

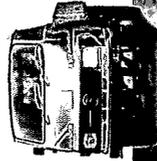


FORCE
MOTORS

50th Annual Report 2008 - 2009



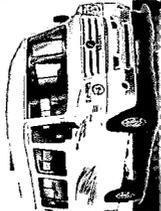
1958



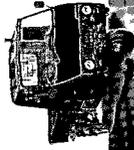
1971



1987



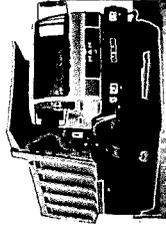
1997



1999



1998



2007



Traveller Sleek - Luxury Redefined.



Trump - The Ultimate Mini-Truck

BOARD OF DIRECTORS*

Mr. Abhay Firodia, Chairman & Managing Director

Mr. S. N. Inamdar

Mr. Bharat V. Patel

Mr. Pratap Pawar

Mrs. Anita Ramachandran

Mr. S. Padmanabhan

Mr. L. Lakshman

Mr. Sudhir Mehta

Mr. Vinay Kothari

Mr. Prasan Firodia

Mr. S. A. Gundecha

Mr. R. B. Bhandari

(* w.e.f. 27th June, 2009)

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 - 454 775.

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NOTICE

Notice is hereby given that the 50th Annual General Meeting of the Members of Force Motors Limited will be held on **Saturday, the 26th day of September, 2009 at 11.30 a.m.**, at the Registered Office of the Company at Bombay Pune Road, Akurdi, Pune – 411 035 to transact the following ordinary business:-

- 1) To consider and adopt Audited Balance Sheet and Profit & Loss Account for the year ended on 31st March, 2009 together with the Directors' Report and Auditor's Report thereon.
- 2) To appoint a Director in place of Mr. Pratap Pawar, who retires by rotation and being eligible offers himself for reappointment.
- 3) To appoint a Director in place of Mr. S. Padmanabhan, who retires by rotation and being eligible offers himself for reappointment.
- 4) To appoint a Director in place of Mr. Bharat V. Patel, who retires by rotation and being eligible offers himself for reappointment.
- 5) To appoint a Director in place of Mr. Vinay Kothari, who retires by rotation and being eligible offers himself for reappointment.
- 6) To appoint Auditors and to fix their remuneration.

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

Pune - 411 035
27th July, 2009

RUCHI AGARWAL
Asst. Co. Secretary

NOTES

- 1) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE SAID MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
- 2) The Register of Members and Share Transfer Books of the Company will be closed from Thursday, the 24th day of September, 2009 to Saturday, the 26th day of September, 2009 (both days inclusive).
- 3) The requisite information about the Directors retiring by rotation is included in the Report on Corporate Governance.
- 4) **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.**
- 5) Equity shares of the Company are listed on Pune Stock Exchange Limited, Shivleela Chambers, 752, Sadashiv Peth, R.B. Kumthekar Marg, Pune - 411 030 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.
- 6) 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
27th July, 2009

RUCHI AGARWAL
Asst. Co. Secretary

DIRECTORS' REPORT

To

The Members,

The Directors present the 50th Annual Report, together with the audited accounts for the financial year ended on 31st March, 2009.

1. Financial Results

| | 2008-09 Rs. | 2007-08 Rs. |
|--|----------------|-----------------------|
| Gross Sales | 865,28,30,698 | 1067,23,68,873 |
| Other Income | 366,93,53,355 | 65,43,65,577 |
| Gross Profit/(Loss) | 231,93,99,520 | (41,66,71,931) |
| Depreciation | 41,82,56,236 | 39,01,57,145 |
| Provision for Taxes (net) | 65,55,13,246 | 2,96,88,758 |
| Profit / (Loss) After Tax Adjustments | 124,56,30,038 | (83,65,17,834) |
| Balance in Profit & Loss Account Carried Forward | 88,74,69,082 | (35,81,60,956) |

2. During the year under report Company transferred part of its shareholding in the subsidiary company MAN FORCE TRUCKS Private Limited to MAN Nutzfahrzeuge AG, the collaborator, and received consideration of Rs. 309.47 crores. This aspect is also dealt with in the Management Discussion & Analysis attached hereto. The Company also disinvested its holding in ZF Steering Gear (India) Limited. The exceptional item, representing capital gain on sale of investments, resulted in profit, of Rs. 306.30 crores. After adjusting the operational losses, the post tax profits of the Company, stood at Rs. 124.56 crores for the year under report. Considering the nature of this receipt and prevalent market situation the Board of Directors decided to preserve the resources of the Company and have not approved / recommended payment of commission to Directors, including the Working Director, or payment of dividend.

3. Name Change

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

4. Market Situation

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

5. Exports

The export turnover for the year under report was Rs. 30.08 crores against the previous year's export of Rs. 38.59 crores.

6. Research & Development

The Company has completed the Development project for the new small commercial vehicle the 'TRUMP'. At the time of this report the pre-production lot of vehicles has been marketed.

Substantial all round upgradation of the M4 platform has been achieved.

Two completely new versions of 'Bullet Proof - Armoured Vehicles', on the Trax platform, were developed during the previous year.

The Company fully supported and executed the development of a 'Cost Optimised' range of Heavy Commercial Vehicles for the joint venture MAN FORCE TRUCKS Private Limited.

The expenditure on Research, Development, Projects and Tool Engineering was 2.73 per cent of the operational turnover.

7. Foreign Collaborations

The technology sourced from Daimler A.G. for the common rail engine and matching gearbox, has been fully absorbed.

The Company was approached by ZF Friedrichshafen AG (ZF) with a request to return the licence for gearboxes E-21 (9S 1110) and 6S 850 as they propose to produce and supply these from their own facility in India. The Company has entered into an MOU with ZF, whereby the technology for the E-21 will be returned. The parties are in discussion about a detailed agreement in this regard, under the terms of which the Company will be compensated for the development activity it has undertaken to successfully localize the gearbox. The technology for the 6-speed 6S 850 gearbox will be retained by the Company, and the Company will continue to produce this transmission.

8. Industrial Relations

The unfortunate inter-union rivalry at the Akurdi - Pune plant, which has caused protracted disturbance in the employee - employer relationship, continues. The litigation is on. The Hon'ble High Court of Judicature at Bombay approved the petition of the Company. The litigant union has filed a petition in the Hon'ble Supreme Court of India. The matter is subjudice.

Industrial Relations at the Pithampur plant continue to be cordial and constructive.

9. 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.

10. Environment and Conservation of Energy

Several initiatives for conservation of energy and preservation of the environment have been undertaken.

- (a) Improvements to the organization and management of the compressed air system of the Company, has resulted in significant savings in energy.
- (b) Enhanced use of well water, both at Akurdi Pune and Pithampur plants, has enabled the Company to reduce the water consumption from the public system by upto 20 per cent, and to improve the supply of water to the Company's gardens and tree plantation areas - supporting the greening of the Company's estates. For water harvesting, civil structures have been created to improve well water levels.
- (c) Significant changes in air conditioning systems at various locations in the plants, has enabled power saving upto 75 per cent, at various locations.
- (d) Increased use of natural light, by installing transparent sheets in the factory sheds, has improved the lighting internally and resulted in cost saving.

Approximately half a million kilowatt hour units are expected to be conserved by these efforts.

11. Fixed Deposits

113 deposits amounting to Rs.21,57,000 matured for repayment on or before 31st March, 2009 but remained unclaimed on that date. Out of these, 55 deposits amounting to Rs. 9,52,000 have since been repaid/renewed.

12. Orders for Machinery

Since the close of the Accounting Year the Company has placed orders for new machinery, equipment and other capital assets of value of Rs. 1.08 crores.

13. Directors

Mr. S. S. Marathe, Director of the Company passed away on 28th September 2008. Mr. Marathe was associated with the Company as a Director since 1988. A Rare person, he was a freedom fighter and an eminent Bureaucrat, besides being a Renowned Economist. He was Secretary to the Government of India, Ministry of Industry and also was on the Board of Directors of the Reserve Bank of India. His deep knowledge of the Indian Economy and of the Government was most beneficial to the deliberations of the Board. The Company was privileged to have the benefit of the mature advice of Mr. Marathe and his

rich contribution in strategy formation for about quarter of a century.

Mr. Dinesh Chhabra resigned from the directorship of the Company w.e.f. 12th April 2009. The Board places on record its appreciation of the services rendered by Mr. Chhabra during his association with the Company as a Director.

Mr. Pratap Pawar, Mr. S. Padmanabhan, Mr. Bharat V. Patel and Mr. Vinay Kothari, Directors of the Company, retire by rotation and being eligible offer themselves for reappointment.

14. Audit Committee

Mr. Vinay Kothari, Mr. Pratap Pawar, Independent Directors, and Mr. S. A.Gundecha, Non-Executive Director, are the Members of the Audit Committee appointed by the Board as per the provisions of Section 292A of the Companies Act, 1956 read with Clause 49 of the Listing Agreement.

15. Corporate Governance

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

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 Companies and their Accounts are annexed hereto.

Under the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of employees are set out in the annexure to the Directors' Report. However, in terms of the provisions of Section 219(1) (b) (iv) of the Companies Act, 1956, the Directors' Report is being sent to all the Members of the Company excluding the aforesaid annexure. The Members interested in obtaining a copy of the said annexure may write to the Company at the Registered Office of the Company. The Company had 6 employees who were in receipt of remuneration exceeding Rs. 2,00,000 per month and employed throughout the financial year and 8 employees who were in receipt of remuneration exceeding Rs. 2,00,000 per month and employed for part of 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 2008-09.
21. The Code of Conduct approved by the Board is available on the website of the Company. The confirmation about compliance of the code is obtained on annual basis.
22. 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
27th July, 2009.

ABHAY FIRODIA
Chairman & Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS

I. INDUSTRY STRUCTURE AND DEVELOPMENTS

The financial year 2008-09 saw remarkable changes in global economy and the automobile industry. The Indian automobile industry has also been impacted by the global slow-down. The maximum impact has been on the commercial vehicles segment. Besides decline in demand, significant customer preference changes have also occurred over the last couple of years.

The market for small commercial vehicles (SCV), 3-wheelers and the new breed of small 4-wheelers, saw dramatic changes in volume, arising from the changing customer preference.

The market for heavy commercial vehicles (HCV) was the worst impacted. Market for light commercial (LCV) and utility vehicles also slowed down. The demand for tractors, though the rural economy was relatively unaffected, was influenced by the cautious approach of the financial institutions to retail finance. As a matter of fact, paucity of retail finance has been the biggest single direct influence on the market for all vehicles in the last year. In the stimulus packages introduced by the Government, a substantial effort has been made to address these issues.

II. PERFORMANCE OF THE COMPANY

The light commercial vehicle business of the Company has continued to grow and do well. The multi-utility vehicles (MUV) produced by the Company, as distinct from sports utility vehicles (SUV), are 'working vehicles', meant to ferry people to and from work - mainly in rural areas. The Company build robust and spacious vehicles appropriate for this transportation need and has not focused on the recreational or personalized vehicles, which are categorized as sports utility vehicles.

A major handicap in the sale of large multi-utility vehicles is caused by the Government's action some years ago to make an exception by modifying the Internationally Harmonized Tariff Heading 8702. This item internationally covers vehicles with 10 seats and above capacity - in order to distinguish them from vehicles of personal use - since such vehicles of 10 seats and above capacity are used as vans for mass transportation of people in rural areas and in inner cities, in the hospitality industry, in tourism and in the course of trade and commerce by various establishments. Internationally the taxation treatment for such vehicles which are 10 seats and above, is often differentiated from the taxation treatment for personalized and recreational vehicles and is normally favourable. The Government of India has modified Heading 8702 to create Tariff Item 8702.1011 which extends the limit upto 13 seats i.e. vehicles with capacity of 10 to 13 seats are separated out. These vehicles attract, in India, an unfavourable rate of basic excise duty of 20 per cent, whereas excepting for luxury passenger cars and sports utility (recreational) vehicles, all other categories of vehicles including 2-wheelers, 3-wheelers, small cars, buses, trucks have an excise duty rate of 8 per cent. The logic for handicapping these mass transportation vehicles falling in Tariff Item 8702.1011 (10 to 13 seats) has never been clarified.

This handicap which results in a price penalty of above Rs. 60,000 to the end customer severely limits the market for such vehicles. Company's products are 'working vehicles' and the above category 10 to 13

seats is a very important portion of these vehicles, in both the Traveller platform and the Trax platform.

The Company has made representations to the Government by itself and through the Society of Indian Automobile Manufacturers (SIAM), to reverse this artificial distinction introduced in India in deviation from Internationally Harmonized Tariff Code. However, for reasons unknown, the Government continues to treat the vans with 10 seats and above upto 13 seats, as vehicles deserving punitive treatment. It must be noted that the vehicles in question fully comply with all aspects of safety, fuel economy and pollution standards as mandated by the Government, and are fully certified by the designated organizations in this regard. Although vehicles manufactured by the Company continue to enjoy high reputation for Reliability, Fuel Economy, Safety and Durability, nevertheless the high excise related price handicap of above Rs. 60,000 in this segment, deters growth of this market.

The Minidor range of 3-wheelers which was introduced by the Company a decade ago, created a new category of small commercial vehicles. After several years of extraordinary success in this segment, customer preferences have changed over the last few years, whereby 4-wheeled vehicles of similar capacity have gained prominence. The Company has introduced and sold such vehicles, which after initial marketing, have been subjected to significant improvements. During the course of the current financial year, the Company expects to increase its market presence in this segment.

The Company has developed a large number of product variants in the light commercial vehicles segment, mainly in the Traveller platform, and in the multi-utility vehicles segment in the Trax platform, as also in the small commercial vehicles segment with the M4 and the newly developed TRUMP vehicles. A variety of engines meeting the mandated and future emission standards as also catering to both diesel and CNG fuels, are available throughout the product range of the Company.

III. HEAVY COMMERCIAL VEHICLES AND JOINT VENTURE OF THE COMPANY - MAN FORCE TRUCKS Private Limited (MAN FORCE)

The signal success achieved by the Company, in establishing the project for manufacture of heavy commercial vehicles in record time, whereby within a space of two years a completely new plant was commissioned by middle of 2006, and with effective development, high local content was speedily established - This was characteristic of the strengths of the Company - which has a strong basis, history and infrastructure for creating path-breaking products with own engineering capability.

The fruits of this effort however could not be effectively reaped, as after the formation of the joint venture, a decision was taken to offer in India vehicles with internationally compatible levels of power density, resulting in increase in the cost of the product. The fitments and facilities provided in the CLA truck range also far exceeded the normal Indian standards. These aspects increased cost of the product. The overall cost increase made the product uncompetitive in the Indian market. The expected numbers in the volume market for haulage trucks could not materialize initially.

It became necessary to deviate from this approach - to reduce both, the power density to more acceptable levels, and to reduce the cost of the trucks by not insisting on many fitments and accessories which are inconsistent with Indian market expectations. After due deliberations with the Joint Venture partner a new strategy was evolved, which has now enabled MAN FORCE to field a range of haulage trucks, with significantly improved price alignment. Every effort has been made to preserve the highest technological standards for the drive-line, with no compromises. The Best Reliability, Excellent Fuel Economy and class leading Performance, are thus ensured. The initial feedback on this re-optimized range of trucks are encouraging.

The export market for heavy trucks has meanwhile been hugely impacted by the global slow-down and the expectations for mass export have been belied. Efforts to improve exports, by the collaborators - MAN Nutzfahrzeuge AG (MAN), at whose instance significant export capacity has been created, are ongoing. It is hoped that the MAN Export organization will be able to improve their penetration of the CLA trucks in the selected export markets.

In recognition of the difficulties that the company MAN FORCE got into - as a result of the heavy investments and the high inventory levels of components, as also the lost opportunity for rapidly achieving volume sales in India, as well as the inability to harvest the export sales - severe financial constraints arose in 2008-09.

With protracted negotiations with the collaborators MAN, a decision to inject substantial funds into MAN FORCE, to strengthen its capital structure was taken. In parallel, acceding to the request of the collaborators, it was agreed that their stake should be allowed to be increased from 30 per cent to 50 per cent, and accordingly an agreement was reached on 2nd December, 2008. As a result of the injection of additional funds, the financials of MAN FORCE have been greatly stabilized.

Increased participation from MAN is to lead to higher commitment from the collaborators to strive for the success of this joint venture. It is expected that the current year will see a turn-around in the HCV business.

IV. OPPORTUNITIES, THREATS AND RISK FACTORS

The commercial vehicles segment of the automobile industry continues to remain under pressure in terms of depression of demand. The multi-utility vehicles market growth is related to the Government's taxation policy. Whereas the business opportunity is large.

Costs of raw material saw an unprecedented upswing during the last year. Fortunately during the current calendar year, the commodity prices in sympathy with energy prices, have seen significant rationalization. Though the cost of raw materials had shot up as a percentage of sales revenue during the previous year, currently the situation has improved.

The Company has now achieved significant reduction in interest costs on an ongoing basis, although during the year concluded, interest costs were extremely high.

Modernisation of intra-city transport, establishment of quality ambulances, are other opportunities for the Company's range of minibuses, vans and ambulances. The Government's efforts to fund the organizations engaged in this sector are laudable, and are expected to be advantageous to the Company.

The Company has started a large number of initiatives to improve both availability of retail finance, as also channel capability of its dealerships in major cities. These steps are expected to yield dividend in near future.

Although the labour relations at the Pithampur plant have been constructive and cordial, the stalemate at the Akurdi plant, caused by the inter-union rivalry and resultant litigation, has continued. This has severely affected the performance of the Company over the last several years. Both the Company, as also the workmen, have suffered as a result of this unfortunate and avoidable conflict. Both the Company and the ordinary workmen are victims of the politicking by union organizations. It is to be hoped that this situation would be mitigated in not too distant a future. However for the present it remains a grey area.

V. FINANCIAL PERFORMANCE

During the previous year, the largest single impact on the bottomline came from the unprecedented increase in material cost. As already stated, the trend is now reversed. Currently the margins on which the Company operates have significantly improved over the past year.

The Company incurred an operational loss of Rs. 116.18 crores before tax and adjustments during the year 2008-09. As a result of the exceptional item representing capital gain including on sale of investments in the joint venture, and the stake held by the Company in a component company, the Company could book a gain of Rs. 306.30 crores. After adjustment of accumulated losses and provision for taxes on the resultant profit, the net profit for the year stands at Rs. 88.75 crores.

As a result of the substantial injection of funds by the above actions, the net borrowings of the Company, both secured and unsecured, were reduced to a level of Rs. 160.92 crores at the end of March 2009, in comparison to Rs. 365.92 crores at the end of March 2008.

The Company's liability in foreign exchange stood at € 3,00,305 and ₹ 23,22,000 as on 31st March 2009.

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 and 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

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

BOARD OF DIRECTORS

- The Board of Directors of the Company (as of 31st March, 2009) ('the Board' for brevity) consisted of 13 Directors. 12 Directors were Non-Executive Directors and only 1 Director was Executive Director. 7 Directors were Independent Directors.

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

- The details of other directorships of the Directors (as of 31st March, 2009) of the Company are as under: -

| Name of the Director | Number of Companies in which Directorships held | Number of Companies of which Chairman |
|-------------------------|---|---------------------------------------|
| Mr. Abhay Firodia | 12 | 1 |
| Mr. S. N. Inamdar | 10 | 1 |
| Mr. Bharat V. Patel | 3 | -- |
| Mr. Pratap Pawar | 18 | 2 |
| Mr. S. Padmanabhan | 15 | -- |
| Mrs. Anita Ramachandran | 8 | -- |
| Mr. L. Lakshman | 11 | 1 |
| Mr. Sudhir Mehta | 4 | -- |
| Mr. Vinay Kothari | 6 | -- |
| Mr. Prasan Firodia | 3 | -- |
| Mr. S. A. Gundecha | 4 | -- |
| Mr. R. B. Bhandari | 1 | -- |

- 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. N. Inamdar | 5 | 4 | 1 | 7 |
| Mr. Bharat V. Patel | 2 | -- | 2 | 1 |
| Mr. S. Padmanabhan | 6 | 2 | 2 | -- |
| Mrs. Anita Ramachandran | 2 | 2 | 1 | 2 |
| Mr. Pratap Pawar | 2 | 1 | 1 | 1 |
| Mr. L. Lakshman | 5 | -- | 5 | 5 |

- During the Financial Year 2008-09, seven meetings of the Board were held on 5th May 2008, 25th June 2008, 26th July 2008, 27th September 2008, 25th October 2008, 29th November 2008 and 31st January 2009. The attendance of Directors during the Financial Year 2008-09 for Board Meetings and General Meeting are as under: -

| Name of the Director | Number of Board Meetings attended | Whether present at Annual General Meeting |
|-------------------------|-----------------------------------|---|
| Mr. Abhay Firodia | 7 | Yes |
| Mr. S. S. Marathe # | 2 | Yes |
| Mr. S. N. Inamdar | 4 | Yes |
| Mr. Bharat V. Patel | 2 | No |
| Mr. S. Padmanabhan | 6 | Yes |
| Mrs. Anita Ramachandran | 5 | Yes |
| Mr. Pratap Pawar | 6 | Yes |
| Mr. L. Lakshman | 4 | Yes |
| Mr. Sudhir Mehta | 7 | Yes |
| Mr. Vinay Kothari | 6 | Yes |
| Mr. Prasan Firodia | 6 | Yes |
| Mr. S. A. Gundecha | 7 | Yes |
| Mr. R. B. Bhandari | 7 | Yes |
| Mr. Dinesh Chhabra | 4 | Yes |

ceased to be a Director w.e.f. 28th September, 2008.

- 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 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 assessments of the strategic and technological issues enabling a discussion on the strategy, projects and tactics employed in the management of the Company's affairs.

7. The Directors made all disclosures as per the requirement of the Companies Act, 1956 from time to time to the Board of Directors regarding their financial interest in the transactions with the Company. The related party disclosure forms part of the notes to accounts as per the disclosure requirement of Accounting Standard No.18 issued by the Institute of Chartered Accountants of India and of the Companies (Accounting Standards) Rules, 2006. The Directors have informed the Company about the Committee Positions occupied by them in other Companies and changes therein.

8. Mr. Abhay Firodia was reappointed as the Managing Director for a period of 5 years w.e.f. 1st July, 2007. The details of remuneration paid to the Executive Director during the financial year 2008-09 is as under:

| Name of the Director | Salary (Rs.) | Value of Perquisites (Rs.) |
|----------------------|--------------|----------------------------|
| Mr. Abhay Firodia | 23,10,000 | 6,48,481 |

The remuneration being paid to the Working Director is approved by the Members in the 48th Annual General Meeting held on 29th September, 2007.

9. The details of sitting fees paid to Non-Executive Directors during the financial year 2008-09 are as under:-

| Name of the Director | Sitting fees paid for attending Board Meetings and Committee Meetings (Rs.) |
|-------------------------|---|
| Mr. S. S. Marathe # | 20,000 |
| Mr. S. N. Inamdar | 40,000 |
| Mr. Bharat V. Patel | 20,000 |
| Mrs. Anita Ramachandran | 50,000 |
| Mr. Pratap Pawar | 1,10,000 |
| Mr. S. Padmanabhan | 60,000 |
| Mr. Sudhir Mehta | 70,000 |
| Mr. Vinay Kothari | 1,10,000 |
| Mr. Prasan Firodia | 60,000 |
| Mr. L. Lakshman | 40,000 |
| Mr. S. A. Gundecha | 1,20,000 |
| Mr. R.B. Bhandari | 70,000 |
| Mr. Dinesh Chhabra | 40,000 |

ceased to be a Director w.e.f. 28th September, 2008.

