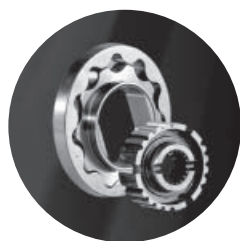


# FEDERAL-MOGUL GOETZE (INDIA) LIMITED

**54<sup>th</sup> Annual Report  
2008**

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**BOARD OF DIRECTORS as on 30th April 2009**

**Chairman & Director**

Mr. K.N. Subramaniam



**Managing Director & President**

Mr. Jean de Montlaur

**Whole Time Director & CFO**

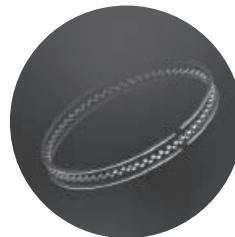
Mr. Rustin Murdock



**Directors**

Mr. Rainer Jueckstock

Mr. Mukul Gupta



**Financial Controller & Company Secretary**

Mr. Rajan Luthra

**Auditors**

M/s. S.R. Batliboi & Co.



**REGISTRAR AND SHARE TRANSFER AGENTS**

Alankit Assignments Limited  
Corporate Office, 'Alankit House'  
2E/21, Jhandewalan Extn.  
New Delhi 110 055  
Ph. No. 011-23541234, 42541952  
Fax No. 011-42541967  
Email: rta@alankit.com

**REGISTERED OFFICE**

A-26/3 Mohan  
Co-operative  
Industrial Estate,  
New Delhi 110 044

**WORKS**

1. Bahadurgarh, Patiala (Punjab)
2. Yelahanka, Bangaluru (Karnataka)
3. SPL 1240-44, RIICO Industrial Area, Phase-I Extn., Bhiwadi (Rajasthan)
4. Plot No. 46, Sector-11, IIE-Pantnagar, Udham Singh Nagar, (Uttarakhand)

**BANKERS**

ABN Amro Bank NV  
Deutsche Bank AG  
HDFC Bank Ltd.  
ING Vysya Bank Limited  
State Bank of India  
State Bank of Patiala  
AXIS Bank Limited  
Yes Bank Limited

## TEN YEARS' FINANCIAL REVIEW

	2008	2007	2006	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-2000
			(9 months)				(9 months)	(15 months)		
Total Income	<b>79,812.68</b>	72,028.57	46,809.82	53,291.21	51,990.47	46,963.59	26,407.26	24,684.39	18,653.65	20,499.69
Depreciation	<b>4,634.14</b>	4,292.16	2,819.65	3,417.02	2,674.05	2,401.28	1,464.18	1,815.67	1,282.28	1,189.81
Profit before Tax	<b>(517.00)</b>	(1,782.69)	(561.05)	(4,244.81)	3,251.73	2,405.95	1,319.90	1,317.42	1,000.53	1,006.46
Taxation (adjmt for excess provision for prev yr written back if any)	<b>172.23</b>	79.74	70.30	810.74	1,048.44	852.55	301.17	178.88	-	-
Profit after Tax	<b>(689.23)</b>	(1,862.43)	(631.35)	(5,055.55)	2,203.29	1,553.40	1,018.73	1,138.54	1,000.53	1,006.46
Dividend	-	-	-	-	1,011.50	782.74	532.87	252.88	632.19	632.19
Dividend Tax	-	-	-	-	132.19	100.29	68.27	-	64.48	69.54
Retained Profit/(Loss)	<b>(689.23)</b>	(1,862.43)	(631.35)	(5,055.55)	1,059.60	670.37	417.59	885.66	303.86	304.73

## Assets Liabilities & Net Worth

	2008	2007	2006	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-2000
Fixed Assets	<b>40,062.06</b>	38,038.79	35,436.36	32,873.58	33,833.21	31,389.59	30,809.13	18,792.29	18,852.30	16,937.42
Investments	<b>2,092.34</b>	2,093.90	2,135.18	2,243.40	2,925.26	3,547.75	3,594.43	3,613.65	2,653.96	4,462.16
Indebtedness	<b>16,213.62</b>	29,236.92	36,444.05	38,960.71	30,167.68	28,113.39	27,579.74	17,754.11	13,377.01	10,183.33
Share Capital	<b>5,563.21</b>	3,262.09	2,528.75	2,528.75	2,528.75	2,528.75	3,528.75	2,528.75	2,528.75	2,528.75
Reserves	<b>27,798.00</b>	13,402.60	6,497.10	7,592.65	13,328.14	12,393.68	11,867.08	11,528.19	13,108.78	13,955.20
Net Worth	<b>33,361.21</b>	16,664.69	9,025.85	9,657.20	15,856.89	14,922.43	15,395.83	14,056.94	15,637.53	16,483.95

## Significant Ratios

	2008	2007	2006	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-2000
<b>A. Measurement of Investment</b>										
Percentage of Return on Investment (annualised)	<b>(1.04)</b>	(3.90)	(1.59)	(2.14)	13.28	12.92	12.99	10.77	10.70	9.96
Percentage of Return on Equity (annualised)	<b>(1.92)</b>	(13.88)	(8.00)	(33.27)	21.13	15.87	11.95	7.10	6.23	6.13
Dividend Cover (Ratio)	-	-	-	-	2.18	1.98	1.91	4.50	1.58	1.59
<b>B. Measurement of Performance</b>										
Percentage of Profit before Tax to Sales	<b>(0.68)</b>	(2.61)	(1.25)	(8.28)	6.49	5.33	5.23	5.56	5.58	5.06
Percentage of Profit after Tax to Sales	<b>(0.01)</b>	(2.72)	(1.40)	(9.87)	4.40	3.44	4.03	4.81	5.58	5.06
<b>C. Measurement of Financial Status</b>										
Percentage of Term Loans to Tangible Net Worth	<b>0.12</b>	58.72	219.29	206.63	160.85	122.41	102.16	56.92	39.53	27.58
Current Ratio	<b>0.73</b>	0.87	0.87	0.84	0.85	0.82	1.01	1.40	1.16	1.19
<b>D. General</b>										
Dividend per Equity Share (Rs.)	-	-	-	-	4.00	3.00	2.00	1.00	2.50	2.50
Earnings per Equity Share (Rs.) (annualised)	<b>(2.05)</b>	(7.22)	(3.33)	(19.99)	8.71	6.04	5.21	3.60	3.96	3.98
Book Value per Equity Share (Rs.)	<b>59.97</b>	63.10	35.69	38.19	62.71	59.01	56.93	55.59	61.84	65.19

## DIRECTORS' REPORT

The Directors are pleased to present the 54th Annual Report and Audited Statement of Accounts for the financial year ended 31st December, 2008.

### FINANCIAL RESULTS

(Rs. in Million)

	For the year ended December 31, 2008	For the period ended December 31, 2007
Total Income:		
Gross Sales	7593.15	6839.47
Deduct: Excise Duty	819.43	879.32
	<b>6773.72</b>	5960.15
Business and other Income	388.12	406.54
Profit before Depreciation	725.85	662.99
Deduct:		
Depreciation and Amortisation	463.41	429.21
Finance Charges	309.89	405.73
Profit/(Loss) before Tax and Prior Period Items	(47.45)	(171.95)
Provision for tax		
- Current	6.72	—
- Fringe Benefit	10.50	10.57
Provision of Income tax for previous years		(2.60)
Net Profit/(Loss) after Tax	(64.67)	(179.92)
Prior Period Items	(4.25)	(6.32)
Surplus brought forward	(295.80)	(109.56)
	<b>(364.72)</b>	(295.80)
Appropriations :		
Proposed Dividend - Equity	—	—
Tax on Dividend	—	—
General Reserve	—	—
Surplus/(Loss) carried to Balance Sheet	—	—
Adjusted Against General Reserve	—	—
(Loss)/ Surplus carried to balance sheet	<b>(364.72)</b>	(295.80)

### Operations

Despite a drop in sales in fourth quarter of 2008 versus the prior year, due to an unprecedented decline in automotive market, the Gross Turnover of the Company during the year ending 31.12.2008 was Rs. 7593.15 million compared with Rs. 6839.47 million for the year ending 31.12.2007 indicating a growth of 11.02% on year – over-year basis.

The Company implemented aggressive cost reductions measures that helped off-set the impact of the sales decline in the fourth quarter. However the Company reported a loss after tax of Rs.68.92 million in the year under review as against loss of Rs. 186.24 million in the year ending on 31.12.2007 due to significant one-time foreign currency exchange loss of Rs 205.13 millions on the import payments (including capital payments) that are not indicative of the ongoing operating results of the company.

In view of the losses, it is proposed not to pay any dividend on the equity shares.

We are taking steps to implement a variable cost model that focuses on both traditional fixed and variable cost reductions so that we can flex the manufacturing in response to the changes in the market demand.

### Auditors' Comments

The Auditors have made certain comments in their Audit Report, concerning the Accounts of the Company. The Management puts forth its explanations as below:

1. The Company has paid Director's remuneration to whole time directors, which is in excess of permissible limit for remuneration under Schedule XIII of the Companies Act, 1956.

The Company has applied for Central Government's approval for the Managerial Remuneration and the Directors have given written confirmations to the Company that in case the Company is not able to obtain the approvals then the Directors will reimburse the Company of all the remuneration paid, which is in excess of the prescribed limits.

2. There are certain items of Plant and Machinery and certain items of furniture at one of the facilities of the Company where the records of fixed assets are maintained for group of similar assets and not for each individual asset.

The Company had acquired these assets around 10 year back and therefore no separate records are available for the same. However the cost record of

the block of those assets is available and has already been seen by the auditors.

3. Interest free loan of Rs. 174.91 million has been given to a Company, which in the opinion of the Auditors is prejudicial to the interests of the Company.

The Company has given the said loan to Satara Rubbers and Chemicals Limited, the wholly owned subsidiary of the Company, in respect of the property owned by Satara Rubbers and Chemicals Limited which is used by Company as its office premises. Therefore, the Management is of the view that such loan is not prejudicial to the interests of the Company.

4. The Company is regular in depositing the statutory dues but there has been slight delay in a few cases.

Although all the statutory dues have been deposited and the Management is taking initiatives to strengthen the Company's internal control procedures to ensure that delay does not reoccur in future.

Other comments of the Auditors are self-explanatory in their report and are further elaborated in the Notes to Accounts. The Directors' Report should be read in conjunction with the Auditors' report and Notes to Accounts annexed hereinafter.

## DIRECTORS' REPORT (Contd.)

### MANAGEMENT DISCUSSION AND ANALYSIS:

#### (a) Industry structures and developments

There has been significant downturn in the global automotive market as recession has enveloped the entire world. The heat of recession can also be felt on Indian Economy. Auto component industry is fully dependent on the automotive industry. Since the third quarter of 2008 the Auto industry has witnessed a steady fall.

Global recession has devastated the global auto industry with pinching effects on the Indian auto industry. The shrinking investment credit has directly affected the consumer demand in auto sector and has had a negative impact on the automotive industry.

The Government has introduced tax incentive by way of reduction in Excise Duty and tax benefits with a view to sustain the Indian Auto Industry, with positive outcome so far.

#### (b) Opportunities

We manufacture diverse range of piston and piston rings with industry leading OE activity and a strong aftermarket business with widely recognized brands and a strong distribution network. We are well positioned to take advantage of the Current financial and automotive market dynamics which is changing very fast.

We are adapting through technology upgradation to successfully compete in difficult market conditions. We believe our proactive steps and consistent implementation of our plans will allow us to prepare the company for growth as consumers regain confidence and vehicle demand increases.

#### (c) Threats

The Demand for auto components has been reduced. With a view to capture the higher market share, there may be pressure on the price of the components. In order to compete in the industry and retain its market share, the Company may have to accordingly cut down its prices which may squeeze the margins of the Company Products.

Further there are a limited set of customers in our business, that is, the automobile manufacturers. Competition is intense, as we compete with suppliers both in the organized and unorganized segments.

Our fixed cost remains high which is a threat to our margins as we are inflexible to our workforce to align them with the change in demands.

#### (d) Segment wise or product wise performance

We operate mainly in two segments i.e. OEM's and the aftermarket. We are working towards stabilizing revenue and grow our market share presence in the product lines where we compete. This means OEM's, OEM spare part market share expansion and continuing to drive additional share growth and market penetration in the aftermarket.

