552
2. Term Loan from Banks	123,00,00,000		—
Interest accrued and due on above	39,48,389		—
[Due in next 12 months Rs. 39,48,389/- (Rs. Nil)]		<u>123,39,48,389</u>	—
3. Buyers' Credit from State Bank of India		6,29,44,898	—
[Due in next 12 months Rs. 6,29,44,898/- (Rs. Nil)]			
Total		<u>207,32,97,195</u>	<u>46,63,10,552</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, 2006 Rupees	As at 31st March, 2005 Rupees
1. Fixed Deposits	17,86,25,000	11,08,41,000
[Due in next 12 months Rs. 1,92,27,000/- (Rs. 7,90,67,000/-)]		
Total	<u>17,86,25,000</u>	<u>11,08,41,000</u>

SCHEDULE 5 : FIXED ASSETS

	Rupees	As at 31st March, 2006 Rupees	As at 31st March, 2005 Rupees
1. Net Fixed Assets, as per Annexure		229,43,03,922	120,14,05,053
2. Capital Work-in-progress :			
(i) Buildings under construction	29,17,26,282		58,11,797
(ii) Machinery under installation / in transit	29,70,06,548		5,64,29,303
(iii) Other Assets	27,08,19,825		7,05,65,113
		<u>85,95,52,655</u>	<u>13,28,06,213</u>
Total		<u>315,38,56,577</u>	<u>133,42,11,266</u>

SCHEDULE 6 : INVESTMENTS (Long Term)

	As at 31st March, 2006 Rupees	As at 31st March, 2005 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 (4,69,500) Equity Shares of Rs.10/- each, fully paid, in Z. F. Steering Gear (India) Limited	1,20,30,000	1,20,30,000
Unquoted		
10,40,050 (10,40,050) Equity Shares of Rs.10/- each, fully paid, in Tempo Finance (West) Private Limited — a Subsidiary Company	1,04,49,299	1,04,49,299
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	2,57,52,569	2,57,52,569

Aggregate amount of Investments :

	As on 31-03-2006		As on 31-03-2005	
	Cost Rupees	Market Value Rupees	Cost Rupees	Market Value Rupees
Quoted	1,51,03,020	28,91,71,220	1,51,03,020	22,24,26,875
Unquoted	1,06,49,549	—	1,06,49,549	—

SCHEDULE 7 : CURRENT ASSETS, LOANS AND ADVANCES

	Rupees	As at 31st March, 2006 Rupees	As at 31st March, 2005 Rupees
A. CURRENT ASSETS :			
1. Inventories :			
(i) Stores and Spares	12,92,72,012		6,86,65,896
(ii) Finished Goods	60,65,29,037		50,45,72,550
(iii) Excise Duty on Inventory of Finished Goods	10,29,51,349		8,58,98,542
(iv) Work-in-progress	38,64,96,534		26,75,88,583
(v) Raw Materials and Components, including Rs. 6,54,60,630/- (Rs. 33,24,555/-) in transit	91,31,37,425		92,38,94,983
		213,83,86,357	185,06,20,554
2. Sundry Debtors :			
Unsecured			
(i) Debts outstanding for a period exceeding six months :			
— Considered Good	1,49,38,732		52,60,048
— Considered Doubtful	3,89,75,132		3,97,55,521
	5,39,13,864		4,50,15,569
(ii) Other Debts	105,38,47,332		75,73,93,709
	110,77,61,196		80,24,09,278
Less : Provision for Doubtful Debts	3,89,75,132		3,97,55,521
		106,87,86,064	76,26,53,757
3. Cash and Bank Balances :			
(i) Cash balance and cheques on hand	12,75,29,244		10,52,94,218
(ii) Balance with scheduled banks in current accounts	1,37,16,968		62,15,112
(iii) Balance with scheduled banks in deposit accounts	1,39,631		1,56,57,115
(iv) Balance with Rajgurunagar Sahakari Bank Ltd., Rajgurunagar, Dist. Pune, in current account [Maximum balance Rs. 5,683/- (Rs. 8,111/-)]	5,683		8,111
		14,13,91,526	12,71,74,556
4. Other Current Assets :			
Interest accrued on deposits		10,47,539	7,74,775
B. LOANS AND ADVANCES :			
Unsecured, Considered good			
1. Advances recoverable in cash or in kind or for value to be received	13,61,65,826		12,20,11,907
2. Sundry Advances	58,10,674		51,55,447
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]	7,70,11,657		8,41,06,507
4. Advances against capital expenditure	75,74,44,226		12,53,36,915
5. Advance payment of Tax (Net of provision) [Contra Refer Schedule 8 item (B)-6]	4,24,70,678		6,90,53,869
		101,89,03,061	40,56,64,645
	Total	436,85,14,547	314,68,88,287

SCHEDULE 8 : CURRENT LIABILITIES AND PROVISIONS

	Rupees	As at 31st March, 2006 Rupees	As at 31st March, 2005 Rupees
(A) CURRENT LIABILITIES :			
1. Sundry Creditors			
(i) Small Scale Industrial Undertakings	6,14,56,859		5,75,30,203
(ii) Others	279,13,26,776		182,63,69,143
	<u>285,27,83,635</u>		188,38,99,346
2. Advances and Deposits against Orders	11,01,63,145		6,84,03,265
3. Unclaimed Dividend	12,88,771		15,37,449
4. Interest accrued but not due on loans, advances and deposits	75,74,681		73,70,473
5. Other Liabilities	<u>20,38,44,484</u>		9,72,12,112
		317,56,54,716	205,84,22,645
(B) PROVISIONS :			
6. Provision for Taxation :			
Taxation provision for the earlier years	18,23,51,305		20,37,76,305
Taxation provision for the year	4,50,00,000		63,15,000
	<u>22,73,51,305</u>		21,00,91,305
Less : Advance payment of tax	<u>26,98,21,983</u>		27,91,45,174
[Contra Refer Schedule 7 item B-5]	(4,24,70,678)		(6,90,53,869)
		<u>317,56,54,716</u>	205,84,22,645
	Total	<u>317,56,54,716</u>	205,84,22,645

Schedules forming part of the Profit & Loss Account

SCHEDULE 9 : OTHER INCOME

	Rupees	For the year ended 31st March, 2006 Rupees	For the year ended 31st March, 2005 Rupees
Machining and Processing charges		11,37,711	10,66,011
Miscellaneous receipts :			
Refunds	16,53,787		38,17,118
Other receipts	38,60,55,924		32,52,99,599
		38,77,09,711	32,91,16,717
Interest :			
On Short Term Deposits with Banks	5,07,708		1,37,44,716
Others	2,39,21,832		1,24,90,833
[Income-tax deducted at source Rs. 3,20,776/- (Rs. 24,46,725/-)]		2,44,29,540	2,62,35,549
Income from Investments [Including Rs. 58,68,750/- (Rs. 37,80,000/-) on Trade Investments]		64,45,138	42,93,262
Excess provision in previous year written back		72,00,790	3,07,91,159
Profit on sale of Assets		2,19,820	17,64,522
		Total	
		42,71,42,710	39,32,67,220

SCHEDULE 10 : MATERIALS

		For the year ended 31st March, 2006 Rupees	For the year ended 31st March, 2005 Rupees
Raw material and Components consumed		641,50,86,636	566,39,96,771
Stores consumed		50,37,62,805	41,33,61,319
Spare parts consumed		13,28,68,077	11,96,69,727
Fabrication and processing charges		13,16,66,831	10,75,92,620
Freight, octroi, entry tax etc.		6,42,69,646	4,76,55,464
Increase (-) / Decrease (+) in Stock-in-Trade		(22,08,64,438)	(12,90,71,154)
		Total	
		702,67,89,557	622,32,04,747

SCHEDULE 11 : OTHER EXPENSES

	Rupees	For the year ended 31st March, 2006 Rupees	For the year ended 31st March, 2005 Rupees
Power and Fuel		18,20,50,547	17,38,14,232
Repairs :			
Buildings	2,05,37,288		1,98,17,525
Machinery	6,07,53,972		6,36,87,569
Others	1,48,56,547		1,49,00,314
		9,61,47,807	9,84,05,408
Warranty Claims and Service charges		4,55,76,678	5,09,67,736
Publicity and Sales promotion		59,29,91,666	52,46,53,808
Salaries, Wages, Bonus, Leave encashment etc.		97,04,95,802	83,52,20,038
Contribution to Provident Fund and other Funds & Schemes		26,17,96,557	9,31,62,474
Staff and Labour Welfare Expenses		4,96,82,611	4,71,05,959
Insurance		3,30,79,174	3,41,51,081
Rent		61,35,364	57,18,926
Rates, Taxes and duties		13,53,52,630	9,48,97,996
Forwarding charges		14,59,94,575	12,44,29,504
Miscellaneous Expenses		31,32,74,269	27,51,17,878
Prior year expenses		40,00,936	1,29,36,003
Guarantee Commission to Banks and Finance Brokerage		29,71,046	2,26,408
Audit Fees, Legal and Professional charges		8,84,89,296	6,52,32,296
Directors' Fees		8,00,000	6,65,000
Interest :			
On Fixed Loans	1,74,92,466		1,48,49,602
On Bank and Other accounts	5,76,70,545		35,84,153
		7,51,63,011	1,84,33,755
Loss on sale of Assets		10,08,089	17,860
Provision for Doubtful Debts		14,55,008	19,75,357
Donations		3,000	52,58,817
		Total	
		300,64,68,066	246,23,90,536

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	Previous Year @ Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
GROSS BLOCK													
Cost as at 31st March, 2005	64,87,04,868	2,24,38,495	43,76,215	54,03,88,529	400,33,95,844	98,71,93,212	10,00,30,063	4,85,37,412	1,29,42,408	18,28,91,991	8,48,06,224	663,57,05,261	627,31,71,372
Additions	6,89,92,668	—	—	2,62,44,413	20,94,11,780	15,17,40,640	15,72,782	68,90,119	16,87,285	2,41,50,807	23,29,89,999	72,36,80,493	37,19,81,873
Deductions	—	—	—	—	1,36,961	—	—	59,698	—	48,79,070	—	50,75,729	94,47,984
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	113,89,33,852	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
DEPRECIATION													
Up to 31st March, 2005	18,48,23,516	—	7,06,273	18,73,80,470	343,80,67,806	61,66,27,640	5,36,98,192	2,60,98,932	64,29,506	8,04,51,228	4,23,17,185	463,66,00,748	513,00,81,902
This Year	8,17,42,541	—	44,528	1,75,92,012	20,81,90,679	8,80,68,037	45,26,116	37,10,900	6,74,474	1,53,11,048	69,29,680	42,67,90,015	31,21,10,260
Deductions	—	—	—	—	47,211	—	—	30,628	—	33,06,821	—	33,84,660	78,91,954
Depreciation as at 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	543,43,00,208
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	120,14,05,053
Net Block as at 31st March, 2005	46,38,81,352	2,24,38,495	36,69,942	35,30,08,059	56,53,28,038	37,05,65,572	4,63,31,871	2,24,38,480	65,12,902	10,24,40,763	4,24,89,039	199,91,04,513	114,30,89,470

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.