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

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

| Name of the Director | Nature of Payment | Amount Paid (Rs.) |
|----------------------|---|-------------------|
| Mr. S. N. Inamdar | Interest paid on Fixed Deposits placed with the Company | 77,000 |
| Mr. S. A. Gundecha | - do - | 1,65,000 |
| Mr. R. B. Bhandari | - do - | 6,71,917 |

No Stock Options are granted to any of the Directors.

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

| Name of the Director | Number of shares held |
|----------------------|-----------------------|
| Mr. S. N. Inamdar | 800 |
| Mr. Vinay Kothari | 101 |
| Mr. Prasan Firodia | 2,03,463 |
| Mr. S. A. Gundecha | 2,012 |
| Mr. R. B. Bhandari | 8,408 |

12. No financial transaction was entered into with Tempo Finance (West) Private Limited, a subsidiary company. The total value of purchases or services availed and sales/services rendered from/to MAN FORCE TRUCKS Private Limited, a subsidiary company were Rs. 2,12,11,091 and Rs. 51,63,01,582 respectively. The value of purchases and sales from/to Jaya Hind Industries Limited, which is a company deemed to be a Promoter as per the provisions of the Securities & Exchange Board of India (Substantial Acquisition of Shares) Regulations, 1997 were Rs. 39,18,06,770 and Rs. 3,56,20,982 respectively. The Company accepted fresh deposits of Rs. 71,50,00,000 from Jaya Hind Investments Private Limited, a Promoter of the Company as per the above referred Regulations and repaid deposits of Rs. 1,71,00,00,000. The Company paid interest of Rs. 12,67,77,808 on these deposits. The total amount of these deposits outstanding as on 31st March, 2009 was Rs. 46,50,00,000.

13. Mr. Pratap Pawar, Mr. S. Padmanabhan, Mr. Bharat V. Patel and Mr. Vinay Kothari Directors of the Company, retire by rotation and being eligible offer themselves for reappointment.

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

Mr. Pratap Pawar

Mr. Pratap Pawar, 64, is a Bachelor of Engineering from Birla Institute of Technology and Science, Pilani. He has over 38 years of experience as a Technocrat and Industrialist. He specializes in marketing and finance. At present he is the Chairman and Managing Editor of Sakal Papers Limited, a leading Marathi daily.

Mr. Pratap Pawar holds directorships in P. P. Holdings Limited, Sakal Papers Limited, Kirloskar Oil Engines Limited, Bharat Forge Limited, Finolex Cables Limited, Ajay Metachem Sud Chemie Private Limited, Sakal Printers Private Limited, United Risk Insurance Broking Company Private Limited, Karha Infrastructure Private Limited, United Metachem Private Limited, Panhala Investments Private Limited,

International Conventions India Private Limited, Karha Developers & Miners Private Limited, Rajgadh Agro Farms Private Limited, Pasle Agro Farms Private Limited, Bhimthadi Developers & Miners Private Limited and World Association of Newspapers.

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

| Name of the Company | Committee Positions |
|-------------------------------|--|
| Finolex Cables Limited | a) Share Transfer cum Investor's Grievances Committee - Member |
| | b) Remuneration Committee - Member |
| Kirloskar Oil Engines Limited | a) Business Reorganization Committee - Member |
| | b) Audit Committee - Member |
| Bharat Forge Limited | a) Audit Committee - Chairman |

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. S. Padmanabhan

Mr. S. Padmanabhan, 69, 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 Videocon Industries Limited, Applicomp (India) Limited, Videocon Power Limited, Trend Electronics Limited, KAIL Limited, Videocon Energy Holdings Limited, Sudarshan Chemical Industries Limited, Desai Brothers Limited, Premier Limited, Rajkumar Forge Limited, Sanghvi Movers Limited, Next Retail India Limited, Aquapharm Chemicals Private Limited, Goa Energy Private Limited and Pipavav Energy Private Limited.

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

| Name of the Company | Committee Positions |
|-----------------------------|--|
| Videocon Industries Limited | a) Shareholders' & Investors' Grievance Committee - Member |
| Trend Electronics Limited | a) Audit Committee - Member |
| | b) Shareholder Committee - Member |
| | c) Remuneration Committee - Member |
| Videocon Power Limited | a) Audit Committee - Member |
| Applicomb (India) Limited | a) Audit Committee - Member |
| KAIL Limited | a) Audit Committee - Member |
| Premier Limited | a) Audit Committee - Member |
| | b) Remuneration Committee - Member |
| Sanghvi Movers Limited | a) Audit Committee - Member |

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. Bharat V. Patel

Mr. Bharat V. Patel, 64, is M. A. from Notre Dame University and M.B.A. from Michigan University. Mr. Patel was the Chairman of Procter & Gamble Hygiene & Healthcare Limited. Mr. Patel is a renowned Marketing and Management Expert, with wide experience in the Fast Moving Consumer Goods Industry and is leading various industrial associations.

Mr. Patel holds directorships in Wockhardt Limited, NESCO Limited, Yes Bank Limited and Sasken Communication Technologies Limited.

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

| Name of the Company | Committee Positions |
|---------------------|---|
| Wockhardt Limited | a) Audit Committee - Member |
| | b) Shareholders' Grievance Committee - Member |
| Yes Bank Limited | a) Shareholders' Grievance Committee - Chairman |
| | b) Customer Relations Committee |

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. Vinay Kothari

Mr. Vinay Kothari, 45, is a Commerce Graduate and holds MBA Degree from IESE Business School, Spain. Mr. Vinay Kothari has business interest in Real Estate, Construction and in Textile business.

Mr. Kothari holds directorships in Dihatex India Private Limited, Lifestyle Property Ventures Private Limited, Savera India Riding System Co. Private Limited, Imago Screens India Private Limited, Cabana Properties Private Limited and RAK Realty 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. Kothari holds 101 equity shares of the Company.

COMMITTEES

- The Board reconstituted a Remuneration Committee consisting of three Independent Directors viz. Mr. S. N. Inamdar, Chairman of the Committee, Mr. Bharat V. Patel and Mr. Pratap Pawar.
- The Audit Committee consists of three Directors - Mr. Vinay Kothari, Mr. Pratap Pawar and Mr. S. A. Gundecha. Mr. Pratap Pawar and Mr. Vinay Kothari are Non-Executive Independent Directors, whereas Mr. S. A. Gundecha is a Non-Executive Director. Mr. Vinay Kothari, Chairman of the Audit Committee, has majored in finance and accounts in his MBA degree.

The terms of reference of the Audit Committee includes oversight of Company's reporting processes and financial information, review of financial statements, both audited and unaudited, review of accounting policies and practices, review of compliance with accounting standards, recommendation of appointment and remuneration of auditors, review of related party transactions and other areas indicated in Clause 49 of the Listing Agreement executed by the Company with Stock Exchanges and as per the provisions of Section 292A of the Companies Act, 1956.

17. The Audit Committee met on 5th May 2008, 25th June 2008, 26th July 2008, 25th October 2008 and 31st January 2009. Mr. Vinay Kothari, Mr. Pratap Pawar and Mr. S. A. Gundecha attended all the five meetings.
18. The Audit Committee has reviewed the Unaudited Financial Results (Provisional) for the three quarters and Audited Annual Accounts for the financial year 2008-09 in its meetings. During the year under report, the Audit Committee interacted with the Statutory Auditors and the Cost Auditors of the Company regarding internal control systems, discussed the financial results/cost accounting records, and also held a post statutory audit review of the financial/cost accounts. This Committee also interacted with executives of the Company on finance related matters including with the officials of Internal Audit department of the Company. 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 the 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.
19. The Board has appointed a Committee as Shareholders'/Investors' Grievance Committee consisting of two Non – Executive Directors, viz. Mr. Sudhir Mehta and Mr. Vinay Kothari. Ms. Ruchi Agarwal, Assistant Company Secretary, is the designated Compliance Officer. During the year under report three investor's grievances were received and all these grievances were resolved to the satisfaction of the concerned member. As of 31st March 2009 no grievance was pending. As of date of report, 2 transfer of shares/transmission of shares held in physical form is pending. During the year under report, the Company processed 175 share transfers and requests for dematerialization of shares. As of date, no shareholder's grievance is pending.

SHAREHOLDERS

20. 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 transfers 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.

21. The Unaudited Financial Results for the first, second and third quarters and audited results for the last quarter were made available to the Stock Exchanges where the shares of the Company are quoted on the same day on which they were approved and taken on record by the Board. The Unaudited Financial Results for the quarter ended on 30th June, 2008, 30th September, 2008 and 31st December, 2008 and Audited Results for the Financial Year 2008-09 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 the Securities and Exchange Board of India (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 26th July 2008, 25th October 2008 and 31st January 2009.
22. **General Body Meetings** The details of the last three Annual General Meetings are as under: -

| Annual General Meeting Held On | Time | Location | Number of Special Resolution | Subject of Special Resolution |
|--------------------------------|------------|---|------------------------------|-------------------------------|
| 30th Sept. 2006 | 11.30 a.m. | Bombay-Pune Road, Akurdi, Pune - 411 035. | -- | -- |
| 29th Sept. 2007 | 11.30 a.m. | Bombay-Pune Road, Akurdi, Pune - 411 035. | -- | -- |
| 27th Sept. 2008 | 11.30 a.m. | Bombay-Pune Road, Akurdi, Pune - 411 035. | -- | -- |

23. There was no matter, required to be dealt by the Company, by passing a resolution through postal ballot as per the provisions of Section 192A of the Companies Act, 1956 read with Companies (Passing of Resolution by Postal Ballot) Rules, 2001.
24. No penalties were imposed by the Stock Exchanges or SEBI on the Company in any manner related to capital markets.
25. No presentation was made to any institutional investors or analyst during the year 2008-09.
26. Annual General Meeting: -
 - Time : 11.30 a.m.
 - Date : 26th September, 2009.
 - Venue : Registered Office of the Company at Bombay-Pune Road, Akurdi, Pune - 411 035.

27. 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

28. Period of book closure: Thursday, 24th September, 2009 to Saturday, 26th September, 2009. (both days inclusive)

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

30. The Stock Code allotted by Bombay Stock Exchange Limited is 500033.

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

| Month | High (Rs.) | Low (Rs.) |
|----------------|------------|-----------|
| April 2008 | 199.00 | 143.05 |
| May 2008 | 187.00 | 142.05 |
| June 2008 | 155.00 | 125.60 |
| July 2008 | 147.00 | 113.50 |
| August 2008 | 138.00 | 120.25 |
| September 2008 | 145.95 | 99.00 |
| October 2008 | 114.95 | 60.00 |
| November 2008 | 86.00 | 55.50 |
| December 2008 | 94.10 | 56.50 |
| January 2009 | 84.00 | 62.00 |
| February 2009 | 77.00 | 61.25 |
| March 2009 | 68.85 | 54.50 |

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.

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

33. Distribution of shareholding as on 31st March, 2009 was as under:-

| Category (Shares) | Number of shareholders | Percentage to total shareholders | Number of shares | Percentage to total number of shares held |
|-------------------|------------------------|----------------------------------|------------------|---|
| 1 to 500 | 6474 | 87.88 | 689429 | 5.23 |
| 501 to 1000 | 453 | 6.15 | 331528 | 2.52 |
| 1001 to 2000 | 201 | 2.73 | 281381 | 2.14 |
| 2001 to 3000 | 67 | 0.91 | 163875 | 1.24 |
| 3001 to 4000 | 45 | 0.61 | 158796 | 1.21 |
| 4001 to 5000 | 15 | 0.20 | 69116 | 0.52 |
| 5001 to 10000 | 44 | 0.60 | 303759 | 2.30 |
| 10001 & above | 68 | 0.92 | 11178378 | 84.84 |
| Total | 7367 | 100 | 13176262 | 100 |

34. 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, 2009, the number of equity shares of the Company held through depositories were 47,79,857.

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

36. 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 - 454 775, Madhya Pradesh.

37. The address for correspondence is - Shares Department, Force Motors Limited, Bombay Pune Road, Akurdi, Pune - 411 035. Designated e-mail id is compliance-officer@forcemotors.com.

38. **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.

AUDITOR'S 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, 2009, 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 : 27th July, 2009

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 2009, 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 2009 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2009 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, 2009;
 - (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, 2009

S. S. Athavale
Partner
Membership No. 83374

ANNEXURE TO THE AUDITORS' REPORT

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

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.
(b) All the assets have been physically verified by the management during the year and there is a regular program of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
(c) During the year, the Company has not disposed off major part of the fixed assets.
2. (a) The inventory has been physically verified during the year by the management, which is, in our opinion, at reasonable intervals.
(b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
(c) On the basis of our examination of the records of inventory, we are of the opinion that the Company is maintaining proper records of inventory. No material discrepancies were noticed on verification between the physical stocks and the book records.
3. (a) The Company has not granted any loans to Companies, firms and other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, during the year.
(b) The Company has not taken any loans from companies, firms and other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, during the year except unsecured loans from one party, balance outstanding of which is Rs. 46.50 crores.
(c) The rate of interest and other terms and conditions of the secured or unsecured loans taken by the Company, are *prima facie* not prejudicial to the interest of the Company.
(d) The payment of the principal amount and interest are also regular.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system.
5. (a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the Register required to be maintained under that section.
(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of five lakh rupees in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A and 58AA or any other relevant provisions of the Act and the rules framed there under, with regard to the deposits accepted from the public. As informed to us, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 and we are of the opinion that *prima facie* the prescribed accounts and records have been made and maintained.
9. (a) According to the records of the Company, the Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education & Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth-tax, Custom-duty, Excise-duty, Cess, Service-tax and other statutory dues applicable to it.
According to the information and explanations given to us, no undisputed statutory dues including Provident Fund, Investor Education & Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth-tax, Custom duty, Excise-duty, Cess, Service tax and other statutory dues applicable to it were outstanding, as at the balance sheet date for a period of more than six months from the date they became payable.

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

| Type of the dues | Amount outstanding (Rs. Lakhs) | Forum |
|------------------|--------------------------------|---|
| Customs Duty | 12.98 | Asst. Commissioner of Customs, Mumbai, CESAT, Mumbai |
| Sales Tax | 174.97 | Dy. Commissioner of Sales Tax, Pune, Dy. Comm. (Appeals) III Commercial Taxes, Jaipur, Dy. Commissioner of Commercial Tax, Sitarampur, Dy. Commissioner of Commercial Tax, Jhansi, Asst. Commissioner of Commercial Tax, Indore and Appellate Board, Bhopal |
| Excise | 115.19 | CESAT, New Delhi, CESAT, West Regional Bench, Mumbai |

10. There are no accumulated losses as at the Balance Sheet date. The Company has not incurred cash losses during the financial year covered by our audit, but it has incurred cash loss in 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, 2009

S. S. Athavale
Partner
Membership No. 83374

Balance Sheet as at 31st March, 2009

| | Schedule | Rupees | As at 31st March, 2009 Rupees | As at 31st March, 2008 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 | 214,33,96,203 | | 89,77,66,165 |
| | | | 227,51,86,586 | 102,95,56,548 |
| 2. Loan Funds | | | | |
| (a) Secured Loans | 3 | 94,08,43,760 | | 187,47,31,930 |
| (b) Unsecured Loans | 4 | 66,83,79,000 | | 178,44,45,000 |
| | | | 160,92,22,760 | 365,91,76,930 |
| | | | 33,82,28,719 | -- |
| 3. Deferred Tax Liability | | | | |
| | | | Total | 422,26,38,065 |
| | | | | 468,87,33,478 |
| II APPLICATION OF FUNDS : | | | | |
| 1. Fixed Assets | | | | |
| (a) Gross Block | 5 | 901,20,36,268 | | 856,05,29,169 |
| (b) Less : Depreciation | | 611,94,86,122 | | 570,43,03,469 |
| (c) Net Block | | 289,25,50,146 | | 285,62,25,700 |
| (d) Capital Work-in-progress | | 20,15,16,758 | | 34,55,59,948 |
| | | | 309,40,66,904 | 320,17,85,648 |
| 2. Investments | | | | |
| | 6 | | 57,15,66,809 | 72,60,02,569 |
| 3. Deferred Tax Assets | | | | |
| | | | -- | 13,71,42,930 |
| 4. Current Assets, Loans and Advances | | | | |
| (a) Inventories | 7 | 196,03,12,283 | | 240,67,48,527 |
| (b) Sundry Debtors | | 122,89,12,964 | | 125,18,49,176 |
| (c) Cash and Bank Balances | | 16,62,67,796 | | 17,28,33,519 |
| (d) Other Current Assets | | 4,63,490 | | 3,48,689 |
| (e) Loans and Advances | | 70,98,95,099 | | 69,09,18,257 |
| | | | 406,58,51,632 | 452,26,98,168 |
| 5. Less : Current Liabilities & Provisions | | | | |
| (a) Liabilities | 8 | 309,70,52,810 | | 352,78,97,680 |
| (b) Provisions | | 41,17,94,470 | | 37,09,98,157 |
| | | | 350,88,47,280 | 389,88,95,837 |
| Net Current Assets | | | 55,70,04,352 | 62,38,02,331 |
| | | | Total | 422,26,38,065 |
| | | | | 468,87,33,478 |

As per our separate report of even date attached

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

S. S. Athavale
Partner
Membership No. 83374

Ruchi Agarwal
Asst. Co. Secretary

Place : Pune
Date : 27th June, 2009

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

Pune
Date : 27th June, 2009

**Profit & Loss Account
for the year ended 31st March, 2009**

| | Schedule | Rupees | For the year ended 31st March, 2009 Rupees | For the year ended 31st March, 2008 Rupees |
|--|----------|---------------|---|---|
| INCOME | | | | |
| Sales including Excise Duty | | 866,72,31,245 | | 1067,75,43,402 |
| Less : Excise duty | | 116,21,75,164 | | 162,17,44,104 |
| Net Sales | | 750,50,56,081 | | 905,57,99,298 |
| Less : Commission on Sales | | 1,44,00,547 | | 51,74,529 |
| Other Income | 9 | | 749,06,55,534 366,93,53,355 | 905,06,24,769 65,43,65,577 |
| | | | 1116,00,08,889 | 970,49,90,346 |
| EXPENDITURE | | | | |
| Materials | 10 | 646,23,79,123 | | 721,44,38,639 |
| Other Expenses | 11 | 245,04,31,970 | | 291,39,95,158 |
| Depreciation | | 41,82,56,236 | | 39,01,57,145 |
| | | 933,10,67,329 | | 1051,85,90,942 |
| Less : Expenditure included in above items, capitalised. | | 7,22,01,724 | | 67,71,520 |
| | | | 925,88,65,605 | 1051,18,19,422 |
| PROFIT FOR THE YEAR | | | 190,11,43,284 | (80,68,29,076) |
| Less : Provision for Taxation - Current Tax | | 17,06,20,000 | | 17,17,300 |
| - Fringe Benefit Tax | | 69,10,000 | | 97,00,000 |
| - Deferred Tax | | 47,53,71,649 | | 1,80,77,535 |
| [Current Tax includes Rs. 16,20,000/- (Rs. 17,17,300/-) for Wealth Tax] | | | 65,29,01,649 | 2,94,94,835 |
| Less : Taxation provision in respect of earlier year | | | 26,11,597 | 1,93,923 |
| PROFIT AFTER TAX | | | 124,56,30,038 | (83,65,17,834) |
| Add : Balance of Profit as per last account | | | (35,81,60,956) | 47,83,56,878 |
| Balance carried forward | | | 88,74,69,082 | (35,81,60,956) |
| Basic and Diluted Earnings per share (Rs.) (Nominal value per share Rs. 10/-) | | | 94.54 | (63.49) |

As per our separate report of even date attached

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

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

S. S. Athavale
Partner
Membership No. 83374

Ruchi Agarwal
Asst. Co. Secretary

Place : Pune
Date : 27th June, 2009

Pune
Date : 27th June, 2009

Schedules forming part of the Balance Sheet

SCHEDULE 1 : SHARE CAPITAL

| | As at 31st March, 2009 Rupees | As at 31st March, 2008 Rupees |
|---|-------------------------------------|-------------------------------------|
| Authorised : | | |
| 2,00,00,000 (2,00,00,000) Shares of Rs.10/- each | 20,00,00,000 | 20,00,00,000 |
| Issued : | | |
| 1,32,13,802 (1,32,13,802) Equity Shares of Rs.10/- each | 13,21,38,020 | 13,21,38,020 |
| Subscribed and paid up : | | |
| 1,31,76,262 (1,31,76,262) Equity Shares of Rs.10/- each fully paid up [of the above 2,00,918 (2,00,918) Equity Shares are allotted as fully paid Shares pursuant to a contract without payment being received in cash and 57,29,934 (57,29,934) Equity Shares are allotted as fully paid Bonus Shares by capitalisation of reserves] | 13,17,62,620 | 13,17,62,620 |
| Add : Amount paid on Forfeited Shares | 27,763 | 27,763 |
| Total | 13,17,90,383 | 13,17,90,383 |

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

SCHEDULE 2 : RESERVES AND SURPLUS

| | Rupees | As at 31st March, 2009 Rupees | As at 31st March, 2008 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 | 66,14,49,906 | | 66,14,49,906 |
| Less : Balance as per Profit & Loss Account | -- | | (35,81,60,956) |
| | | 66,14,49,906 | 30,32,88,950 |
| 4. Balance as per Profit and Loss Account | | 88,74,69,082 | -- |
| | Total | 214,33,96,203 | 89,77,66,165 |

SCHEDULE 3 : SECURED LOANS

| | | As at 31st March, 2009 Rupees | As at 31st March, 2008 Rupees |
|---|-------|-------------------------------------|-------------------------------------|
| 1. Loans & Advances from Banks on Cash Credit Accounts | | 14,98,43,760 | 85,77,31,930 |
| 2. Term Loan from Banks | | 79,10,00,000 | 101,70,00,000 |
| [Due in next 12 months Rs. 22,60,00,000/- (Rs. 22,60,00,000/-)] | | | |
| | Total | 94,08,43,760 | 187,47,31,930 |

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 on all fixed assets (including equitable mortgage over land and buildings) and second charge on all current assets of the Company, both 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.