Having a balanced approach to the OEM's and Aftermarket helps us in capitalizing on our strengths in both segments and to react to market fluctuations and customer strategies.

#### (e) Outlook

The Company continues its drive for sustainable growth. We are focused on the long term and expect that the current down turn will result in Consolidation Opportunities. We are adapting to successfully compete in difficult market conditions

The future is fairly unpredictable. Market sentiments are unpleasant. The industry may take some time to bounce back.

The Company will endeavor to revitalize in near future and are preparing the company for growth as consumers regain confidence and vehicle demand increases.

#### (f) Risks and concern

The Company is exposed to the following risks however the Company has been taking appropriate measures to mitigate these risks on a continuous basis.

##### 1. Cyclical nature of the Industry

Our company's fortune is linked to those of the automobile Industry, which is cyclical in nature. The demand for automobiles has a significant impact on the demand and prices of the products manufactured by us. A fall in the demand and / or prices would adversely impact the financial performance of our company.

##### 2. Excess / short Capacity

Estimation of optimal manufacturing capacities for our products is critical to our operations. Should we for any reason, not invest in capacity expansion in near future could result in stagnation in our sales. Conversely, in the event we over-estimate the future demand or due to general lowering of the customer demand due to recession, we may have excessive capacity, resulting in under utilisation of assets and / or sale of surplus products at lower margin, which could have material adverse effect on the financial results of the Company.

##### Adequacy of Internal Control Systems

The company has well defined internal control system which aims at the protection of Company's resources, efficiency of operations, compliances with the legal obligations and company's policies and procedures. In a phased manner, the internal audit function covers and reviews the internal controls and procedures in all the plants and warehouses of the Company.

##### Rights Issue

During the year under review, your company has raised Rs. 1288.62Million by allotment of 23,011,192 Equity Shares of Rs. 10/- each on right basis at a premium of Rs. 46/- per share to all the existing Equity Shareholders. The company got these additional shares listed on both Bombay Stock Exchange and National Stock Exchange of India Limited during the year under review.

##### Subsidiary Companies

###### Federal- Mogul TPR [India] Limited

For the Financial year ending December 31, 2008 the Company has achieved total income of

Rs.632.04 million showing a decrease of 0.57 % as compared to the previous year. In spite of the decrease in the turnover, profit before tax increased by 49 % as compared to the previous year due to cost reduction measures taken. In view of the profitability the Board has recommended a Dividend of 6% on the Cumulative Preference Shares of the Company, which will absorb a sum of Rs. 7.02 million (including dividend tax of Rs. 1.02 million).

##### Satara Rubbers and Chemicals Limited

During the year ended 31<sup>st</sup> December 2008, the Company showed net profit of Rs. 0.51 million as compared to loss of Rs. 4.26 million for the year ending 31.12.2007.

Statement pursuant to Section 212 of the Companies Act, 1956 as also the annual accounts of the subsidiaries form a part of the Company's Annual Report.

##### Consolidated Financial Statements

In compliance with Clause 32 and Clause 50 of the Listing Agreements with the Stock Exchanges, and as per the Accounting Standard on Consolidated Financial Statements (AS 21) issued by the Institute of Chartered Accountants of India, the Audited Consolidated Financial Statements along with the Auditors' Report have been annexed with this report.

##### Directors' Responsibility Statement

Pursuant to the requirements of Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed that:

- In the preparation of annual accounts the applicable accounting standards have been followed and that there have been no material departures;
- The Directors have selected such accounting policies and applied them consistently, except to the extent of deviations required for the better presentation of the accounts and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31<sup>st</sup> December 2008 and of the loss of the Company for the year ended on that date;
- The Directors have taken proper and sufficient care for the maintenance of adequate accounting records, in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- The Directors have prepared the annual accounts of the Company on a going concern basis.

##### Directors

Presently your Board constitutes of Five (5) Directors comprising of Mr. K.N. Subramaniam, Chairman and Non-executive Independent Director, Mr. Jean de Montlaur as Managing Director & President, Mr. Rustin Murdock, as Whole Time Director & CFO, Mr. Mukul Gupta being the Non-executive Independent Director and Mr. Rainer Jueckstock, Non-Executive Director.

Mr. Charles B. Grant resigned from the position of Chairman and Director of the company w.e.f 31st March 2008. Further Mr. Vishvjeet Kanwarpal resigned as the Chairman and Non-executive Independent Director w.e.f 27th March 2009. The Board members took on record their deep appreciation and gratitude for the valuable services rendered by them during their association with the company.

Mr. K.N. Subramaniam was inducted on the Board as additional director and Chairman of the Company on 30th April 2009. He holds a Bachelors degree in Technology (B Tech.) from University of Madras, and Masters in Business Administration from Indian Institute of Management, Ahmedabad. He has been associated with automotive industry in India for well over two decades apart from other industries like Oil and Gas, EPC contracts in Water and Waste Water Treatment. He has extensive knowledge and rich experience of Indian Automotive Industry and is well known in the Industry. He has been with Anand Automotive for over 30 years and moved through many of the Group Companies starting from Purolator India Ltd. During the period 1998-2008 has been President and Director for 3 years and for 7 years as Managing Director and CEO of Gabriel India Ltd. He has been President of Degremont Ltd from 1994-98. He is the Chairman of Federal-Mogul Bearings India Ltd., and is acting as director on the Board of various Companies like Degremont Ltd, Haldex India Ltd., Emcon Technologies India Pvt. Ltd, and Victor Gaskets India Ltd.

In accordance with Article 109 of the Articles of Association of the Company, Mr. Mukul Gupta and Mr. Jean de Montlaur are retiring by rotation in the forthcoming Annual General Meeting and being eligible offers themselves for re-appointment.

In accordance with Article 95 of the Articles of Association of the Company Mr. K.N. Subramaniam holds office till the forthcoming Annual General Meeting and being eligible offers himself for re-appointment.

#### **Public Deposits**

As at 31<sup>st</sup> December, 2008 your company had unclaimed Fixed Deposits of Rupees Rs. 0.80 million. No fresh/ renewed deposits were accepted during the financial year. There was no failure to make repayments of Fixed Deposits on maturity and the interest due thereon in terms of the conditions of your Company's Schemes.

#### **Auditors**

M/s. S.R. Batliboi & Co., Chartered Accountants, retire as Auditors of the Company at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment for the year 2009. They have furnished a certificate to the effect that the re-appointment, if made, will be in accordance with sub-section (1B) of Section 224 of the Companies Act, 1956.

#### **Human Resources**

In spite of a challenging year with demands of the products decreasing, cordial industrial relations environment prevailed at all the manufacturing units of the Company during the year.

#### **Safety, Health and Environment Protection**

The Company sustained its initiatives to maintain a pollution free environment by elimination of waste, optimum utilization of power and preventive

maintenance of equipments and machineries to keep them in good condition. Safety and health of the people working in and around the manufacturing facilities is the top priority of the Company and we are committed to improving this performance year after year.

#### **Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo**

Information pursuant to Section 217(1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is annexed and forms a part of this report.

#### **Particulars of Employees**

The particulars of employees, as required under Section 217(2A) of the Companies Act, 1956 are given as an Annexure to this report.

#### **Acknowledgement**

Your Directors acknowledge with sincere gratitude the co-operation and assistance extended by the Bank(s), Customers, Dealers, Vendors, promoters, shareholders, Government Authorities and all the other business associates during the year under review. The Directors also wish to place on record their deep sense of gratitude for the committed services of the Executives, staff and workers of the Company.

For and on behalf of the Board

**Rustin Murdock**  
Whole Time Director  
& CFO

**Jean de Montlaur**  
Managing Director  
& President

Place: Gurgaon  
Date: April 30, 2009

## ANNEXURE TO THE DIRECTORS' REPORT

### Particulars required under the companies (Disclosure of Particulars in the report of the Board of Directors)

#### A. CONSERVATION OF ENERGY

The Company has always been taking steps towards conservation of energy for which the following major steps have been taken in the Year 2008.

- Modification in Circulation water pipelines.
- Replacement of Energy efficient Pumps.

#### Additional Investment and proposal for reduction in energy Consumption

- Introduction of Energy management system for energy savings and for optimum utilization of energy.

#### Impact of the above measures

The Above proposals will result in conservation of energy.

#### B. TECHNOLOGY ABSORPTION

Research & Development (R & D)

##### 1. Specific areas in which R & D was carried out by the company

- Anodizing of piston groove
- Cooling gallery pistons
- Forged route for pins

##### 2. Benefits derived as a result of above R & D

- Import substitution and thus reducing cost.
- Results in better fuel consumption thereby reduced cost of operating the engine

##### 3. Future Plan of action

- To extend use of forged pins for other applications.
- Import substitution of raw materials

##### 4. Expenditure on Research and Development (R&D)

Capital:	Rs. 7.20 millions
Recurring:	Rs. 18.79 millions
Total	Rs. 25.99 millions

Total R & D Expenditure as a percentage of total turnover: 0.34%

#### Technology absorption, adoption and innovation

1. Technology absorption measures taken by the company and benefits there from:

The Company has successfully absorbed the technology for the development of cooled gallery pistons.

#### Import of Technology

Technology for Technical support for the manufacture of Pistons,

Rings and Sintered Products.

#### Imported from

Teikoku Piston Ring Co. Limited Japan for steel Piston Rings and Federal-Mogul for all other products.

#### Period

1<sup>st</sup> January, 2008 to 31<sup>st</sup> December, 2008

#### Technology absorption

Flow of technology and absorption is on a continuous basis in the form in the form of technological upgrades and for development of new products.

#### Foreign Exchange Earning Outgo

1. Exports: The Company made exports worth Rs.713.90 million for the year under review as compared to Rs. 496.54 million for the corresponding previous year.

2. Foreign exchange earned : Rs 713.90 million  
Foreign exchange utilized Rs. 1154.06 million

Information as per section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st December, 2008.

Sr. No.	Name of Employee	Age (Years)	Qualifications	Experience (Years)	Date of Employment	Designation/ Nature of Duties	Gross Remuneration (Rupees)	Last employment Held
<b>A. Employed throughout the year and in receipt of remuneration not less than Rs. 24,00,000 per annum.</b>								
1.	Mr. Jean de Montalur	57	Bachelor Degree in Engineering, Master Degree in Applied Mathematics, Master in Business Administration	30	01.01.2008	Managing Director* & President Overall Management of Company	34,553,701	Sintertech (France)
2.	Mr. Rustin Ray Murdock	49	Bachelor Degree in Accounting and Master Degree in Business Administration	17	01.07.2006	Whole Time Director** & CFO	19,045,892	Olympia Arena Inc
3.	Mr. Kolf Wilhelm Andreas	46	First Law Exam and Second Law Exam	13	12.06.2006	Executive Director – Operations	20,988,852	Federal Mogul GmbH, Germany
4.	Mr. Dieter Polaski	49	Apprenticeship in Tool and Die machinist. Master of Industries Bachelor Degree in Technical Mechanics Post Graduate Degree in Business Management	34	01.07.2008	Plant Manager Piston Divison, Bangalore	5,653,030	Federal Mogul Nuernberg GmbH, Germany
5.	Mr. Peter Miller	57	7 'O' levels (U.K.)	38	01.01.2008	IS Manager	12,819,539	Federal Mogul Ltd. (U.K.)
6.	Mr. Rakesh Anand	57	Bachelor of Technology in Mechanical Engineering	38	01.04.1975	Director Projects	3,720,587	Punjab Anand Batteries Ltd
7.	Mr. Rajan Luthra	47	Company Secretary, Cost and Work Accountant & Post Graduate Diploma in Personnel Management	28	28.04.1997	Financial Controller and Company Secretary	3,921,206	Talbro's Automotive Components Ltd.
8.	Mr. Sunit Kapur	34	B.E (Mech Engg)	15	07.03.1995	Plant Manager (Patiala Plant)	2,450,983	Escorts Ltd.
9.	Mr. Rajesh Sinha	39	B.E, MBA	18	02.02.2007	Director Quality	2,604,510	Hi Tech Gears Ltd.
<b>B. Employed for a part of the year and in receipt of remuneration not less than Rs 2,00,000 per annum.</b>								
1.	Mr. Ashok Ahuja	57	Mechanical Engineering	37	01.10.1992	Director Procurement***	1,806,826	Kone Elevators(I) Ltd.
2.	Mr. Mohan Narayan	58	BSC. and MBA	36	22.08.2006	Executive Director – Application Engineering and Sales****	3,895,200	Federal Mogul TPR (India) Limited [Formerly known as Goetze TP (India) Limited]
3.	Mr. Shiladitya Bhattacharya	48	PGPM & IR, Diploma in Training & Development	21	04.04.2008	Country Manager HR*****	700,217	Dunlop India Ltd
4.	Mr. T Pradeep Hedge	50	B.E(Mech)	25	21.01.2008	Head Operations*****	2,533,589	ABB Ltd.
5.	Mr. Ashish Mathur	41	B.Com, C.A	18	01.04.1993	Director SCM*****	1,959,625	R Bhalla & Co
6.	Mr. Vinod Hans	42	B.E (Mech Engg), PGDBM	22	01.07.2008	Director Sales India	1,457,677	GKN Driveline (India) Ltd.