@ Previous year's figures are based on WDV method of Depreciation.

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
Sudhir Mehta
Chairman & Managing Director
Director

Place : Pune
Date : 27th June, 2006

Pune 411 035
Date : 27th June, 2006

Notes forming part of the Accounts for the Year Ended 31st March, 2006.

1. Accounting Policies :

A. Depreciation :

(a) Tangible Assets :

The Company has changed the method of providing Depreciation on Fixed Assets from written down value method to straight line method retrospectively from the date of its put to use. 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.

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. Gratuity:

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.

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.

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, 2006 and not provided for.	Rupees 54,59,44,726	Rupees (47,37,99,674)
3.	(a) The Company's Income-tax and Wealth-tax assessments have been completed upto the accounting year 2002-2003.		
	(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 2000-2001 of Akurdi Plant & 2002-2003 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	25,000	(25,000)
	(c) For Certificates	1,36,500	(1,40,278)
	(d) For Expenses and others	16,422	(15,806)
	(e) Provident Fund Audit Fees	10,000	(10,000)

5. Managerial Remuneration paid/payable to Chairman & Managing Director and Jt. Managing Director.	Rupees	Rupees
(a) Salary	24,00,000	(28,00,000)
(b) Contribution to Provident Fund, Superannuation Scheme and Gratuity Scheme	7,44,230	(8,05,501)
(c) Perquisites paid for and estimated monetary value of perquisites availed of	12,400	(27,364)

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	12,17,95,801	(11,91,09,870)
(b) Others	13,53,06,614	(11,98,35,124)

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 1-4-2005 Rs.	Additional Provisions made during the year Rs.	Paid during the year against Provisions Rs.	Amounts reversed and written back Rs.	Carrying amount of Provisions as at 31-3-2006 Rs.
(a) Warranty	1,92,68,459 (27,10,911)	1,05,93,644 (1,92,68,459)	1,05,09,232 (27,10,911)	17,60,643 (—)	1,75,92,228 (1,92,68,459)
(b) Free Service Coupons	1,07,10,675 (1,55,17,200)	1,14,97,294 (86,00,440)	1,04,54,406 (1,34,06,965)	2,56,269 (—)	1,14,97,294 (1,07,10,675)

8. Details of Intangible Assets are as under :

Class of Intangible Assets	Software Rs.	Technical Know-how acquired on or after 1-4-2003 Rs.	Technical Know-how acquired on or upto 31-3-2003 Rs.	Technical Know-how internally generated Rs.
(a) Useful life of the asset	5 years	10 years	6 years	6 years
(b) Cost as on 31-3-2005	6,99,39,854	46,90,66,349	8,22,00,834	2,74,97,831
(c) Additions during the year	1,30,73,028	5,59,19,640	--	--
(d) Cost as on 31-3-2006	8,30,12,882	52,49,85,989	8,22,00,834	2,74,97,831
(e) Amortisation upto 31-3-2005	4,44,28,132	7,83,63,781	5,48,01,718	72,29,885
(f) Amortisation during the year	1,10,02,577	5,24,56,927	1,37,00,084	45,82,953
(g) Amortisation upto 31-3-2006	5,54,30,709	13,08,20,708	6,85,01,802	1,18,12,838
(h) Net carrying cost as on 31-3-2006	2,75,82,173	39,41,65,281	1,36,99,032	1,56,84,993
(i) Net carrying cost as on 31-3-2005	2,55,11,722	39,07,02,568	2,73,99,116	2,02,67,946

9. Without prejudice to the legality of the Central Act No.32 of 1993, on the basis of information available with the Company, Company ascertained dues and liability of interest to suppliers as per the said Act. Dues are Rs. 6,14,56,859/- (Rs. 5,75,30,203/-) and interest provided, which is included in interest paid account, is Rs.13,20,874/- (Rs. 7,93,956/-).

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)	35,728 (36,194)
(ii) Agricultural Tractor	12,000 (12,000)	12,000 (12,000)	4513 (4,108)
(iii) Diesel Engines for other purposes	7,500 (7,500)	6,000 (6,000)	52 (72)
(iv) Moulds, Dies, Press Tools, Jigs & fixtures	1,000 (1,000)	500 (500)	534** (981)

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

** Includes 527 **(962)** Capitalised for self-use.

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.	1,833 (2,250)	2,159 # (1,833)	35,373* (36,607)
	Amount	36,82,79,067 (31,74,29,793)	45,35,48,748 (36,82,79,067)	712,72,84,453 (659,22,15,603)
(ii) Agricultural Tractor	Nos.	273 (182)	325 (273)	4,461 @ (4,017)
	Amount	6,24,59,538 (3,33,08,633)	7,84,93,040 (6,24,59,538)	123,00,94,239 (105,44,54,558)
(iii) Diesel Engines for other purposes	Nos.	3 (11)	5** (3)	45*** (71)
	Amount	1,67,335 (2,73,709)	1,96,755 (1,67,335)	23,71,472 (43,46,680)
(iv) Moulds, Dies, Press Tools, Jigs & fixtures	Nos.	— (—)	— (—)	7 (19)
	Amount	— (—)	— (—)	2,51,67,145 (2,99,556)
(v) Other Items	Amount			95,44,33,176 (91,20,04,694)

* Includes 24 **(10)** vehicles capitalised for own use.

** Excludes 5 **(9)** Engines transferred to R&D for testing.

*** Includes 18 **(18)** as service replacement and 5 **(4)** capitalized for own use.

Excludes 20 **(Nil)** vehicles capitalised for own use, 5 **(8)** vehicles given free of cost & 1 **(4)** vehicle written off due to loss by fire for which insurance claim is received and 3 **(Nil)** vehicles scrapped.

@ Includes Nil **(1)** Tractor capitalised for own use.

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

		QUANTITY		VALUE	
				Rupees	Rupees
Steel and other metals	Tons	11,136	(10,241)	46,84,07,264	(43,52,54,747)
	Mtrs.	5,05,341	(5,18,707)		
Castings and Forgings	Nos	23,79,358	(24,01,398)	39,93,70,498	(35,57,70,483)
Components				554,73,08,874	(487,29,71,541)
TOTAL				641,50,86,636	(566,39,96,771)

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

	Rupees		Percentage	
Imported	61,95,31,008	(53,45,82,765)	9.46	(9.24)
Indigenous	592,84,23,705	(524,90,83,733)	90.54	(90.76)
Total	654,79,54,713	(578,36,66,498)	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	10,97,51,691	(4,02,32,526)
(ii) Components	57,36,29,070	(42,93,68,732)
(iii) Spare Parts for Resale	3,96,904	(46,703)
(iv) Capital Goods	39,91,31,690	(4,14,06,064)
(v) Machinery Spares, Tools & Others	3,27,62,939	(4,32,60,981)

(b) Expenditure in Foreign Currency :

(i) Traveling and Other expenses	99,92,007	(73,04,874)
(ii) Royalty and Technical know-how fees (net of tax)	7,51,69,277	(12,88,54,800)
(iii) Technical services and consultation fees (net of tax)	1,75,84,786	(2,76,04,852)

(c) Earnings in Foreign Currency :

Exports on FOB basis	16,11,74,231	(10,96,45,298)
----------------------	--------------	----------------

13. Remittance of dividend in Foreign Currency :

(a) No. of Non-resident shareholders	2	(2)
(b) No. of shares held	1,00,079	(1,00,079)
(c) Amount of dividend remitted (net of taxes)	Nil	(7,00,553)
(d) Accounting year to which dividend relates	N.A	(2003-04)

14. (a) The amount of net exchange differences included in the Profit/Loss for the year is Rs.54,95,330/- debit **(Rs. 48,59,373/- credit)**.

(b) The amount of net exchange differences adjusted in the carrying amount of Fixed Assets during the year is Rs. 53,42,740/- credit **(Rs. 1,10,24,844/- debit)**.

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

	Rupees	Rupees
(i) Capital Expenditure	24,93,92,632	(6,60,69,737)
(ii) Revenue Expenditure	31,55,15,978	(21,35,70,175)

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

16. The Company's liabilities and obligations in foreign currency outstanding as at 31st March, 2006, 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	—	—	5,11,365	22,939,834
In Euro	12,18,800	6,53,32,555	30,38,057	16,62,72,860
In Japanese Yen	—	—	4,34,12,226	1,66,26,882
In Pound	—	—	10,958	8,58,998

17. The Company has changed the method of providing depreciation on fixed assets from 'written down value method' to 'straight line method'. The depreciation on the fixed assets is now provided on straight line method at the rates mentioned in the Schedule XIV to the Companies Act, 1956. As per the Accounting Standard 6, the change is required to be implemented retrospectively. This change in the accounting policy, which in the opinion of the Board of Directors would result in more appropriate presentation of the financial statements, has resulted in a credit to the Profit & Loss Account for the year of Rs. 79,76,99,458/-, being adjustment of depreciation relating to previous years. The current year's charge for depreciation due to this change is lower by Rs. 3,55,85,331/-. Consequently, the profit before tax and tax expense for the current year are higher by Rs. 83,32,84,789/- and Rs. 31,95,06,577/- respectively and the value of net fixed assets and Reserves & Surplus on 31st March, 2006 are increased by Rs. 83,32,84,789/- and Rs. 51,01,13,212/- respectively.