SCHEDULE 4 : UNSECURED LOANS

| | As at 31st March, 2009 Rupees | As at 31st March, 2008 Rupees |
|---|-------------------------------------|-------------------------------------|
| 1. Fixed Deposits | 20,33,79,000 | 32,44,45,000 |
| [Due in next 12 months Rs. 8,87,64,000/- (Rs. 14,49,43,000/-)] | | |
| 2. Inter corporate Deposits | 46,50,00,000 | 146,00,00,000 |
| Total | <u>66,83,79,000</u> | <u>178,44,45,000</u> |

SCHEDULE 5 : FIXED ASSETS

| | As at 31st March, 2009 Rupees | As at 31st March, 2008 Rupees |
|--|-------------------------------------|-------------------------------------|
| 1. Net Fixed Assets, as per Annexure | 289,25,50,146 | 285,62,25,700 |
| 2. Capital Work-in-progress : | | |
| (i) Buildings under construction | 10,98,28,348 | 4,80,66,316 |
| (ii) Machinery under installation / in transit | 4,72,27,639 | 18,23,79,501 |
| (iii) Other Assets | 4,44,60,771 | 11,51,14,131 |
| | <u>20,15,16,758</u> | <u>34,55,59,948</u> |
| Total | <u>309,40,66,904</u> | <u>320,17,85,648</u> |

SCHEDULE 6 : INVESTMENTS (Long Term)

| | As at 31st March, 2009 Rupees | As at 31st March, 2008 Rupees |
|--|-------------------------------------|-------------------------------------|
| 1. Government and Trust Securities : | | |
| Quoted | | |
| Nil (5,900) 6.75% Tax free US64 Bonds of Rs. 100/- each | -- | 3,76,770 |
| 2. Trade Investments : | | |
| Quoted | | |
| Nil (9,39,000) Equity Shares of Rs.10/- each, fully paid, in Z. F. Steering Gear (India) Limited | -- | 1,20,30,000 |
| Unquoted | | |
| 10,60,050 (10,60,050) Equity Shares of Rs.10/- each, fully paid, in Tempo Finance (West) Private Limited - a Subsidiary Company | 1,06,49,299 | 1,06,49,299 |
| 5,57,97,101 (7,00,00,000) Equity Shares of Rs.10/- each, fully paid, in MAN FORCE TRUCKS Private Limited - a Subsidiary Company | 55,79,71,010 | 70,00,00,000 |
| 25,000 (25,000) Equity Shares of Rs.10/- each, fully paid, in Tempo Finance (North) Private Limited | 2,50,000 | 2,50,000 |
| 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 | 57,15,66,809 | 72,60,02,569 |

Aggregate amount of Investments :

| | As on 31-03-2009 | | As on 31-03-2008 | |
|----------|------------------|------------------------|------------------|------------------------|
| | Cost Rupees | Market Value Rupees | Cost Rupees | Market Value Rupees |
| Quoted | 26,96,250 | 2,09,95,375 | 1,51,03,020 | 20,23,57,003 |
| Unquoted | 56,88,70,559 | -- | 71,08,99,549 | -- |

SCHEDULE 7 : CURRENT ASSETS, LOANS AND ADVANCES

| | Rupees | As at 31st March, 2009 Rupees | As at 31st March, 2008 Rupees |
|--|---------------|-------------------------------------|-------------------------------------|
| A. CURRENT ASSETS : | | | |
| 1. Inventories : | | | |
| (i) Stores and Spares | 18,28,71,682 | | 11,48,88,163 |
| (ii) Finished Goods | 31,67,89,806 | | 56,36,34,807 |
| (iii) Excise Duty on Inventory of Finished Goods | 2,42,48,564 | | 7,25,81,481 |
| (iv) Work-in-progress | 31,61,29,177 | | 38,03,17,647 |
| (v) Raw Materials and Components, including Rs. 7,09,98,656/- (Rs. 17,76,76,913/-) in transit | 112,02,73,054 | | 127,53,26,429 |
| | | 196,03,12,283 | 240,67,48,527 |
| 2. Sundry Debtors : | | | |
| Unsecured | | | |
| (i) Debts outstanding for a period exceeding six months : | | | |
| - Considered Good | 48,35,18,702 | | 8,74,19,541 |
| - Considered Doubtful | 4,17,26,034 | | 4,06,01,224 |
| | 52,52,44,736 | | 12,80,20,765 |
| (ii) Other Debts | 74,53,94,262 | | 116,44,29,635 |
| | 127,06,38,998 | | 129,24,50,400 |
| Less : Provision for Doubtful Debts | 4,17,26,034 | | 4,06,01,224 |
| | | 122,89,12,964 | 125,18,49,176 |
| 3. Cash and Bank Balances : | | | |
| (i) Cash balance and cheques on hand | 15,41,19,678 | | 14,44,36,396 |
| (ii) Balance with scheduled banks in current accounts | 94,65,787 | | 2,66,40,492 |
| (iii) Balance with scheduled banks in deposit accounts | 26,82,331 | | 17,56,631 |
| | | 16,62,67,796 | 17,28,33,519 |
| 4. Other Current Assets : | | | |
| Interest accrued on deposits | | 4,63,490 | 3,48,689 |
| B. LOANS AND ADVANCES : | | | |
| Unsecured, Considered good | | | |
| 1. Advances recoverable in cash or in kind or for value to be received | | | |
| - Considered Good | 19,54,10,269 | | 34,99,96,218 |
| - Considered Doubtful | 77,50,200 | | -- |
| | 20,31,60,469 | | 34,99,96,218 |
| Less : Provision for Doubtful Advances | 77,50,200 | | -- |
| | 19,54,10,269 | | 34,99,96,218 |
| 2. Sundry Advances | | | |
| - Considered Good | 63,59,234 | | 72,67,276 |
| - Considered Doubtful | 12,18,740 | | -- |
| | 75,77,974 | | 72,67,276 |
| Less : Provision for Doubtful Advances | 12,18,740 | | -- |
| | 63,59,234 | | 72,67,276 |
| 3. Sundry Deposits | | | |
| [including Govt. Securities of Rs. 1,79,600/- (Rs. 1,79,600/-), cost Rs. 1,73,995/- (Rs. 1,73,995/-) deposited with Govt. Authorities] | 6,42,33,860 | | 5,02,73,051 |
| 4. Advances against capital expenditure | | | |
| | 32,64,64,784 | | 18,88,36,199 |
| 5. Advance payment of Tax (Net of provision) | | | |
| [Contra Refer Schedule 8 item (B)-8] | 11,74,26,952 | | 9,45,45,513 |
| | | 70,98,95,099 | 69,09,18,257 |
| Total | | 406,58,51,632 | 452,26,98,168 |

SCHEDULE 8 : CURRENT LIABILITIES AND PROVISIONS

| | Rupees | As at 31st March, 2009 Rupees | As at 31st March, 2008 Rupees |
|--|----------------|-------------------------------------|-------------------------------------|
| (A) CURRENT LIABILITIES : | | | |
| 1. Sundry Creditors | 239,92,33,479 | | 299,57,55,354 |
| 2. Advances and Deposits against Orders | 60,41,76,072 | | 21,89,35,723 |
| 3. Unclaimed Dividend | 10,76,710 | | 11,37,073 |
| 4. Interest accrued but not due on loans, advances and deposits | 1,29,43,096 | | 4,06,04,329 |
| 5. Other Liabilities | 7,96,23,453 | | 27,14,65,201 |
| | | 309,70,52,810 | 352,78,97,680 |
| (B) PROVISIONS : | | | |
| 6. For Product Warranties and Service Charges | 7,02,75,850 | | 6,49,14,603 |
| 7. For Gratuity and Leave Encashment | 34,15,18,620 | | 30,60,83,554 |
| 8. For Taxation : | | | |
| Taxation provision for the earlier years | 7,44,63,605 | | 6,30,46,305 |
| Taxation provision for the year | 17,75,30,000 | | 1,14,17,300 |
| | 25,19,93,605 | | 7,44,63,605 |
| Less : Advance payment of tax | 36,94,20,557 | | 16,90,09,118 |
| [Contra Refer Schedule 7 item B-5] | (11,74,26,952) | | (9,45,45,513) |
| | | 41,17,94,470 | 37,09,98,157 |
| | Total | 350,88,47,280 | 389,88,95,837 |

Schedules forming part of the Profit & Loss Account

SCHEDULE 9 : OTHER INCOME

| | Rupees | For the year ended 31st March, 2009 Rupees | For the year ended 31st March, 2008 Rupees |
|---|--------------|---|---|
| Machining and Processing charges | | 1,61,51,193 | 36,25,646 |
| Miscellaneous receipts : | | | |
| Refunds | 32,63,280 | | -- |
| Service Charges received | 22,37,46,890 | | 24,59,29,327 |
| Other receipts | 31,95,36,241 | | 35,28,97,084 |
| | | 54,65,46,411 | 59,88,26,411 |
| Interest : | | | |
| On Short Term Deposits with Banks | 9,15,374 | | 1,69,871 |
| Others | 2,22,35,426 | | 4,31,47,781 |
| [Income-tax deducted at source Rs. 3,87,039/- (Rs. 1,33,295/-)] | | 2,31,50,800 | 4,33,17,652 |
| Income from Investments | | 7,14,288 | 6,71,075 |
| Excess provision in previous year written back | | 1,78,74,491 | 63,38,237 |
| Profit on sale of Assets | | 19,36,601 | 15,86,556 |
| Profit on sale of Investments in Subsidiary Company | | 295,27,24,940 | -- |
| Profit on sale of Investments | | 11,02,54,631 | -- |
| | Total | 366,93,53,355 | 65,43,65,577 |

SCHEDULE 10 : MATERIALS

| | | For the year ended 31st March, 2009 Rupees | For the year ended 31st March, 2008 Rupees |
|---|--------------|---|---|
| Raw material and Components consumed | | 567,13,54,295 | 659,49,94,363 |
| Stores consumed | | 39,11,37,814 | 50,89,81,569 |
| Fabrication and processing charges | | 4,04,80,653 | 15,14,73,917 |
| Freight, octroi, entry tax etc. | | 4,83,72,889 | 8,16,54,210 |
| Increase (-) / Decrease (+) in Stock-in-Trade | | 31,10,33,472 | (12,26,65,420) |
| | Total | 646,23,79,123 | 721,44,38,639 |

SCHEDULE 11 : OTHER EXPENSES

| | Rupees | For the year ended 31st March, 2009 Rupees | For the year ended 31st March, 2008 Rupees |
|--|--------------|---|---|
| Power and Fuel | | 14,70,41,209 | 16,55,37,290 |
| Repairs : | | | |
| Buildings | 1,28,57,700 | | 1,71,23,345 |
| Machinery | 4,41,03,270 | | 4,27,58,287 |
| Others | 1,26,91,308 | | 2,05,12,658 |
| | | 6,96,52,278 | 8,03,94,290 |
| Warranty Claims and Service charges | | 9,35,35,051 | 6,95,67,734 |
| Publicity and Sales promotion | | 7,20,60,143 | 21,55,50,495 |
| Salaries, Wages, Bonus, Leave encashment etc. | | 101,64,66,043 | 124,66,20,796 |
| Contribution to Provident Fund and other Funds & Schemes | | 14,10,61,227 | 12,21,21,665 |
| Staff and Labour Welfare Expenses | | 4,79,50,101 | 6,16,85,187 |
| Insurance | | 1,82,16,410 | 2,64,55,418 |
| Rent | | 46,80,498 | 65,13,810 |
| Rates, Taxes and duties | | 4,42,36,255 | 7,17,49,042 |
| Forwarding charges | | 9,98,61,924 | 15,25,94,271 |
| Miscellaneous Expenses | | 27,71,51,996 | 27,05,17,486 |
| Prior year expenses | | 33,67,944 | 40,03,283 |
| Guarantee Commission to Banks and Finance Brokerage | | 17,42,698 | 18,77,556 |
| Audit Fees, Legal and Professional charges | | 4,87,90,150 | 6,45,38,341 |
| Directors' Fees | | 8,10,000 | 6,40,000 |
| Interest : | | | |
| On Fixed Loans | 25,59,41,695 | | 23,43,52,604 |
| On Bank and Other accounts | 9,61,50,227 | | 10,90,91,864 |
| | | 35,20,91,922 | 34,34,44,468 |
| Royalty and Technical Know-how fees | | 6,55,000 | 5,91,404 |
| Loss on sale of Assets | | 9,82,282 | 27,27,185 |
| Provision for Doubtful Debts / Advance | | 1,00,78,839 | 68,50,465 |
| Donations | | -- | 14,972 |
| | | Total | |
| | | 245,04,31,970 | 291,39,95,158 |

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, 2008 | 46,40,03,411 | 3,00,47,003 | 1,60,53,256 | 68,42,45,909 | 503,81,31,554 | 162,18,98,468 | 11,46,74,546 | 6,26,80,117 | 1,72,73,842 | 19,37,24,840 | 31,77,96,223 | 856,05,29,169 | 787,45,63,213 |
| Additions | 16,44,500 | -- | -- | 72,63,037 | 19,42,62,665 | 25,57,67,606 | 2,26,781 | 5,11,082 | 4,14,106 | 4,59,551 | -- | 46,05,49,328 | 71,45,06,155 |
| Deductions | -- | -- | -- | 27,41,042 | 26,67,013 | -- | 90,320 | 3,90,750 | -- | 31,53,104 | -- | 90,42,229 | 2,85,40,199 |
| Cost as at 31st March, 2009 | 46,56,47,911 | 3,00,47,003 | 1,60,53,256 | 68,87,67,904 | 522,97,27,206 | 187,76,66,074 | 11,48,11,007 | 6,28,00,449 | 1,76,87,948 | 19,10,31,287 | 31,77,96,223 | 901,20,36,268 | 856,05,29,169 |
| DEPRECIATION | | | | | | | | | | | | | |
| Up to 31st March, 2008 | 28,10,52,136 | -- | 6,51,805 | 24,18,40,831 | 394,73,72,788 | 93,06,40,552 | 6,69,47,438 | 3,63,31,678 | 90,24,261 | 10,56,01,937 | 8,48,40,043 | 570,43,03,469 | 532,73,89,103 |
| This Year | 4,16,90,458 | -- | 4,29,835 | 2,17,40,837 | 18,13,87,601 | 13,28,52,448 | 43,23,441 | 30,84,113 | 9,13,961 | 1,40,36,953 | 1,77,96,589 | 41,82,56,236 | 39,01,57,145 |
| Deductions | -- | -- | -- | 5,14,849 | 14,20,730 | -- | 4,592 | 1,24,442 | -- | 10,08,970 | -- | 30,73,583 | 1,32,42,779 |
| Depreciation as at 31st March, 2009 | 32,27,42,594 | -- | 10,81,640 | 26,30,66,819 | 412,73,39,659 | 106,34,93,000 | 7,12,66,287 | 3,92,91,349 | 99,38,222 | 11,86,29,920 | 10,26,36,632 | 611,94,86,122 | 570,43,03,469 |
| Net Block as at 31st March, 2009 | 14,29,05,317 | 3,00,47,003 | 1,49,71,616 | 42,57,01,085 | 110,23,87,547 | 81,41,73,074 | 4,35,44,720 | 2,35,09,100 | 77,49,726 | 7,24,01,367 | 21,51,59,591 | 289,25,50,146 | 285,62,25,700 |
| Net Block as at 31st March, 2008 | 18,29,51,275 | 3,00,47,003 | 1,54,01,451 | 44,24,05,078 | 109,07,58,766 | 69,12,57,916 | 4,77,27,108 | 2,63,48,439 | 82,49,581 | 8,81,22,903 | 23,29,56,180 | 285,62,25,700 | 254,71,74,110 |

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

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

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

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

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

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

As per our separate report of even date attached

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

S. S. Athavale
Partner
Membership No. 83374

Ruchi Agarwal
Asst. Co. Secretary

A. N. Firodia
Prasan Firodia

Chairman & Managing Director
Director

Place : Pune
Date : 27th June, 2009

Pune
Date : 27th June, 2009

Notes forming part of the Accounts for the Year Ended 31st March, 2009.

1. Accounting Policies :

A. Depreciation :

(a) Tangible Assets :

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

(b) Intangible Assets :

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

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

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

B. Investments (Long Term) :

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

C. Valuation of Inventory :

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

D. Employees Retirement Benefit :

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

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

E. Research and Development Expenses:

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

F. Foreign Currency Transactions:

(a) Foreign Currency transactions are recorded at the rate of exchange on the date of the transaction.

(b) Monetary items of Assets and Liabilities booked in foreign currency are translated in to rupee at the exchange rate prevailing at the Balance Sheet date.

(c) Exchange difference resulting from settlement of such transaction and from translation of monetary items of Assets and Liabilities are recognised in the Profit and Loss account.

(d) The premium or discounts arising on Forward Contracts is amortized over the life of the Contract.

(e) Exchange difference arising on translation of foreign currency liabilities for acquisition of fixed assets are adjusted to the Profit and Loss account.

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, 2009 and not provided for. | Rupees 5,02,83,948 | Rupees (6,75,54,932) |
| 3. (a) The Company's Income-tax and Wealth-tax assessments have been completed upto the accounting year 2005-2006. | | |
| (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 2003-2004 of Akurdi Plant & 2005-2006 of Pithampur Plant. | | |
| 4. Payment to Auditors: (Net of service tax) | Rupees | Rupees |
| (a) As Auditors | 9,00,000 | (9,00,000) |
| (b) For Tax Audit | 40,000 | (40,000) |
| (c) For Certificates | 1,50,500 | (1,21,500) |
| (d) For Expenses and others | 31,010 | (34,217) |
| (e) Provident Fund Audit Fees | 15,000 | (15,000) |
| 5. Managerial Remuneration paid/payable to Chairman & Managing Director : | Rupees | Rupees |
| (a) Salary | 23,10,000 | (24,00,000) |
| (b) Commission | -- | -- |
| (c) Contribution to Provident Fund, Superannuation Scheme and Gratuity Scheme | 6,38,406 | (6,49,088) |
| (d) Perquisites paid for and estimated monetary value of perquisites availed of | 10,075 | (7,506) |
| 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 (including Education Cess on Automobile) Cess Rs. 4,65,148/- (Rs. 1,53,344/-) | 14,04,13,794 | (17,00,54,849) |
| (b) Others | 18,31,75,443 | (16,04,19,693) |

Taking the view that Automobile Cess, payable on sales, does not form part of excise duty, the Company has not paid an amount of Rs. 4,65,148/- **(Rs. 1,53,344/-)** towards education cess on Automobile Cess. Though Company has paid (and charged to its profit and loss account) the balance excise duty amounting to Rs. 234,70,93,353/- **(Rs. 85,60,43,413/-)** from Cenvat credit availed, Central Excise Department disallowing the duty so paid has issued show cause notice for the entire amount.

7. As of 31st March, 2009, the Company has not received any intimation as to the status as a Micro, Small & Medium Enterprises from any of the suppliers, with a copy of the Memorandum filed as per the provisions of Section 8 of the Micro, Small and Medium Enterprises Development Act, 2006.

8. Details of Intangible Assets are as under :

| Class of Intangible Assets | Software | Technical Know-how acquired on or after 1-4-2003 | Technical Know-how acquired upto 1-4-2003 | Technical Know-how internally generated |
|---|------------------------------|--|---|---|
| | Rs. | Rs. | Rs. | Rs. |
| (a) Useful life of the asset | 5 years | 10 years | 6 years | 6 years |
| (b) Cost as on 31-3-2007 | 8,49,57,504 (8,31,51,462) | 20,45,05,354 (20,45,05,355) | 8,22,00,834 (8,22,00,834) | 9,23,39,718 (9,23,39,718) |
| (c) Additions during the year | 16,44,500 (18,06,042) | -- (--) | -- (--) | -- (--) |
| (d) Deduction during the year | -- (--) | -- (--) | -- (--) | -- (--) |
| (e) Cost as at the end of the year | 8,66,02,005 (8,49,57,504) | 20,45,05,354 (20,45,05,355) | 8,22,00,834 (8,22,00,834) | 9,23,39,718 (9,23,39,718) |
| (f) Amortisation upto 31-3-2008 | 7,57,18,098 (6,64,57,622) | 8,05,40,582 (6,00,54,660) | 8,22,00,834 (8,22,00,834) | 4,25,92,622 (2,72,02,731) |
| (g) Amortisation during the year | 58,14,644 (92,60,476) | 2,04,85,922 (2,04,85,922) | -- (--) | 1,53,89,891 (1,53,89,891) |
| (h) Amortisation on Deductions | -- (--) | -- (--) | -- (--) | -- (--) |
| (i) Amortisation upto 31-3-2009 | 8,15,32,743 (7,57,18,098) | 10,10,26,504 (8,05,40,582) | 8,22,00,834 (8,22,00,834) | 5,79,82,513 (4,25,92,622) |
| (j) Net carrying cost as at the end of the year | 50,69,262 (92,39,406) | 10,34,78,850 (12,39,64,773) | -- (--) | 3,43,57,205 (4,97,47,096) |
| (k) Net carrying cost as at the beginning of the year | 92,39,406 (1,66,93,839) | 12,39,64,773 (14,44,50,694) | -- (--) | 4,97,47,096 (6,51,36,989) |

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

A. Licensed, Installed Capacity and Production :

| Class of Goods | Licensed Capacity Per Annum (in Nos.) | Installed Capacity Per Annum (in Nos.) | Production (in Nos.) |
|--|---------------------------------------|--|---------------------------|
| (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) | 14,987 (26,192) |
| (ii) Agricultural Tractor | 12,000 (12,000) | 12,000 (12,000) | 968 (2,000) |
| (iii) Diesel Engines for other purposes | 7,500 (7,500) | 6,000 (6,000) | 25 (62) |
| (iv) Moulds, Dies, Press Tools, Jigs & Fixtures | 1,000 (1,000) | 500 (500) | 1716** (1927) |

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

** Includes 1467 **(1567)** 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 | | Turnover |
|--|--------|---------------------------------------|---------------------------------------|---|
| | | Commencement | Close | |
| (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. | 1,676 (1,864) | 552 # (1,676) | 16,108* (26,363) |
| | Amount | 42,27,06,279 (36,39,51,333) | 17,42,23,507 (42,27,06,279) | 530,23,36,637 (681,72,00,932) |
| (ii) Agricultural Tractor | Nos. | 201 (294) | 104 \$ (201) | 1,065@ (2,090) |
| | Amount | 5,77,13,090 (8,08,28,735) | 3,47,18,354 (5,77,13,090) | 33,82,51,317 (60,64,21,176) |
| (iii) Diesel Engines for other purposes | Nos. | 3 (5) | 3** (3) | 25*** (56) |
| | Amount | 2,14,424 (2,89,797) | 1,88,651 (2,14,424) | 15,22,564 (30,48,659) |
| (iv) Moulds, Dies, Press Tools, Jigs & fixtures | Nos. | 73 (140) | 108 (73) | 220 (427) |
| | Amount | 48,27,774 (40,99,055) | 2,14,67,556 (48,27,774) | 1,68,01,518 (5,83,87,885) |
| (v) Other Items | Amount | | | 184,61,44,045 (157,07,40,646) |

* Includes Nil (1) vehicles capitalised and includes 2 (3) vehicles given free of cost.

@ Includes 1 (Nil) tractor capitalised.

** Excludes Nil (8) Engines transferred to R&D for testing.

*** Includes 9 (22) as service replacement and Nil (1) capitalised and Nil (8) engines given free of cost.

Excludes 1 (Nil) vehicle written off and 2 (Nil) vehicles scrapped.

\$ Excludes Nil (3) Tractors dismantled for engineering testing.

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

| | | QUANTITY | | VALUE | |
|------------------------|-------|-----------|--------------------|---------------|------------------------|
| | | | | Rupees | Rupees |
| Steel and other metals | Tons | 9,561 | (11,449) | 46,96,89,126 | (43,35,72,078) |
| | Mtrs. | 50,861 | (48,760) | | |
| Castings and Forgings | Nos | 11,54,092 | (17,26,019) | 29,49,08,335 | (30,74,93,297) |
| Components | | -- | -- | 490,67,56,834 | (585,39,28,988) |
| TOTAL | | | | 567,13,54,295 | (659,49,94,363) |

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

| | Rupees | | Percentage | |
|--------------|----------------------|------------------------|---------------|-----------------|
| Imported | 127,22,55,752 | (99,35,80,188) | 22.43 | (15.07) |
| Indigenous | 439,90,98,543 | (560,14,14,175) | 77.57 | (84.93) |
| Total | 567,13,54,295 | (659,49,94,363) | 100.00 | (100.00) |

11. 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 1-4-2008 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 31-3-2009 Rs. |
|---|---|---|--|--|--|
| (a) Warranty | 1,97,53,203 (3,00,00,000) | 68,59,939 (86,16,132) | 1,70,02,100 (1,88,62,929) | -- | 96,11,042 (1,97,53,203) |
| (b) Free Service Coupons | 4,51,61,401 (5,46,45,994) | 4,63,93,057 (60,17,032) | 3,08,89,650 (1,55,01,625) | -- | 6,06,64,808 (4,51,61,401) |

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

| | Rupees | Rupees |
|---|---------------|-----------------|
| (a) C.I.F. Value of Imports : | | |
| (i) Raw Materials | 9,86,78,641 | (10,98,19,656) |
| (ii) Components | 124,08,57,035 | (104,65,93,714) |
| (iii) Spare Parts for Resale | 3,41,511 | (97,676) |
| (iv) Capital Goods | 1,52,503 | (3,74,45,648) |
| (v) Machinery Spares, Tools & Others | 1,83,23,444 | (1,91,64,232) |
| (b) Expenditure in Foreign Currency (on Payment basis) : | | |
| (i) Travelling and Other expenses | 1,39,95,084 | (80,30,435) |
| (ii) Royalty and Technical know-how fees (net of tax) | -- | (1,60,77,218) |
| (iii) Technical services and consultation fees (net of tax) | 1,80,81,175 | (1,61,38,860) |
| (c) Earnings in Foreign Currency : | | |
| Exports on FOB basis | 30,08,47,323 | (38,59,36,125) |

13. The amount of net exchange differences included in the Profit / Loss for the year on revenue account is Rs. 2,47,07,416/- Debit (Rs. 1,72,88,068/- Debit) and on Capital account is Rs. 16,78,597/- Debit (Rs. 1,40,74,671/- Debit).