\* Mr. Jean de Montalur designated as Managing Director and President w.e.f 27<sup>th</sup> March 2009.

\*\* Mr. Rustin Murdock designated as Whole Time Director & CFO w.e.f 27<sup>th</sup> March 2009.

\*\*\* Mr. Ashok Ahuja resigned w.e.f 31 January 2008.

\*\*\*\* Mr. Mohan Narayan resigned w.e.f 21 January 2008.

\*\*\*\*\* Mr. Shiladitya Bhattacharya resigned w.e.f 12 June 2008.

\*\*\*\*\* Mr. T Pradeep Hedge resigned w.e.f 10 November 2008.

\*\*\*\*\* Mr. Ashish Mathur resigned w.e.f 23 May 2008.

#### Notes :

1. Remuneration including salary, leave pay, commission/performance bonus, actual expenditure on rent free accommodation and benefits and amenities, contribution to provident fund, gratuity fund and contribution to superannuation fund.
2. The company has made application to the central government for the approval of the Managerial Remuneration paid to Mr Jean de Montalur for the period from 3<sup>rd</sup> March 2008 to 31<sup>st</sup> December 2008 under section 198, 309 and Schedule XIII of the Companies Act, 1956.
3. Mr. Jean de Montalur, Mr. Rustin Ray Murdock, Mr. Kolf Wilhelm Andreas, Mr. Dieter Polaski and Mr. Peter Miller have been deputed to the Company on secondment basis and their remuneration includes the remuneration received by them from their respective overseas companies.
4. All the above Appointments are contractual.



## CORPORATE GOVERNANCE REPORT

### 1. PHILOSOPHY

Federal-Mogul Goetze (India) Limited defines Corporate Governance as a process directing the affairs of the Company with integrity, transparency and fairness, so as to optimize its performance and maximize the long term shareholder value in legal and ethical manner, ensuring justice, courtesy and dignity in all transactions of the Company. Your Company is committed to good Corporate Governance in all its activities and processes.

The Company maintains the optimum combination of Executive and independent Directors having rich experience in related sectors for providing premeditated direction to the Company. The board of directors always endeavor to create an environment of fairness, equity and transparency in transactions with the underlying objective of securing long term shareholder value, while, at the same time, respecting the right of all stakeholders.

### 2. BOARD OF DIRECTORS

**a) Composition:** The Board of Directors of the Company has an optimum combination of executive and non-executive directors. At present the Company comprises of 5 Directors on its Board, consisting of 3 Non Executive Directors. Furthermore 2 of the Non Executive Directors are Independent Directors. The Chairman of the Board is a Non – Executive Independent Director and one third of the Board comprises of Independent Directors.

#### b) Details of Board Meetings held during the year 1st January 2008 to 31st December, 2008

Date of Meeting	Board Strength	No. of Directors present	No. of Directors Present through conference call
3 <sup>rd</sup> March 2008	6	4	1
3 <sup>rd</sup> March 2008	6	4	1
24 <sup>th</sup> April 2008	5	4	1
9 <sup>th</sup> June 2008	5	4	1
29 <sup>th</sup> July, 2008	5	3	2
31 <sup>st</sup> October 2008	5	4	1
5 <sup>th</sup> November 2008	5	4	1
17 <sup>th</sup> December 2008	5	2	2

#### Information placed before the Board :

Apart from the items that are required to be placed before the Board for its approval, under the statutes the following are also tabled for Board's Periodic Review/ Information:

- Annual operating plans, capital & revenue budgets and updates;
- Quarterly results of the Company;
- Minutes of meetings of Audit Committee and other committees of the Board;
- Information on recruitment and remuneration of senior officers, just below the Board level;
- Materially important show cause, demand, prosecution and penalty notices;
- Fatal or serious accidents or dangerous occurrences;
- Any materially relevant default in financial obligations to and by the Company or substantial
- Significant labour problems and their proposed solutions;
- Non-compliance of any regulatory, statutory nature or listing requirements and shareholder services such as non-payment of dividend, delay in share transfer, etc.

**c) Information as required under clause 49(vi) of the Listing Agreement in respect of Directors being re-appointed forms part of the Notice of the ensuing Annual General Meeting.**

**d) Attendance at Board Meetings and last AGM and details of memberships of Directors in other Boards and Board Committees:**

Name of the Director	Category	For the year from 1st January 2008 to 31st December, 2008 Attendance at		(As on 30.4.2009)		
		Board Meeting	Last AGM 13th June 2008	Number of Directorships of other Indian Public Limited Companies (Note 1)	Committee Memberships (Note 2)	
					Member	Chairman
Mr. Jean de Montlaur*	MD&P	8	Yes	2	Nil	Nil
Mr. Rustin Murdock**	WTD&CFO	8	Yes	2	1	Nil
Mr. Charles B. Grant (upto 31.03.2008)***	CNED	0	N.A	NA	NA	NA
Mr. Rainer Jueckstock****	NED	7	No	Nil	2	1
Mr. Mukul Gupta	NEID	8	Yes	1	2	1
Mr. Vishvjeet Kanwarpal (upto 27.3.2009)*****	CNEID	8	Yes	NA	2	Nil
Mr. K.N. Subramaniam (from 30.4.2009)*****	CNEID	NA	NA	5	5	1

- \* Mr. Jean de Montlaur was appointed as the Whole Time Director and President on 3<sup>rd</sup> March 2008. He has been redesignated as Managing Director & President of the Company w.e.f 27<sup>th</sup> March 2009.
- \*\* Mr. Rustin Murdock was appointed as the Managing Director & CFO of the Company on 24<sup>th</sup> September 2007. He has been redesignated as Whole Time Director & CFO w.e.f 27<sup>th</sup> March 2009.
- \*\*\* Mr. Charles B. Grant voluntarily resigned from the position of Chairman and Director w.e.f 31<sup>st</sup> March, 2008.
- \*\*\*\* In view of resignation Mr. Charles B. Grant, Mr. Rainer Jueckstock was appointed as Chairman and Non-Executive and he held the office of the Chairman upto 29<sup>th</sup> July 2008
- \*\*\*\*\* Mr. Vishvjeet Kanwarpal was appointed as the Chairman of the Board w.e.f 29<sup>th</sup> July 2008. He voluntarily resigned from the position of the Chairman & Director w.e.f 27<sup>th</sup> March 2009.
- \*\*\*\*\* Mr. K.N. Subramaniam has been appointed as Additional Director and Chairman of the Company w.e.f 30<sup>th</sup> April 2009

CNEID: Chairman and Non-Executive Independent Director  
MD&P : Managing Director & President  
NED: Non Executive Director

NEID: Non Executive Independent Director  
WTD&CFO: Whole Time Director & CFO

Note 1: The above excludes Foreign Companies, Private Limited Companies and Alternate Directorships.

Note 2: Includes only Audit and Shareholders'/Investors' Grievance committee in all Public Limited Companies.

### 3. AUDIT COMMITTEE

#### a) Composition and Terms of Reference

The Audit Committee during the year ended December 2008 comprised of three members out of whom there are two Non-Executive Independent Directors and one Non-Executive Director viz. Mr. Mukul Gupta (Chairman and Non-Executive Independent Director), Mr. Vishvjeet Kanwarpal (Non-Executive Independent Director) and Mr. Rainer Jueckstock (Non-Executive Director).

Mr. Vishvjeet Kanwarpal resigned from the position of Chairman and Director of the Company w.e.f 27th March 2009. Consequent upon his resignation the Audit Committee was reconstituted by the Board of Directors of the Company at their meeting held on 30th April 2009. At present, the Audit Committee comprises of Mr. Mukul Gupta (Chairman and Non-Executive Independent Director), Mr. K.N. Subramaniam (Non-Executive Independent Director) and Mr. Rainer Jueckstock (Non-Executive Director).

Representatives of the Management, Finance Department, Company Secretary, Statutory Auditors and Internal Auditors are invitees to the meetings of the Audit Committee.

The current terms of reference of the Audit Committee fully confirm to the requirements of Clause 49 of the Listing Agreement as well as Section 292A of the Companies Act, 1956. These broadly include approval of internal audit programme, review of financial reporting systems, internal control systems, ensuring compliance with statutory and regulatory provisions, discussions on quarterly, half yearly and annual financial results, interaction with senior management, statutory and internal auditors, recommendation for re-appointment of statutory auditors etc

#### b) Meetings and Attendance

##### Details of Audit Committee Meetings held during the year 1st January 2008 to 31st December, 2008

Date of Meeting	Strength of Committee	No. of Members present	No. of Members Present through conference call
3 <sup>rd</sup> March 2008	3	2	1
24 <sup>th</sup> April 2008	2	2	0
29 <sup>th</sup> July 2008	3	1	2
31 <sup>st</sup> October 2008	3	2	1
20 <sup>th</sup> November 2008	3	1	1

##### Audit Committee Members Attendance during the Accounting year 2008

Name	Total Meetings held	No. of meeting attended	No. of meetings attended through Conference Call
Mr. Mukul Gupta (Chairman)	5	5	Nil
Mr. Rainer Jueckstock (from 24 <sup>th</sup> April 2008)	5	-	3
Mr. Vishvjeet Kanwarpal (upto 27 <sup>th</sup> March, 2009)	5	4	1

The Audit Committee meeting was also held on 26<sup>th</sup> March, 2009 for considering the reappointment of M/s. S R Batliboi & Co. as Statutory Auditors of the Company for the Year 2009 and reviewed the audited financial results and Annual Accounts for the year ended 31<sup>st</sup> December 2008 with the statutory auditors and recommended the same for the approval of the Board.

### 4. REMUNERATION COMMITTEE

During the year 2008 the Remuneration Committee of the Company comprises of Mr. Vishvjeet Kanwarpal as Chairman and Non-Executive Independent Director, Mr. Mukul Gupta as Non-Executive Independent Director and Mr. Rainer Jueckstock Non-Executive Director.

Mr. Vishvjeet Kanwarpal resigned from the position of Chairman and Director of the Company w.e.f 27th March 2009. Consequent upon his resignation the Remuneration Committee was reconstituted by the Board of Directors of the Company at their meeting held on 30th April 2009. At present the Remuneration Committee comprises of Mr. K.N. Subramaniam as Chairman and Non-Executive Independent Director, Mr. Mukul Gupta as Non-Executive Independent Director and Mr. Rainer Jueckstock Non-Executive Director.

The Remuneration Committee has been constituted to determine and review the remuneration packages of the Managing Director and/or Whole Time Director. The remuneration policy is in consonance with the existing industry practice.

#### A) Meetings and Attendance

##### Details of Remuneration Committee Meetings held during the year 1st January 2008 to 31st December, 2008

Date of Meeting	Strength of Committee	No. of Members present	No. of Members Present through conference call
3 <sup>rd</sup> March 2008	4	3	1

During the year under review, the Remuneration Committee met for the following purposes:

- To fix the remuneration of Mr. Jean de Montlaur as Whole Time Director & President and authorizing the company for taking the approval of Central Government for the same.