18. Until the previous Financial Year, the Company charged premium paid to the Life Insurance Corporation of India on Policy to cover gratuity liability as per the Employees Group Gratuity Scheme to the Profit & Loss Account and used to charge the additional amount required, if any, to be paid to the retiring employees, in the year of payment to the employees. As a matter of prudence, the Company has decided to change the said accounting policy and charge the difference between present value of the defined benefit obligation of the gratuity payable to employees as per the above referred scheme, ascertained on actuarial basis, and the fair value of plan asset, being insurance cover referred to above. As per this new accounting policy, a sum of Rs. 15,20,98,100/- has been debited to Profit & Loss Account for the year and deferred tax asset arising out of this charge to Profit & Loss Account is Rs. 5,11,96,220/- is recognized. Accordingly, the net effect on account of this change is Rs. 10,09,01,880/-.

19. Names of the small-scale industrial undertakings to whom the Company owed a sum which was outstanding for more than 30 days as at the end of the financial year are stated below. The outstandings are as per the terms of purchase orders placed on these parties.

Agricultural Engineering Corpn., Anand Traders, A E W Industries, Anil Industries, Alankar Leather Industries, A.P. Industries, Acey Engineering Pvt.Ltd., Arasna Industries, Associated Foundries, Addon Engineering (P) Ltd., Alankar Enterprises, Asda Exem Auto Aids Pvt. Ltd., Auto Engineers (India), Autoturn Industries, Arihant Cables, Amol Auto Parts, Aroban Enterprises, Amol Engineering Works, Ashwini Precision Dies and Tools, Atul Engineers, Anjali T.Precision, Asian Auto Parts, Akshay Industries, Arihant Industries, Amar Enterprises, Accumech Engineering, Bharat Engg. Corpn., Bhavani Industries, Bhavani Udyog, Balamba Industries, Bajaj Springs Udyog, Bombay Commercial Syndicate, Bond Safety Belts, Bhavani Enterprise, Bhavani Engineering, Chandan Foundry, Caravan Engineers, Caspro Metal Industries Pvt. Ltd., Capstan Engineering Works, Crankofour, Chandan Polyproduct, Coussinet Engineers, Crushwell Engineers Pvt. Ltd., Chaphekar Suspensions Pvt. Ltd., Deccan Leather Works, Deepak Engg. Works, Decoprints, Dinesh Engg., Dhananjay Industries, Dynamic Engineers, Diversitech General Engg. Pvt. Ltd., Del Star P.Ltd., Dudhane Fastners, Deep Fibre Products, DP Foam Private Limited, Dev-Shesha Auto Industries, Eskay Industries, Ehara Industries, Engineers India, Esdee Enterprises & Engineers, Electro Flash Engineers, Evershine, Evans & Company, Enkay Enterprises Emdet Engineers Pvt.ltd., Excel Graphics Pvt.Ltd., Fasterners & Allied Products Pvt.Ltd., Fitwell Gasket Company, Fiem Industries Limited, Flexon Rubber Products, Farm Machinery & Equipment Company, Fit Teck Engg.Co., Guru Nanak Industries, Ganesh Forge P. Ltd., Gopal Industries, G.B. Mudras, Galaxy Components Pvt. Ltd., Gayatri Marketing, G.B.Rubber Products, Genie Auto Products Pvt.Ltd., Ganesh Engineering Works, Hindustan Engg & Pattern Corpn., Hirakesh Rubber Products, Hegde Precision Engineering Works, Harish Industries, Hira Industries, High Tensile Fastnuts (I) Pvt. Ltd., Heramb Enterprises, Harshal Industries, Imanes P.Limited, Hariyana linkages (P) Ltd., Industrial Services, Injecto Limited, Imperial Rub. Products, Inypco Macmold Industries, Industrial Product Company, Indian Engineering Industries, J.Mangsun & Co., Jay Industries, Janardhan Industries, JMC Mechanical Engg. P. Ltd., Jitesh Enterprises, JMG Industries, Jayashree Rubber Products Pvt. Ltd., Kaygee Engineering Pvt. Ltd., Klipco Pvt. Ltd., K.K. Nag Limited, K.P.Engg. Company, Kaygee Foam Pvt. Ltd., Kaveri Enterprises, Kishore Industries. Kriya Precision. Kadamb Engineering Pvt. Ltd.. Kent Engineering. Kanchan Precisions Private Limited, Kamakshi Pressings, Kay Gee

Industries, Laxmi Industries, Laxmi Foundry, Laxmi Enterprises, Lohakar Industries, Laxmi Engineers, Laxmi Rubber Ind., Lumax Filters (P) Ltd., Lumax Automotive Systems Ltd., M.K.Engineering Co., Manijara, Metaprint, Maharashtra Electrical & Metal Ind., Mahavir Rubber & Plastic Industries, Madhav Tools, Multi Forms, Mutha Engineering Pvt. Ltd., Mangal Automatics, Mayur Enterprise, Mehta Enterprises, Manalee Industries, Mital Engineering, Macneil Engineering Limited, M.D. Industries, M.R. Enterprises, Mutha Spherocast (India) Pvt. Ltd. Maruti Products, Nirmal Industries, Narayan Engineering Works, Neeraj Engineering Works, Nitin Industries, Nirmitee Fibroplast, Novel Enterprise, Niraj Industries, Om Sai Auto Precision (I) Pvt. Ltd., Perfect Pattern Works, Pioneer Industries, Premier Filters Pvt. Ltd., Polychrome Engineers, Phoenix Enterprises, Precicompo, Precision Forgings & Stamping, Pramod Engineers, Prashant Industries, Premier Seals (India) Pvt. Limited., Polyplastics, Prestige Rubber, Powerline Corporation, Pramod Engineering, Priyanka Tools, Pravin Wipers & Ancillaries Pvt. Limited, Precise Auto Ancillaries Pvt. Limited, Punit Enterprises, Pooja Enterprises, Pavana Auto Engineering Pvt. Limited, Pearl Plastic Products, Poona Engineering Works, Prestige Industries, Presstech Services, Right Tight Fasteners Pvt. Limited, Reliance Engineers, Rahul Industries, Rathod Industries, Ravikiran Engineering Works, Resource Manufacturing Company, Ramachandra Enterprises, Rahul Auto Stampings Pvt. Ltd., Shah Industries, Southern Machine Industries, The Sangam Metal & Engg.Ltd., Sambhi Engineers P.Ltd., Sharayu Precision, Spiri India, Super Rubber & Engg. Co., Shreenu Rubber, Shah Concabs Pvt. Limited, Shah Industrial Corporation, Shree Mahaveer Industries, Shreeram Industries, Spark Engineers, Sheetal Enterprises, Speep Engineering, Spire India, Works, Safalya Metal Pressing Works. Shree Shreepad Industries. Siddharth Enterprises. Sai Enterprises. Surekha Pressing Works. Shiv Shakti Industries, Savitri Electronics, Super Industries, Tools Craft, Trimurti Engineering Works, Trishul Forgings, Tool Holders Pvt. Limited, Tillu Plastics, Tork Fasteners (India) Pvt. Limited, Techno Auto Crafts, Tarapur Cables (I) Limited, Trakart, Turnwell Engineering, The Vijay Engineering Works, Uma Tools Pvt. Limited, Unitech Engineers Pvt. Limited, Unique Industries, United pressings , Unitech Industries, Venus Mfg. Co. Vardhaman Industrial Enterprise. Vijay Engg. Works, Viraj Industries, Vibha Agencies, Vikman Steel Ball Industries, Vijayraj Industries, Vasuma Industries, Suntech Mould Plast Pvt. Ltd., Sai Udyog, Shakti Auto Valves and Engineering, Shakti Automobiles & Engineering, Super Pressings, Sidhu Viridi Engineering Works, Sai Industries, Supertech Industries, Suvega Industries, Samarth Udyog, Surabhi Industries, Shiv Kailash Pressings, Siddhant Pressing, Shree Dattatreya Industries, Spacerall, Suri Auto Products, Sig-net Rubber (India) Pvt. Ltd., Delman Polymer, VR Sons Engineers Pvt. Ltd., Associated Engineers, Chopda Auto Parts, Castall Industries, Fine Blanking Pvt. Ltd., Fluidline, Goa Sintered Products Pvt. Ltd., KLM Precision Engineers, Bhandari Industries, Guruprasad Auto Engineering Works, Kakade CNC Services, Lumax Filters Pvt.Limited, Lumax Industries Limited Walunj, Shailesh Industries, Tecsupply, Vinkay Auto Pvt. Limited, Jyoti Foundry, Metal Coats, Sawalka Tools & Machines Pvt. Ltd., Circlips India Pvt.Ltd., Precision Manufacturers, Parferro Coatings (P) Ltd., Alkraft Thermotechnologies, Suri Industries, Maharashtra Tyre & rubber industries, Vijaya Metal Industries, Berrys Auto Ancillaries Pvt. Ltd., Bhushan Steel & Strips Ltd., Chetna Metals, Deccan Suvidha Kendra, Hi-Tech Gas Pvt. Ltd., Swapnil Switches Pvt. Ltd, Shagun Castings Pvt. Ltd., Shimpukade Engineering Pvt. Ltd., Super Industries, Suprajit Engineering Ltd., Viral Engineers, Vsark Enterprises., Eskay Engichem Pvt. Ltd. Gandhi Fabrication Sales Pvt. Ltd, S. P. Engg. Works, Soham Industries.