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

| | Rupees | Rupees |
|--------------------------|--------------|----------------|
| (i) Capital Expenditure | 67,32,730 | (3,33,36,888) |
| (ii) Revenue Expenditure | 21,43,15,598 | (25,09,92,731) |

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

15. The Company's liabilities and obligations in foreign currency outstanding as at 31st March, 2009, 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 | -- | -- | -- | -- |
| | (--) | (--) | (--) | (--) |
| In Euro | -- | -- | 3,00,305 | 2,02,53,912 |
| | (--) | (--) | (20,58,515) | (12,94,95,433) |
| In Japanese Yen | -- | -- | 23,22,000 | 12,07,208 |
| | (--) | (--) | (37,09,005) | (14,82,860) |

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

| Nature of Timing difference | As at 31st March, 2009 | As at 31st March, 2008 |
|---|---------------------------|---------------------------|
| (i) Difference between accounting and tax depreciation (cumulative) | (33,82,28,719) | (34,78,43,932) |
| (ii) Other Timing differences | -- | 13,71,42,930 |
| (iii) Business / Depreciation Loss | -- | 34,78,43,932 |
| TOTAL | (33,82,28,719) | 13,71,42,930 |

In considering the recognition of Deferred Tax Assets on account of Loss, Depreciation, Deduction on actual payments, the Board of Directors has considered the relevant legal provisions of carry-forward and set off, priority thereof and present economic situation and has deferred the recognition of Deferred Tax Assets.

17. Earnings per Share :
Values used in calculating Earnings Per Share :
(a) Numerator :

| | 31.03.2009 | 31.03.2008 |
|---------------------------------|---------------|-----------------------|
| Profit / (Loss) after tax (Rs.) | 124,56,30,038 | (83,65,17,834) |

(b) Denominator :

| | 31.03.2009 | 31.03.2008 |
|--|-------------|--------------------|
| Number of Equity Shares | 1,31,76,262 | 1,31,76,262 |
| Weighted average number of Equity Shares | 1,31,76,262 | 1,31,76,262 |

18. Disclosure as per Accounting Standard 15 (Revised) is as under :

| | Gratuity (Rs.) | | Leave Entitlement (Rs.) | |
|--|---------------------|--|-------------------------|---------------------|
| | 31st March, 2009 | 31st March, 2008 | 31st March, 2009 | 31st March, 2008 |
| (A) Amount to be recognised in Balance Sheet | | | | |
| (i) Present Value of the Obligation | 37,13,45,247 | 34,32,37,311 | 11,94,43,931 | 10,65,51,535 |
| (ii) Funded Status | 14,92,70,558 | 14,43,48,005 | -- | -- |
| (iii) Net Asset / (Liability) recognised in Balance Sheet | (22,20,74,689) | (19,88,89,306) | (11,94,43,931) | (10,65,51,535) |
| (B) Expenses recognised in the statement of Profit and Loss Account at the end. | | | | |
| (i) Current Service Cost | 2,25,10,879 | 2,13,01,694 | 1,32,94,217 | 94,20,179 |
| (ii) Interest Cost | 2,73,89,972 | 2,80,40,046 | 82,68,783 | 79,41,436 |
| (iii) Expected Return on Plan Assets | (1,31,28,980) | (1,28,75,735) | -- | -- |
| (iv) Net actuarial (gain) / loss recognised in the year | 2,05,55,988 | (61,12,572) | 98,72,865 | 1,50,79,152 |
| (v) Expenses recognised in the statement of Profit and Loss Account at the end | 5,73,27,859 | 3,03,53,433 | 3,14,35,865 | 3,24,40,767 |
| (C) Present value of obligation as at the end | | | | |
| (i) Present value of obligation as at the beginning | 34,32,37,311 | 32,98,82,899 | 10,65,51,535 | 9,34,28,655 |
| (ii) Interest Cost | 2,73,89,972 | 2,80,40,046 | 82,68,783 | 79,41,436 |
| (iii) Current Service Cost | 2,25,10,879 | 2,13,01,694 | 1,32,94,217 | 94,20,179 |
| (iv) Benefits paid | 4,20,04,694 | 3,47,88,708 | (1,85,43,469) | (1,93,17,887) |
| (v) Actuarial (gain) / loss on obligation | 2,02,11,779 | (11,98,620) | 98,72,865 | 1,50,79,152 |
| (vi) Present value of obligation as at the end | 37,13,45,247 | 34,32,37,311 | 11,94,43,931 | 10,65,51,535 |
| (D) Actuarial Assumptions : | | | | |
| (i) Discount Rate | 7.10% | 8.50% | 7.10% | 8.50% |
| (ii) Salary escalation rate | 10.00% | 10.00% | 10.00% | 10.00% |
| (iii) Rate of Return on Plan Assets | 9.35% | 9.35% | -- | -- |
| (iv) Mortality Rate | | As per standard table of LIC (1994-95) | | |

The estimates of the future salary increases, considered in actuarial valuation, takes into account inflation, seniority, promotion and other relevant factors, such as demand and supply in the employment market.

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

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

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

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

| Type of Related party | Nature of Transaction | Volume of Transactions during 2008-09 | Amount outstanding as on 31-03-2009 | |
|--|--|---------------------------------------|-------------------------------------|-------------------------------|
| | | | Receivables | Payables |
| (i) Subsidiary Company MAN FORCE Trucks Private Limited | : Sale of Raw Material & Components | 2,676.06 (1,415.17) | 2,074.40 (1,748.70) | -- (--) |
| | : Sale of Capital Assets | 159.92 (859.48) | -- (859.48) | -- (--) |
| | : Purchase of Assets | -- (2.56) | -- (--) | -- (20.16) |
| | : Machinery received on Loan | 6,043.07 (1632.16) | -- (--) | 8,286.95 (2,243.88) |
| | : Purchase of Material | 212.11 (600.05) | -- (--) | -- (701.30) |
| | : Reimbursement of Expenses | 14.64 (169.88) | -- (169.88) | -- (--) |
| | : Service Charges | 2,291.16 (2,470.39) | 5,256.76 (2,965.60) | -- (--) |
| | : Others | 21.23 (6.25) | -- (2,503.18) | -- (--) |
| (a) Key Management Personnel | : Managerial Remuneration | 29.58 (30.57) | -- (--) | 0.20 (--) |
| (b) Relatives of Key Management Personnel | : Expenditure on Rent | 2.40 (2.40) | -- (--) | -- (--) |
| (c) Other Related Parties | : The Service of Information Systems / Department are shared with one of the related parties | Not quantified | | |
| (ii) Jaya Hind Industries Ltd. | : Purchase of Capital Goods | 784.67 (1,229.94) | 507.68 (60.80) | -- (--) |
| | : Purchase of Raw Materials, Components & Others | 3,133.40 (3,916.14) | -- (--) | 148.22 (161.53) |
| | : Sundry Sales | 204.25 (201.16) | -- (12.67) | -- (--) |
| | : Processing Charges recovered | 21.79 (11.50) | -- (--) | -- (--) |
| | : Sale of Assets | -- (--) | -- (--) | -- (--) |
| | : Material Given on Loan | 0.02 (--) | 14.78 (14.76) | -- (--) |
| | : Machinery given on Loan | 323.75 (1,013.28) | 3,464.96 (3,141.21) | -- (--) |

(Rs. In Lacs)

| Type of Related party | Nature of Transaction | Volume of Transactions during 2008-09 | Amount outstanding as on 31-03-2009 | |
|---|--|---------------------------------------|-------------------------------------|-----------------------------|
| | | | Receivables | Payables |
| | : Reimbursement of Expenditure | 130.17 (114.86) | -- (--) | -- (--) |
| (iii) Jaya Hind Investments Private Limited | : Inter Corporate Deposit | 24,250 (9,600) | -- (--) | 4,650 (14,600) |
| | : Interest on Inter Corporate Deposit (Gross) | 1,267.78 (875.24) | -- (--) | -- (239.29) |
| (iv) Pinnacle Industries Ltd. | : Purchase of Capital Goods | -- (0.12) | -- (--) | -- (0.12) |
| | : Purchase of Raw Materials, Components & Others | 3,943.46 (4,712.24) | -- (--) | 621.74 (1,039.68) |
| | : Sundry Sales | 20.81 (37.89) | -- (--) | -- (--) |
| | : Processing Charges recovered | 0.65 (1.61) | -- (--) | -- (--) |
| | : Sale of Assets | -- (19.70) | -- (--) | -- (--) |
| | : Material Given on Loan | -- (--) | 0.30 (0.30) | -- (--) |
| | : Machinery given on Loan | 9.57 (12.66) | 36.78 (27.21) | -- (--) |
| | : Reimbursement of Expenditure | 40.11 (34.14) | -- (--) | -- (--) |

20. During the year under report, Company sold 1,42,02,899 Equity Shares of Rs. 10 each of MAN FORCE TRUCKS Pvt. Ltd. (MFTPL), a subsidiary, engaged in the business of manufacture of Heavy Commercial Vehicles, to MAN Nutzfahrzeuge AG, the Joint Venture partner of the Company for Heavy Commercial Vehicle Project, for a consideration of Euro 4,90,00,000 (Rs. 309,47,53,930/-). The transfer of these shares of MFTPL resulted in gain of Rs. 295,27,24,940/-.

Similarly, 9,39,000 Equity Shares of ZF Steering Gear (India) Limited, which were held for the strategic reasons for supply of steering gears, an important part of vehicles manufactured by the Company, were also sold during the year under report for a consideration of Rs. 12,20,71,401/-. This sale of shares has resulted in gain of Rs. 11,00,41,401/-.

As per the provisions of Schedule VI to the Companies Act, 1956, and the Guidance Note issued by the Institute of Chartered Accountants of India, this capital profit on sale of investments has been credited to the Profit and Loss Account for the Financial Year 2008-09.

21. No amount, as on 31st March, 2009, became due for transfer to the credit of the Investors Education and Protection Fund.
22. The Company has not exercised the option available under Para 46 of Accounting Standard 11 relating to the effects of changes in Foreign Exchange rates, being part of the Companies (Accounting Standard Rules) 2009.
23. The Company is operating in a Single Segment.
24. Previous year / period's figures are re-arranged wherever necessary and shown in brackets.

As per our separate report of even date attached

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

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

S. S. Athavale
Partner
Membership No. 83374

Ruchi Agarwal
Asst. Co. Secretary

Place : Pune
Date : 27th June, 2009

Pune
Date : 27th June, 2009

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 9

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 1 1 8 0 7 0

Total Assets

- - 7 7 3 1 4 8 5

Sources of Funds :

Paid-up Capital

- - - 1 3 1 7 9 0

Reserves & Surplus

- - 2 1 4 3 3 9 6

Secured Loan

- - - 9 4 0 8 4 4

Unsecured Loan

- - - 6 6 8 3 7 9

Deferred Tax Liability

- - - 3 3 8 2 2 9

Application of Funds :

Net Fixed Assets

- - 3 0 9 4 0 6 7

Investments

- - - 5 7 1 5 6 7

Net Current Assets

- - - 5 5 7 0 0 4

Misc. Expenditure

N I L

Accumulated Losses

N I L

Deferred Tax Asset

- - - - - - - -

IV Performance of Company (Amount in Rs. Thousands)

Turnover

- - 1 1 1 6 0 0 0 9

Total Expenditure

- - - 9 2 5 8 8 6 7

+ - Profit / Loss Before Tax

√ (+) 1 9 0 1 1 4 3

+ - Profit / Loss After Tax

√ (+) 1 2 4 5 6 3 0

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

Earning per Share in Rs.

- - (+) 9 4 . 5 4

Dividend rate %

- - -

| CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 31ST MARCH, | | 2009 | 2008 |
|--|---------|------------------------|-----------------------|
| | | Rupees | Rupees |
| (A) Cash flow from Operating Activities : | | | |
| Net Profit / (Loss) before tax and extraordinary items | | 190,11,43,284 | (80,68,29,076) |
| Adjustments for : | | | |
| Depreciation | | 41,82,56,236 | 39,01,57,145 |
| Donation other than in cash | | -- | 2,772 |
| Adjustment for Foreign exchange loss / (gain) | | 4,19,62,567 | 1,40,90,908 |
| Interest Income on bank deposits & others | | (10,39,653) | (5,54,719) |
| Profit on sale of Investments | | (306,29,79,571) | -- |
| Dividend / Income from trade investments | | (7,14,288) | (6,71,075) |
| Loss / (Profit) on sale of assets | | (9,54,319) | 11,40,628 |
| Interest expense | | 35,20,91,922 | 34,34,44,468 |
| Provision for bad, doubtful debts and debit balances | | 1,00,78,839 | 68,50,465 |
| Operating Profit before Working Capital Changes | | (34,21,54,983) | (5,23,68,484) |
| Increase in Sundry Debtors and Loans & Advances | | 16,77,04,046 | (19,95,97,306) |
| (Increase) / Decrease in Inventories | | 44,64,36,244 | (36,75,88,348) |
| Increase in Sundry Creditors and Other Payables | | (41,15,75,782) | 33,68,51,243 |
| Cash generated from operations | | (13,95,90,475) | (28,27,02,895) |
| Direct Taxes paid | | (20,30,23,036) | (4,55,78,901) |
| Net Cash flow from Operating Activities | (A) | (34,26,13,511) | (32,82,81,796) |
| (B) Cash flow from investing activities : | | | |
| Purchase of fixed assets | | (46,02,56,063) | (53,92,70,514) |
| Proceeds from sale of assets / equipments | | 69,22,965 | 1,41,54,021 |
| Interest received | | 10,39,653 | 5,54,719 |
| Investments in shares of subsidiary | | -- | (1,50,000) |
| Proceeds from sale of Investments | | 321,74,15,331 | -- |
| Dividend / Income from trade investments received | | 7,14,288 | 6,71,075 |
| Net cash used in Investing Activities | (B) | 276,58,36,174 | (52,40,40,699) |
| (C) Cash flow from financing activities : | | | |
| Proceeds of long-term borrowings | | (128,58,87,000) | 78,16,80,538 |
| Proceeds of short-term borrowings | | (76,40,67,170) | 38,42,88,248 |
| Interest paid | | (37,97,53,155) | (32,33,36,154) |
| Net cash flow from Financing Activities | (C) | (242,97,07,325) | 84,26,32,632 |
| Net increase / (Decrease) in Cash and Cash equivalents | (A+B+C) | (64,84,662) | (96,89,863) |
| Cash and Cash equivalents as at 01-04-2008 | | 17,28,65,583 | 18,25,55,446 |
| Cash and Cash equivalents as at 31-03-2009 (excluding unrealised exchange fluctuation gain) | | 16,63,80,921 | 17,28,65,583 |

As per our separate report of even date attached

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

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

S. S. Athavale
Partner
Membership No. 83374

Ruchi Agarwal
Asst. Co. Secretary

Place : Pune
Date : 27th June, 2009

Pune
Date : 27th June, 2009

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

Statement pursuant to Section 212 (3)

| 1. | Name of the Subsidiary Companies | MAN FORCE TRUCKS Private Limited | Tempo Finance (West) Private Limited |
|----|--|--|--|
| 2. | Holding Company's interest in the Subsidiaries at the end of the Financial Year of the Subsidiary, i.e. 31st March, 2009. | 5,57,97,101 equity shares of Rs. 10/- each, fully paid up | 10,60,050 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, 2009 : Rs. (70,49,30,308) (ii) For the previous Financial Year of the Subsidiary Company : Rs. (62,15,63,480) | (i) For the Financial Year of Subsidiary Company ended on 31st March, 2009 : Rs. 10,77,741/- (ii) For the previous Financial Year of the Subsidiary Company : Rs. 1,18,56,552/- |
| 4. | The net aggregate amount of profits of the Subsidiary Company after deducting its losses so far as these profits are dealt with in the Holding Company's accounts. | (i) For the Financial Year of the Subsidiary Company ended on 31st March, 2009 : Rs. Nil (ii) For the previous Financial Year of the Subsidiary Company : Rs. Nil | (i) For the Financial Year of the Subsidiary Company Ended on 31st March, 2009 : Rs. Nil (ii) For the previous Financial Year of the Subsidiary Company : Rs. 45,20,000/- |

Ruchi Agarwal
Asst. Co. Secretary

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

Place : Pune
Date : 27th June, 2009

Place : Pune
Date : 27th June, 2009



AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

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

We have audited the attached Consolidated Balance Sheet of Force Motors Limited group as at 31st March, 2009, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year then ended.

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

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

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

- (a) in the case of the Consolidated Balance Sheet, of the state of affairs of Force Motors Limited and its subsidiary companies as at 31st March, 2009;
- (b) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of Force Motors Limited and its subsidiary companies for the year then ended; and
- (c) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flow of Force Motors Limited and its subsidiary companies for the year then ended.

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

Place : Pune
Date : 27th June, 2009

S. S. Athavale
Partner
Membership No. 83374

Consolidated Balance Sheet as at 31st March, 2009

| | Schedule | Rupees | As at 31st March, 2009 Rupees | As at 31st March, 2008 Rupees |
|---|----------|----------------|-------------------------------------|-------------------------------------|
| I SOURCES OF FUNDS : | | | | |
| 1. Shareholders' Funds | | | | |
| (a) Share Capital | 1 | 13,17,90,383 | | 13,17,90,383 |
| (b) Share Application Money Pending Allotment | | 260,00,00,000 | | -- |
| (c) Reserves and Surplus | 2 | 71,87,52,321 | | 97,26,156 |
| | | | 345,05,42,704 | 14,15,16,539 |
| 2. Loan Funds | | | | |
| (a) Secured Loans | 3 | 237,28,61,641 | | 307,22,19,456 |
| (b) Unsecured Loans | 4 | 66,83,79,000 | | 178,44,45,000 |
| | | | 304,12,40,641 | 485,66,64,456 |
| 3. Deferred Tax Liability | | | | |
| | | | 33,82,28,719 | -- |
| | | Total | 683,00,12,064 | 499,81,80,995 |
| II APPLICATION OF FUNDS : | | | | |
| 1. Fixed Assets | | | | |
| (a) Gross Block | 5 | 1098,91,32,598 | | 1033,65,79,228 |
| (b) Less : Depreciation | | 653,44,83,446 | | 598,37,93,317 |
| (c) Net Block | | 445,46,49,152 | | 435,27,85,911 |
| (d) Capital Work-in-progress | | 79,07,28,288 | | 43,37,26,261 |
| | | | 524,53,77,440 | 478,65,12,172 |
| 2. Investments | | | | |
| | 6 | | 29,46,500 | 1,53,53,270 |
| 3. Deferred Tax Assets | | | | |
| | | | -- | 13,74,09,313 |
| 4. Current Assets, Loans and Advances | | | | |
| (a) Inventories | 7 | 464,07,68,128 | | 378,32,63,811 |
| (b) Sundry Debtors | | 66,48,15,482 | | 62,16,54,478 |
| (c) Cash and Bank Balances | | 25,58,55,677 | | 40,54,42,451 |
| (d) Other Current Assets | | 13,74,734 | | 7,42,279 |
| (e) Loans and Advances | | 148,81,76,179 | | 122,49,71,098 |
| | | | 705,09,90,200 | 603,60,74,117 |
| 5. Less : Current Liabilities & Provisions | | | | |
| (a) Liabilities | 8 | 561,66,35,210 | | 561,49,90,624 |
| (b) Provisions | | 45,56,12,180 | | 39,07,53,817 |
| | | | 607,22,47,390 | 600,57,44,441 |
| Net Current Assets | | | 97,87,42,810 | 3,03,29,676 |
| 6. Minority Interest | | | | |
| | | | 60,29,45,314 | 2,85,76,564 |
| | | Total | 683,00,12,064 | 499,81,80,995 |

As per our separate report of even date attached

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

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

S. S. Athavale
Partner
Membership No. 83374

Ruchi Agarwal
Asst. Co. Secretary

Place : Pune
Date : 27th June, 2009

Place : Pune
Date : 27th June, 2009

**Consolidated Profit & Loss Account
for the year ended 31st March, 2009**

| | Schedule | Rupees | For the year ended 31st March, 2009 Rupees | For the year ended 31st March, 2008 Rupees |
|--|----------|----------------|---|---|
| INCOME | | | | |
| Sales including Excise Duty | | 1020,30,07,794 | | 1186,44,63,295 |
| Less : Excise duty | | 129,40,39,689 | | 176,82,42,677 |
| Net Sales | | 890,89,68,105 | | 1009,62,20,618 |
| Less : Commission on Sales | | 1,47,50,547 | | 51,74,529 |
| | | | 889,42,17,558 | 1009,10,46,089 |
| Other Income | 9 | | 348,98,81,111 | 44,40,37,940 |
| | | | 1238,40,98,669 | 1053,50,84,029 |
| EXPENDITURE | | | | |
| Materials | 10 | 821,33,92,793 | | 836,22,70,124 |
| Other Expenses | 11 | 304,98,08,563 | | 340,60,45,572 |
| Depreciation | | 55,48,79,864 | | 49,85,17,232 |
| | | 1181,80,81,220 | | 1226,68,32,928 |
| Less : Expenditure included in above items, capitalised. | | 8,34,24,344 | | 4,87,26,116 |
| | | | 1173,46,56,876 | 1221,81,06,812 |
| PROFIT FOR THE YEAR | | | 64,94,41,793 | (168,30,22,783) |
| Less : Provision for Taxation - Current Tax | | 17,09,56,000 | | 21,92,300 |
| - Fringe Benefit Tax | | 76,11,000 | | 1,03,01,000 |
| - Deferred Tax | | 47,56,38,032 | | 9,20,38,211 |
| [Including Rs. 16,20,000/- (Rs. 17,17,300/-) for Wealth Tax] | | | 65,42,05,032 | 10,45,31,511 |
| Add : Taxation provision in respect of earlier year | | | 26,08,336 | 1,93,450 |
| PROFIT AFTER TAX | | | (73,71,575) | (178,77,47,744) |
| Add : Balance of Profit as per last account | | | (158,11,88,432) | 20,68,04,312 |
| Amount available for appropriation | | | (158,85,60,007) | (158,09,43,432) |
| Appropriations | | | | |
| Transfer to General Reserve II | | | 3,40,000 | 2,45,000 |
| Balance carried forward | | | (158,89,00,007) | (158,11,88,432) |
| Profit After Tax | | | (73,71,575) | (178,77,47,744) |
| Profits for the year attributable to Minority Interest | | | (55,82,49,836) | (29,08,60,082) |
| Balance Net Profit | | | 55,08,78,261 | (149,68,87,662) |
| Basic and Diluted Earnings per share (Rs.) (Nominal value per share Rs. 10/-) | | | 41.81 | (113.60) |

As per our separate report of even date attached

For **M/s. P. G. Bhagwat**
Chartered Accountants**A. N. Firodia** Chairman & Managing Director
Prasan Firodia Director**S. S. Athavale**
Partner
Membership No. 83374**Ruchi Agarwal**
Asst. Co. SecretaryPlace : Pune
Date : 27th June, 2009Place : Pune
Date : 27th June, 2009

Schedules forming part of the Balance Sheet

SCHEDULE 1 : SHARE CAPITAL

| | As at 31st March, 2009 Rupees | As at 31st March, 2008 Rupees |
|--|-------------------------------------|-------------------------------------|
| Authorised : | | |
| 2,00,00,000 (2,00,00,000) Shares of Rs.10/- each | 20,00,00,000 | 20,00,00,000 |
| Issued : | | |
| 1,32,13,802 (1,32,13,802) Equity Shares of Rs.10/- each | 13,21,38,020 | 13,21,38,020 |
| Subscribed and paid up : | | |
| 1,31,76,262 (1,31,76,262) Equity Shares of Rs.10/- each fully paid up [of the above 2,00,918 (2,00,918) Equity Shares are allotted as fully paid Shares pursuant to a contract without payment being received in cash and 57,29,934 (57,29,934) Equity Shares are allotted as fully paid Bonus Shares by capitalisation of reserves] | 13,17,62,620 | 13,17,62,620 |
| Add : Amount paid on Forfeited Shares | 27,763 | 27,763 |
| Total | 13,17,90,383 | 13,17,90,383 |

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

SCHEDULE 2 : RESERVES AND SURPLUS

| | Rupees | As at 31st March, 2009 Rupees | As at 31st March, 2008 Rupees |
|---|-----------------|-------------------------------------|-------------------------------------|
| 1. Capital Reserve : | | | |
| As per last account | 25,00,000 | | 25,00,000 |
| Add : On acquisition of Shares of Subsidiary Company | 1,04,500 | | 1,04,500 |
| | | 26,04,500 | 26,04,500 |
| 2. Share Premium : | | | |
| As per last account | | 59,19,77,215 | 59,19,77,215 |
| 3. General Reserve : | | | |
| As per last account | 66,18,18,309 | | 66,18,18,309 |
| Less : Minority Interest | 73,681 | | 73,681 |
| | | 66,17,44,628 | 66,17,44,628 |
| 4. General Reserve II : | | | |
| As per last account | 32,87,500 | | 30,42,500 |
| Add : Transfer from Profit and Loss Account | 3,40,000 | | 2,45,000 |
| | 36,27,500 | | 32,87,500 |
| Less : Minority Interest | 7,25,582 | | 6,57,574 |
| | | 29,01,918 | 26,29,926 |
| 5. Balance as per Profit and Loss Account | (158,89,00,007) | | (158,11,88,432) |
| Less : Minority Interest | (104,84,24,067) | | (33,19,58,319) |
| | | (54,04,75,940) | (124,92,30,113) |
| | Total | 71,87,52,321 | 97,26,156 |

SCHEDULE 3 : SECURED LOANS

| | As at 31st March, 2009 Rupees | As at 31st March, 2008 Rupees |
|--|-------------------------------------|-------------------------------------|
| 1. Loans & Advances from Banks on Cash Credit Accounts | 55,38,43,216 | 109,26,25,456 |
| 2. Term Loan from Banks | 181,90,18,425 | 197,95,94,000 |
| [Due in next 12 months Rs. 66,00,00,000/- (Rs. 66,00,00,000/-)] | | |
| Total | 237,28,61,641 | 307,22,19,456 |

Item No. 1 is secured by hypothecation of 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 rank pari passu inter se.