2. To authorize the company for making an application under the provisions of Companies Act, 1956, to the Central Government, for seeking its approval for the excess remuneration paid to Mr. Arun Anand former Managing Director and CEO for the period 1<sup>st</sup> January 2007 to 24<sup>th</sup> September 2007 and Mr. Rustin Murdock, Managing Director and CFO for the period 24<sup>th</sup> September 2007 to 31<sup>st</sup> December 2007 and for his remaining tenure.

**B) Remuneration Committee Members Attendance during the year 2008**

Name	Total Meetings held	No. of meetings attended	No. of meetings attended through Conference Call
Mr. Vishyjeet Kanwarpal (Chairman) (upto 27 <sup>th</sup> March, 2009)	1	1	Nil
Mr.Ranier Jueckstock	1	1	Nil
Mr. Charles B. Grant (resigned from the directorship w.e.f 31 <sup>st</sup> March 2008)	1	0	1
Mr. Mukul Gupta	1	1	Nil

**Details of Remuneration to Directors for the year ended 31st December, 2008**

Name of Executive Directors	Remuneration for the year ended 2008 (Rs. in lacs)*	Service contract
Mr. Jean de Montlaur**	-Salaries 293.82 -Contribution to Provident & Other funds 2.35 -Other Perquisites 49.37 <u>345.54</u>	3-03-2008 to 02-03-2013
Mr. Rustin Murdock	-Salaries 147.62 -Contribution to Provident & Other funds 1.12 -Other Perquisites 41.71 <u>190.45</u>	24-09-2007 to 30-06-2011

\*\* The Company had applied to the Central Government for obtaining approval for the remuneration payable to Mr. Jean de Montlaur for his tenure from 3<sup>rd</sup> March 2008 to 2<sup>nd</sup> March 2013.

- Notes:
- Mr. Jean de Montlaur has been appointed as additional director on the Board of the Company on 3<sup>rd</sup> March 2008 and has been appointed as the Whole Time Director & President of the Company. The appointment of Mr. Jean de Montlaur has been approved by members of the Company at the Annual General Meeting held on 13<sup>th</sup> June 2008. Further Mr. Jean de Montlaur has been elevated as the Managing Director & President w.e.f 27<sup>th</sup> March 2009.
  - The terms of appointment and remuneration payable to Mr. Rustin Murdock during his tenure from 24<sup>th</sup> September 2007 to 30<sup>th</sup> June 2011 have been approved by the members of the Company at the Annual General Meeting held on 13<sup>th</sup> June 2008.
  - During the period under review, the Non-Executive Independent Directors received sitting fees of Rs. 20,000/- each for the meetings of the Board, Audit Committee, Shareholders'/Investors' Grievance Committee, Remuneration Committee, Rights Issue committee and Rs. 15,000/- each for Share Transfer Committee meetings attended by them. There are no other pecuniary relationships or transactions with the Company.
  - The Company does not have a stock option scheme.

**5. RIGHTS ISSUE COMMITTEE**

The Rights Issue Committee of the Company was constituted vide a resolution passed by the Board at its meeting held on July 29, 2008 with a view to give authority to deal with the concerned statutory authorities, to fix the record date, to fix the price and share –exchange ratio, to appoint the Banker to the Issue and to do all such acts, deeds and things and to execute all such documents, deeds and other writings as may be deemed necessary and expedient for achieving the objective of the issue. The Committee Comprises of Mr. Jean de Montlaur, as Chairman, Mr. Rustin Murdock, Mr. Mukul Gupta and Mr. Rajan Luthra as Members.

**A) Meetings and Attendance**

**Details of Rights Issue Committee Meetings held during the period 29th July 2008 to 31st December, 2008**

Date of Meeting	Strength of Committee	No. of Members present	No. of Members Present through conference call
15 <sup>th</sup> October 2008	4	4	0
24 <sup>th</sup> October 2008	4	4	0

**B) Rights Issue Committee Members Attendance during the period 29th July 2008 to 31st December, 2008**

Name	Total Meetings held	No. of meetings attended	No. of meetings attended through Conference Call
Mr. Jean de Montlaur (Chairman)	2	2	Nil
Mr. Rustin Murdock	2	2	Nil
Mr. Mukul Gupta	2	2	Nil
Mr. Rajan Luthra	2	2	Nil

During the year ended December 31, 2008 your company offered 2,31,60,866 fully paid-up equity shares of Rs. 10/- each at an issue price of Rs. 56/- per equity share (including a premium of Rs. 46/- per equity share) aggregating Rs. 129,70,08,496/- on right basis in the ratio of 71 fully paid-up equity shares for every 100 equity shares held by the existing shareholders of the Company on the record date.

As a result of the said Rights Issue your Company has raised Rs.1,28,86,26,752/- by allotment of 2,30,11,192 shares of Rs. 10/- each on rights basis at a premium of Rs. 46/- to all the existing Equity Shareholders.

These additional shares have been listed on both Bombay Stock Exchange and National Stock Exchange of India Limited during the year under review.

## 6. SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

- The Shareholders'/ Investors' Grievance Committee has been constituted to look into the redressal of shareholders' and investors' complaints like transfer/ transmission/demat of share; loss of share certificates; non-receipt of Annual Report; Dividend Warrants etc.
- The composition of the Committee is as under:

Name of the Director	Designation in the Committee	Nature of Directorship
Mr. Rainer Jueckstock	Member – Chairman	Non-Executive Director
Mr. Rustin Murdock	Member	Whole Time Director & CFO
Mr. Mukul Gupta	Member	Non – Executive Independent Director
Mr. Vishvjeet Kanwarpal (upto 27th March 2009)	Member	Non – Executive Independent Director

- Mr. Rajan Luthra, Company Secretary of the Company has been nominated as the compliance officer for this purpose.

Mr. Vishvjeet Kanwarpal resigned from the position of Chairman and Director of the Company w.e.f 27th March 2009. Consequent upon his resignation the Shareholders'/Investors' Grievance Committee was reconstituted by the Board of Directors of the Company at their meeting held on 30th April 2009. At present the Shareholders'/ Investors' Grievance Committee comprises of Mr. Rainer Jueckstock, Mr. Rustin Murdock, Mr. Mukul Gupta and Mr. K.N. Subramaniam.

### A) Meetings and Attendance

#### Details of Shareholders'/ Investors' Grievance Meetings held during the year 1st January 2008 to 31st December, 2008

Date of Meeting	Strength of Committee	No. of Members present	No. of Members Present through conference call
3 <sup>rd</sup> March 2008	4	3	1
24 <sup>th</sup> April 2008	4	3	1
29 <sup>th</sup> July 2008	4	2	2
31 <sup>st</sup> October 2008	4	3	1

### B) Shareholders'/Investors' Grievance Committee Members Attendance during the year 2008

Name	Total Meetings held	No. of meetings attended	No. of meetings attended through Conference Call
Mr. Charles B. Grant (Upto 31 <sup>st</sup> March 2008)	4	1	Nil
Mr. Rainer Jueckstock (Chairman) (w.e.f 24 <sup>th</sup> April 2008)	4	Nil	4
Mr. Rustin Murdock	4	4	Nil
Mr. Mukul Gupta	4	4	Nil
Mr. Vishvjeet Kanwarpal (upto 27th March 2009)	4	3	1

- The letters received from shareholders for routine matters such as requests for revalidation of dividend warrants; non-receipt of Annual Report, Dividend warrants were redressed/resolved/replied promptly in usual and proper manner to the entire satisfaction of the shareholders.
- There were no requests pending for Share Transfer or Transmission as on 31<sup>st</sup> December, 2008. Further, there were no request pending for demat as on 31<sup>st</sup> December, 2008.
- The Company has transferred the unpaid dividend, matured deposits, interest thereon remaining unclaimed and unpaid for a period of 7 years from the due date to the Investor Education and Protection Fund set up by the Central Government pursuant to the provisions of Section 205A, read with Section 205C of the Companies Act, 1956. During the year ended December 31, 2008 the Company has credited a sum of Rs. 5,94,518 to the Investor Education and Protection Fund pursuant to the said provisions.

## 7. ANNUAL GENERAL MEETINGS

Year	Location	Date & Time	Whether any special resolution passed
51 <sup>st</sup> AGM (2005-2006)	FICCI Golden Jubilee Auditorium, Tansen Marg, New Delhi - 110 001	27 <sup>th</sup> September 2006 11.30 A.M.	Yes
52 <sup>nd</sup> AGM (2006)	—do—	27 <sup>th</sup> June 2007 10.00 A.M.	Yes
53 <sup>rd</sup> AGM (2007)	—do—	13 <sup>th</sup> June 2008 10.00 A.M.	Yes

**Postal Ballot:** No resolutions have been passed by the Company's shareholders through postal ballot during the year ended 31<sup>st</sup> December 2008, At the ensuing Annual General Meeting, there is no resolution proposed to be passed by postal ballot.

## 8. DISCLOSURES

- Disclosure on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large
  - Details of number of Shares & Convertible Instruments held by Non-Executive Directors
  - Details of non compliance by the Company, penalties and strictures imposed on the Company by Stock Exchanges or SEBI or any statutory authority, on any matter related to capital markets, during the past three years.
    - Whistle Blower Policy
  - Details of Compliance with mandatory requirements and adoption of the non-mandatory requirements
- None of the transactions with any of the related parties were in conflict with the interest of the Company
  - As on date, no Non-Executive Director hold any share in the Company.
  - None
  - The Company has initiated the process of finalization and implementation of the Whistle Blower Policy, constitution of which is a non-mandatory requirement.
  - As on date, the Company is in full compliance with the mandatory requirements of Clause 49. However subsequent to the resignation of Mr. Vishvjeet Kanwarpal from the position of Chairman and Director of the Company on 27th March 2009, the Company became non-compliant of the provisions of Clause 49(IA) and Clause Clause 49(IIA) of the Listing Agreement from 27th March 2009 to 30th April 2009. With the appointment of Mr. K.N. Subramaniam on 30th April 2009 the Company is in full compliance with the mandatory requirements of Clause 49. Further, following Non-mandatory requirements are also adopted by the Company :
    1. At present, the Office of Chairman is held by Non-executive Independent Director
    2. There is also a Remuneration Committee in accordance with the provisions of Clause 49.

## 9. MEANS OF COMMUNICATION

Whether the half yearly report for the six months ended 30<sup>th</sup> June 2008 was sent to each household of the Shareholders  
Quarterly Results

No, as the same was not mandatory.

Quarterly/Half Yearly Financial Results of the Company were considered and approved by the Directors and the same were communicated to Stock Exchanges on the same day. During the year under review, these results were generally published in one English Daily i.e. Financial Express, Delhi and one Hindi Daily i.e. Jansatta, Delhi. The results are available on the Company's website at [www.federalmogulgoetze.com](http://www.federalmogulgoetze.com)

Whether presentations were made to Institutional Investors or to the analysts?

No.

## 10. GENERAL SHAREHOLDERS INFORMATION

- a. 54<sup>th</sup> Annual General Meeting
  - Date and Time
  - Venue
- b. **Financial Calender (Tentative)**
  - Results for the quarter ending March 31, 2009
  - Results for the quarter/half year ending June 30, 2009
  - Results for the quarter/period ending September 30, 2009
  - Results for the quarter/year ending December 31, 2009
  - Annual General Meeting for the year ending December 31, 2009
- c. **Book Closure date**
- d. **Dividend Payment date**
- e. **Listing of Equity Shares**

26<sup>th</sup> June 2009 at 10.00 a.m.  
Sri Sathya Sai International Centre  
Institutional Area, Pragati Vihar, Lodhi Road, New Delhi-110003

30<sup>th</sup> April 2009  
Last week of July 2009  
Last week of October 2009  
Last week of March 2010  
Last week of June 2010  
12<sup>th</sup> June 2009 to 26<sup>th</sup> June 2009 (both days inclusive)  
N.A.