20. 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 | : | Tempo Finance (West) Private Ltd. |
| (b) Key Management Personnel | : | Mr.Abhay Firodia, Chairman & Managing Director |
| (c) Relatives of Key Management Personnel | : | (i) Mrs. Indira Abhay Firodia : Spouse |
| | | (ii) Mr. Prasan Abhay Firodia : Son |
| | | (iii) Mrs. Sunanda Sudhir Mehta : Daughter |
| | | (iv) Mrs. Shribala Sagar Chordia : Daughter |
| | | (v) Mrs. Harsha Gautam Jain : Daughter |
| | | (vi) Mrs. Kamla Bansilal Bhandari : Sister |
| | | (vii) Mrs. Shyamala Sumatikumar Navlakha : Sister |
| (d) Other Related Parties | : | (i) Jaya Hind Industries Ltd. |
| | | (ii) Pinnacle Industries Limited |
| | | (iii) MAN FORCE TRUCKS 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 2005-06	Amount outstanding as on 31-03-2006	
			Receivables	Payables
(a) Key Management Personnel :	Managerial remuneration	31.57	—	—
		(36.33)	(—)	(—)
	: Interest paid on Fixed Deposits	—	—	—
		(1.20)	(—)	(—)
(a) Key Management Personnel :	Fixed Deposits Accepted/ Renewed	—	—	—
		(—)	(—)	(25.50)
	: Fixed Deposits Repaid	—	—	—
		(33.25)	(—)	(—)
(b) Relatives of Key Management Personnel :	Interest paid on Fixed Deposits	—	—	—
		(0.99)	(—)	(—)
	: Fixed Deposits Accepted / Renewed	—	—	—
		(—)	(—)	(21.75)
(b) Relatives of Key Management Personnel :	Fixed Deposits Repaid	—	—	—
		(25.60)	(—)	(—)
	: Expenditure on Rent	1.63	—	—
		(1.38)	(—)	(—)
(c) Other Related Parties :	Sundry Sales	178.88	22.50	—
		(238.25)	(37.99)	(—)
	: Processing charges recovered	12.03	3.90	—
		(9.80)	(4.61)	(—)
	: Purchase of Capital Goods	1079.51	108.16	1.77
		(1.92)	(904.11)	(1.42)
	: Purchase of Raw Materials, Components & Others	7278.03	—	506.59
		(6741.31)	(73.26)	(—)
	: Sale of Assets	4.86	—	—
		(8.69)	(8.69)	(—)
	: Machinery given on Loan	40.28	1.00	—
		(60.49)	(67.77)	(—)
	: Material given on Loan	1.03	15.06	—
	(2.33)	(14.59)	(—)	
: Reimbursement of Expenditure	74.75	14.15	—	
	(60.91)	(12.05)	(—)	
: Incorporation expenses and others	1.80	1.80	—	
	(—)	(—)	(—)	
: The services of Information Systems/ Department are shared with one of the related parties	Not quantified	—	—	
			(—)	

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

Nature of timing difference	As at 31st March, 2006	As at 31st March, 2005
(i) Difference between accounting and tax depreciation (cumulative)	(26,69,10,498)	2,84,35,275
(ii) Liability for gratuity	5,11,96,220	—
(iii) Others	33,61,60,473	3,99,39,120
Total	<u>12,04,46,195</u>	<u>6,83,74,395</u>

22. Earnings per Share :

Values used in calculating Earnings Per Share :	31-03-2006	31-03-2005
(a) Numerator :		
Profit / (Loss) after tax (Rs.)	30,13,40,657	2,71,87,278
(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

23. In pursuance of the Letter of Intent with MAN Nutzfahrzeuge Aktiengesellschaft, Germany (MAN), dated 9th November, 2005, the Company has now entered into joint venture agreement dated 30th April, 2006, for manufacture of Heavy Commercial Vehicles with MAN, under which the assets and liabilities of HCV project which are under compilation, will be assigned at book value to MAN FORCE Trucks Private Limited, incorporated on 8th March, 2006.

24. The Company is operating in a single Segment.

25. 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
Sudhir Mehta Director

S. S. Athavale
Partner
Membership No. 83374

Mrs. A. G. Lambore
Asst. Secretary

Place : Pune
Date : 27th June, 2006

Pune 411 035
Date : 27th June, 2006

PART - IV

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I Registration Details

Registration No.

0	1	1	1	7	2
---	---	---	---	---	---

 State Code

1	1
---	---

 (Refer Code List 1)

Balance Sheet Date

3	1	-	0	3	-	2	0	0	6
---	---	---	---	---	---	---	---	---	---

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

Public Issue

			N	I	L				
--	--	--	---	---	---	--	--	--	--

Rights Issue

			N	I	L				
--	--	--	---	---	---	--	--	--	--

Bonus Issue

			N	I	L				
--	--	--	---	---	---	--	--	--	--

Private Placement

			N	I	L				
--	--	--	---	---	---	--	--	--	--

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

Total Liabilities

-	-	5	4	2	7	5	7	7
---	---	---	---	---	---	---	---	---

Total Assets

-	-	7	6	6	8	5	7	0
---	---	---	---	---	---	---	---	---

Sources of Funds :

Paid-up Capital

-	-	-	1	3	1	7	9	0
---	---	---	---	---	---	---	---	---

Reserves & Surplus

-	-	2	1	0	9	2	0	3
---	---	---	---	---	---	---	---	---

Secured Loan

-	-	2	0	7	3	2	9	7
---	---	---	---	---	---	---	---	---

Unsecured Loan

-	-	-	1	7	8	6	2	5
---	---	---	---	---	---	---	---	---

Application of Funds :

Net Fixed Assets

-	-	3	1	5	3	8	5	7
---	---	---	---	---	---	---	---	---

Investments

-	-	-	-	2	5	7	5	3
---	---	---	---	---	---	---	---	---

Net Current Assets

-	-	1	1	9	2	8	6	0
---	---	---	---	---	---	---	---	---

Misc. Expenditure

			N	I	L			
--	--	--	---	---	---	--	--	--

Accumulated Losses

			N	I	L			
--	--	--	---	---	---	--	--	--

Deferred Tax Asset

-	-	-	1	2	0	4	4	6
---	---	---	---	---	---	---	---	---

IV Performance of Company (Amount in Rs. Thousands)

Turnover

-	-	9	7	6	5	2	6	8
---	---	---	---	---	---	---	---	---

Total Expenditure

-	-	9	4	7	1	1	9	9
---	---	---	---	---	---	---	---	---

+ - Profit / Loss Before Tax

		2	9	4	0	6	9
--	--	---	---	---	---	---	---

+ - Profit / Loss After Tax

		3	0	1	3	4	1
--	--	---	---	---	---	---	---

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

Earning per Share in Rs.

-	-	-	2	2	.	8	7
---	---	---	---	---	---	---	---

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
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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
Sudhir Mehta Director

S. S. Athavale
Partner
Membership No. 83374

Mrs. A. G. Lambore
Asst. Secretary

Place : Pune
Date : 27th June, 2006

Pune 411 035
Date : 27th June, 2006

CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 31ST MARCH,		2006	2005
		Rupees	Rupees
(A) Cash flow from Operating Activities :			
Net Profit before tax and extraordinary items		29,40,68,780	6,65,48,159
Adjustments for :			
Depreciation		42,67,90,015	31,21,10,260
Depreciation for earlier years written back		(79,76,99,458)	—
Unrealised Foreign exchange loss / (gain)		(24,059)	(5,580)
Interest Income on bank deposits & others		(5,80,275)	(1,37,47,548)
Tax on distributed profits for earlier year		—	2,36,350
Dividend / Income from trade investments		(64,45,138)	(42,93,262)
Loss / (Profit) on sale of assets		7,88,269	(17,46,662)
Interest expense		7,51,63,011	1,84,33,755
Provision for bad, doubtful debts and debit balances		14,55,008	19,75,357
Operating Profit before Working Capital Changes		(64,83,847)	37,95,10,829
Decrease/(increase) in Sundry Debtors and Loans & Advances		(31,53,11,063)	44,33,03,601
Increase in Inventories		(28,77,65,803)	(32,80,79,572)
Increase in Sundry Creditors and Other Payables		72,63,98,272	22,69,87,402
Cash generated from operations		11,68,37,559	72,17,22,260
Direct Taxes paid		(1,79,47,256)	(7,48,41,495)
Net Cash flow from Operating Activities	(A)	9,88,90,303	64,68,80,765
(B) Cash flow from investing activities :			
Purchase of fixed assets		(169,55,96,686)	(55,99,28,627)
Proceeds from sale of assets / equipments		9,02,800	33,02,691
Interest received		5,80,275	1,37,47,548
Investments in shares		—	(3,01,765)
Dividend / Income from trade investments received		64,45,138	42,93,262
Net cash used in Investing Activities	(B)	(168,76,68,473)	(53,88,86,891)
(C) Cash flow from financing activities :			
Proceeds of long-term borrowings		135,76,24,000	(6,31,71,000)
Proceeds of short-term borrowings		31,66,22,271	5,37,62,077
Interest paid		(7,10,10,414)	(2,04,70,543)
Dividend paid		—	(9,22,33,834)
Net cash flow from Financing Activities	(C)	160,32,35,857	(12,21,13,300)
Net increase / (Decrease) in Cash and Cash equivalents	(A+B+C)	1,44,57,687	(1,41,19,426)
Cash and Cash equivalents as at 01-04-2005		12,76,75,040	14,17,94,466
Cash and Cash equivalents as at 31-03-2006 (excluding unrealised exchange fluctuation gain)		14,21,32,727	12,76,75,040

As per our separate report of even date attached

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

A. N. Firodia Chairman & Managing Director
Sudhir Mehta Director

S. S. Athavale
Partner
Membership No. 83374

Mrs. A. G. Lambore
Asst. Secretary

Place : Pune
Date : 27th June, 2006

Pune 411 035
Date : 27th June, 2006

**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 Company : Tempo Finance (West) Private Limited
- (2) Holding Company's interest in the Subsidiary at the end of the Financial Year of the Subsidiary, i. e. 31st March, 2006. : 10,40,050 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, 2006 : Rs. 8,38,606/-
(ii) For the previous Financial Year of the Subsidiary Company Rs. 90,51,056/-
- (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 account. : (i) For the Financial Year of the Subsidiary Company ended on 31st March, 2006 : Rs. NIL
(ii) For the previous Financial Year of the Subsidiary Company : Rs. 45,20,000/-

Mrs. A. G. Lambore
Asst. Secretary

A. N. Firodia
Sudhir Mehta

Chairman & Managing Director
Director

Place : Pune
Date : 27th June, 2006

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

We have audited the attached Consolidated Balance Sheet of Force Motors Limited group, as at 31st March, 2006, 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 company 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 company, 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 company as at 31st March, 2006;
- (b) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of Force Motors Limited and its subsidiary company 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 company for the year then ended.