Item No. 2 is secured by first charge on all fixed assets (including equitable mortgage over land and buildings) and second charge on all current assets, both present and future, situated at Akurdi, Dist. Pune and Pithampur, Dist. Dhar (M.P.) Charges created in favour of bankers rank pari passu inter se.

SCHEDULE 4 : UNSECURED LOANS

| | As at 31st March, 2009 Rupees | As at 31st March, 2008 Rupees |
|---|-------------------------------------|-------------------------------------|
| 1. Fixed Deposits | 20,33,79,000 | 32,44,45,000 |
| [Due in next 12 months Rs. 8,87,64,000/- (Rs. 14,49,43,000/-)] | | |
| 2. Inter corporate Deposits | 46,50,00,000 | 146,00,00,000 |
| Total | <u>66,83,79,000</u> | <u>178,44,45,000</u> |

SCHEDULE 5 : FIXED ASSETS

| | As at 31st March, 2009 Rupees | As at 31st March, 2008 Rupees |
|--|-------------------------------------|-------------------------------------|
| 1. Net Fixed Assets, as per Annexure | 445,46,49,152 | 435,27,85,911 |
| 2. Capital Work-in-progress : | | |
| (i) Buildings under construction | 11,26,86,012 | 4,80,66,316 |
| (ii) Machinery under installation / in transit | 62,14,69,395 | 23,40,17,254 |
| (iii) Other Assets | 5,65,72,881 | 15,16,42,691 |
| | <u>79,07,28,288</u> | <u>43,37,26,261</u> |
| Total | <u>524,53,77,440</u> | <u>478,65,12,172</u> |

SCHEDULE 6 : INVESTMENTS (Long Term)

| | As at 31st March, 2009 Rupees | As at 31st March, 2008 Rupees |
|--|-------------------------------------|-------------------------------------|
| 1. Government and Trust Securities : | | |
| Quoted | | |
| 5,900 (5,900) 6.75% Tax free US64 Bonds of Rs. 100/- each | -- | 3,76,770 |
| 2. Trade Investments : | | |
| Quoted | | |
| Nil (9,39,000) Equity Shares of Rs.10/- each, fully paid, in Z. F. Steering Gear (India) Limited | -- | 1,20,30,000 |
| Unquoted | | |
| 25,000 (25,000) Equity Shares of Rs.10/- each, fully paid, in Tempo Finance (North) Private Limited | 2,50,000 | 2,50,000 |
| 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 | 29,46,500 | 1,53,53,270 |

Aggregate amount of Investments :

| | As on 31-03-2009 | | As on 31-03-2008 | |
|----------|------------------|------------------------|------------------|------------------------|
| | Cost Rupees | Market Value Rupees | Cost Rupees | Market Value Rupees |
| Quoted | 26,96,250 | 2,09,95,375 | 1,51,03,020 | 20,23,57,003 |
| Unquoted | 2,50,250 | -- | 2,50,250 | -- |

SCHEDULE 7 : CURRENT ASSETS, LOANS AND ADVANCES

| | Rupees | As at 31st March, 2009 Rupees | As at 31st March, 2008 Rupees |
|--|---------------|-------------------------------------|-------------------------------------|
| A. CURRENT ASSETS : | | | |
| 1. Inventories : | | | |
| (i) Stores and Spares | 19,88,13,519 | | 12,64,82,265 |
| (ii) Finished Goods | 58,26,89,795 | | 73,28,09,258 |
| (iii) Excise Duty on Inventory of Finished Goods | 4,21,02,899 | | 9,31,53,597 |
| (iv) Work-in-progress | 58,30,15,865 | | 45,29,61,331 |
| (v) Raw Materials and Components, including Rs. 94,95,67,878/- (Rs. 49,22,30,727/-) in transit | 323,41,46,050 | | 237,78,57,360 |
| | | 464,07,68,128 | 378,32,63,811 |
| 2. Sundry Debtors : | | | |
| Unsecured | | | |
| (i) Debts outstanding for a period exceeding six months : | | | |
| - Considered Good | 50,04,55,638 | | 8,74,19,541 |
| - Considered Doubtful | 4,77,69,021 | | 4,15,08,160 |
| | 54,82,24,659 | | 12,89,27,701 |
| (ii) Other Debts | 16,43,59,844 | | 53,42,34,937 |
| | 71,25,84,509 | | 66,31,62,639 |
| Less : Provision for Doubtful Debts | 4,77,69,021 | | 4,15,08,160 |
| | | 66,48,15,482 | 62,16,54,478 |
| 3. Cash and Bank Balances : | | | |
| (i) Cash balance and cheques on hand | 15,42,24,789 | | 14,46,19,297 |
| (ii) Balance with scheduled banks in current accounts | 9,51,33,167 | | 6,73,15,770 |
| (iii) Balance with scheduled banks in deposit accounts | 64,97,721 | | 19,35,07,384 |
| | | 25,58,55,677 | 40,54,42,451 |
| 4. Other Current Assets : | | | |
| (i) Interest accrued on deposits | 8,49,670 | | 7,42,279 |
| (ii) Other Charges receivable | 5,25,064 | | 2,89,687 |
| | 13,74,734 | | 10,31,966 |
| Less : Provision for bad and doubtful debts | -- | | 2,89,687 |
| | | 13,74,734 | 7,42,279 |
| B. LOANS AND ADVANCES : | | | |
| Unsecured, Considered good | | | |
| 1. Loans recoverable in cash or in kind or for value to be received considered Good | 7,73,357 | | 11,34,000 |
| 2. Advances recoverable in cash or in kind or for value to be received | | | |
| - Considered Good | 81,26,70,396 | | 71,13,77,400 |
| - Considered Doubtful | 77,50,200 | | -- |
| | 82,04,20,596 | | 71,13,77,400 |
| Less : Provision for Doubtful Advances | 77,50,200 | | -- |
| | 81,26,70,396 | | 71,13,77,400 |
| 3. Sundry Advances | | | |
| - Considered Good | 83,94,941 | | 79,21,631 |
| - Considered Doubtful | 12,18,740 | | -- |
| | 96,13,681 | | 79,21,631 |
| Less : Provision for Doubtful Advances | 12,18,740 | | -- |
| | 83,94,941 | | 79,21,631 |
| 4. 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] | 8,18,31,297 | | 6,42,60,516 |
| 5. Advances against capital expenditure | 46,28,37,995 | | 34,19,92,615 |
| 6. Inter Corporate Deposits | 25,00,000 | | 25,00,000 |
| 7. Advance payment of Tax (Net of provision) [Contra Refer Schedule 8 item (B)-8] | 11,91,68,193 | | 9,57,84,936 |
| | | 148,81,76,179 | 122,49,71,098 |
| Total | | 705,09,90,200 | 603,60,74,117 |

SCHEDULE 8 : CURRENT LIABILITIES AND PROVISIONS

| | Rupees | As at 31st March, 2009 Rupees | As at 31st March, 2008 Rupees |
|--|----------------|-------------------------------------|-------------------------------------|
| (A) CURRENT LIABILITIES : | | | |
| 1. Sundry Creditors | 442,13,27,562 | | 495,41,63,980 |
| 2. Advances and Deposits against orders | 96,38,15,529 | | 27,33,39,387 |
| 3. Unclaimed Dividend | 10,76,710 | | 11,37,073 |
| 4. Interest accrued but not due on loans, advances and deposits | 10,39,75,450 | | 6,81,11,150 |
| 5. Other Liabilities | 12,64,39,959 | | 31,82,39,034 |
| | | 561,66,35,210 | 561,49,90,624 |
| (B) PROVISIONS : | | | |
| 6. For Product Warranties and Service Charges | 11,03,51,314 | | 8,26,82,143 |
| 7. For Gratuity and Leave encashment | 34,52,60,866 | | 30,80,71,674 |
| 8. For Taxation | | | |
| Taxation provision for the earlier years | 7,64,06,605 | | 6,44,73,305 |
| Taxation provision for the year | 17,85,67,000 | | 1,24,93,300 |
| | 25,49,73,605 | | 7,69,66,605 |
| Less : Advance payment of tax | 37,41,41,798 | | 17,27,51,541 |
| [Contra Refer Schedule 7 item B-7] | (11,91,68,193) | | (9,57,84,936) |
| | | 45,56,12,180 | 39,07,53,817 |
| | Total | 607,22,47,390 | 600,57,44,441 |

Schedules forming part of the Profit & Loss Account

SCHEDULE 9 : OTHER INCOME

| | Rupees | For the year ended 31st March, 2009 Rupees | For the year ended 31st March, 2008 Rupees |
|--|--------------|---|---|
| Machining and Processing charges | | 1,59,44,856 | 34,37,663 |
| Miscellaneous receipts : | | | |
| Refunds | 32,63,280 | | 15,00,000 |
| Other receipts | 36,20,66,867 | | 37,20,61,389 |
| | | 36,53,30,147 | 37,35,61,389 |
| Interest : | | | |
| On Short Term Deposits with Banks | 12,38,720 | | 5,30,888 |
| Others | 2,39,81,679 | | 4,45,00,710 |
| [Income-tax deducted at source Rs. 8,44,356/- (Rs. 5,01,946/-)] | | 2,52,20,399 | 4,50,31,598 |
| Income from Investments [Including Rs. Nil (Rs. Nil) on Trade Investments] | | 7,14,288 | 6,71,075 |
| Excess provision in previous year written back | | 1,80,03,613 | 2,02,60,345 |
| Profit on sale of Assets | | 16,88,237 | 10,75,870 |
| Profit on sale of Investment | | 306,29,79,571 | -- |
| | Total | 348,98,81,111 | 44,40,37,940 |

SCHEDULE 10 : MATERIALS

| | For the year ended 31st March, 2009 Rupees | For the year ended 31st March, 2008 Rupees |
|---|---|---|
| Raw material and Components consumed | 750,67,35,940 | 776,64,28,970 |
| Stores consumed | 39,75,90,952 | 52,11,29,033 |
| Spare Parts consumed | 3,75,86,526 | -- |
| Fabrication and processing charges | 19,38,13,345 | 29,32,75,602 |
| Freight, octroi, entry tax etc. | 5,76,01,101 | 9,59,50,925 |
| Increase (-) / Decrease (+) in Stock-in-Trade | 2,00,64,929 | (31,45,14,406) |
| | Total | 836,22,70,124 |

Notes forming part of the Consolidated Accounts for the Year Ended 31st March, 2009.
1. Accounting Policies :
A. Depreciation :
(a) Tangible Assets :

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

(b) Intangible Assets :

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

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

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

B. Investments (Long Term) :

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

C. Valuation of Inventory :

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

D. Employees Retirement Benefit :

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

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

E. Research and Development Expenses:

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

F. Foreign Currency Transactions:

(a) Foreign Currency transactions are recorded at the rate of exchange on the date of the transaction.

(b) Monetary items of Assets and Liabilities booked in foreign currency are translated in to rupee at the exchange rate prevailing at the Balance Sheet date.

(c) Exchange difference resulting from settlement of such transaction and from translation of monetary items of Assets and Liabilities are recognised in the Profit and Loss account.

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

(e) Exchange difference arising on translation of foreign currency liabilities for acquisition of fixed assets are adjusted to the Profit and Loss Account.

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.

| | Rupees | Rupees |
|---|--------------|-----------------------|
| | 2008-09 | 2007-08 |
| 2. Estimated amounts of contracts remaining to be executed on Capital Accounts as at the year end and not provided for | 8,70,52,806 | (69,63,61,132) |
| 3. Payment to Auditors: (Net of service tax) | Rupees | Rupees |
| (a) As Auditors | 10,34,000 | (9,59,000) |
| (b) For Tax Audit | 60,000 | (50,000) |
| (c) For Certificates | 1,73,300 | (1,38,500) |
| (d) For Expenses and others | 34,717 | (36,917) |
| (e) Provident Fund Audit Fees | 15,000 | (15,000) |
| 4. Contingent Liability in respect of : | Rupees | Rupees |
| (a) Taxes and Duties (Including Education Cess on Automobile Cess Rs. 5,19,162/- (Rs. 1,66,979/-)) | 14,46,08,678 | (17,09,18,813) |
| (b) Others | 18,51,75,443 | (16,04,19,693) |

Taking the view that Automobile Cess, payable on sales, does not form part of excise duty, the Group has not paid an amount of Rs. 5,19,162/- **(Rs. 1,66,979/-)** towards education cess on automobile cess. Though Group has paid (and charged to its profit and loss account) the balance excise duty amounting to Rs. 280,96,59,236/- **(Rs. 105,27,90,702/-)** from Cenvat credit availed. Central Excise Department disallowing the duty so paid has issued show cause notice for the entire amount.

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 1-4-2008 | Provisions made during the year | Paid during the year against Provisions | Amounts reversed and written back | Carrying amount of Provisions as at 31-3-2009 |
|---|--|---------------------------------|---|-----------------------------------|---|
| | Rs. | Rs. | Rs. | Rs. | Rs. |
| (a) Warranty | 2,82,14,348 (3,35,10,000) | 6,09,54,939 (2,66,06,132) | 4,94,12,393 (3,19,01,784) | -- (--) | 3,97,56,894 (2,82,14,348) |
| (b) Free Service Coupons | 5,44,67,796 (5,70,25,891) | 5,65,09,037 (1,46,77,616) | 4,03,82,413 (1,72,35,711) | -- (--) | 7,05,94,420 (5,44,67,796) |

6. Details of Intangible Assets are as under :

| Class of Intangible Assets | Software | Technical Know-how acquired on or after 1-4-2003 | Technical Know-how acquired upto 31-3-2003 | Technical Know-how internally generated |
|---------------------------------------|-------------|--|--|---|
| | Rs. | Rs. | Rs. | Rs. |
| (a) Useful life of the asset | 5 years | 10 years | 6 years | 6 years |
| (b) Cost as on 31-3-2008 | 8,49,57,504 | 53,40,07,943 | 8,22,00,834 | 9,23,39,718 |
| (c) Additions during the year | 16,44,500 | 3,28,900 | -- | -- |
| (d) Cost as on 31-3-2009 | 8,66,02,004 | 53,43,36,843 | 8,22,00,834 | 9,23,39,718 |
| (e) Amortisation upto 31-3-2008 | 7,57,18,098 | 14,21,37,471 | 8,22,00,834 | 4,25,92,622 |
| (f) Amortisation during the year | 58,14,644 | 6,67,17,748 | -- | 1,53,89,891 |
| (g) Amortisation upto 31-3-2009 | 8,15,32,742 | 20,88,55,219 | 8,22,00,834 | 5,79,82,513 |
| (h) Net carrying cost as on 31-3-2009 | 50,69,262 | 32,54,81,624 | -- | 3,43,57,205 |
| (i) Net carrying cost as on 31-3-2008 | 92,39,406 | 39,18,70,472 | -- | 4,97,47,096 |

7. (a) The amount of net exchange differences included in the Profit / Loss for the year on revenue account is Rs. 14,74,27,053/- debit (Rs. 11,12,90,494/- debit) and on Capital account is Rs. 39,48,129/- debit (Rs. 3,29,23,410/- debit).

8. The Group's liabilities and obligations in foreign currency outstanding as at 31st March, 2009, net of receivables are as under :

| Liability | Hedged by forward cover contracts with bankers | | Not hedged by forward cover contracts or other derivative instruments | |
|-----------------|--|--------------|---|----------------------------------|
| | Foreign currency | Amount (Rs.) | Foreign currency | Amount (Rs.) |
| In U.S. Dollars | -- (--) | -- (--) | 6,32,886 (11,30,388) | 3,25,61,985 (4,53,39,870) |
| In Euro | -- (--) | -- (--) | 2,65,83,284 (2,69,49,921) | 181,87,98,156 (170,93,53,002) |
| In Japanese Yen | -- (--) | -- (--) | 23,22,000 (37,09,005) | 12,07,208 (14,82,860) |

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

| Nature of Timing Difference | As at 31st March, 2009 | As at 31st March, 2008 |
|---|---------------------------|---------------------------|
| (i) Difference between accounting and tax depreciation (cumulative) | (33,82,28,719) | (34,78,43,932) |
| (ii) Other Timing differences | -- | 13,71,42,930 |
| (iii) Depreciation Loss | -- | 34,78,43,932 |
| Total | <u>(33,82,28,719)</u> | <u>13,71,42,930</u> |

(B) Subsidiary Companies :

| Nature of Timing Difference | As at 31st March, 2009 | As at 31st March, 2008 |
|---|---------------------------|---------------------------|
| (i) Difference between accounting and tax depreciation (cumulative) | (11,30,96,469) | (8,71,42,016) |
| (ii) Other Timing differences | 1,42,61,578 | 2,66,383 |
| (iii) Loss | 9,88,34,891 | 8,71,42,016 |

10. Earnings per Share :

| Values used in calculating Earnings Per Share : | As on 31st, March, 2009 | As on 31st March, 2008 |
|---|----------------------------|---------------------------|
| (a) Numerator : | | |
| Profit / (Loss) after tax (Rs.) | 55,08,78,261 | (149,68,87,662) |
| (b) Denominator : | | |
| Number of Equity Shares | 1,31,76,262 | 1,31,76,262 |
| Weighted average number of Equity Shares | 1,31,76,262 | 1,31,76,262 |

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

| | | | |
|---|---|---|------------|
| (a) Key Management Personnel | : | (i) Mr. Abhay Firodia, Chairman & Managing Director | |
| | | (ii) Mr. Sudhir Mehta, Director | |
| (b) Relatives of Key Management Personnel : | | | |
| (i) Mr. Abhay Firodia | | (i) Mr. Prasan Abhay Firodia | : Son |
| | | (ii) Mrs. Sunanda Sudhir Mehta | : Daughter |
| | | (vi) Mrs. Kamla Bansilal Bhandari | : Sister |
| (c) Other Related Parties | : | (i) Jaya Hind Industries Ltd. | |
| | | (ii) Pinnacle Industries Limited | |
| | | (iii) Jaya Hind Investments Pvt. Ltd. | |
| | | (iv) MAN Nutzfahrzeuge Osterriech AG | |
| | | (v) MAN Nutzfahrzeuge AG | |

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

(Rs. In Lacs)

| Type of Related party | Nature of Transaction | Volume of Transactions during 2008-09 | Amount outstanding as on 31-03-2009 | |
|---|--|---------------------------------------|-------------------------------------|-----------------------------|
| | | | Receivables | Payables |
| (a) Key Management Personnel | : Managerial remuneration | 29.58 (30.57) | -- (--) | -- (--) |
| (b) Relatives of Key Management Personnel | : Expenditure on Rent | 2.40 (2.40) | -- (--) | -- (--) |
| (c) Other Related Parties | : The Service of Information Systems / Department are shared with one of the related parties | Not quantified | | |
| (i) Jaya Hind Industries Ltd. | : Purchase of Capital Goods | 784.67 (1441.68) | 597.52 (46.31) | -- (--) |
| | : Purchase of Raw Materials, Components & Others | 3329.35 (4043.84) | -- (--) | 163.99 (175.25) |
| | : Sundry Sales | 204.25 (201.16) | -- (12.67) | -- (--) |
| | : Processing Charges recovered | 21.79 (11.50) | -- (--) | -- (--) |
| | : Sale of Assets | -- (--) | -- (--) | -- (--) |
| | : Material Given on Loan | 0.02 (--) | 14.78 (14.76) | -- (--) |
| | : Machinery given on Loan | 323.75 (2093.25) | 3464.96 (3141.21) | -- (--) |
| | : Reimbursement of Expenditure | 130.17 (114.86) | -- (--) | -- (--) |
| (ii) Jaya Hind Investments Pvt. Ltd. | : Inter Corporate Deposit | 9950 (9600) | -- (--) | 4650 (14600) |
| | : Interest on Inter Corporate Deposit (Gross) | 1267.78 (875.24) | -- (--) | -- (239.29) |
| (iii) Pinnacle Industries Ltd. | : Purchase of Capital Goods | 1.12 (8.83) | -- (--) | -- (8.83) |
| | : Purchase of Raw Materials, Components & Others | 4110.04 (4852.27) | -- (--) | 638.54 (1061.12) |
| | : Sundry Sales | 20.84 (38.02) | -- (--) | -- (--) |
| | : Processing Charges recovered | 0.65 (1.61) | -- (--) | -- (--) |
| | : Sale of Assets | -- (19.70) | -- (--) | -- (--) |
| | : Material Given on Loan | -- (--) | 0.30 (0.30) | -- (--) |
| | : Machinery given on Loan | 9.57 (15.65) | 36.78 (27.21) | -- (--) |
| | : Reimbursement of Expenditure | 40.11 (34.14) | -- (--) | -- (--) |
| (iv) MAN Nutzfahrzeuge Osterreich AG | : Purchase of Raw Materials, Components & Others | 6267.71 (5246.64) | -- (--) | 7537.43 (5246.64) |
| | : Payment for Technical Know How | 65.82 (175.45) | -- (--) | 76.98 (142.81) |
| | : Purchase of Capital Goods | 256.90 (1320.93) | -- (--) | 211.33 (1828.57) |
| | : Interest on Trade Credits | 329.94 (99.35) | -- (--) | 442.44 (112.50) |
| | : Others | 10.18 (--) | -- (--) | 10.18 (--) |
| | : Sale of Vehicle & Parts thereof | 206.82 (594.93) | -- (--) | -- (202.06) |