- **Bombay Stock Exchange Limited**  
Phiroze JeeJee Bhoy Towers, Dalal Street, Mumbai-400001
- **The National Stock Exchange of India Ltd.,**  
Exchange Plaza, Bandra Kurla Complex, Bandra (East)  
Mumbai- 400001 (**See Note**)

Mumbai Stock Exchange-505744  
National Stock Exchange-FMGOETZE  
INE 529A01010  
INE 529A01010

### f. Stock Code

**ISIN No. - NSDL**  
**- CDSL**

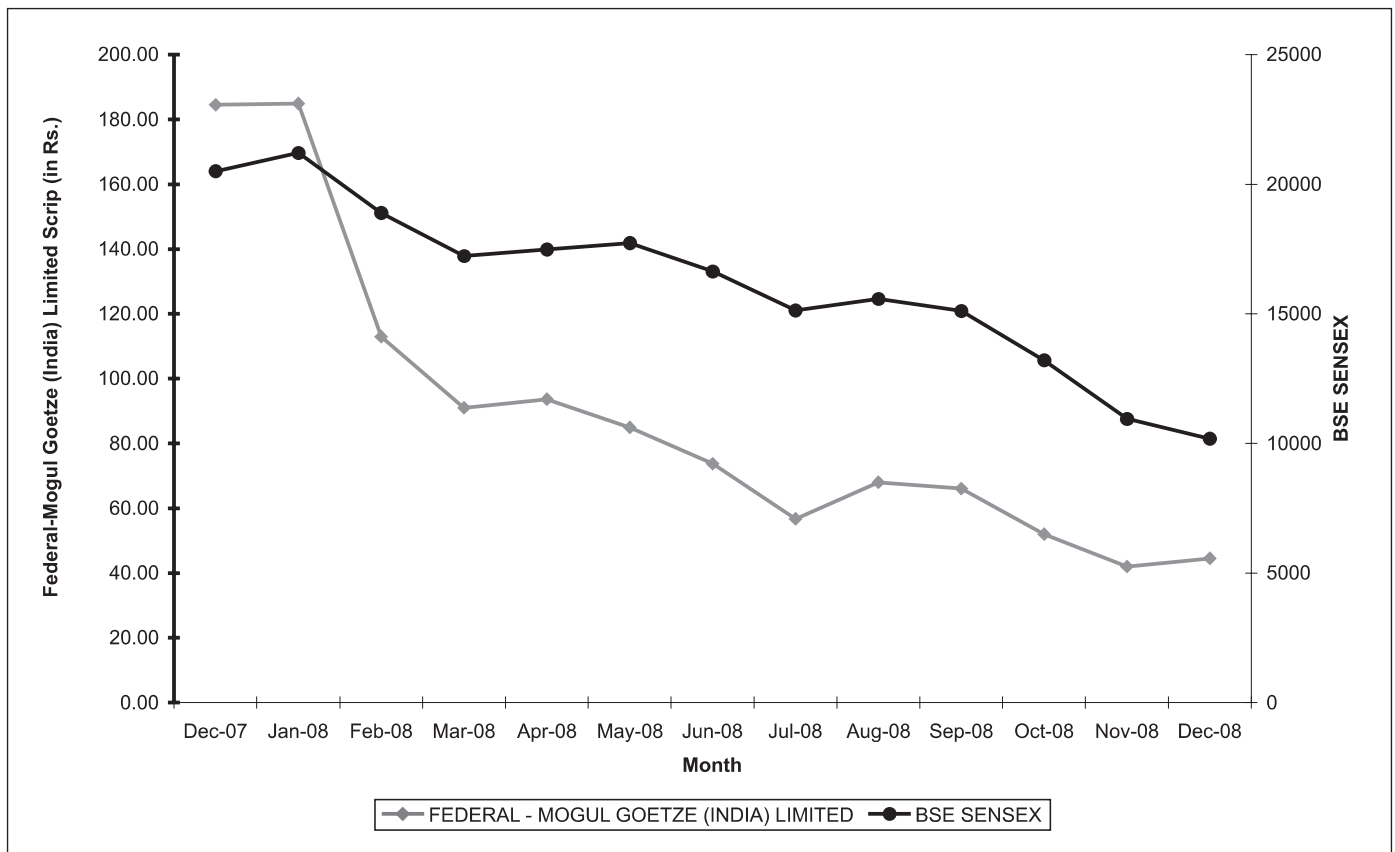
**Note :** Listing Fees for the year 2008-2009 has been paid to both, Bombay Stock Exchange Limited and National Stock Exchange. Annual custodian charges of Depository have also been paid to NSDL and CDSL.

**g. Stock Market Data\***

Month	Bombay Stock Exchange Limited				National Stock Exchange			
	Federal-Mogul Goetze (India) Limited's Share Price (Rs.)		Sensex		Federal-Mogul Goetze (India) Limited's Share Price (Rs.)		S&P CNX Nifty	
	High	Low	High	Low	High	Low	High	Low
Dec 2007	184.50	135.50	20,498.11	18,886.40	183.90	135.05	6,185.40	5,676.70
Jan 2008	184.90	95.10	21,206.77	15,332.42	185.6	95.45	6347.00	4,448.50
Feb 2008	112.95	85.85	18,895.34	16,457.74	113.00	85.10	5,545.20	4,803.60
Mar 2008	91.00	50.65	17,227.56	14,677.24	90.00	52.00	5,222.80	4,468.55
April 2008	93.70	62.65	17,480.74	15,297.96	88.00	62.50	5,230.75	4,628.75
May 2008	85.00	69.65	17,735.70	16,196.02	85.10	66.05	5,298.85	4,801.90
June 2008	73.75	51.15	16,632.72	13,405.54	73.95	51.00	4,908.80	4,021.70
July 2008	56.70	42.50	15,130.09	12,514.02	54.85	47.10	4,491.55	3,790.20
Aug 2008	68.00	51.10	15,579.78	14,002.43	68.50	51.65	4,649.85	4,201.85
Sept 2008	66.10	44.30	15,107.01	12,153.55	66.35	45.00	4,522.40	3,715.05
Oct 2008	51.95	29.80	13,203.86	7,697.39	51.75	30.00	4,000.50	2,631.90
Nov 2008	42.00	31.00	10,945.41	8,316.39	41.45	34.50	3,240.55	2,502.90
Dec 2008	44.55	33.05	10,188.54	8,467.43	44.00	34.00	3,110.45	2,611.95

\* Source : www.bseindia.com; www.nseindia.com

**h. Comparison of Federal-Mogul Goetze (India) Limited Scrip movement with BSE Sensex (Month High)**



i. **Share Transfer System**

- Alankit Assignments Limited, RTA Division, 2E/21, Jhandewalan Extension, New Delhi 110055 is acting as the Registrar and Transfer Agent for the Equity Shares of the Company, w.e.f 1<sup>st</sup> May 2005 to provide services in both Physical and Electronic Mode.
- The authority relating to share transfer has been delegated to the Share Transfer Committee. During 2008, the Share Transfer Committee comprises of Mr. Rustin Murdock, Chairman, Mr. Mukul Gupta, Mr. Vishvjeet Kanwarpal and Mr. Jean de Montlaur.
- Mr. Vishvjeet Kanwarpal resigned from the position of Chairman and Director of the Company w.e.f 27th March 2009. Consequent upon his resignation the Share Transfer Committee was reconstituted by the Board of Directors of the Company at their meeting held on 30th April 2009. At present the Share Transfer Committee comprises of Mr. Rustin Murdock, Chairman, Mr. Mukul Gupta, Mr. K.N. Subramaniam and Mr. Jean de Montlaur.
- Valid share transfers in physical form and complete in all respects are normally approved and registered generally within a period of a fortnight by the Share Transfer Committee. Valid demat requests are cleared twice in a week. The committee met 22 times during the year 2008 for approving transfers, transmission etc.
- Pursuant to clause 47(c) of the Listing Agreement with the Stock Exchanges, certificates on half yearly basis, have been issued by the Company Secretary in practice for due compliance of share transfer formalities by the Company.
- Pursuant to SEBI (Depositories and Participants) Regulations, 1996, certificates have also been received from a Chartered Accountant in practice for timely dematerialisation of the shares of the Company and also a Secretarial Audit Report obtained from a Practicing Chartered Accountant on a quarterly basis for the reconciliation of the share capital of the Company.

j. **Distribution Schedule as on 31.12.2008**

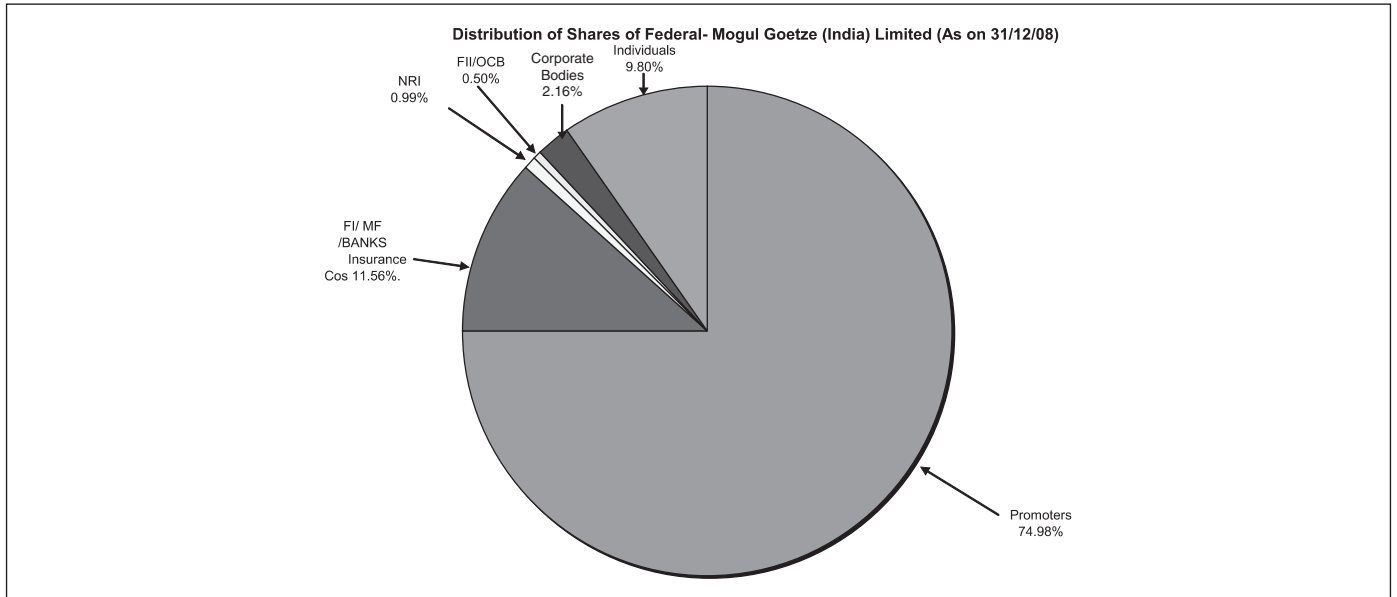
A) On the basis of shares held

No. of shares	No. of Shareholders	Percentage to total Shareholders	No. of shares held	Percentage to total shares held
UPTO 5000	26983	94.05	2649883	4.76
5001 – 10000	953	3.32	739845	1.33
10001 – 20000	413	1.44	620044	1.11
20001 – 30000	127	0.44	322280	0.58
30001 – 40000	53	0.19	194893	0.35
40001 – 50000	50	0.18	237756	0.43
50001 -100000	49	0.17	362026	0.65
ABOVE 100000	61	0.21	50505403	90.79
<b>TOTAL</b>	<b>28689</b>	<b>100.00</b>	<b>55632130</b>	<b>100.00</b>

B) On the basis of Category

Category	No. of Shareholders	Percentage to total Shareholders	No. of shares held	Percentage to total shares held
Individuals	27870	97.15	5453111	9.80
Corporate Bodies	564	1.96	1203760	2.16
Financial Institutions/ Mutual Funds/ Banks/ Insurance Companies	32	0.11	6430005	11.56
<b>Non-resident</b>				
Indians	206	0.72	275929	0.99
Foreign Institutional Investors/ Overseas Corporate Bodies	9	0.03	548085	0.50
Non-resident Company	2	0.01	41715454	74.98
Others	6	0.02	5786	.01
<b>Total</b>	<b>28689</b>	<b>100.00</b>	<b>55632130</b>	<b>100.00</b>





**k. Dematerialization of shares and Liquidity**

As on 31<sup>st</sup> December 2008, 83.78% of the Equity Capital of the Company has been dematerialized .The shares of the company are traded on Bombay Stock Exchange Limited Mumbai and The National Stock Exchange of India Limited and have good liquidity.