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

Place : Pune
Date : 27th June, 2006

S. S. Athavale
Partner
Membership No. 83374

Consolidated Balance Sheet as at 31st March, 2006

	Schedule	Rupees	As at 31st March, 2006 Rupees	As at 31st March, 2005 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	211,90,92,257		181,69,12,994
			225,08,82,640	194,87,03,377
2. Monthly Interest			55,60,991	5331,152
3. Loan Funds				
(a) Secured Loans	3	207,32,97,195		46,63,10,552
(b) Unsecured Loans	4	17,86,25,000		11,08,41,000
			225,19,22,195	57,71,51,552
		Total	450,83,65,826	253,11,86,081
II APPLICATION OF FUNDS :				
1. Fixed Assets				
(a) Gross Block	5	735,43,58,824		663,57,54,060
(b) Less : Depreciation		506,00,06,103		543,43,00,208
(c) Net Block		229,43,52,721		120,14,53,852
(d) Capital Work-in-progress		85,95,52,655		13,28,06,213
			315,39,05,376	133,42,60,065
2. Investments	6		1,53,03,270	1,53,03,270
3. Deferred Tax Assets			12,06,26,074	6,85,52,186
4. Current Assets, Loans and Advances				
(a) Inventories	7	213,86,30,431		185,17,51,601
(b) Sundry Debtors		106,95,91,906		76,31,18,771
(c) Cash and Bank Balances		16,33,25,354		13,20,86,494
(d) Other Current Assets		13,03,217		14,46,094
(e) Loans and Advances		102,14,70,395		42,32,11,882
		439,43,21,303		317,16,14,842
5. Less : Current Liabilities & Provisions	8			
(a) Liabilities		317,57,90,197		205,85,44,282
		317,57,90,197		205,85,44,282
Net Current Assets			121,85,31,106	111,30,70,560
		Total	450,83,65,826	253,11,86,081

As per our separate report of even date attached

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

A. N. Firodia Chairman & Managing Director
Sudhir Mehta Director

S. S. Athavale
Partner
Membership No. 83374

Mrs. A. G. Lambore
Asst. Secretary

Place : Pune
Date : 27th June, 2006

Pune 411 035
Date : 27th June, 2006

Consolidated Profit & Loss Account
for the year ended 31st March, 2006

	Schedule	Rupees	For the year ended 31st March, 2006 Rupees	For the year ended 31st March, 2005 Rupees
INCOME				
Sales including Excise Duty		1087,01,61,150		999,84,97,333
Less : Excise duty		153,08,10,665		143,51,76,242
Net Sales		933,93,50,485		856,33,21,091
Less : Commission on Sales		12,25,442		21,01,849
			933,81,25,043	856,12,19,242
Income from hire purchase			2,34,525	4,59,825
Other Income	9		42,86,30,439	39,46,82,235
			976,69,90,007	895,63,61,302
EXPENDITURE				
Materials	10	702,67,89,557		622,32,04,747
Other Expenses	11	300,65,64,017		246,24,38,109
Depreciation		42,67,90,015		31,21,10,260
		1046,01,43,589		899,77,53,116
Less : Expenditure included in above items, capitalised.		19,11,49,207		10,97,67,240
			1026,89,94,382	888,79,85,876
PROFIT FOR THE YEAR			(50,20,04,375)	6,83,75,426
Depreciation in respect of earlier years written back (Refer Note No. 9)			79,76,99,458	—
Less : Provision for Taxation - Current Tax		2,85,60,000		69,75,000
- Fringe Benefit Tax		1,70,00,000		—
- Deferred Tax		(5,20,73,888)		3,33,23,369
[Current tax include Rs. 41,75,000/- (Rs. 15,55,000/-) for Wealth Tax]			(65,13,888)	4,02,98,369
Add : Taxation provision in respect of earlier year			2,00,131	2,85,101
PROFIT AFTER TAX			30,24,09,102	2,83,62,158
Add : Balance of Profit as per last account			56,06,45,621	53,25,78,463
Amount available for appropriation			86,30,54,723	56,09,40,621
Appropriations				
Transfer to General Reserve II			2,70,000	2,95,000
Balance carried forward			86,27,84,723	56,06,45,621
Profit for the year attributable to Minority Interest			2,43,160	2,66,056
Balance Net Profit			30,21,65,942	2,80,96,102
Basic and Diluted Earnings per share (Rs.) (Nominal value per share Rs. 10/-)			22.93	2.13

As per our separate report of even date attached

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

A. N. Firodia Chairman & Managing Director
Sudhir Mehta Director

S. S. Athavale
Partner
Membership No. 83374

Mrs. A. G. Lambore
Asst. Secretary

Place : Pune
Date : 27th June, 2006

Pune 411 035
Date : 27th June, 2006

Schedules forming part of the Balance Sheet

SCHEDULE 1 : SHARE CAPITAL

	As at 31st March, 2006 Rupees	As at 31st March, 2005 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
	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, 2006 Rupees	As at 31st March, 2005 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	79,249		79,249
		66,17,39,061	66,17,39,061
4. General Reserve II :			
As per last account	24,52,500		21,57,500
Add : Transfer from Profit and Loss Account	2,70,000		2,95,000
	27,22,500		24,52,500
Less : Minority Interest	5,85,652		5,27,571
		21,36,848	19,24,929
5. Balance as per Profit and Loss Account	86,27,84,723		56,06,45,621
Less : Minority Interest	20,45,590		18,73,832
		86,07,39,133	55,87,71,789
	Total	211,90,92,257	181,69,12,994

SCHEDULE 3 : SECURED LOANS

	Rupees	As at 31st March, 2006 Rupees	As at 31st March, 2005 Rupees
1. Loans & Advances from Banks on Cash Credit Accounts		77,64,03,908	46,63,10,552
2. Term Loan from Banks	123,00,00,000		—
Interest accrued and due on above	39,48,389		—
[Due in next 12 months Rs. 39,48,389/- (Rs. Nil)]		123,39,48,389	—
3. Buyers' Credit from State Bank of India		6,29,44,898	—
[Due in next 12 months Rs. 6,29,44,898/- (Rs. Nil)]			
	Total	207,32,97,195	46,63,10,552

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, 2006 Rupees	As at 31st March, 2005 Rupees
1. Fixed Deposits	17,86,25,000	11,08,41,000
[Due in next 12 months Rs. 1,92,27,000/- (Rs. 7,90,67,000/-)]		
Total	<u>17,86,25,000</u>	<u>11,08,41,000</u>

SCHEDULE 5 : FIXED ASSETS

	As at 31st March, 2006 Rupees	As at 31st March, 2005 Rupees
1. Net Fixed Assets, as per Annexure	229,43,52,721	120,14,53,852
2. Capital Work-in-progress :		
(i) Buildings under construction	29,17,26,282	58,11,797
(ii) Machinery under installation / in transit	29,70,06,548	5,64,29,303
(iii) Other Assets	27,08,19,825	7,05,65,113
	<u>85,95,52,655</u>	<u>13,28,06,213</u>
Total	<u>315,39,05,376</u>	<u>133,42,60,065</u>

SCHEDULE 6 : INVESTMENTS (Long Term)

	As at 31st March, 2006 Rupees	As at 31st March, 2005 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 (4,69,500) 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 31-03-2006		As on 31-03-2005	
	Cost Rupees	Market Value Rupees	Cost Rupees	Market Value Rupees
Quoted	1,51,03,020	28,91,71,220	1,51,03,020	22,24,26,875
Unquoted	2,00,250	—	2,00,250	—

SCHEDULE 7 : CURRENT ASSETS, LOANS AND ADVANCES

	Rupees	As at 31st March, 2006 Rupees	As at 31st March, 2005 Rupees
A. CURRENT ASSETS :			
1. Inventories :			
(i) Stores and Spares	12,92,72,012		6,86,65,896
(ii) Finished Goods	60,65,29,037		50,45,72,550
(iii) Excise Duty on Inventory of Finished Goods	10,29,51,349		8,58,98,542
(iv) Work-in-progress	38,64,96,534		26,75,88,583
(v) Raw Materials and Components, including Rs. 6,54,60,630/- (Rs. 33,24,555/-) in transit	91,31,37,425		92,38,94,983
	<u>213,83,86,357</u>		<u>185,06,20,554</u>
(vi) Stock on hire	3,02,168		14,23,666
Less : Stock Reserve	58,094		2,92,619
	<u>2,44,074</u>		<u>11,31,047</u>
		213,86,30,431	185,17,51,601
2. Sundry Debtors :			
Unsecured			
(i) Debts outstanding for a period exceeding six months :			
— Considered Good	1,50,10,911		53,96,403
— Considered Doubtful	3,89,75,132		3,97,55,521
	<u>5,39,86,043</u>		<u>4,51,51,924</u>
(ii) Other Debts	105,48,25,708		75,79,60,878
	<u>110,88,11,751</u>		<u>80,31,12,802</u>
Less : Provision for Doubtful Debts	3,92,19,845		3,99,94,031
		106,95,91,906	76,31,18,771
3. Cash and Bank Balances :			
(i) Cash balance and cheques on hand	12,75,29,329		10,52,94,303
(ii) Balance with scheduled banks in current accounts	1,56,43,892		71,10,250
(iii) Balance with scheduled banks in deposit accounts	2,01,46,450		1,96,73,830
(iv) Balance with Rajgurunagar Sahakari Bank Ltd., Rajgurunagar, Dist. Pune, in current account [Maximum balance Rs. 5,683/- (Rs. 8,111/-)]	5,683		8,111
		16,33,25,354	13,20,86,494
4. Other Current Assets :			
(i) Interest accrued on deposits	13,03,217		10,46,094
(ii) Other Charges receivable	2,89,687		6,89,687
	<u>15,92,904</u>		<u>17,35,781</u>
Less : Provision for bad and doubtful debts	2,89,687		2,89,687
		13,03,217	14,46,094
B. LOANS AND ADVANCES :			
Unsecured, Considered good			
1. Advances recoverable in cash or in kind or for value to be received	13,61,65,826		12,20,11,907
2. Sundry Advances	58,10,674		51,55,447
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]	7,70,11,657		8,41,06,507
4. Advances against capital expenditure	75,74,44,226		12,53,36,915
5. Inter Corporate Deposits	25,00,000		1,75,00,000
6. Advance payment of Tax (Net of provision) [Contra Refer Schedule 8 item (B)-6]	4,25,38,012		6,91,01,106
		102,14,70,395	42,32,11,882
	Total	439,43,21,303	317,16,14,842