(Rs. In Lacs)

| Type of Related party | Nature of Transaction | Volume of Transactions during 2008-09 | Amount outstanding as on 31-03-2009 | |
|--------------------------|--|---------------------------------------|-------------------------------------|-----------------------------|
| | | | Receivables | Payables |
| (v) MAN Nutzfahrzeuge AG | : Purchase of Capital Goods | 41.90 (40.19) | -- (--) | 552.77 (851.16) |
| | : Purchase of Raw Materials, Components & Others | 4098.48 (5936.76) | -- (--) | 4583.04 (7055.31) |
| | : Payment for Technical Know How | 179.93 (244.69) | -- (--) | 197.08 (377.01) |
| | : Interest on Trade credits | 274.79 (176.09) | -- (--) | 467.00 (192.20) |
| | : Others | 219.26 (187.90) | -- (--) | 660.29 (439.78) |
| | : Sale of Vehicle & Parts thereof | 4216.74 (1744.11) | -- (687.10) | 2434.59 (--) |

12. The subsidiary Company considered in the consolidated financial statement are :

| Name of the Company | Registered Office | % of voting power held by holding Company as at 31st March, 2009 |
|--------------------------------|--|--|
| Tempo Finance (West) Pvt. Ltd. | Mumbai-Pune Road, Akurdi, Pune - 411 035. | 80.00 |
| MAN FORCE TRUCKS Pvt. Ltd. | Mumbai-Pune Road, Akurdi, Pune - 411 035. | 55.80 |

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

As per our separate report of even date attached

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

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

S. S. Athavale
Partner
Membership No. 83374

Ruchi Agarwal
Asst. Co. Secretary

Place : Pune
Date : 27th June, 2009

Pune
Date : 27th June, 2009

| CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 31ST MARCH, | 2009 | 2008 |
|--|------------------------|-----------------|
| | Rupees | Rupees |
| (A) Cash flow from Operating Activities : | | |
| Net Profit / (Loss) before tax and extraordinary items | 64,94,41,793 | (168,30,22,783) |
| Adjustments for : | | |
| Depreciation | 55,48,79,864 | 49,85,17,232 |
| Donation other than in cash | -- | 2,772 |
| Adjustment for Foreign exchange loss / (gain) | 10,90,85,706 | 12,81,50,623 |
| Interest Income on bank deposits & others | (13,72,999) | (6,31,198) |
| Profit on sale of Investment | (306,29,79,571) | -- |
| Dividend / Income from trade investments | (7,14,288) | (6,71,075) |
| Loss / (Profit) on sale of assets | 23,27,657 | 31,05,351 |
| Interest expense | 54,03,09,822 | 49,43,81,212 |
| Provision for bad, doubtful debts and debit balances | 1,61,21,826 | 69,70,249 |
| Miscellaneous expenditure written off | -- | 64,98,704 |
| Operating Profit / (Loss) before working capital changes | (119,29,00,190) | (54,66,98,913) |
| Increase / Decrease in Sundry Debtors and Loans & Advances | (16,46,97,275) | 28,50,36,934 |
| Increase in Inventories | (85,75,04,317) | (70,04,36,510) |
| Increase / Decrease in Sundry Creditors and Other Payables | (11,83,80,000) | 116,69,69,698 |
| Cash generated from operations | (233,34,81,782) | 20,48,71,209 |
| Direct Taxes paid | (20,45,58,593) | (4,69,61,850) |
| Net Cash flow from Operating Activities | (A) (253,80,40,375) | 15,79,09,359 |
| (B) Cash flow from investing activities : | | |
| Share Application money received pending allotment | 260,00,00,000 | -- |
| Purchase of fixed assets | (111,92,79,987) | (102,69,46,454) |
| Proceeds from sale of assets / equipments | 86,99,022 | 52,40,466 |
| Interest received | 13,72,999 | 6,31,198 |
| Purchase consideration on acquisition of interest in subsidiaries | -- | (1,50,000) |
| Proceeds on divesture of interest in subsidiaries | 309,47,53,930 | -- |
| Process from sale of other Investments | 12,26,61,401 | -- |
| Dividend / Income from trade investments received | 7,14,288 | 6,71,075 |
| Net cash used in Investing Activities | (B) 470,89,21,653 | (102,05,53,715) |
| (C) Cash flow from financing activities : | | |
| Proceeds of long-term borrowings | (122,04,62,575) | 46,73,74,538 |
| Proceeds of short-term borrowings | (59,49,61,240) | 98,19,74,659 |
| Interest paid | (50,44,45,522) | (44,94,00,024) |
| Net cash flow from Financing Activities | (C) (231,98,69,337) | 99,99,49,173 |
| Net increase / (Decrease) in Cash and Cash equivalents | (A+B+C) (14,89,88,059) | 13,73,04,817 |
| Cash and Cash equivalents as at 01-04-2008 | 40,58,68,105 | 26,85,63,288 |
| Cash and Cash equivalents as at 31-03-2009 (excluding unrealised exchange fluctuation gain) | 25,68,80,046 | 40,58,68,105 |

As per our separate report of even date attached

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

S. S. Athavale
Partner
Membership No. 83374

Ruchi Agarwal
Asst. Co. Secretary

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

Place : Pune
Date : 27th June, 2009

Place : Pune
Date : 27th June, 2009



DIRECTORS' REPORT

To,

The Members,

The Directors have pleasure in presenting the 3rd Annual Report together with the audited financial statements, for the financial year ended on 31st March, 2009.

1. Financial Results :

Financial Results for the year under report are as under :

| | 2008-09 Rs. | 2007-08 Rs. |
|---|-----------------|------------------------|
| Gross Sales | 175,20,78,707 | 138,69,42,225 |
| Other Receipts | 4,27,46,313 | 3,31,66,568 |
| Cost of Material consumed | 194,65,24,507 | 130,96,07,824 |
| Expenses other than Interest & Depreciation | 76,70,78,374 | 72,77,54,585 |
| Interest | 18,82,17,900 | 15,09,30,943 |
| Depreciation | 15,56,84,841 | 12,73,95,101 |
| Loss for the year | (126,26,80,602) | (89,55,79,660) |
| Provision for Tax | 7,01,000 | 6,01,000 |
| Deferred Tax effects | -- | 7,39,97,689 |
| Brought forward loss | (111,39,70,921) | (14,37,92,572) |
| Loss carried to Balance Sheet | (237,73,52,523) | (111,39,70,921) |

2. Project :

The project undertaken by the Company for manufacture of Heavy Commercial Vehicles (HCVs) encountered problems initially as reported earlier. During the year under report, Company could achieve more stable production, as the issues arising out of indigenisation of the cylinder block were resolved. The Company has completed the process of indigenisation of hundreds of components and aggregates, and has achieved the targeted indigenisation of all major parts.

The Company is now poised to manufacture upto 24,000 nos. of HCVs, with different configurations. The planned capacities in own plant and with suppliers stand established.

A major step, for establishing painting capability commensurate with MAN's requirement for export vehicles, will stand achieved by the installation and operation of the 'Cathodic Paint Shop'. This is being done with the assistance of Force Motors Limited (Force). This Paint Shop is expected to be operational by second quarter of the current calendar year.

3. Markets :

The financial year 2008-09 saw great decline in many sectors of the automobile industry. The HCV segment, in which the Company operates, was hit hard, both by the global slow down, and demand decline in domestic markets. Such a sudden and major change has created several issues, including of very high inventory levels, high inventory carrying costs, exchange risks and the burden of high fixed costs. In the light of this the cost structure adjustment will take some time.

4. Operations :

Subsequent to the decision to moderate the products for the Indian markets, and to introduce vehicles with competitive prices and reduced power density, the Company introduced new products which are better aligned to the Indian market expectations in both, the Haulage Vehicles, and in the Tipper Range.

The following new models in the Haulage vehicles range are introduced in the domestic market.

- (a) CLA 25.220 - 6x2 Rigid Truck
- (b) CLA 40.220 - 4x2 Tractor

Similarly the Company introduced in the Tipper market additional tipper models, so as to take the total number of tipper models offered for both construction and mining industry to five. The new models offered are as follows:

- (a) CLA 25.220 - 6x4 Tipper
- (b) CLA 16.220 - 4x2 Tipper
- (c) CLA 31.280 - 8x4 Tipper

5. Export :

During the year, the Company completed extensive development activity, to establish 18 different variants of trucks specifically aimed at various potential export markets. The export is organised by MAN Nutzfahrzeuge AG, Germany (MAN). Currently the export markets are severely weakened. As a result the export objectives for the current year have had to be lowered. The Company stands fully enabled to achieve large scale exports to various countries in Africa, in the Middle East, in the Far East and in Central Asia.

The export of trucks is organised according to the TiB (Truck in Box) process to many countries, facilitating export in CKD form and assembly at the receiving country, via the MAN Organisation.

The development of export models included the design, development and testing of hundreds of new components. This complex development activity was achieved with the help of FORCE in a short span of nine months.

6. Inventories :

In anticipation of large scale exports and high volume production during 2008-2009, significant levels of imported components (essential for certain selective export markets) have been imported imposing a severe inventory burden on the Company, as export achievements have slackened due to reasons explained above.

All efforts are under way to achieve speedy utilisation of these inventories, in order to free up blocked capital and improve inventory turnover ratio.

7. Finance :

The Company has requested the member Banks of the consortium, which extended long term finance to the Company, to restructure the repayment of loans, so as to align the repayment schedule with the changed market situation. It is expected that the Company's proposal will receive favourable consideration of these Banks.

The liquidity position of the Company has also been constrained due to accumulation of credits available for the Excise Duty and Value Added Tax paid at the time of acquisition of inputs and capital goods. As of 31st March, 2009, the Company had accumulated credits over Rs. 610 million. Such accumulation has an impact on the working capital management and cost of interest and also has adversely affected the profitability of the Company.

8. Research & Development and Technology :

The Company continues to utilise the extensive Research & Development infrastructure and facilities created by FORCE for design, development and testing of engines, aggregates and vehicles. The support from the research and development infrastructure of FORCE is crucial to the development of new variants, new products, etc. for both the domestic and export markets.

The product development activity is led by a CTO, deputed by MAN. Selective support from expatriates is availed for the purpose of research and development, to both access MAN technology where relevant, and to align export products to MAN's export requirement.

The initial technology obtained from MAN Organisation in respect of engines, cabs, axles, etc. has been fully absorbed and implemented.

9. Distribution :

The Company has completed the process of appointing dealers at key locations through out the Country, to serve both the Haulage and the Tipper segments of HCV market. As of date, Company has appointed 24 dealers and 6 service and parts dealers. To be increased to 30 service dealers over next six months. The arrangement to render 'after sales service' or 'repair assistance' with the help of mobile vans and regional technical staff is being strengthened to cover larger geographical area so as to make the service available to the users of the vehicles on pan India basis.

10. The Joint Venture - Change :

FORCE and MAN, the promoters of the Company, agreed to increase promoters' contribution and to strengthen their commitment for the project undertaken by the Company, and re-aligned their financial interest in the Company so as to convert the Company into an 'Equal Joint Venture' between FORCE and MAN. The contractual arrangement in this respect were finalized and signed between the promoters in the month of December, 2008 and steps are being taken to complete the implementation. It is expected that the new arrangement will be implemented fully before 30th September, 2009.

As per the revised arrangement, the promoters' shareholding will be equal and the Company will be managed by the Board of Directors, consisting of ten directors, five of which will be representatives of FORCE, and where as five will be representatives of MAN. FORCE will nominate the Chairman of the Board. The day-to-day operations of the Company will be controlled by two Managing Directors - Managing Director (Commercial) and Managing Director (Technical) - to be appointed from FORCE representatives and MAN representatives respectively.

Company has received intimation that Mr. Abhay N. Firodia, Mr. Sudhir Mehta, Mr. Prasan A. Firodia, Dr. Rolf Bacher and Mr. B. S. Khargonkar will be the representative of FORCE on the Board of Directors of the Company, whereas Mr. Lars Wrebo, Mr. Bernd Maierhofer, Ms. Sabine Drzisga, Mr. Thomas Hemmerich and Mr. Stefan Holzmann will be the MAN's representatives on the Board of Directors of the Company.

As a step in implementation of this revised arrangement to convert the Company into Equal Joint Venture, MAN has agreed to subscribe 1,15,94,202 equity shares of Rs. 10 each for cash at a premium of Rs. 214.25 and has paid a sum of Rs. 2,600 million as share application money. The Company is taking steps to allot these shares. On completion of this process, the Company will cease to be a subsidiary of FORCE.

11. Foreign Exchange :

The foreign exchange receipt and outgo arising out of import and export are as per the details mentioned in Note No. 11 in the Notes to Accounts.

12. Conservation of Energy :

Particular care has been taken to ensure that aspects of energy conservation and environmental protection are well met, through the commissioning and operation of the state-of-the-art manufacturing facility established by the Company at Pithampur.

13. Auditors :

M/s P. G. Bhagwat, Chartered Accountants, Pune who were appointed, as the auditors to the Company in the last Annual General Meeting retire at the ensuing Annual General Meeting. You are requested to appoint auditors for the current year and fix their remuneration. M/s P. G. Bhagwat, Chartered Accountants, Pune are eligible for the appointment.

14. 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 alongwith 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.

15. Other :

- (a) The Company has not accepted any deposits from the Public.
- (b) Since the close of the financial year the Company has placed orders for new machinery, equipments and capital assets worth Rs.115 million.
- (c) As per 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 no employee who was in receipt of remuneration exceeding Rs. 2,00,000 per month and employed throughout the financial year and had one employee who were in receipt of remuneration exceeding Rs. 2,00,000 per month and employed for part of the year.

- 16. The Company's promoters FORCE and MAN, have extended valuable support in the progress achieved so far. The Directors also express their grateful thanks to the Bankers, Dealers, Suppliers and Employees of the Company and also the Employees of FORCE whose services were transferred and used or who assisted the Company in implementing the HCV Project and establish state of the art manufacturing facilities and for their assistance in the development of relevant Products.

For and on behalf of the Board of Directors



ABHAY FIRODIA
Chairman

Pune 411 035.
Date : 29th May, 2009

AUDITORS' REPORT

To The Members of MAN FORCE TRUCKS Private Limited

We have audited the attached Balance Sheet of MAN FORCE TRUCKS Private Limited, as at 31st March 2009, and also the Profit and Loss Account and the Cash Flow Statement for the Financial 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 misstatement. 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 2009 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2009 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, 2009; and
 - (b) in the case of the Profit and Loss Account, of the **LOSS** for the year ended on that date; and
 - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

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

Place : Pune
Date : 29th May, 2009

S. S. Athavale
Partner
Membership No. 83374

ANNEXURE TO THE AUDITORS' REPORT

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

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.
- (b) All the assets have been physically verified by the management during the year and there is a regular program of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) During the year, the Company has not disposed off major part of the fixed assets.
2. (a) The inventory has been physically verified during the year by the management, which is, in our opinion, at reasonable intervals.
- (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of our examination of the records of inventory, we are of the opinion that the Company is maintaining proper records of inventory. No material discrepancies were noticed on verification between the physical stocks and the book records.
3. (a) The Company has not granted any loans to companies, firms and other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, during the year.
- (b) The Company has not taken any loans from companies, firms and other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, during the year.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system.
5. (a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the Register required to be maintained under that section.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of five lakh rupees in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. The Company has not accepted any deposits from public.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. We have broadly reviewed the books of 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 records have been maintained.
9. (a) Subject to note No. 13, of the Notes to the Accounts, regarding non payment of entry tax for the reasons explained therein, according to the records of the Company, the Company is regular in depositing with appropriate authorities undisputed statutory dues including Investor Education & Protection Fund, Income-Tax, Sales-Tax, Wealth-Tax, Custom Duty, Excise-Duty, Cess, Service Tax and other statutory dues applicable to it.
According to the information and explanations given to us, no undisputed statutory dues including Investor Education & Protection Fund, Income-tax, Sales-tax, Wealth-tax, Custom-duty, Excise-duty, Cess, Service-tax and other statutory dues applicable to it were outstanding, as at the Balance Sheet date for a period of more than six months from the date they became payable.
- (b) According to information and explanation given to us, there are no dues of Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess which have not been deposited on account of any dispute.
10. The Company has not completed five years since its date of incorporation.
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 or bank. The Company has no debenture holders.

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

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

Place : Pune
Date : 29th May, 2009

S. S. Athavale
Partner
Membership No. 83374

Balance Sheet as at 31st March, 2009

| | Schedule | Rupees | As at 31st March, 2009 Rupees | As at 31st March, 2008 Rupees |
|--|----------|---------------|-------------------------------------|-------------------------------------|
| I SOURCES OF FUNDS : | | | | |
| 1. Shareholders' Funds | 1 | | 100,00,00,000 | 100,00,00,000 |
| 2. Share Application Money Pending Allotment | | | 260,00,00,000 | -- |
| 3. Loan Funds | | | | |
| Secured Loans | 2 | | 143,20,17,881 | 119,74,87,526 |
| | | Total | <u>503,20,17,881</u> | <u>219,74,87,526</u> |
| II APPLICATION OF FUNDS : | | | | |
| 1. Fixed Assets | 3 | | | |
| (a) Gross Block | | 198,39,00,994 | | 177,87,52,601 |
| (b) Less : Depreciation | | 31,36,77,539 | | 15,93,62,212 |
| (c) Net Block | | 167,02,23,405 | | 161,93,90,389 |
| (d) Capital Work-in-progress | | 58,92,68,250 | | 9,08,32,501 |
| | | | 225,94,91,655 | 171,02,22,890 |
| 2. Current Assets, Loans and Advances | 4 | | | |
| (a) Inventories | | 268,33,09,956 | | 137,10,86,961 |
| (b) Sundry Debtors | | 16,90,18,914 | | 12,23,25,617 |
| (c) Cash and Bank Balances | | 6,46,81,227 | | 20,88,30,573 |
| (d) Loans and Advances | | 77,45,60,129 | | 53,02,81,847 |
| | | 369,15,70,226 | | 223,25,24,998 |
| 3. Less : Current Liabilities & Provisions | 5 | | | |
| (a) Liabilities | | 325,25,78,813 | | 283,94,75,623 |
| (b) Provisions | | 4,38,17,710 | | 1,97,55,660 |
| | | 329,63,96,523 | | 285,92,31,283 |
| Net Current Assets | | | 39,51,73,703 | (62,67,06,285) |
| 4. Balance of Profit and Loss Account | | | 237,73,52,523 | 111,39,70,921 |
| | | Total | <u>503,20,17,881</u> | <u>219,74,87,526</u> |

As per our separate report of even date attached

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

A. N. Firodia Chairman
Sudhir Mehta Director

S. S. Athavale
Partner
Membership No. 83374

Place : Pune
Date : 29th May, 2009

Place : Pune
Date : 28th May, 2009

**Profit & Loss Account
for the year ended 31st March, 2009**

| | Schedule | Rupees | For the year ended 31st March, 2009 Rupees | For the year ended 31st March, 2008 Rupees |
|--|----------|----------------|--|--|
| INCOME | | | | |
| Sales including Excise Duty | | 175,20,78,707 | | 138,69,42,225 |
| Less : Excise duty | | 13,18,64,525 | | 14,64,98,573 |
| Net Sales | | 162,02,14,182 | | 124,04,43,652 |
| Less : Commission on Sales | | 3,50,000 | | -- |
| Other Income | 6 | | 161,98,64,182 4,27,46,313 | 124,04,43,652 3,31,66,568 |
| | | | 166,26,10,495 | 127,36,10,220 |
| EXPENDITURE | | | | |
| Materials | 7 | 194,65,24,507 | | 130,96,07,824 |
| Other Expenses | 8 | 82,30,81,749 | | 73,28,21,348 |
| Depreciation | | 15,56,84,841 | | 12,73,95,101 |
| | | 292,52,91,097 | | 216,98,24,273 |
| Less : Expenditure included in above items, capitalised. | | -- | | 6,34,393 |
| | | | 292,52,91,097 | 216,91,89,880 |
| PROFIT FOR THE YEAR | | | (126,26,80,602) | (89,55,79,660) |
| Less : Provision for Taxation - Fringe Benefit Tax - Deferred Tax | | 7,01,000 -- | | 6,01,000 7,39,97,689 |
| | | | 7,01,000 | 7,45,98,689 |
| PROFIT AFTER TAX | | | (126,33,81,602) | (97,01,78,349) |
| Add : Balance of Profit as per last account | | | (111,39,70,921) | (14,37,92,572) |
| Balance carried forward | | | (237,73,52,523) | (111,39,70,921) |
| Basic Earnings per share (Rs.) | | | (12.63) | (9.70) |
| Diluted Earnings per share (Rs.) | | | (12.28) | (9.70) |
| (Nominal value per share Rs. 10/-) | | | | |

As per our separate report of even date attached

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

S. S. Athavale
Partner
Membership No. 83374

Place : Pune
Date : 29th May, 2009

A. N. Firodia Chairman
Sudhir Mehta Director

Place : Pune
Date : 28th May, 2009

Schedules forming part of the Balance Sheet

SCHEDULE 1 : SHARE CAPITAL

| | As at 31st March, 2009 Rupees | As at 31st March, 2008 Rupees |
|--|-------------------------------------|-------------------------------------|
| Authorised : | | |
| 10,00,00,000 Equity Shares of Rs.10/- each | 100,00,00,000 | 100,00,00,000 |
| Issued : | | |
| 10,00,00,000 Equity Shares of Rs.10/- each | 100,00,00,000 | 100,00,00,000 |
| Subscribed and paid up : | | |
| 10,00,00,000 Equity Shares of Rs.10/- each fully paid up (Out of above, 5,57,97,101 (7,00,00,000) Equity shares of Rs. 10/- each, are held by Force Motors Ltd., a Holding Company) | 100,00,00,000 | 100,00,00,000 |
| Total | 100,00,00,000 | 100,00,00,000 |

SCHEDULE 2 : SECURED LOANS

| | As at 31st March, 2009 Rupees | As at 31st March, 2008 Rupees |
|--|-------------------------------------|-------------------------------------|
| 1. Term Loan from Banks [Due in next 12 months Rs. 43,40,00,000/- (Rs. 43,40,00,000)] | 102,80,18,425 | 96,25,94,000 |
| 2. Loans and Advances from Bank on Cash Credit Account | 40,39,99,456 | 23,48,93,526 |
| Total | 143,20,17,881 | 119,74,87,526 |

Item No. 1 is secured by first charge on all fixed assets (including equitable mortgage over land and buildings) and second charge on all current assets of the Company, both present and future. Charges created in favour of bankers to the Company rank pari passu inter se.

Item No. 2 is secured by hypothecation of Company's entire current assets both present & future. Charges created in favour of bankers to the Company rank pari passu inter se.