**l. Outstanding GDR's / ADR's / Warrants Or any convertible instruments, conversion date and likely impact on equity.** None

**m. Plant Locations:**

- |                                       |  |   |  |
|---------------------------------------|--|---|--|
| 1. Bahadurgarh<br>Patiala<br>(PUNJAB) | 2. Yelahanka<br>Bangaluru<br>(KARNATAKA) | 3. SPL 1240-44<br>RIICO Industrial Area,<br>Phase I Extn., Bhiwadi<br>(RAJASTHAN) | 4. Plot No. 46, Sector-11,<br>IIE-Pantnagar, Udham Singh<br>Nagar, Uttarakhand |
|---------------------------------------|--|---|--|

**n. Corporate Office:**

Paras Twin Towers, Tower 'B', 10th Floor, Sector-54, Golf Course Road, Gurgaon (Haryana)  
Tel No: 0124-4784530

**Registered Office:**

A-26/3 Mohan Co-operative Industrial Estate, New Delhi-110044  
Tel No: 011-41497670  
email: investor.grievance@federalmogul.com  
Website: [www.federalmogulgoetze.com](http://www.federalmogulgoetze.com)

**o. Registrar and Share Transfer Agent**

Alankit Assignments Limited  
'Alankit House' 2E/21, Jhandewalan Extension, New Delhi-110055  
Tel No: 011-23541234, 42541234/ Fax No.: 011-23552001/42541201

**p. Compliance Officer:**

Mr. Rajan Luthra, Financial Controller and Company Secretary

For and on behalf of the Board

**Rustin Murdock**  
Whole Time Director & CFO

**Jean de Montlaur**  
Managing Director & President

Date : April 30, 2009  
Place : Gurgaon

**DECLARATION OF MD & PRESIDENT**

This is to certify that the Company has laid down Code of Conduct for all Board Members and Senior Management of the Company and the copy of same is posted on the website of the Company viz. [www.federalmogulgoetze.com](http://www.federalmogulgoetze.com). Further certified that the Members of the Board and Senior Management Personnel have affirmed their compliance with the Code for the year ended 31<sup>st</sup> December, 2008.

Date : April 30, 2009  
Place : Gurgaon

**Jean de Montlaur**  
Managing Director & President



**CERTIFICATE ON CORPORATE GOVERNANCE**

To the Members of  
Federal-Mogul Goetze (India) Limited  
New Delhi

We have examined the compliance of conditions of Corporate Governance of **Federal-Mogul Goetze (India) Limited** for the year ended 31st December, 2008 as stipulated in Clause 49 of the Listing Agreement of Company with the Stock Exchange in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. The examination was limited to a review of the procedure and implementation thereof, adopted by the Company for ensuring the compliance with 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 the information provided and according to the explanations given, it is certified that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We state that in respect of Investors grievances received for the year ended 31<sup>st</sup> December 2008, as per the records maintained by the Company which are presented to the shareholders/Investor Grievance Committee, all the investor grievances against the Company were resolved amicably except for one complaint which is pending for a period exceeding one month due to non availability of very old records. However as informed, the Company is trying to trace back the records in order to redress the grievance to the satisfaction of the shareholder.

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

For RANJEET PANDEY & ASSOCIATES  
COMPANY SECRETARIES

**CS. RAJNEET PANDEY**  
C.P. No. : 6087

Place : New Delhi  
Date : April 30, 2009

## AUDITORS' REPORT

To

### The Members of Federal-Mogul Goetze (India) Limited

1. We have audited the attached Balance Sheet of Federal-Mogul Goetze (India) Limited ('the Company') as at December 31, 2008 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.

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 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.

3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) 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. Without qualifying our opinion, we draw your attention to the note no. 8 (b) of schedule 23 of financial statements stating that remuneration of Rs. 305.54 lakhs being paid to the whole time director which is in excess of permissible remuneration under Schedule XIII of the Companies Act, 1956. The management has confirmed from the director that he will refund this amount, to the extent of this being not approved by the Central Government.

5. 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, 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 the written representations received from the directors, as on December 31, 2008, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on December 31, 2008 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 December 31, 2008;
  - 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 cash flow statement, of the cash flows for the year ended on that date.

**For S.R. Batliboi & Co.  
Chartered Accountants**

**Per Pankaj Chadha  
Partner**

Place : Gurgaon  
Dated: March 27, 2009

Membership  
No. 91813

### Annexure referred to in paragraph 3 of our report of even date. Re: Federal-Mogul Goetze (India) Limited ('the Company')

- i. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets, except for certain items of plant and machinery and certain items of furniture at one of its facilities, where the records are maintained for group of similar assets and not for each individual asset.
  - (b) All fixed assets were physically verified by the management in the previous year in accordance with a planned program of verifying them once in three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification.
  - (c) There was no substantial disposal of fixed assets during the year.
- ii. (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
  - (b) The procedures of physical verification of inventory followed by the management are reasonable, and adequate in relation to the size of the Company and the nature of its business.
  - (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- iii. (a) The Company has granted loan to one company covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 1,802.01 lakh and the year-end balance of loans granted to such party was Rs. 1,749.09 lakh.
  - (b) In our opinion and according to the information and explanations given to us, interest free loan of Rs. 1,749.09 lakh granted to one company is prima facie prejudicial to the interest of the Company.

- Other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company. As informed, the company has not given any other loan to any company covered in the register maintained under section 301 of the Companies Act, 1956.
- (c) The loan granted is re-payable on demand. As informed, the company has not demanded repayment of any such loan during the year, thus, there has been no default on the part of the party to whom the money has been lent. *The loan is given interest free.*
- (d) There is no overdue amount of loans granted to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- (e) As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, clause 4(iii) (e), (f) and (g) are not applicable to the Company.
- iv. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
- v. (a) 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 Act, that need to be entered into the register maintained under section 301 have been so entered.
- (b) In respect of transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lakh entered during the financial year, because of the unique and specialized nature of the items involved and absence of any comparable prices, we are unable to comment whether the transactions were made at prevailing market prices at the relevant time.
- vi. The Company has not accepted any deposits from the public.
- vii. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- viii. We have broadly reviewed the books of account 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 are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determine whether they are accurate and complete.
- ix. a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it though, there has been a *slight delay in a few cases.*
- b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues applicable to the Company were outstanding, at the year end, for a period of more than six months from the date they became payable.
- c) According to the records of the Company, the dues outstanding of employees' state insurance sales-tax, income-tax, custom duty, wealth-tax, excise duty and cess which have not been deposited on account of any dispute are as follows:

Name of the statute	Nature of dues	Amount (Rs. lakh)	Period to which the amount relates	Forum where dispute is pending
Central Excise Act	Excise Duty	6.97	1998-1999	Deputy Commissioner of Central Excise, Patiala, Punjab
Central Excise Act	Excise Duty	1.00	1997-1998	Deputy Commissioner of Central Excise, Patiala, Punjab
Central Excise Act	Excise Duty	1.85	1997-1998	Deputy Commissioner of Central Excise, Patiala, Punjab
Central Excise Act	Excise Duty	0.8	1998-1999	Deputy Commissioner of Central Excise, Patiala, Punjab
Central Excise Act	Excise Duty	3.33	2001-2002	Additional Commissioner of Central Excise, Chandigarh
Central Excise Act	Excise Duty on Turnover Discount	220.01	2001-2002 to 2006-2007	Central Excise and Service Tax Appellant Tribunal, New Delhi
Central Excise Act	Excise Duty on Turnover Discount	107.17	2000-2001 to 2004-2005	Central Excise and Service Tax Appellant Tribunal, Bangalore
Central Excise Act	Excise Duty on Trade Discount	33.74	2000-2001 to 2003-2004	Joint Commissioner of Central Excise, Bangalore
Central Excise Act	Service Tax on royalty and technical know how	39.95	1999-2000 to 2004-2005	Additional Commissioner of Central Excise, Chandigarh
Central Excise Act	Excise Duty	1.18	1995-96	Deputy Commissioner of Central Excise, Patiala, Punjab
Central Excise Act	Excise Duty	1.36	2003-2004	Central Excise and Service Tax Appellant Tribunal, New Delhi
Central Excise Act	Excise Duty on Turnover Discount	64.46	2004-2005 to 2005-2006	Central Excise and Service Tax Appellant Tribunal, Patiala
Central Excise Act	Excise Duty	30.67	1988-1994	Punjab & Haryana High Court
Central Excise Act	Excise Duty	0.35	1994-1995	Punjab & Haryana High Court
Central Excise Act	Excise Duty	8.82	2004-2005 to 2006-2007	Deputy Commissioner of Central Excise, Patiala
Central Excise Act	Excise Duty	34.11	2000-2001 to 2002-2003	Additional Commissioner of Central Excise, Bangalore
Central Excise Act	Excise Duty	9.37	2000-2001	Joint Commissioner of Central Excise, Patiala

Name of the statute	Nature of dues	Amount (Rs. lakh)	Period to which the amount relates	Forum where dispute is pending
Central Excise Act	Excise Duty	9.34	1987-1990	Punjab & Haryana High Court
Central Excise Act	Excise Duty	2.60	2004-2005 & 2005-2006	Assistant Commissioner of Central Excise, Bangalore
Central Excise Act	Excise Duty	15.14	2000-2001 & 2001-2002	Supreme Court
Central Excise Act	Excise Duty	6.12	2001-2002 to 2002-2003 & 2004-2005	Deputy Commissioner of Central Excise, Bangalore
Central Excise Act	Excise Duty	54.09	2004-2005	Central Excise and Service Tax Appellant Tribunal, Bangalore
Central Excise Act	Service Tax	14.55	2005-2006 to 2007-2008	Additional Commissioner, Chandigarh
Central Excise Act	Excise Duty	8.57	2005-2006	Central Excise and Service Tax Appellant Tribunal, Bangalore
Central Excise Act	Excise Duty	55.72	2006-2007	Commissioner of Central Excise, Bangalore
Central Excise Act	Service Tax	16.94	1998-1999 to 2002-2003	Central Excise and Service Tax Appellant Tribunal, New Delhi
Central Excise Act	Service Tax	26.57	2007-2008	Commissioner (Appeal), Central Excise, Chandigarh
Central Excise Act	Excise Duty	5.66	2006-2007	Additional Commissioner of Central Excise, Bangalore
ESI Act	ESI	18.06	2001-2002	Civil Court
ESI Act	ESI	4.62	1988-1989	Supreme Court
Karnataka Sales Tax Act	Local Sales Tax	233.96	1996-1997 to 2001-2002	Karnataka High Court
Income Tax Act	Wealth tax	3.93	2005-2006	Commissioner Income Tax/Wealth Tax (Appeals), New Delhi

- x. The Company's accumulated losses at the end of the financial year are less than fifty per cent of its net worth and it has not incurred cash losses in the current and immediately preceding financial year.
- xi. Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution and bank. The Company does not have any outstanding dues in respect of debentures.
- xii. According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- xiv. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- xv. According to the information and explanations given to us, the Company has given guarantee for loans taken by others from bank or financial institutions, the terms and conditions whereof in our opinion are not prima-facie prejudicial to the interest of the Company.
- xvi. Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- xvii. According to the information and explanations given to us and on an overall examination of the balance sheet and cash flow statement of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- xviii. The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- xix. The Company did not have any outstanding debentures during the year.
- xx. We have verified that the end use of money raised by public issues is as disclosed in the notes to the financial statements.
- xxi. Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the 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 S.R. Batliboi & Co.  
Chartered Accountants**