SCHEDULE 8 : CURRENT LIABILITIES AND PROVISIONS

	Rupees	As at 31st March, 2006 Rupees	As at 31st March, 2005 Rupees
(A) CURRENT LIABILITIES :			
1. Sundry Creditors			
(i) Small Scale Industrial Undertakings	6,14,56,859		5,75,30,203
(ii) Others	279,14,45,882		182,64,71,229
	<u>285,29,02,741</u>		188,40,01,432
2. Advances and Deposits against orders	11,01,63,145		6,84,03,265
3. Unclaimed Dividend	12,88,771		15,37,449
4. Interest accrued but not due on loans, advances and deposits	75,74,681		73,70,473
5. Other Liabilities	<u>20,38,60,859</u>		9,72,31,663
		317,57,90,197	205,85,44,282
(B) PROVISIONS :			
6. Provision for Taxation :			
Taxation provision for the earlier years	18,35,86,305		20,50,13,405
Taxation provision for the year	4,55,60,000		69,75,000
	<u>22,91,46,305</u>		21,19,88,405
Less : Advance payment of tax	<u>27,16,84,317</u>		28,10,89,511
[Contra Refer Schedule 7 item B-6]	(4,25,38,012)		(6,91,01,106)
		<u>317,57,90,197</u>	205,85,44,282
	Total	<u>317,57,90,197</u>	205,85,44,282

Schedules forming part of the Profit & Loss Account

SCHEDULE 9 : OTHER INCOME

Rupees	For the year ended 31st March, 2006 Rupees	For the year ended 31st March, 2005 Rupees
Machining and Processing charges	11,37,711	10,66,011
Miscellaneous receipts :		
Refunds	16,53,787	38,17,118
Other receipts	38,60,55,924	32,53,01,599
	<u>38,77,09,711</u>	<u>32,91,18,717</u>
Interest :		
On Short Term Deposits with Banks	9,17,766	1,38,54,469
Others	2,49,99,503	1,37,77,959
[Income-tax deducted at source Rs. 6,56,519/- (Rs. 27,35,477/-)]	<u>2,59,17,269</u>	<u>2,76,32,428</u>
Income from Investments [Including Rs. 58,68,750/- (Rs. 37,80,000/-) on Trade Investments]	64,45,138	42,93,262
Excess provision in previous year written back	72,00,790	3,08,07,295
Profit on sale of Assets	2,19,820	17,64,522
	<u>Total</u>	<u>39,46,82,235</u>

SCHEDULE 10 : MATERIALS

	For the year ended 31st March, 2006 Rupees	For the year ended 31st March, 2005 Rupees
Raw material and Components consumed	641,50,86,636	566,39,96,771
Stores consumed	50,37,62,805	41,33,61,319
Spare parts consumed	13,28,68,077	11,96,69,727
Fabrication and processing charges	13,16,66,831	10,75,92,620
Freight, octroi, entry tax etc.	6,42,69,646	4,76,55,464
Increase (-) / Decrease (+) in Stock-in-Trade	(22,08,64,438)	(12,90,71,154)
	<u>Total</u>	<u>622,32,04,747</u>

SCHEDULE 11 : OTHER EXPENSES

	Rupees	For the year ended 31st March, 2006 Rupees	For the year ended 31st March, 2005 Rupees
Power and Fuel		18,20,50,547	17,38,14,232
Repairs :			
Buildings	2,05,37,288		1,98,17,525
Machinery	6,07,53,972		6,36,87,569
Others	1,48,56,547		1,49,00,314
		9,61,47,807	9,84,05,408
Warranty Claims and Service charges		4,55,76,678	5,09,67,736
Publicity and Sales promotion		59,29,91,666	52,46,53,808
Salaries, Wages, Bonus, Leave encashment etc.		97,04,95,802	83,52,20,038
Contribution to Provident Fund and other Funds & Schemes		26,17,96,557	9,31,62,474
Staff and Labour Welfare Expenses		4,96,82,611	4,71,05,959
Insurance		3,30,79,174	3,41,51,081
Rent		61,35,364	57,18,926
Rates, Taxes and duties		13,53,55,130	9,49,00,496
Forwarding charges		14,59,94,575	12,44,29,504
Miscellaneous Expenses		31,32,99,653	27,51,21,487
Prior year expenses		40,00,936	1,29,36,003
Guarantee Commission to Banks and Finance Brokerage		29,71,046	2,45,680
Audit Fees, Legal and Professional charges		8,85,50,988	6,52,50,963
Directors' Fees		8,00,000	6,65,000
Interest :			
On Fixed Loans	1,74,92,466		1,48,49,602
On Bank and Other accounts	5,76,70,717		35,87,678
		7,51,63,183	1,84,37,280
Loss on sale of Assets		10,08,089	17,860
Provision for Doubtful Debts		14,61,211	19,75,357
Donations		3,000	52,58,817
		Total	
		300,65,64,017	246,24,38,109

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	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
GROSS BLOCK													
Cost as at 31st March, 2005	64,87,53,667	2,24,38,495	43,76,215	54,03,88,529	400,33,95,844	98,71,93,212	10,00,30,063	4,85,37,412	1,29,42,408	18,28,91,991	8,48,06,224	663,57,54,060	627,32,18,906
Additions	6,89,92,668	—	—	2,62,44,413	20,94,11,780	15,17,40,640	15,72,782	68,90,119	16,87,285	2,41,50,807	23,29,89,999	72,36,80,493	37,19,83,138
Deductions	—	—	—	—	1,36,961	—	—	59,698	—	48,79,070	—	50,75,729	94,47,984
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
DEPRECIATION													
Up to 31st March, 2005	18,48,23,516	—	7,06,273	18,73,80,470	343,80,67,806	61,66,27,640	5,36,98,192	2,60,98,932	64,29,506	8,04,51,228	4,23,17,185	463,66,00,748	513,00,81,902
This Year	8,17,42,541	—	44,528	1,75,92,012	20,81,90,679	8,80,68,037	45,26,116	37,10,900	6,74,474	1,53,11,048	69,29,680	42,67,90,015	31,21,10,260
Deductions	—	—	—	—	47,211	—	—	30,628	—	33,06,821	—	33,84,660	78,91,954
Depreciation as at 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	543,43,00,208
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	120,14,53,852
Net Block as at 31st March, 2005	46,39,30,151	2,24,38,495	36,69,942	35,30,08,059	56,53,28,038	37,05,65,572	4,63,31,871	2,24,38,480	65,12,902	10,24,40,763	4,24,89,039	199,91,53,312	114,31,37,004

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.

@ Previous years figures are based on WDV method of Depreciation.

\$ 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
Sudhir Mehta
Chairman & Managing Director
Director

Place : Pune
Date : 27th June, 2006

Pune 411 035
Date : 27th June, 2006

Notes forming part of the Consolidated Accounts for the Year Ended 31st March, 2006.
1. Accounting Policies :
A. Depreciation :
(a) Tangible Assets :

The Group has changed the method of providing Depreciation on Fixed Assets from written down value method to straight line method retrospectively from the date of its put to use. 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.

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. Gratuity:

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.

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.

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, 2006 and not provided for.	Rupees	Rupees
	54,59,44,726	(47,37,99,674)
3. Payment to Auditors: (Net of service tax)	Rupees	Rupees
(a) As Auditors	7,59,000	(7,56,000)
(b) For Tax Audit	25,000	(25,000)
(c) For Certificates	1,36,500	(1,40,278)
(d) For Expenses and others	16,422	(15,806)
(e) Provident Fund Audit Fees	10,000	(10,000)
4. Contingent Liability in respect of :	Rupees	Rupees
(a) Taxes and Duties	12,26,46,130	(11,99,60,199)
(b) Others	13,53,06,614	(11,98,35,124)

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 1-4-2005 Rs.	Additional Provisions made during the year Rs.	Paid during the year against Provisions Rs.	Amounts reversed and written back Rs.	Carrying amount of Provisions as at 31-3-2006 Rs.
(a) Warranty	1,92,68,459 (27,10,911)	1,05,93,644 (1,92,68,459)	1,05,09,232 (27,10,911)	17,60,643 (—)	1,75,92,228 (1,92,68,459)
(b) Free Service Coupons	1,07,10,675 (1,55,17,200)	1,14,97,294 (86,00,440)	1,04,54,406 (1,34,06,965)	2,56,269 (—)	1,14,97,294 (1,07,10,675)

6. Details of Intangible Assets are as under :

Class of Intangible Assets	Software Rs.	Technical Know-how acquired on or after 1-4-2003 Rs.	Technical Know-how acquired upto 31-3-2003 Rs.	Technical Know-how internally generated Rs.
(a) Useful life of the asset	5 years	10 years	6 years	6 years
(b) Cost as on 31-3-2005	6,99,39,854	46,90,66,349	8,22,00,834	2,74,97,831
(c) Additions during the year	1,30,73,028	5,59,19,640	—	—
(d) Cost as on 31-3-2006	8,30,12,882	52,49,85,989	8,22,00,834	2,74,97,831
(e) Amortisation upto 31-3-2005	4,44,28,132	7,83,63,781	5,48,01,718	72,29,885
(f) Amortisation during the year	1,10,02,577	5,24,56,927	1,37,00,084	45,82,953
(g) Amortisation upto 31-3-2006	5,54,30,709	13,08,20,708	6,85,01,802	1,18,12,838
(h) Net carrying cost as on 31-3-2006	2,75,82,173	39,41,65,281	1,36,99,032	1,56,84,993
(i) Net carrying cost as on 31-3-2005	2,55,11,722	39,07,02,568	2,73,99,116	2,02,67,946

7. (a) The amount of net exchange differences included in the Profit / Loss for the year is Rs. 54,95,330/- debit **(Rs. 48,59,373/- credit)**
- (b) The amount of net exchange differences adjusted in the carrying amount of Fixed Assets during the year is Rs. 53,42,740/- credit **(Rs. 1,10,24,844/- debit)**.