SCHEDULE 3 : FIXED ASSETS

| | Rupees | As at 31st March, 2009 Rupees | As at 31st March, 2008 Rupees |
|--|--------------|-------------------------------------|-------------------------------------|
| 1. Net Fixed Assets, as per Annexure | | 167,02,23,405 | 161,93,90,389 |
| 2. Capital Work-in-progress : | | | |
| (i) Buildings under construction | 28,57,664 | | -- |
| (ii) Machinery under Installation / in transit | 57,42,98,476 | | 5,17,31,783 |
| (iii) Other Assets | 1,21,12,110 | | 3,91,00,718 |
| | | <u>58,92,68,250</u> | <u>9,08,32,501</u> |
| Total | | <u>225,94,91,655</u> | <u>171,02,22,890</u> |

SCHEDULE 4 : CURRENT ASSETS, LOANS AND ADVANCES

| | Rupees | As at 31st March, 2009 Rupees | As at 31st March, 2008 Rupees |
|--|---------------------|-------------------------------------|-------------------------------------|
| A. Current Assets : | | | |
| 1. Inventories : | | | |
| (i) Stores and Spares | 1,59,41,837 | | 1,15,94,102 |
| (ii) Finished Goods | 26,58,99,989 | | 16,91,74,451 |
| (iii) Excise Duty on Inventory of finished goods | 1,78,54,335 | | 2,05,72,116 |
| (iv) Work-in-progress | 26,68,87,885 | | 7,26,45,092 |
| (v) Raw Materials and Components, (including Rs. 87,85,69,222/- (Rs. 31,45,53,814/-) in transit) | 211,67,25,910 | | 109,71,01,200 |
| | | <u>268,33,09,956</u> | <u>137,10,86,961</u> |
| 2. Sundry Debtors : | | | |
| Unsecured | | | |
| (i) Debts outstanding for a period exceeding six months - | | | |
| - Considered Good | 1,69,36,936 | | -- |
| - Considered Doubtful | 60,42,987 | | -- |
| | <u>2,29,79,923</u> | | <u>--</u> |
| (ii) Other Debts | 15,20,81,978 | | 12,23,25,617 |
| | <u>17,50,61,901</u> | | <u>12,23,25,617</u> |
| Less : Provision for Doubtful Debts | 60,42,987 | | -- |
| | | <u>16,90,18,914</u> | <u>12,23,25,617</u> |
| 3. Cash and Bank Balances : | | | |
| (i) Cash balance and cheques on hand | 1,05,026 | | 1,82,816 |
| (ii) Balance with scheduled Banks in current accounts | 6,45,76,201 | | 2,04,47,757 |
| (iii) Balance with scheduled Banks in deposit accounts | -- | | 18,82,00,000 |
| | | <u>6,46,81,227</u> | <u>20,88,30,573</u> |
| B. Loans and Advances | | | |
| Unsecured, Considered Good | | | |
| 1. Advances recoverable in cash or in kind or for value to be received | 61,72,60,127 | | 36,13,81,182 |
| 2. Sundry Advances | 20,35,707 | | 6,54,355 |
| 3. Sundry Deposits | 1,75,97,437 | | 1,39,87,465 |
| 4. Advances against capital expenditure | 13,63,73,211 | | 15,31,56,416 |
| 5. Advance payment for Tax (Net of provisions) [Contra - Refer Schedule 5, Item (B) - 7] | 12,93,647 | | 11,02,429 |
| | | <u>77,45,60,129</u> | <u>53,02,81,847</u> |
| Total | | <u>369,15,70,226</u> | <u>223,25,24,998</u> |

SCHEDULE 5 : CURRENT LIABILITIES AND PROVISIONS

| | Rupees | As at 31st March, 2009 Rupees | As at 31st March, 2008 Rupees |
|--|---------------|-------------------------------------|-------------------------------------|
| A. Current Liabilities : | | | |
| 1. Sundry Creditors | 275,50,98,502 | | 271,07,99,311 |
| 2. Advance and Deposits against Orders | 35,96,39,457 | | 5,44,03,664 |
| 3. Interest accrued but not due on loans, advances and deposits | 9,10,32,354 | | 2,75,06,821 |
| 4. Other Liabilities | 4,68,08,500 | | 4,67,65,827 |
| | | 325,25,78,813 | 283,94,75,623 |
| B. Provisions : | | | |
| 5. For Product Warranties and Service charges | 4,00,75,464 | | 1,77,67,540 |
| 6. For Gratuity and Leave encashment | 37,42,246 | | 19,88,120 |
| 7. For Taxation | | | |
| Taxation provision for the earlier years | 7,51,000 | | 1,50,000 |
| Taxation provision for the year | 7,01,000 | | 6,01,000 |
| | 14,52,000 | | 7,51,000 |
| Less : Advance payment of tax | 27,45,647 | | 18,53,429 |
| [Contra - Refer Schedule 4 item (B) 5] | (12,93,647) | | (11,02,429) |
| | | 4,38,17,710 | 1,97,55,660 |
| Total | | 329,63,96,523 | 285,92,31,283 |

Schedules forming part of the Profit & Loss Account

SCHEDULE 6 : OTHER INCOME

| | Rupees | For the year ended 31st March, 2009 Rupees | For the year ended 31st March, 2008 Rupees |
|---|-------------|---|---|
| Miscellaneous Receipts : | | | |
| Handling Charges on Sales | 1,91,23,070 | | 1,62,94,571 |
| Other receipts | 2,34,07,556 | | 28,69,734 |
| | | 4,25,30,626 | 1,91,64,305 |
| Interest : | | | |
| On Short Term Deposits with Banks (Income tax deducted at Source Nil (Rs. 16,694/-)) | | -- | 76,479 |
| Others [Income-tax deducted at source Rs. 20,160/- (Nil)] | | 81,565 | -- |
| Excess provision in previous years written back | | 1,29,122 | 1,39,22,108 |
| Profit on sale of Assets | | 5,000 | 3,676 |
| Total | | 4,27,46,313 | 3,31,66,568 |

SCHEDULE 7 : MATERIALS

| | For the year ended 31st March, 2009 Rupees | For the year ended 31st March, 2008 Rupees |
|---|---|---|
| Raw material and Components consumed | 203,06,87,130 | 131,54,63,875 |
| Purchases of Finished Products for Sale | 66,58,278 | 1,23,34,039 |
| Stores consumed | 3,75,86,526 | 1,75,60,497 |
| Fabrication and processing charges | 15,33,32,692 | 14,18,01,685 |
| Freight, Octroi, Entry tax etc. | 92,28,212 | 1,42,96,715 |
| Increase (-) / Decrease (+) in Stock-in-Trade | (29,09,68,331) | (19,18,48,987) |
| Total | <u>194,65,24,507</u> | <u>130,96,07,824</u> |

SCHEDULE 8 : OTHER EXPENSES

| | Rupees | For the year ended 31st March, 2009 Rupees | For the year ended 31st March, 2008 Rupees |
|--|--------------------|---|---|
| Power and Fuel | | 1,01,14,686 | 39,16,753 |
| Repairs and maintenance : | | | |
| Buildings | 13,43,290 | | 8,50,325 |
| Machinery | 20,86,254 | | 9,35,458 |
| Others | <u>32,54,902</u> | | <u>19,42,539</u> |
| | | 66,84,446 | 37,28,322 |
| Warranty Claims and Service Charges | | 6,42,65,381 | 2,78,65,700 |
| Publicity and Sales promotion | | 3,58,21,261 | 4,55,61,930 |
| Salaries, Wages, Bonus, Leave Encashment etc. | | 7,09,64,721 | 6,03,56,914 |
| Contribution to Provident Fund and other Funds & Schemes | | 40,18,623 | 37,34,331 |
| Staff and Labour Welfare Expenses | | 20,50,017 | 19,05,621 |
| Consideration for services of personnel | | 6,67,79,571 | 7,32,05,931 |
| Insurance | | 58,40,062 | 61,05,619 |
| Rent | | 49,91,366 | 33,78,262 |
| Rates, Taxes and duties | | 6,41,026 | 3,72,065 |
| Forwarding charges and Depot expenses | | 2,12,48,616 | 1,77,63,100 |
| Miscellaneous Expenses | | 4,28,51,572 | 4,34,88,215 |
| Support service charges | | 15,69,67,319 | 16,72,67,787 |
| Prior year expenses | | 8,200 | 6,04,490 |
| Guarantee Commission to Banks and Finance Brokerage | | 18,27,033 | 10,49,036 |
| Audit Fees, Legal and Professional Charges | | 57,24,181 | 14,81,315 |
| Interest : | | | |
| On Fixed Loans | 9,21,70,924 | | 9,89,77,165 |
| On Other accounts | <u>9,60,46,976</u> | | <u>5,19,53,778</u> |
| | | 18,82,17,900 | 15,09,30,943 |
| Loss due to Exchange rate Fluctuation | | 12,49,89,169 | 11,16,22,221 |
| Loss on sale of Assets | | 30,33,612 | 19,84,089 |
| Provision for Doubtful Debts | | 60,42,987 | -- |
| Miscellaneous expenses written off | | -- | 64,98,704 |
| Total | | <u>82,30,81,749</u> | <u>73,28,21,348</u> |

Annexure to Schedule 3 — Fixed Assets

| | Intangible Assets | Lease Hold Land | Buildings | Plant, Machinery & Equipment | Dies and Jigs | Electric Installation | Furniture and Fixture | Electric Fittings | Vehicles | Total | Previous Year |
|---|---------------------|--------------------|---------------------|------------------------------|---------------------|-----------------------|-----------------------|-------------------|--------------------|----------------------|----------------------|
| | Rupees | Rupees | Rupees | Rupees | Rupees | Rupees | Rupees | Rupees | Rupees | Rupees | Rupees |
| GROSS BLOCK | | | | | | | | | | | |
| Cost as at 31st March, 2008 | 32,95,02,588 | 3,64,35,202 | 40,01,62,590 | 42,40,62,958 | 49,04,50,196 | 2,87,79,582 | 77,47,073 | 31,54,244 | 5,84,58,168 | 177,87,52,601 | 126,98,94,122 |
| Additions | 3,28,900 | -- | 12,25,752 | 11,52,93,075 | 8,43,99,202 | 3,79,796 | 1,64,730 | 9,432 | 98,28,361 | 21,16,29,248 | 51,23,67,516 |
| Deductions | -- | -- | -- | 5,900 | -- | -- | -- | -- | 64,75,005 | 64,80,905 | 35,09,037 |
| Cost as at 31st March, 2009 | 32,98,31,488 | 3,64,35,202 | 40,13,88,342 | 53,93,50,133 | 57,48,49,398 | 2,91,59,378 | 79,11,803 | 31,63,676 | 6,18,11,524 | 198,39,00,944 | 177,87,52,601 |
| DEPRECIATION | | | | | | | | | | | |
| Up to 31st March, 2008 | 6,15,96,889 | 7,76,343 | 1,72,19,918 | 2,43,64,854 | 4,36,87,247 | 14,20,973 | 12,85,526 | 2,43,172 | 87,67,290 | 15,93,62,212 | 3,23,28,991 |
| This Year | 4,62,31,826* | 12,30,600* | 1,34,02,785 | 2,45,29,527 | 6,12,40,909 | 13,67,096 | 5,04,117 | 1,52,813 | 70,25,169 | 15,56,84,842 | 12,73,95,101 |
| Deductions | -- | -- | -- | 5,900 | -- | -- | -- | -- | 13,63,615 | 13,69,515 | 3,61,880 |
| Depreciation as at 31st March, 2009 | 10,78,28,715 | 20,06,943 | 3,06,22,703 | 4,88,88,481 | 10,49,28,156 | 27,88,069 | 17,89,643 | 3,95,985 | 1,44,28,844 | 31,36,77,539 | 15,93,62,212 |
| Net Block as at 31st March, 2009 | 22,20,02,773 | 3,44,28,259 | 37,07,65,639 | 49,04,61,652 | 46,99,21,242 | 2,63,71,309 | 61,22,160 | 27,67,691 | 4,73,82,680 | 167,02,23,405 | 161,93,90,389 |
| Net Block as at 31st March, 2008 | 26,79,05,699 | 3,56,58,859 | 38,29,42,672 | 39,96,98,104 | 44,67,62,949 | 2,73,58,609 | 64,61,547 | 29,11,072 | 4,96,90,878 | 161,93,90,389 | 123,75,65,131 |

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

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

As per our separate report of even date attached

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

S. S. Athavale
Partner
Membership No. 83374

Place : Pune
Date : 29th May, 2009

A. N. Firodia Chairman
Sudhir Mehta Director

Place : Pune
Date : 28th May, 2009

Notes forming part of the Accounts for the Year Ended 31st March, 2009.

1. Accounting Policies :

A. Depreciation :

(1) Tangible Assets :

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

(2) Intangible Assets :

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

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

B. Valuation of Inventory :

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

C. Retirement Benefit :

(i) The accruing liabilities for gratuity and leave entitlement to the employees are provided for, on the basis of actuarial valuation made by an independent actuary, as at the Balance Sheet date.

(ii) Contribution to Provident fund and Employees Pension scheme are made to Government Provident Fund Authorities as per Provident Fund and Miscellaneous Provisions Act, 1952.

D. Foreign Currency Transactions:

(i) Foreign Currency transactions are recorded at the rate of exchange on the date of the transaction.

(ii) Monetary items of Assets and Liabilities booked in foreign currency are translated in to rupee at the exchange rate prevailing at the Balance Sheet date.

(iii) Exchange difference resulting from settlement of such transaction and from translation of monetary items of Assets and Liabilities are recognized in the Profit and Loss account.

(iv) The premium or discounts arising on Forward Contracts is amortised over the life of the contract.

(v) Exchange difference arising on transaction of foreign currency liabilities for acquisition of fixed assets are adjusted to the Profit and Loss account.

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

| | | |
|---|-------------|-----------------------|
| 2. Estimated amounts of contracts remaining to be executed on | Rupees | Rupees |
| Capital Accounts as at 31st March, 2009 and not provided for. | 3,67,68,858 | (62,88,06,200) |
| 3. (a) No assessment is completed till date under the Income Tax Act, 1961. | | |
| (b) The Company is registered as a dealer under various State Sales Tax Laws. Assessment under the Entry Tax upto November, 2006 are completed. | | |
| 4. Payment to Auditors: (Net of service tax) | Rupees | Rupees |
| (a) As Auditors | 1,25,000 | (50,000) |
| (b) For Tax Audit | 20,000 | (10,000) |
| (c) For Certificates | 22,200 | (17,000) |
| (d) For Expenses and others | 3,707 | (2,700) |
| 5. Contingent Liability in respect of : | Rupees | Rupees |
| Taxes and Duties (including education cess on automobile cess Rs. 54,014/- (Rs. 13,635/-)) | 33,44,555 | (13,635) |
| Others | 20,00,000 | (--) |

Taking the view that Automobile Cess, payable on sales, does not form part of excise duty, the Company has not paid an amount of Rs. 54,014/- **(Rs. 13,635/-)** towards education cess on automobile cess. Though Company has paid (and charged to its profit and loss account) the balance excise duty amounting to Rs. 46,25,65,883/- **(Rs. 19,67,47,289/-)** from Cenvat credit availed, Central Excise Department disallowing the duty so paid has issued show cause notice for the entire amount.

6. As per Accounting Standard -29, 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 1-4-2008 Rs. | 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 31-3-2009 Rs. |
|---|---|--|--|--|--|
| (a) Warranty | 84,61,145 (35,10,000) | 5,40,95,000 (1,79,90,000) | 3,24,10,293 (1,30,38,855) | -- (--) | 3,01,45,852 (84,61,145) |
| (b) Free Service Coupons | 93,06,395 (23,79,897) | 1,01,15,980 (86,60,584) | 94,92,763 (17,34,086) | -- (--) | 99,29,612 (93,06,395) |

7. Details of Intangible Assets are as under :

| Class of Intangible Assets | Technical Know-how acquired | |
|---|-----------------------------|-----------------------|
| | Rs. 2008-09 | Rs. 2007-08 |
| (a) Cost as at the beginning of the year | 32,95,02,588 | (32,95,02,588) |
| (b) Additions during the year | 3,28,900 | -- |
| (c) Cost as at the end of the year | 32,98,31,488 | (32,95,02,588) |
| (d) Amortisation as at the beginning of the year | 6,15,96,889 | (1,54,30,843) |
| (e) Amortisation during the year | 4,62,31,826 | (4,61,66,046) |
| (f) Amortisation as at the end of the year | 10,78,28,715 | (6,15,96,889) |
| (g) Net carrying cost as at the end of the year | 22,20,02,773 | (26,79,05,699) |
| (h) Net carrying cost as at the beginning of the year | 26,79,05,699 | (31,40,71,745) |

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

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

(a) Licensed, Installed Capacity and Production:

| Class of Goods | Licensed Capacity Per Annum (In Nos.) | Installed Capacity Per Annum (In Nos.) | Production (In Nos.) |
|---------------------|--|---|-------------------------|
| Commercial Vehicles | 24,000 (24,000) | 24,000 (24,000) | 744 (671)* |

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

* Production included 2 Vehicles capitalised for own use.

(b) Stock and Turnover :

| Class of Goods | | Stock at Commencement | Stock At Close | Turnover |
|------------------------------------|--------|--------------------------------------|---------------------------------------|---|
| (i) Commercial Vehicles | Nos. | 89 (24) | 114* (89) | 718 (604) |
| | Amount | 13,86,79,882 (3,89,64,100) | 21,92,30,499 (13,86,79,882) | 147,96,46,772 (110,10,99,923) |
| (ii) Parts thereof and Other Items | Amount | | | 14,02,17,410 (13,93,43,729) |

* Excluded one Vehicle Scrapped due to fire.

(c) Stock and Turnover

| Trading Activity | Quantity | Value Rupees |
|------------------|-------------------|-------------------------------------|
| Opening Stock | 2 (Nil) | 1,23,34,039 (--) |
| Purchase | 1 (2) | 66,58,278 (1,23,34,039) |
| Sales | -- (--) | -- (--) |
| Closing Stock | 3 (2) | 1,89,92,337 (1,23,34,039) |

10. Details of Raw Material Consumption :

(a) Raw materials including Components Consumed

| | Quantity | Value |
|-----------------------------|----------|-------------------------------|
| | | Rupees |
| Raw Material and Components | -- | 203,06,87,130 (131,54,63,875) |

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

| | Rupees | Percentage |
|--------------|--------------------------------------|------------------------|
| Imported | 35,78,70,723 (62,60,58,108) | 17.62 (47.59) |
| Indigenous | 167,28,16,407 (68,94,05,767) | 82.38 (52.41) |
| Total | 203,06,87,130 (131,54,63,875) | 100.00 (100.00) |

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

| | | |
|---|---------------|----------------|
| (a) C.I.F. Value of Imports | Rupees | Rupees |
| (i) Raw Materials | 86,19,971 | (7,92,42,349) |
| (ii) Components | 163,22,81,155 | (52,36,81,634) |
| (iii) Capital Goods | 27,69,89,179 | (18,51,52,032) |
| (iv) Machinery Spares, Tools & Others | 6,90,185 | (2,87,130) |
| (b) Expenditure in Foreign Currency (Actual Remittance) : | Rupees | Rupees |
| (i) Traveling and Other Expenses | 9,77,885 | (7,72,833) |
| (ii) Technical know-how fees (net of tax) | 2,83,83,717 | (4,20,14,319) |
| (iii) Technical Services and consultation fees (net of tax) | 42,89,818 | (56,52,472) |
| (c) Earnings in Foreign Currency : | Rupees | Rupees |
| Exports on FOB Basis | 53,80,65,026 | (23,46,72,362) |

12. The amount of net exchange differences included in the Profit / Loss for the year on revenue account is Rs. 12,27,19,637/- Debit (Rs. 9,40,02,426/- Debit) and on Capital account is Rs. 22,69,532/- Debit (Rs. 1,88,48,739/- Debit)

13. The Company has applied for exemption of Entry Tax on its Raw Material, Incidental Goods, Packing Raw Material etc. under the scheme of Madhya Pradesh State Government. Accordingly the Company has received the principle approval from the Department of Commerce, Industries and labour, Madhya Pradesh Government vide letter dated 8th February, 2008. The other formalities for the said exemption under "The Madhya Pradesh Sthaniya Kshetra Me Mal ke pravesh par Kar Adhinyam, 1976" are under progress.

In view of this principle sanction, the Company has not paid Entry Tax on the Raw Materials, Components and Incidental goods etc. though provided in Books amounting to Rs. 3,79,30,411/- (Rs. 1,40,87,996/-).

14. The Company's liabilities and obligations in foreign currency outstanding as at 31st March, 2009, net of receivables are as under :

| Liability | Hedged by forward cover contracts with bankers | | Not hedged by forward cover contracts or other derivative instruments | |
|-----------------|--|--------------|---|-----------------|
| | Foreign currency | Amount (Rs.) | Foreign currency | Amount (Rs.) |
| In U.S. Dollars | -- | -- | 6,32,886 | 3,25,61,985 |
| | (--) | (--) | (11,30,388) | (4,53,39,870) |
| In Euro | -- | -- | 2,62,82,979 | 179,85,44,244 |
| | (--) | (--) | (2,48,91,406) | (157,98,57,569) |

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

| Nature of Timing difference | As at 31st March, 2009 | As at 31st March, 2008 |
|---|------------------------|------------------------|
| (i) Difference between accounting and tax depreciation (cumulative) | (11,30,96,469) | (8,71,42,016) |
| (ii) Other Timing differences | 1,42,61,578 | -- |
| (iii) Business Loss | 9,88,34,891 | 8,71,42,016 |

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

16. Earnings per Share :

| Values used in calculating Earnings Per Share : | 31-3-2009 | 31-03-2008 |
|---|-----------------|----------------|
| (a) Numerator : | | |
| Profit / (Loss) after Tax (Rs.) | (126,33,81,601) | (97,01,78,349) |
| (b) Denominator : | | |
| Number of Equity Shares | 10,00,00,000 | 10,00,00,000 |
| Weighted average number of Equity Shares | 10,28,58,844 | 10,00,00,000 |

17. Disclosure as per Accounting Standard 15 (Revised) is as under :

| | Gratuity (Rs.) | | Leave Entitlement (Rs.) | |
|---|--|-------------|-------------------------|------------|
| | 31st March | | 31st March | |
| | 2009 | 2008 | 2009 | 2008 |
| (A) Amount to be Recognised in Balance Sheet | | | | |
| (i) Present Value of the Obligation | 19,09,973 | 10,27,500 | 18,32,273 | 9,60,620 |
| (ii) Fair Value of Plan Assets as at Year end | -- | -- | -- | -- |
| (iii) Net Asset / (Liability) recognised in Balance Sheet | (19,09,973) | (10,27,500) | (18,32,273) | (9,60,620) |
| (B) Expense recognised in the statement of Profit and Loss Account | | | | |
| (i) Current Service Cost | 9,19,051 | 5,25,422 | 8,86,255 | 3,97,210 |
| (ii) Interest Cost | 82,200 | 27,218 | 65,997 | 33,479 |
| (iii) Net actuarial (gain) / loss recognised in the year | (1,18,778) | 1,34,640 | 1,90,718 | 2,22,016 |
| (iv) Expenses recognised in the statement of Profit and Loss account at the end | 8,82,473 | 6,87,280 | 11,42,970 | 6,52,705 |
| (C) Change in Present value of obligation | | | | |
| (i) Present value of obligation as at the beginning | 10,27,500 | 3,40,220 | 9,60,620 | 4,18,484 |
| (ii) Interest Cost | 82,200 | 27,218 | 65,997 | 33,479 |
| (iii) Current Service Cost | 9,19,051 | 5,25,422 | 8,86,255 | 3,97,210 |
| (iv) Benefits Paid | -- | -- | (2,71,317) | (1,10,570) |
| (v) Actuarial (gain) / loss on obligation | (1,18,778) | 1,34,640 | 1,90,718 | 2,22,016 |
| (vi) Present value of obligation as at the end | 19,09,973 | 10,27,500 | 18,32,273 | 9,60,620 |
| (D) Actuarial Assumptions : | | | | |
| (i) Discount Rate | 7.00% | 8.00% | 7.00% | 8.00% |
| (ii) Salary escalation rate | 12.00% | 12.00% | 12.00% | 12.00% |
| (iii) Normal Retirement Age (Years) | 58 | 58 | 58 | 58 |
| (iv) Mortality Rate | As per Standard Table of LIC (1994-95) | | | |

The estimates of the future salary increases, considered in actuarial valuation, takes into account inflation, seniority, promotion and other relevant factors, such as demand and supply in the employment market.