**Per Pankaj Chadha  
Partner**

Place : Gurgaon  
Dated: March 27, 2009

Membership  
No. 91813

Balance sheet and profit and loss account

**Balance Sheet as at December 31, 2008**

	Schedule	As at December 31, 2008 Rs. (in lacs)	As at December 31, 2007 Rs. (in lacs)
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	5,563.21	3,262.09
Reserves and Surplus	2	27,798.00	17,320.19
		<b>33,361.21</b>	<b>20,582.28</b>
<b>Loan Funds</b>			
Secured Loans	3	16,144.57	21,167.27
Unsecured Loans	4	69.05	8,069.65
		<b>16,213.62</b>	<b>29,236.92</b>
<b>TOTAL</b>		<b>49,574.83</b>	<b>49,819.20</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	5	64,608.88	57,876.89
Less: Accumulated Depreciation & Amortisation		25,902.83	22,590.16
Net Block		38,706.05	35,286.73
Capital work-in-progress including capital advances		1,356.01	2,752.06
		<b>40,062.06</b>	<b>38,038.79</b>
<b>Investments</b>	6	<b>2,092.34</b>	<b>2,093.90</b>
<b>Current Assets, Loans and Advances</b>			
Inventories	7	10,033.13	12,902.80
Sundry Debtors	8	9,325.91	8,951.53
Cash and Bank Balances	9	165.75	158.38
Other Current Assets	10	480.10	372.37
Loans and Advances	11	4,950.17	5,388.78
<b>Less: Current Liabilities and Provisions</b>			
Current Liabilities	12	18,904.83	19,840.06
Provisions	13	2,996.72	2,164.88
<b>Total Current Liabilities and Provisions</b>		<b>21,901.55</b>	<b>22,004.94</b>
<b>Net Current Assets</b>		<b>3,053.51</b>	<b>5,768.92</b>
<b>Miscellaneous Expenditure</b> (to the extent not written off or adjusted)	14	<b>719.71</b>	<b>959.61</b>
Debit balance in profit and loss account		<b>3,647.21</b>	<b>2,957.98</b>
<b>TOTAL</b>		<b>49,574.83</b>	<b>49,819.20</b>
<b>Notes to Accounts</b>	23		

The schedules referred to above and the notes to accounts form an integral part of the Balance Sheet

As per our report of even date

**For S.R. Batliboi & Co.**  
**Chartered Accountants**

per **Pankaj Chadha**  
**Partner**  
Membership No. 91813

Place: Gurgaon  
Date: March 27, 2009

For and on behalf of the Board of Directors of  
Federal-Mogul Goetze (India) Limited

**Rustin Murdock**  
Whole Time Director & CFO

**Rajan Luthra**  
Financial Controller & Company Secretary

Place: New Delhi  
Date: March 27, 2009

**Jean de Montlaur**  
Managing Director &  
President

Balance sheet and profit and loss account

Profit and Loss Account for the year ended December 31, 2008

Schedule	For the year ended December 31, 2008 Rs. (in lacs)	For the year ended December 31, 2007 Rs. (in lacs)
<b>INCOME</b>		
Turnover (Gross)	75,447.70	68,394.74
Less : Excise duty	8,194.26	8,793.25
Turnover (Net)	67,253.44	59,601.49
Sales of trading goods	483.78	-
Job work income	830.47	813.95
Other income	3,050.73	3,251.43
<b>TOTAL</b>	<b>71,618.42</b>	<b>63,666.87</b>
<b>EXPENDITURE</b>		
Raw materials consumed	21,680.88	22,066.74
Purchase of trading goods	441.95	-
Personnel expenses	15,689.50	13,619.42
Operating and other expenses	24,268.44	20,979.93
Decrease/(Increase) in inventories	2,419.85	65.56
Depreciation and amortisation	4,634.14	4,292.16
Increase/(Decrease) of excise duty on finished goods	(380.69)	65.38
Amortisation of miscellaneous expenses	239.90	239.90
Financial expenses	3,098.93	4,057.31
<b>TOTAL</b>	<b>72,092.90</b>	<b>65,386.40</b>
(Loss) before tax and prior period items	(474.48)	(1,719.53)
Provision for tax (includes Rs. 67.23 lacs, Previous Year (Rs. 26.00 lacs relating to earlier years))	67.23	(26.00)
Fringe benefit tax	105.00	105.74
Total tax expense	172.23	79.74
<b>(Loss) after tax but before prior period items</b>	<b>(646.71)</b>	<b>(1,799.27)</b>
Prior period items	42.52	63.16
Net (Loss)	(689.23)	(1,862.43)
Balance brought forward from previous year	(2,957.98)	(1,095.55)
<b>(Loss) carried to balance sheet</b>	<b>(3,647.21)</b>	<b>(2,957.98)</b>
Earnings Per Share		
Basic and diluted [Nominal value of shares Rs. 10 (Previous year Rs. 10)]	(2.05)	(7.22)
<b>Notes to Accounts</b>	23	

The schedules referred to above and the notes to accounts form an integral part of the Profit and Loss Account

As per our report of even date

**For S.R. Batliboi & Co.**  
Chartered Accountants

per Pankaj Chadha  
Partner  
Membership No. 91813

Place: Gurgaon  
Date: March 27, 2009

For and on behalf of the Board of Directors of  
Federal-Mogul Goetze (India) Limited

**Rustin Murdock**  
Whole Time Director & CFO

**Rajan Luthra**  
Financial Controller & Company Secretary

Place: New Delhi  
Date: March 27, 2009

**Jean de Montlaur**  
Managing Director &  
President

**Balance sheet and profit and loss account**
**Schedule to the Accounts**
**Schedule 1 : Share Capital**

	As at December 31, 2008 Rs. (in lacs)	As at December 31, 2007 Rs. (in lacs)
<b>Authorised</b>		
80,000,000 (Previous Year - 80,000,000) Equity Shares of Rs. 10 each	<b>8000.00</b>	8000.00
<b>Total</b>	<b>8000.00</b>	8000.00
<b>Issued</b>		
55,632,130 (Previous year - 32,620,938) equity shares of Rs. 10 each	<b>5,563.21</b>	3,262.09
<b>Total</b>	<b>5,563.21</b>	3,262.09
<b>Subscribed</b>		
55,632,130 *(Previous year 32,620,938 ) equity shares of Rs 10 each, fully paid	<b>5,563.21</b>	3,262.09
<b>Total</b>	<b>5,563.21</b>	3,262.09

\* Of the above Equity Shares:

- a) 12,52,680 (Previous year -12,52,680) equity shares have been allotted as Bonus Shares by capitalisation of General Reserve.
- b) 84,29,183 (Previous year -84,29,183) equity shares have been allotted as Bonus Shares by capitalisation of Securities Premium Account.
- c) 84,207 (Previous year -84,207) equity shares have been issued for consideration other than cash.
- d) 23,011,192 ( Previous year - 7,333,389 ) equity shares have been issued on right issue basis during the the year ( refer note no. 15 of schedule 23)
- e) 33,408,581 ( Previous year 10,407,715) equity shares are held by Federal Mogul Holding Limited, Mauritius, the parent company, further 8,306,873 (Previous year 8,306,873) equity shares are held by another group company Federal Mogul Vemogensuwerwaltungs GMBH.

**Schedule 2: Reserves and Surplus**

	As at December 31, 2008 Rs. (in lacs)	As at December 31, 2007 Rs. (in lacs)
Capital Reserve	<b>56.55</b>	56.55
Capital Subsidy	<b>1.12</b>	1.12
Securities Premium Account		
Balance as per last Balance Sheet	<b>16,262.52</b>	6,534.98
Add: Additions in current year	<b>10,585.15</b>	9,900.07
Less: Utilisation for share issue expenses	<b>(107.34)</b>	(172.53)
	<b>26,740.33</b>	16,262.52
Capital Redemption Reserve	<b>1,000.00</b>	1,000.00
	<b>27,798.00</b>	17,320.19

**Balance sheet and profit and loss account**
**Schedule to the Accounts**
**Schedule 3: Secured Loans**

	<b>As at December 31, 2008 Rs. (in lacs)</b>	<b>As at December 31, 2007 Rs. (in lacs)</b>
Loans and advances from banks		
Term loans	<b>3,915.35</b>	9,784.89
Vehicle loans from banks	<b>77.73</b>	90.95
Working capital loans from banks	<b>12,068.87</b>	11,215.18
Interest accrued and due	<b>82.62</b>	76.25
	<b>16,144.57</b>	21,167.27

1. Term loans repayable within one year Rs. 2,915.34 lacs (Previous Year Rs. 5,868.22 lacs)
2. Term loans from banks are secured by
  - Rs. 1,125 lacs (Previous year Rs. 1,500 lacs) are secured by first pari-passu charge on entire fixed assets of the Company.
  - Rs. 2,000 lacs (Previous year Rs. 3,000 lacs) are secured by first pari-passu charge on entire fixed assets of the Company, along with other secured term lenders and second pari-passu charge on current assets of the Company along with other term lenders.
  - Rs. 290.35 lacs (Previous year Rs. 1,458.34 lacs) are secured by first pari-passu charge with all secured lenders on the entire current assets of the Company, both present and future.
  - Rs. 500 lacs (Previous year Rs. 2,250 lacs) are secured by first pari-passu charge on the gross block of the company i.e. fixed movable assets of the company in Bahadurgarh, Yelahanka, Bhiwadi and Alwar, subject to prior charges created and/ or to be created in favour of our Company's bankers on our stock of raw materials, semi-finished and finished goods, consumable stores, book debts.
  - Rs. Nil (Previous year Rs. 139.05 lacs) are secured by first pari-passu charge on all movable and immovable properties and lands situated at Patiala, Bangalore and Bhiwadi both present and future.
  - Rs Nil (Previous year Rs. 187.50 lacs) are secured by first pari-passu charge on the fixed assets of the Company consisting of immovable and movable fixed assets, with other lenders.
  - Rs Nil (Previous year Rs. 1,250 lacs) are secured by first pari-passu mortgage and charge on the entire movable and immovable fixed assets excluding specific items of fixed assets having exclusive charge, if any.
3. Vehicle loans of Rs. 77.73 lacs (Previous year Rs. 90.95 lacs) from banks are secured by way of hypothecation of the underlying vehicles.
4. Working capital loans from banks are secured against hypothecation of current assets of the Company, both present and future.



Balance sheet and profit and loss account

Schedule to the Accounts

Schedule 4: Unsecured Loans

	As at December 31, 2008 Rs. (in lacs)	As at December 31, 2007 Rs. (in lacs)
<b>Unclaimed Fixed Deposits</b>	<b>8.05</b>	8.65
<b>Short term loans and advances:</b>		
- From scheduled banks *	-	1,000.00
- From others **	<b>61.00</b>	7,061.00
<b>Total</b>	<b>69.05</b>	8,069.65

\* Includes Rs. Nil (Previous year Rs. 1,000 lacs) commercial papers. Maximum amount outstanding during the year Rs. 1,000 lacs (Previous year - Rs. 4,000 lacs).

\*\* Includes Rs. Nil (Previous year Rs. 3,000 lacs) commercial papers. Maximum amount outstanding during the year Rs. 3000 lacs (Previous year - Rs. 7,000 lacs).

Schedule 5: Fixed Assets

Rs. (in lacs)

	Freehold Land	Leasehold Land	Buildings	Furniture & fittings and office equipments	Plant and machinery	Vehicles	Intangibles*	Total	Previous Year
<b>Gross block</b>									
At Jan 1, 2008	1,485.16	207.27	7,721.80	1,231.70	46,020.02	498.83	712.11	<b>57,876.89</b>	53,387.52
Additions	-	-	362.68	60.63	7,781.51	149.02	-	<b>8,353.84</b>	6,943.18
Deductions	-	-	-	103.00	1,320.41	198.44	-	<b>1,621.85</b>	2,453.81
<b>At Dec 31, 2008</b>	<b>1,485.16</b>	<b>207.27</b>	<b>8,084.48</b>	<b>1,189.33</b>	<b>52,481.12</b>	<b>449.41</b>	<b>712.11</b>	<b>64,608.88</b>	<b>57,876.89</b>
<b>Depreciation/Amortisation</b>									
At Jan 1, 2008	-	5.78	1,935.72	601.56	19,439.27	272.46	335.37	<b>22,590.16</b>	19,748.47
For the year	-	2.26	260.39	60.80	4,061.07	123.22	126.40	<b>4,634.14</b>	4,292.16
Deletions / adjustments	-	-	0.23	59.45	1,094.25	167.54	-	<b>1,321.47</b>	1,450.47
<b>At Dec 31, 2008</b>	<b>-</b>	<b>8.04</b>	<b>2,195.88</b>	<b>602.91</b>	<b>22,406.09</b>	<b>228.14</b>	<b>461.77</b>	<b>25,902.83</b>	<b>22,590.16</b>
For previous year	-	2.23	247.05	70.74	3,707.86	147.56	116.72	4,292.16	2,819.65
<b>Net block</b>									
<b>At Dec 31, 2008</b>	<b>1,485.16</b>	<b>199.23</b>	<b>5,888.60</b>	<b>586.42</b>	<b>30,075.03</b>	<b>221.27</b>	<b>250.34</b>	<b>38,706.05</b>	<b>35,286.73</b>
At Dec 31, 2007	1,485.16	201.49	5,786.08	630.14	26,580.75	226.37	376.74	35,286.73	33,639.05
Capital work-in-progress including capital advances Rs. 302.06 lacs (Previous Year Rs 604.41 lacs)								<b>1,356.01</b>	2,752.06

Notes:

- Land includes (at cost) Rs.900.65 lacs (Previous year Rs.900.65 lacs) pending registration in the name of the Company.
- Buildings include (at cost )
  - Rs. 101.38 lacs (Previous year Rs. 101.38 lacs) Residential flats pending registration in the name of the Company
  - Rs. 1,261.39 lacs (Previous year Rs. 1,261.39 lacs), constructed on land pending registration in the name of the Company.
- \*Includes Patents and Trade marks valued at Re.1.