8. The Group's liabilities and obligations in foreign currency outstanding as at 31st March, 2006, 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	—	—	5,11,365	2,29,39,834
In Euro	12,18,800	6,53,32,555	30,38,057	16,62,72,860
In Japanese Yen	—	—	4,34,12,226	1,66,26,882
In Pound	—	—	10,958	8,58,998

9. The Group has changed the method of providing depreciation on fixed assets from 'written down value method' to 'straight line method'. The depreciation on the fixed assets is now provided on straight line method at the rates mentioned in the Schedule XIV to the Companies Act, 1956. As per the Accounting Standard 6, the change is required to be implemented retrospectively. This change in the accounting policy, which in the opinion of the Board of Directors would result in more appropriate presentation of the financial statements, has resulted in a credit to the Profit & Loss Account for the year of Rs. 79,76,99,458/-, being adjustment of depreciation relating to previous years. The current year's charge for depreciation due to this change is lower by Rs. 3,55,85,331/-. Consequently, the profit before tax and tax expense for the current year are higher by Rs. 83,32,84,789/- and Rs. 31,95,06,577/- respectively and the value of net fixed assets and Reserves & Surplus on 31st March, 2006 are increased by Rs. 83,32,84,789/- and Rs. 51,01,13,212/- respectively.

10. Until the previous Financial Year, the Group charged premium paid to the Life Insurance Corporation of India on Policy to cover gratuity liability as per the Employees Group Gratuity Scheme to the Profit & Loss Account and used to charge the additional amount required, if any, to be paid to the retiring employees, in the year of payment to the employees. As a matter of prudence, the Group has decided to change the said accounting policy and charge the difference between present value of the defined benefit obligation of the gratuity payable to employees as per the above referred scheme, ascertained on actuarial basis, and the fair value of plan asset, being insurance cover referred to above. As per this new accounting policy, a sum of Rs. 15,20,98,100/- has been debited to Profit & Loss Account for the year and deferred tax asset arising out of this charge to Profit & Loss Account is Rs. 5,11,96,220/- is recognised. Accordingly, the net effect on account of this change is Rs. 10,09,01,880/-.

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 | : | Tempo Finance (West) Private Ltd. |
| (b) Key Management Personnel | : | Mr. Abhay Firodia, Chairman & Managing Director |
| (c) Relatives of Key Management Personnel | : | (i) Mrs. Indira Abhay Firodia : Spouse |
| | | (ii) Mr. Prasan Abhay Firodia : Son |
| | | (iii) Mrs. Sunanda Sudhir Mehta : Daughter |
| | | (iv) Mrs. Shribala Sagar Chordia : Daughter |
| | | (v) Mrs. Harsha Gautam Jain : Daughter |
| | | (vi) Mrs. Kamla Bansilal Bhandari : Sister |
| | | (vii) Mrs. Shyamala Sumatikumar Navlakha : Sister |
| (d) Other Related Parties | : | (i) Jaya Hind Industries Ltd. |
| | | (ii) Pinnacle Industries Limited |
| | | (iii) MAN FORCE TRUCKS 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 2005-06	Amount outstanding as on 31-03-2006	
			Receivables	Payables
(a) Key Management Personnel	: Managerial remuneration	31.57	—	—
		(36.33)	(—)	(—)
	: Interest paid on Fixed Deposits	—	—	—
		(1.20)	(—)	(—)
(b) Relatives of Key Management Personnel	: Fixed Deposits Accepted/ Renewed	—	—	—
		(—)	(—)	(25.50)
	: Fixed Deposits Repaid	—	—	—
		(33.25)	(—)	(—)
(b) Relatives of Key Management Personnel	: Interest paid on Fixed Deposits	—	—	—
		(0.99)	(—)	(—)
	: Fixed Deposits Accepted / Renewed	—	—	—
		(—)	(—)	(21.75)
(b) Relatives of Key Management Personnel	: Fixed Deposits Repaid	—	—	—
		(25.60)	(—)	(—)
	: Expenditure on Rent	1.63	—	—
	(1.38)	(—)	(—)	

(c) Other Related Parties	:	Sundry Sales	178.88	22.50	—
			(238.25)	(37.99)	(—)
	:	Processing charges recovered	12.03	3.90	—
			(9.80)	(4.61)	(—)
	:	Purchase of Capital Goods	1079.51	108.16	1.77
			(1.92)	(904.11)	(1.42)
	:	Purchase of Raw Materials, Components & Others	7278.03	—	506.59
			(6741.31)	(73.26)	(—)
	:	Sale of Assets	4.86	—	—
			(8.69)	(8.69)	(—)
	:	Machinery given on Loan	40.28	1.00	—
			(60.49)	(67.77)	(—)
	:	Material given on Loan	1.03	15.06	—
			(2.33)	(14.59)	(—)
	:	Reimbursement of Expenditure	74.75	14.15	—
			(60.91)	(12.05)	(—)
	:	Incorporation expenses and others	1.80	1.80	—
			(—)	(—)	(—)
	:	The services of Information Systems/ Department are shared with one of the related parties	Not quantified		(—)

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

(A) Holding Company :

Nature of timing difference	As at 31st March, 2006	As at 31st March, 2005
(i) Difference between accounting and tax depreciation (cumulative)	(26,69,10,498)	2,84,35,275
(ii) Liability for gratuity	5,11,96,220	—
(iii) Others	33,61,60,473	3,99,39,120
Total	<u>12,04,46,195</u>	<u>6,83,74,395</u>

(B) Subsidiary Company :

Nature of timing difference	As at 31st March, 2006	As at 31st March, 2005
Provision for doubtful debts	1,79,879	1,77,791
Total	<u>1,79,879</u>	<u>1,77,791</u>

13. Earnings per Share :

Values used in calculating Earnings Per Share :	31-03-2006	31-03-2005
(a) Numerator :		
Profit / (Loss) after tax (Rs.)	30,21,65,942	2,80,96,102
(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

14. In pursuance of letter of intent with MAN Nutzfahrzeuge Aktiengesellschaft, Germany (MAN), dated 9th November, 2005 the Group has entered into joint venture agreement dated 30th April, 2006 for manufacture of Heavy Commercial Vehicles with MAN under which the assets and liabilities of HCV Project which are under compilation, will be assigned at book value to MAN FORCE TRUCKS Private Limited, incorporated on 8th March, 2006.

15. 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 is :

Name of the Group	Registered Office	% of voting power held by holding company as at 31st March, 2006
Tempo Finance (West) Pvt. Ltd.	Mumbai-Pune Road, Akurdi, Pune - 411 035.	78.49

16. 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
Sudhir Mehta Director

S. S. Athavale
Partner
Membership No. 83374

Mrs. A. G. Lambore
Asst. Secretary

Place : Pune
Date : 27th June, 2006

Pune 411 035
Date : 27th June, 2006

CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 31ST MARCH,		2006 Rupees	2005 Rupees
(A) Cash flow from Operating Activities :			
Net Profit before tax and extraordinary items		29,56,95,083	6,83,75,426
Adjustments for :			
Depreciation		42,67,90,015	31,21,10,260
Depreciation for earlier years written back		(79,76,99,458)	—
Unrealised Foreign exchange loss / (gain)		(24,059)	(5,580)
Interest Income on bank deposits & others		(5,80,275)	(1,37,47,548)
Tax on distributed profits for earlier year		—	2,36,350
Dividend / Income from trade investments		(64,45,138)	(42,93,262)
Profit on sale of assets		7,88,269	(17,46,662)
Interest expense		7,51,63,011	1,84,25,154
Provision for bad, doubtful debts and debit balances		14,61,211	19,59,221
Operating Profit before Working Capital Changes		(48,51,341)	38,13,13,359
Decrease/(increase) in Sundry Debtors and Loans & Advances		(31,52,42,453)	44,30,39,516
Increase in Inventories		(28,68,78,830)	(32,64,56,537)
Increase in Sundry Creditors and Other Payables		72,64,12,116	22,69,93,602
Cash generated from operations		11,94,39,492	72,48,89,940
Direct Taxes paid		(1,85,27,299)	(7,54,43,803)
Net Cash flow from Operating Activities	(A)	10,09,12,193	64,94,46,137
(B) Cash flow from investing activities :			
Purchase of fixed assets		(169,55,96,686)	(55,99,28,627)
Proceeds from sale of assets / equipments		9,02,800	33,02,691
Interest received		5,80,275	1,37,47,548
Dividend / Income from trade investments received		64,45,138	42,93,262
Investment in Shares		—	(3,01,765)
Net cash used in Investing Activities	(B)	(168,76,68,473)	(53,88,86,891)
(C) Cash flow from financing activities :			
Proceeds of long-term borrowings		135,76,24,000	(6,31,71,000)
Proceeds of short-term borrowings		31,66,22,271	5,37,62,077
Proceeds from maturity of intercorporate Deposit		1,50,00,000	—
Interest paid		(7,10,10,414)	(2,04,70,543)
Dividend paid		—	(9,22,33,834)
Net cash flow from Financing Activities	(C)	161,82,35,857	(12,21,13,300)
Net increase / (Decrease) in Cash and Cash equivalents	(A+B+C)	3,14,79,577	(1,15,54,054)
Cash and Cash equivalents as at 01-04-2005		13,25,86,978	14,41,41,032
Cash and Cash equivalents as at 31-03-2006 (excluding unrealised exchange fluctuation gain)		16,40,66,555	13,25,86,978

As per our separate report of even date attached

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

A. N. Firodia Chairman & Managing Director
Sudhir Mehta Director

S. S. Athavale
Partner
Membership No. 83374

Mrs. A. G. Lambore
Asst. Secretary

Place : Pune
Date : 27th June, 2006

Pune 411 035
Date : 27th June, 2006

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 Fifteenth Annual Report together with the audited accounts for the Financial Year ended on 31st March, 2006.