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

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

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

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

| Type of Related party | Nature of Transaction | Volume of Transactions during 2008-09 | Amount outstanding as on 31-03-2009 | |
|---|---|---------------------------------------|-------------------------------------|------------------------|
| | | | Receivables | Payables |
| (a) Holding Company Force Motors Limited | : Purchase of Raw Material & Components | 2,676.06 (1,415.17) | -- (--) | 2,074.40 (1,748.70) |
| | : Purchase of Capital Assets | 159.92 (859.48) | -- (--) | -- (859.48) |
| | : Sale of Assets | -- (2.56) | -- (20.16) | -- (--) |
| | : Machinery given on Loan | 6,043.07 (1,632.16) | 8,286.95 (2,243.88) | -- (--) |

| Type of Related party | Nature of Transaction | Volume of Transactions during 2008-09 | Amount outstanding as on 31-03-2009 | |
|---------------------------------------|--|---------------------------------------|-------------------------------------|-------------------------------|
| | | | Receivables | Payables |
| | : Reimbursement of Expenses | 14.64 (169.88) | -- (--) | -- (169.88) |
| | : Sale of material | 212.11 (600.05) | -- (701.30) | -- (--) |
| | : Service Charges | 2,291.16 (2,470.39) | -- (--) | 5,256.76 (2,965.60) |
| | : Others | 21.23 (6.25) | -- (--) | -- (2,503.18) |
| (b) Other Related Parties | | | | |
| (i) Jaya Hind Industries Ltd. | : Purchase of Capital Goods | -- (211.74) | 89.84 (--) | -- (14.49) |
| | : Purchase of Raw Materials, Components & Others | 195.95 (127.70) | -- (--) | 15.77 (13.72) |
| | : Machinery given on Loan | -- (1,079.97) | -- (--) | -- (--) |
| (ii) MAN Nutzfahrzeuge Osterrreich AG | : Purchase of Raw Materials, Components & Others | 6,267.71 (5,246.64) | -- (--) | 7,537.43 (5,246.64) |
| | : Payment for Technical Know How | 65.82 (175.45) | -- (--) | 76.98 (145.81) |
| | : Purchase of Capital Goods | 256.90 (1,320.93) | -- (--) | 211.33 (1,828.57) |
| | : Interest on Trade credits | 329.94 (99.35) | -- (--) | 442.44 (112.50) |
| | : Others | 10.18 (--) | -- (--) | 10.18 (--) |
| | : Sale of Vehicles & Parts thereof | 206.82 (594.93) | -- (--) | -- (202.06) |
| (iii) MAN Nutzfahrzeuge AG | : Purchase of Capital Goods | 41.90 (40.19) | -- (--) | 552.77 (851.16) |
| | : Purchase of Raw Materials, Components & Others | 4,098.48 (5,936.76) | -- (--) | 4,583.04 (7,055.31) |
| | : Payment for Technical Know How | 179.93 (244.69) | -- (--) | 197.08 (377.01) |
| | : Interest on Trade Credits | 274.79 (176.09) | -- (--) | 467.00 (192.20) |
| | : Others | 219.26 (187.90) | -- (--) | 660.29 (439.78) |
| | : Sale of Vehicle & parts thereof | 4,216.74 (1,744.11) | -- (687.10) | 2,434.59 (--) |
| (iv) Pinnacle Industries Ltd. | : Purchase of Capital Goods | 1.12 (8.71) | -- (--) | -- (8.71) |
| | : Purchase of Raw Materials, Components & Others | 166.58 (140.03) | -- (--) | 16.80 (21.44) |
| | : Machinery given on Loan | -- (2.99) | -- (--) | -- (--) |
| | : Sale of Raw Material & Components | -- (0.13) | -- (--) | -- (--) |
| | : Others | 0.03 (--) | -- (--) | -- (--) |

19. The Company is operating in a single Segment.

20. 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
Sudhir Mehta Director

S. S. Athavale
Partner
Membership No. 83374

Place : Pune
Date : 29th May, 2009

Place : Pune
Date : 28th May, 2009

PART - IV

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I Registration Details

Registration No.

| | | | | | |
|---|---|---|---|---|---|
| 0 | 2 | 2 | 1 | 4 | 7 |
|---|---|---|---|---|---|

State Code

| | |
|---|---|
| 1 | 1 |
|---|---|

 (Refer Code List 1)

Balance Sheet Date

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

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

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| - | - | 4 | 7 | 2 | 8 | 4 | 1 | 4 |
|---|---|---|---|---|---|---|---|---|

Total Assets

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| - | - | 5 | 9 | 5 | 1 | 0 | 6 | 2 |
|---|---|---|---|---|---|---|---|---|

Sources of Funds :

Paid-up Capital

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| - | - | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
|---|---|---|---|---|---|---|---|---|

Reserves & Surplus

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

Share Application Pending Allotment

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| - | - | 2 | 6 | 0 | 0 | 0 | 0 | 0 |
|---|---|---|---|---|---|---|---|---|

Secured Loan

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| - | - | 1 | 4 | 3 | 2 | 0 | 1 | 8 |
|---|---|---|---|---|---|---|---|---|

Unsecured Loan

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

Application of Funds :

Net Fixed Assets

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| - | - | 2 | 2 | 5 | 9 | 4 | 9 | 2 |
|---|---|---|---|---|---|---|---|---|

Investments

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

Net Current Assets

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| - | - | - | 3 | 9 | 5 | 1 | 7 | 4 |
|---|---|---|---|---|---|---|---|---|

Misc. Expenditure

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

Accumulated Losses

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

Deferred Tax Asset

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

IV Performance of Company (Amount in Rs. Thousands)

Turnover

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

Total Expenditure

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| - | - | - | 2 | 9 | 2 | 5 | 2 | 9 | 1 |
|---|---|---|---|---|---|---|---|---|---|

+ - Profit / Loss Before Tax

| | | | | | | | | | |
|--|---|-----|---|---|---|---|---|---|---|
| | √ | (-) | 1 | 2 | 6 | 2 | 6 | 8 | 1 |
|--|---|-----|---|---|---|---|---|---|---|

+ - Profit / Loss After Tax

| | | | | | | | | | |
|--|---|-----|---|---|---|---|---|---|---|
| | √ | (-) | 1 | 2 | 6 | 3 | 3 | 8 | 2 |
|--|---|-----|---|---|---|---|---|---|---|

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

Earning per Share in Rs.

| | | | | | | | |
|---|---|-----|---|---|---|---|---|
| - | - | (-) | 1 | 2 | . | 6 | 3 |
|---|---|-----|---|---|---|---|---|

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 | 4 | 2 | 2 | 9 | 0 |
|---|---|---|---|---|---|---|---|

Product Description

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

2 Item Code No. (ITC Code)

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

Product Description

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

As per our separate report of even date attached

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

A. N. Firodia Chairman
Sudhir Mehta Director

S. S. Athavale
Partner
Membership No. 83374

Place : Pune
Date : 29th May, 2009

Place : Pune
Date : 28th May, 2009

| CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 31ST MARCH, | | 2009 Rupees | 2008 Rupees |
|---|---------|------------------------|-----------------------|
| (A) Cash flow from Operating Activities : | | | |
| Net Profit / (Loss) before tax and extraordinary items | | (126,26,80,601) | (89,55,79,660) |
| Adjustments for : | | | |
| Depreciation | | 15,56,84,841 | 12,73,95,101 |
| Adjustment for Foreign exchange loss / (gain) | | 6,71,23,139 | 11,40,59,715 |
| Miscellaneous Expenses written off | | -- | 64,98,704 |
| Interest Income on bank deposits & others | | -- | (76,479) |
| Loss / (Profit) on sale of assets | | 30,28,612 | 19,80,413 |
| Interest expense | | 18,82,17,900 | 15,09,30,943 |
| Provision for bad, doubtful debts and debit balances | | 60,42,987 | -- |
| Operating Profit before Working Capital Changes | | (84,25,83,122) | (49,47,91,263) |
| Increase in Sundry Debtors and Loans & Advances | | (31,33,58,045) | (19,57,63,266) |
| (Increase) decrease in Inventories | | (131,22,22,995) | (32,78,14,429) |
| Increase in Sundry Creditors and Other Payables | | 27,38,09,516 | 151,16,54,270 |
| Cash generated from Operations | | (219,43,54,646) | 49,32,85,312 |
| Direct Taxes paid | | (8,92,218) | (7,71,404) |
| Net Cash flow from Operating Activities | (A) | (219,52,46,864) | 49,25,13,908 |
| (B) Cash flow from investing activities : | | | |
| Purchase of fixed assets | | (66,08,23,248) | (50,38,59,352) |
| Proceeds from sale of assets / equipments | | 20,82,778 | 11,66,744 |
| Interest received | | -- | 76,479 |
| Net cash used in Investing Activities | (B) | (65,87,40,470) | (50,26,16,129) |
| (C) Cash flow from financing activities : | | | |
| Share Application money received, pending allotment | | 260,00,00,000 | -- |
| Proceeds of long-term borrowings (net of repayments) | | 6,54,24,425 | (31,43,06,000) |
| Proceeds of short-term borrowings | | 16,91,05,930 | 59,76,86,411 |
| Interest paid | | (12,46,92,367) | (12,60,58,069) |
| Net cash flow from Financing Activities | (C) | 270,98,37,988 | 15,73,22,342 |
| Net increase / (decrease) in Cash and Cash equivalents | (A+B+C) | (14,41,49,346) | 14,72,20,121 |
| Cash and Cash equivalents as at 01-04-2008 | | 20,88,30,573 | 6,16,10,451 |
| Cash and Cash equivalents as at 31-03-2009 (excluding unrealised exchange fluctuation gain / loss) | | 6,46,81,227 | 20,88,30,573 |

As per our separate report of even date attached

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

A. N. Firodia Chairman
Sudhir Mehta Director

S. S. Athavale
Partner
Membership No. 83374

Place : Pune
Date : 29th May, 2009

Place : Pune
Date : 28th May, 2009

DIRECTORS' REPORT

To,

The Members,

The Directors have pleasure in presenting the Eighteenth Annual Report together with the audited accounts for the Financial Year ended on 31st March, 2009.

(I) Financial Results :

| Particulars | For the year | For the year |
|---------------------------|---------------------------|---------------------------|
| | ended 31st March, 2009 | ended 31st March, 2008 |
| | Rupees | Rupees |
| Income from Hire Purchase | -- | -- |
| Other Income | 19,88,034 | 16,37,467 |
| Expenditure | 41,736 | 2,32,839 |
| Provision for Taxation | 5,99,122 | 4,37,514 |
| Profit for the year | 13,47,176 | 9,67,114 |
| Profit carried forward | 1,21,71,963 | 1,11,64,787 |

(II) Operations :

During the year under report, the Company has concentrated in recoveries of installments and the Company has decided to give vehicles under finance scheme instead of 'Hire Purchase' on selective basis.

(III) Directors :

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

Mr. R. B. Bhandari was appointed as an Additional Director of the Company w.e.f. 16th June, 2009. 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.

Mr. Abhay Munot resigned from the directorship of the Company. The board places on record its appreciation of the services rendered by Mr. Abhay Munot during his association with the Company.

(IV) Fixed Deposits :

As required by Non-Banking Financial Companies (Reserve Bank) Directions, 1998, it is hereby reported that your Company has not accepted any deposit from public as at 31st March, 2009.

(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

Place : Pune
Date : 16th June, 2009

K.C.Khinvasara **Narendra Firodia**
Director Director

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, 2009 and also the Profit and Loss Account and 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.
- (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.
- (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 and 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, 2009 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2009 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, 2009; and
 - (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 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 : 16th June, 2009

S. S. Athavale
Partner
Membership No. 83374

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 Register 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, Sales-tax, Wealth-tax, Custom-duty, Excise-duty, Cess, Service-tax and other statutory dues applicable to it except Profession Tax of the Company amounting to Rs. 2,500/-

According to the information and explanations given to us, no undisputed amounts payable in respect of Income-tax, Wealth-tax, Sales-tax, Custom-duty, Excise-duty, Cess and Service-tax were outstanding, as at the balance sheet date for a period of more than six months from the date they became payable.
(b) According to the records of the Company, there are no dues of Sales-tax, Income-tax, Custom-duty, Wealth-tax, Excise-duty, Cess and Service-tax which have not been deposited on account of any dispute.
10. There are no accumulated losses in the Company. The Company has not incurred any cash losses during the financial year covered by our audit and the immediately preceding financial year.
11. Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to any financial institution, bank or debenture holders.
12. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit funds are not applicable to the Company.
14. The Company is not dealing or trading in shares, securities, debentures and other investments.
15. The Company has not given any guarantee for loans taken by others from bank or financial institutions.
16. The Company has not raised any term loans during the year.
17. The Company has not raised any short-term funds.
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 : 16th June, 2009

S. S. Athavale
Partner

Membership No. 83374

Balance Sheet as at 31st March, 2009

| | Schedule | As at 31st March, 2009 Rupees | As at 31st March, 2008 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 | 1,61,67,866 | 1,48,20,690 |
| | | <hr/> | <hr/> |
| | | Total | 2,94,18,866 |
| | | | <hr/> <hr/> |
| II APPLICATION OF FUNDS : | | | |
| 1. Current Assets, Loans and Advances | 3 | 3,10,66,849 | 2,96,94,943 |
| 2. Less : Current Liabilities & Provisions | 4 | 16,47,983 | 18,89,636 |
| | | <hr/> | <hr/> |
| Net Current Assets | | 2,94,18,866 | 2,78,05,307 |
| 3. Deferred Tax Assets | | -- | 2,66,383 |
| | | <hr/> | <hr/> |
| | | Total | 2,94,18,866 |
| | | | <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 : 16th June, 2009

K. C. Khinvasara
Narendra Firodia } Directors

Place : Pune
Date : 16th June, 2009

**Profit & Loss Account
for the year ended 31st March, 2009**

| | Schedule | Rupees | For the year ended 31st March, 2009 Rupees | For the year ended 31st March, 2008 Rupees |
|---|----------|-----------|---|---|
| INCOME | | | | |
| Interest received | | | | |
| (a) On deposits with Banks [TDS Rs. 66,119/- (Rs. 51,563/-)] | | 3,23,346 | | 2,84,538 |
| (b) Others [TDS Rs. 3,71,038/- (Rs. 3,00,394/-)] | | 16,64,688 | | 13,52,929 |
| | | | 19,88,034 | 16,37,467 |
| | | | 19,88,034 | 16,37,467 |
| EXPENDITURE | 5 | | 41,736 | 2,32,839 |
| PROFIT FOR THE YEAR | | | 19,46,298 | 14,04,628 |
| Less : Taxation for the year - Current | | 3,36,000 | | 4,75,000 |
| - Deferred | | 2,66,383 | | (37,013) |
| | | | 6,02,383 | 4,37,987 |
| Add : Tax in respect of earlier year | | | 3,261 | 473 |
| PROFIT AFTER TAX | | | 13,47,176 | 9,67,114 |
| Add : Balance of profit as per last account | | | 1,11,64,787 | 1,04,42,673 |
| Amount available for appropriation | | | 1,25,11,963 | 1,14,09,787 |
| APPROPRIATIONS | | | | |
| Transfer to General Reserve (II) | | | 3,40,000 | 2,45,000 |
| Balance carried forward | | | 1,21,71,963 | 1,11,64,787 |

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 : 16th June, 2009

K. C. Khinvasara
Narendra Firodia } Directors

Place : Pune
Date : 16th June, 2009

Schedules forming part of the Balance Sheet

SCHEDULE 1 : SHARE CAPITAL

| | As at 31st March, 2009 Rupees | As at 31st March, 2008 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 10,60,050 (10,50,050) 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, 2009 Rupees | As at 31st March, 2008 Rupees |
|--|-----------|-------------------------------------|-------------------------------------|
| 1. General Reserve : | | | |
| As per last account | | 3,68,403 | 3,68,403 |
| 2. General Reserve (II) : | | | |
| As per last account | 32,87,500 | | 30,42,500 |
| Add : Transfer from Profit and Loss Account | 3,40,000 | | 2,45,000 |
| | | 36,27,500 | 32,87,500 |
| 3. Balance of Profit as per Profit & Loss Account | | | |
| | | 1,21,71,963 | 1,11,64,787 |
| Total | | 1,61,67,866 | 1,48,20,690 |

SCHEDULE 3 : CURRENT ASSETS, LOANS AND ADVANCES

| | Rupees | As at 31st March, 2009 Rupees | As at 31st March, 2008 Rupees |
|--|-------------|-------------------------------------|-------------------------------------|
| A. CURRENT ASSETS : | | | |
| 1. Sundry Debtors | | | |
| Unsecured, Considered Good | | | |
| (i) Debts outstanding for the period exceeding six months | -- | | 5,72,396 |
| (ii) Other Debts | -- | | -- |
| | -- | | 5,72,396 |
| Less : Provision for Bad and Doubtful Debts (For doubtful & loss assets) | -- | | 5,72,396 |
| | | -- | -- |
| 2. Cash and Bank Balances : | | | |
| (i) Cash balances and cheques on hand | 85 | | 85 |
| (ii) Balances with Scheduled banks in current account | 2,10,91,179 | | 2,02,27,521 |
| (iii) Balance with Scheduled banks in deposit account | 38,15,390 | | 35,50,753 |
| | | 2,49,06,654 | 2,37,78,359 |
| 3. Loans recoverable in cash or in kind : | | | |
| Unsecured, Considered good | | | |
| (i) Debts outstanding for the period exceeding six months | -- | | -- |
| (ii) Other Debts | 7,73,357 | | 11,34,000 |
| | | 7,73,357 | 11,34,000 |
| 4. Other Current Assets : | | | |
| (i) Interest accrued but not due | 3,86,180 | | 3,93,590 |
| (ii) Other receivable | 5,25,064 | | 2,89,687 |
| | 9,11,244 | | 6,83,277 |
| Less : Provision for Bad and Doubtful receivables (for doubtful & loss assets) | -- | | 2,89,687 |
| | | 9,11,244 | 3,93,590 |
| B. LOANS AND ADVANCES : | | | |
| 1. Advance payment of Taxes | 19,75,594 | | 18,88,994 |
| 2. Inter Corporate Deposit | 25,00,000 | | 25,00,000 |
| | | 44,75,594 | 43,88,994 |
| Total | | 3,10,66,849 | 2,96,94,943 |

SCHEDULE 4 : CURRENT LIABILITIES AND PROVISIONS

| | Rupees | As at 31st March, 2009 Rupees | As at 31st March, 2008 Rupees |
|---------------------------------|----------|-------------------------------------|-------------------------------------|
| A. CURRENT LIABILITIES : | | | |
| 1. Sundry Creditors | 1,11,977 | | 1,29,630 |
| 2. Other Liabilities | 8,006 | | 8,006 |
| | | 1,19,983 | 1,37,636 |
| B. PROVISIONS : | | | |
| Provision for Taxation | | 15,28,000 | 17,52,000 |
| Total | | 16,47,983 | 18,89,636 |

Schedules forming part of the Profit & Loss Account

SCHEDULE 5 : EXPENDITURE

| | For the year ended 31st March, 2009 Rupees | For the year ended 31st March, 2008 Rupees |
|---|--|--|
| 1. Stamp Duty, Filing Fees & Legal Expenses | 20,555 | 52,793 |
| 2. Payment to Auditors - as audit fees | 11,030 | 10,124 |
| 3. Miscellaneous Expenses | 7,651 | 23,424 |
| 4. Rates & Taxes | 2,500 | 18,413 |
| 5. Interest paid | -- | 5,801 |
| 6. Prior Year Expenses | -- | 2,500 |
| 7. Provision for doubtful debts | -- | 1,19,784 |
| Total | 41,736 | 2,32,839 |

NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2009.

(1) Accounting Policies :

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

(2) Contingent Liability :

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

- (3) The Company's Income Tax assessments have been completed upto the accounting year 2005-2006.
- (4) The Company's Sales Tax assessments have been completed upto the accounting year 2005-2006.
- (5) The Company has written off bad & doubtful debts and receivables amounting to Rs. 8,62,083/-.

(6) Breakup of deferred tax assets :

| Nature | As at 31.03.2009 | As at 31.03.2008 |
|------------------------------|------------------|------------------|
| Provision for Doubtful debts | -- | Rs. 2,66,383/- |

- (7) 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 : 16th June, 2009

K. C. Khinvasara
Narendra Firodia } Directors

Place : Pune
Date : 16th June, 2009

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 | 9 |
|---|---|---|---|---|---|---|---|---|---|

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 | 6 | 4 | 8 |
|---|---|---|---|---|---|---|---|---|

Total Assets

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| - | - | - | - | 3 | 1 | 0 | 6 | 7 |
|---|---|---|---|---|---|---|---|---|

Sources of Funds :

Paid-up Capital

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

Reserves & Surplus

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| - | - | - | - | 1 | 6 | 1 | 6 | 8 |
|---|---|---|---|---|---|---|---|---|

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 | 9 | 4 | 1 | 9 |
|---|---|---|---|---|---|---|---|---|

Misc. Expenditure

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

Accumulated Losses

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

Deferred Tax Asset

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

IV Performance of Company (Amount in Rs. Thousands)

Turnover

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| - | - | - | - | - | 1 | 9 | 8 | 8 |
|---|---|---|---|---|---|---|---|---|

Total Expenditure

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| - | - | - | - | - | - | - | 4 | 2 |
|---|---|---|---|---|---|---|---|---|

+ - Profit / Loss Before Tax

| | | | | | |
|---|---|---|---|---|---|
| - | - | 1 | 9 | 4 | 6 |
|---|---|---|---|---|---|

+ - Profit / Loss After Tax

| | | | | | |
|---|---|---|---|---|---|
| - | - | 1 | 3 | 4 | 7 |
|---|---|---|---|---|---|

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

Earning per Share in Rs.

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| - | - | - | - | 1 | . | 0 | 2 |
|---|---|---|---|---|---|---|---|

Dividend rate %

| | | |
|---|---|---|
| - | - | - |
|---|---|---|

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 : 16th June, 2009

K. C. Khinvasara
Narendra Firodia } Directors

Place : Pune
Date : 16th June, 2009

| CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 31ST MARCH, | 2009 | 2008 |
|--|--------------------|-------------------|
| | Rupees | Rupees |
| Cash flow from Operating Activities : | | |
| Net Profit before tax and extraordinary items | 19,46,298 | 14,04,628 |
| Adjustments for : | | |
| Provision for bad, doubtful debts and debit balances | -- | 1,19,785 |
| Operating Profit before Working Capital Changes | 19,46,298 | 15,24,413 |
| Increase in Sundry Debtors and Loans & Advances | (1,57,011) | (12,82,755) |
| Increase / (Decrease) in Sundry Creditors and Other Payables | (17,655) | (2,098) |
| Cash generated from operations | 17,71,632 | 2,39,560 |
| Direct Taxes paid | (6,43,337) | (6,13,757) |
| Net Cash flow from Operating Activities | 11,28,295 | (3,74,197) |
| Cash and Cash equivalents as at 01-04-2008 | 2,37,78,359 | 2,41,52,556 |
| Cash and Cash equivalents as at 31-03-2009 (excluding unrealised exchange fluctuation gain) | 2,49,06,654 | 2,37,78,359 |
| Net Increase / Decrease | (11,28,295) | 3,74,197 |

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 : 16th June, 2009

K. C. Khinvasara
Narendra Firodia } Directors

Place : Pune
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