(I) Financial Results :

Particulars	For the year	For the year
	ended	ended
	31st March, 2006	31st March, 2005
	Rupees	Rupees
Income from Hire		
Purchase	2,34,525	4,59,825
Other Income	14,87,729	14,15,015
Expenditure	95,951	47,573
Provision for Taxation	5,57,858	7,02,589
Profit for the year	10,68,445	11,74,880
Profit carried forward	95,09,251	87,10,806

(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. Ajay Chordia, Director of the Company, retires by rotation and being eligible, offers himself for re-appointment.

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

(IV) Fixed Deposits :

As require 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, 2006.

(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 : 24th June, 2006

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, 2006 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 (Auditors 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, to the extent applicable.
- (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, 2006 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2006 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, 2006; 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 : 24th June, 2006

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, Customs-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, Customs-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 : 24th June, 2006

S. S. Athavale
Partner

Membership No. 83374

Tempo Finance (West) Private Limited

Balance Sheet as at 31st March, 2006

	Schedule	As at 31st March, 2006 Rupees	As at 31st March, 2005 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	1,26,00,154	1,15,31,709
		<hr/>	<hr/>
	Total	2,58,51,154	2,47,82,709
		<hr/>	<hr/>
II APPLICATION OF FUNDS :			
1. Current Assets, Loans and Advances	3	2,76,01,756	2,66,23,655
2. Less : Current Liabilities & Provisions	4	19,30,481	20,18,737
		<hr/>	<hr/>
Net Current Assets		2,56,71,275	2,46,04,918
		<hr/>	<hr/>
3. Deferred Tax Assets		1,79,879	1,77,791
		<hr/>	<hr/>
	Total	2,58,51,154	2,47,82,709
		<hr/>	<hr/>

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 : 24th June, 2006

K. C. Khinvasara
Abhay Munot } Directors

Pune 411 035
Date : 24th June, 2006

Tempo Finance (West) Private Limited

Schedules forming part of the Balance Sheet

SCHEDULE 1 : SHARE CAPITAL

	As at 31st March, 2006 Rupees	As at 31st March, 2005 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 10,10,000 (10,10,000) Equity shares of Rs. 10/- each are held by Force Motors Limited, holding Company)	1,32,51,000	1,32,51,000
Total	1,32,51,000	1,32,51,000

SCHEDULE 2 : RESERVES & SURPLUS

	Rupees	As at 31st March, 2006 Rupees	As at 31st March, 2005 Rupees
1. General Reserve :			
As per last account		3,68,403	3,68,403
2. General Reserve (II) :			
As per last account	24,52,500		21,57,500
Add : Transfer from Profit and Loss Account	2,70,000		2,95,000
	27,22,500		24,52,500
3. Balance of Profit as per Profit & Loss Account			
		95,09,251	87,10,806
Total	1,26,00,154	1,15,31,709	

Tempo Finance (West) Private Limited

SCHEDULE 3 : CURRENT ASSETS, LOANS AND ADVANCES

	Rupees	As at 31st March, 2006 Rupees	As at 31st March, 2005 Rupees
A. CURRENT ASSETS :			
1. Stock on Hire	3,02,168		14,23,666
Less : Stock Reserve	58,094		2,92,619
		2,44,074	11,31,047
2. Sundry Debtors :			
Unsecured, Considered good			
(i) Debts outstanding for a period exceeding six months	72,179		1,36,355
(ii) Other Debts	9,78,376		5,67,169
	10,50,555		7,03,524
Less : Provision for Bad and Doubtful Debts (for doubtful & loss assets)	2,44,713		2,38,510
		8,05,842	4,65,014
3. Cash and Bank Balances :			
(i) Cash balance and cheques on hand	85		85
(ii) Balance with scheduled banks in current accounts	19,26,924		8,95,138
(iii) Balance with scheduled banks in deposit accounts	2,00,06,819		40,16,715
		2,19,33,828	49,11,938
4. Other Current Assets :			
(i) Interest accrued but not due	2,55,678		2,71,319
(ii) Other charges receivable	2,89,687		6,89,687
	5,45,365		9,61,006
Less : Provision for Bad and Doubtful receivables (for doubtful & loss assets)	2,89,687		2,89,687
		2,55,678	6,71,319
B. LOANS AND ADVANCES :			
1. Advance payment of Taxes	18,62,334		19,44,337
2. Inter Corporate Deposit	25,00,000		1,75,00,000
		43,62,334	1,94,44,337
	Total	2,76,01,756	2,66,23,655

SCHEDULE 4 : CURRENT LIABILITIES AND PROVISIONS

	Rupees	As at 31st March, 2006 Rupees	As at 31st March, 2005 Rupees
A. CURRENT LIABILITIES :			
1. Sundry Creditors	1,19,106		1,02,086
2. Other Liabilities	16,375		19,551
		1,35,481	1,21,637
B. PROVISIONS :			
Provision for Taxation		17,95,000	18,97,100
	Total	19,30,481	20,18,737

Tempo Finance (West) Private Limited

Schedules forming part of the Profit & Loss Account

SCHEDULE 5 : EXPENDITURE

	For the year ended 31st March, 2006 Rupees	For the year ended 31st March, 2005 Rupees
1. Bank Charges	3,884	3,609
2. Stamp Duty, Filing Fees & Legal Expenses	51,590	12,055
3. Payment to Auditors - as audit fees	10,102	6,612
4. Guarantee Commission	—	19,272
5. Rates & Taxes	2,500	2,500
6. Miscellaneous expenses	21,500	—
7. Interest paid	172	3,525
8. Provision for doubtful debts	6,203	—
Total	<u>95,951</u>	<u>47,573</u>

NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2006.

(1) Accounting Policies :

- The Company has followed Equated balance method for the implicit rate for accounting the Income from Hire Purchase.
- 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 2002-2003.

(4) The Company's Sales Tax assessments have been completed upto the accounting year 2002-2003.

(5) Breakup of deferred tax assets :

Nature	As at 31.03.2006	As at 31.03.2005
Provision for Doubtful debts	Rs. 1,79,879/-	Rs. 1,77,791/-

(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 : 24th June, 2006

K. C. Khinvasara
Abhay Munot } Directors

Pune 411 035
Date : 24th June, 2006

Tempo Finance (West) Private Limited

PART - IV

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I Registration Details

Registration No.

	6	2	1	7	9
--	---	---	---	---	---

State Code

1	1
---	---

 (Refer Code List 1)

Balance Sheet Date

3	1	-	0	3	-	2	0	0	6
---	---	---	---	---	---	---	---	---	---

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

Public Issue

		N	I	L			
--	--	---	---	---	--	--	--

Rights Issue

		N	I	L			
--	--	---	---	---	--	--	--

Bonus Issue

		N	I	L			
--	--	---	---	---	--	--	--

Private Placement

		N	I	L			
--	--	---	---	---	--	--	--

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

Total Liabilities

-	-	-	-	-	1	9	3	0
---	---	---	---	---	---	---	---	---

Total Assets

-	-	-	-	2	7	7	8	2
---	---	---	---	---	---	---	---	---

Sources of Funds :

Paid-up Capital

-	-	-	-	1	3	2	5	1
---	---	---	---	---	---	---	---	---

Reserves & Surplus

-	-	-	-	1	2	6	0	0
---	---	---	---	---	---	---	---	---

Secured Loan

		N	I	L			
--	--	---	---	---	--	--	--

Unsecured Loan

		N	I	L			
--	--	---	---	---	--	--	--

Application of Funds :

Net Fixed Assets

	N	I	L				
--	---	---	---	--	--	--	--

Investments

	N	I	L				
--	---	---	---	--	--	--	--

Net Current Assets

-	-	-	-	2	5	6	7	1
---	---	---	---	---	---	---	---	---

Misc. Expenditure

	N	I	L				
--	---	---	---	--	--	--	--

Accumulated Losses

	N	I	L				
--	---	---	---	--	--	--	--

Deferred Tax Asset

-	-	-	-	-	-	1	8	0
---	---	---	---	---	---	---	---	---

IV Performance of Company (Amount in Rs. Thousands)

Turnover

-	-	-	-	-	1	7	2	2
---	---	---	---	---	---	---	---	---

Total Expenditure

-	-	-	-	-	-	-	9	6
---	---	---	---	---	---	---	---	---

+ - Profit / Loss Before Tax

		-	-	1	6	2	6
--	--	---	---	---	---	---	---

+ - Profit / Loss After Tax

		-	-	1	0	6	8
--	--	---	---	---	---	---	---

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

Earning per Share in Rs.

-	-	-	-	0	.	8	1
---	---	---	---	---	---	---	---

Dividend rate %

-	-	-
---	---	---

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 : 24th June, 2006

K. C. Khinvasara
Abhay Munot } Directors

Pune 411 035
Date : 24th June, 2006

'The information furnished above is certified by Force Motors Limited to be true, fair and accurate (except in respect of errors in or omissions from documents filed electronically that result solely from electronic transmission errors beyond our control and in respect of which we take corrective action as soon as it is reasonably practicable after becoming aware of the error or the omission). SEBI, the Stock Exchanges or the NIC do not take any responsibility for the accuracy, validity, consistency and integrity of the data entered and updated by it.'

Name of the Compliance Officer : Mrs. Aparna G. Lambore
Designation : Assistant Company Secretary
Name of the Company : Force Motors Limited