**Balance sheet and profit and loss account**
**Schedule to the Accounts**
**Schedule 6 : Investments**

	As at December 31, 2008 Rs. (in lacs)	As at December 31, 2007 Rs. (in lacs)
<b>Long-term investment (at cost) Other than trade (unquoted)</b>		
<b>A Subsidiary Companies</b>		
Unquoted fully paid up		
(i) 51,00,000 (Previous year - 51,00,000) equity shares of Rs. 10 each in Federal-Mogul TPR (India) Ltd.	510.00	510.00
(ii) 5,10,000 (Previous year - 5,10,000) 6% redeemable cumulative preference shares of Rs.100 each in Federal-Mogul TPR (India) Ltd.	510.00	510.00
(iii) 50,000 (Previous year - 50,000) equity shares of Rs. 10 each in Satara Rubbers & Chemicals Ltd	201.00	201.00
Less : Provision for diminution in the value of investment	<u>(201.00)</u>	<u>(201.00)</u>
<b>B Government Securities</b>		
National Savings Certificates*	1.42	1.42
<b>C Other investments</b>		
(i) GI Power Corporation Limited		
a 38,89,600 (Previous year-38,89,600) equity shares of Rs. 5 each, fully paid	194.48	194.48
b 17,528,800 (Previous year-17,528,800) 8% cumulative convertible redeemable Preference Shares of Rs.5 each fully paid	876.44	876.44
(ii) GTZ Securities Limited		
9,23,000 (Previous year-9,23,000) equity shares of Rs. 5 each fully paid	46.15	46.15
Less : Provision for diminution in the value of investment	<u>(46.15)</u>	<u>(46.15)</u>
(iii) Nanz Food Products Limited		
1,00,000 (Previous year-1,00,000) 6% redeemable cumulative preference shares of Rs.10 each fully paid	10.00	10.00
Less : Provision for diminution in the value of investment	<u>(10.00)</u>	<u>(10.00)</u>
<b>Current investments (quoted) (At lower of cost or market value)</b>		
Unit Trust of India **	-	1.56
Nil (Previous year 1,558) 6.75% Taxfree US 64 Bonds of Rs. 100 each fully paid in Unit Trust of India		
	<b>2,092.34</b>	<b>2,093.90</b>

\* The investment is pledged with Sale Tax Authorities

\*\* Aggregate value of quoted investments  
 Market value Rs. Nil, Previous year Rs. 1.56 lakh  
 Units sold during the period 1,558

**Balance sheet and profit and loss account**

**Schedule to the Accounts**

**Schedule 7: Inventories (at lower of cost and net realisable value)**

	As at December 31, 2008 Rs. (in lacs)	As at December 31, 2007 Rs. (in lacs)
Raw materials and components (Including materials in transit Rs.185.39 lacs (Previous year Rs. 74.65 lacs)	1,286.19	1,786.51
Stores and spares	1,985.73	1,935.23
Work-in-progress	3,265.93	3,754.31
Reusable scrap	91.71	519.08
Finished goods	3,403.57	4,907.67
<b>Total</b>	<b>10,033.13</b>	<b>12,902.80</b>

**Schedule 8: Sundry Debtors**

**Debts outstanding for a period exceeding six months**

Unsecured, considered good	75.67	17.84
Unsecured, considered doubtful	92.91	59.03
<b>Other debts</b>		
Secured, considered good	184.78	182.86
Unsecured, considered good	9,065.46	8,750.83
	<b>9,418.82</b>	<b>9,010.56</b>
Less : Provision for doubtful debts	92.91	59.03
<b>Total</b>	<b>9,325.91</b>	<b>8,951.53</b>

**Schedule 9: Cash and Bank Balances**

Cash on hand	1.39	2.28
Balances with scheduled banks:		
- On current accounts	59.85	51.89
- On deposit accounts (pledged with Government authorities)	78.31	78.01
- On unpaid dividend accounts	26.20	26.20
<b>Total</b>	<b>165.75</b>	<b>158.38</b>

**Schedule 10: Other Current Assets**

Fixed Assets held for disposal (at lower of net book value and estimated net realisable value)	47.26	29.62
Interest / Dividend accrued on deposits / investments	54.87	42.89
DEPB Benefits Receivable	373.22	148.63
Insurance Claim Receivable	4.75	151.23
<b>Total</b>	<b>480.10</b>	<b>372.37</b>

**Balance sheet and profit and loss account**
**Schedule to the Accounts**
**Schedule 11: Loans and advances**

	As at December 31, 2008 Rs. (in lacs)	As at December 31, 2007 Rs. (in lacs)
Unsecured considered good, except where stated otherwise		
Advances recoverable in cash or in kind or for value to be received	1,310.14	1,306.12
Advance to Satara Rubbers & Chemicals Limited*	1,749.09	1,801.38
Security Deposits	495.70	460.31
Balance with Excise Authorities	901.98	1,004.41
Advance Payment of Tax (net of provision)	471.84	816.56
Advance Payment of Fringe Benefit Tax (net of provision)	21.42	-
<b>Total</b>	<b>4,950.17</b>	<b>5,388.78</b>

\* Loan given to a Company in which directors are interested and which is a company under the same management  
 -Maximum amount outstanding during the year Rs. 1,802.01 lacs (Previous year : Rs. 1,801.38 lacs)  
 -There is no repayment schedule in respect of this loan.

**Schedule 12: Current liabilities**

Sundry creditors		
a) total outstanding due to Micro and small enterprises (refer note no 14 to schedule 23)	104.79	143.28
b) total outstanding to creditors other than Micro and small enterprises.	10,316.59	15,774.72
Due to a subsidiary company	3,838.56	2,523.17
Advance received against supplies	3,300.29	-
Other liabilities	1,053.36	960.80
Security Deposit	212.93	213.17
Investors Education & Protection fund shall be credited by as and when due - unpaid dividends	26.20	26.20
Interest accrued but not due on loans	52.11	198.72
<b>Total</b>	<b>18,904.83</b>	<b>19,840.06</b>

**Schedule 13: Provisions**

Provision for leave encashment	944.91	857.40
Provision for gratuity	2,051.81	1,303.74
Provision for Fringe benefit tax (net of advances)	-	3.74
<b>Total</b>	<b>2,996.72</b>	<b>2,164.88</b>

**Schedule 14: Miscellaneous Expenditure\***

Balance as per last Balance Sheet	959.61	-
Add: Additions in current year	-	1,199.51
Less : Written off	239.90	239.90
<b>Total</b>	<b>719.71</b>	<b>959.61</b>

\* Amount represents the impact of transitional provision on adoption of notified Accounting Standard 15 (revised).

**Balance sheet and profit and loss account**

**Schedule to the Accounts**

**Schedule 15 : Other income**

	<b>For the year ended December 31, 2008 Rs. (in lacs)</b>	<b>For the year ended December 31, 2007 Rs. (in lacs)</b>
Interest:		
Bank deposits (Tax deducted at source Rs. 1.5 lacs, Previous year Rs. 1.54 lacs)	19.27	7.19
Interest on Income tax refund	176.23	173.03
Others (Tax deducted at source Rs. Nil, Previous year Rs. 1.76 lacs)	0.04	8.93
Dividend on investment in subsidiary	30.60	30.60
Sale of scrap	1,255.47	1,358.68
Commission received from subsidiary	173.97	263.78
Duty drawback/ Exim Scrip realisation	304.13	138.00
Cash Discount	50.61	62.07
Excess provision written back	273.00	41.77
Miscellaneous income	252.39	171.19
Foreign exchange rate difference (net)	-	522.74
Management support charges	515.02	473.45
<b>Total</b>	<b>3,050.73</b>	<b>3,251.43</b>

**Schedule 16 : Raw materials consumed**

Inventories - Opening	1,786.51	1,437.09
Add: Purchases	21,180.56	22,416.16
	<b>22,967.07</b>	<b>23,853.25</b>
Less: Inventories - Closing	1,286.19	1,786.51
<b>Total</b>	<b>21,680.88</b>	<b>22,066.74</b>

**Schedule 17: Personnel expenses**

Salaries, wages and bonus (Refer note no. 17 in schedule no. 23)	12,113.03	11,064.51
Contribution to provident fund and other funds	773.08	703.36
Contribution to super annuation fund	155.53	152.65
Contribution to gratuity	977.33	297.59
Workmen and staff welfare expenses	1,670.53	1,401.31
<b>Total</b>	<b>15,689.50</b>	<b>13,619.42</b>

Balance sheet and profit and loss account

Schedule to the Accounts

Schedule 18 : Operating and Other Expenses

	For the year ended December 31, 2008 Rs. (in lacs)	For the year ended December 31, 2007 Rs. (in lacs)
Consumption of stores and spares (Refer note no. 17 in Schedule no. 23)	7,174.71	6,070.40
Sub-contracting expenses	1,375.47	1,329.48
Power and fuel	4,235.80	4,269.20
Freight and forwarding charges	1,649.64	1,327.51
Rent	222.78	191.59
Rates and taxes	421.86	402.54
Insurance	113.34	144.40
Repairs and maintenance		
- Plant and machinery	206.28	180.95
- Buildings	115.01	108.97
- Others	179.92	91.58
Advertising and sales promotion	2,917.91	2,963.89
Royalty	874.32	712.24
Product rectification charges	51.81	72.11
Legal and professional expenses	938.08	945.24
Travelling and conveyance	727.07	875.34
Communication costs	281.09	171.59
Printing and stationery	107.00	134.04
Directors' sitting fees	8.60	10.00
Auditor's remuneration (as auditor)		
- Audit fee	37.00	78.50
- Tax audit fee	22.25	30.65
- For certification and others matters	0.50	0.50
- For limited reviews	4.50	4.00
- Out-of-pocket expenses	5.48	3.01
	<u>69.73</u>	<u>116.66</u>
Charity & Donation	0.20	0.05
Provision for doubtful debts	36.58	61.07
Loss on sale of trade investments	-	0.18
Foreign exchange rate difference (net)	2,051.33	-
Loss on sale / discard of fixed assets (net)	100.51	387.58
Advances written off	-	14.53
Miscellaneous expenses	409.40	398.79
<b>Total</b>	<b>24,268.44</b>	<b>20,979.93</b>

**Balance sheet and profit and loss account**
**Schedule to the Accounts**
**Schedule 19: Decrease/(increase) in Inventories**

	For the year ended December 31, 2008 Rs. (in lacs)	For the year ended December 31, 2007 Rs. (in lacs)
Inventories - Opening		
- Work-in-progress	3,754.31	3,440.39
- Finished goods	4,907.67	5,213.82
- Reusable Scrap	519.08	592.41
	<b>9,181.06</b>	<b>9,246.62</b>
Inventories - closing		
- Work-in-progress	3,265.93	3,754.31
- Finished goods	3,403.57	4,907.67
- Reusable Scrap	91.71	519.08
	<b>6,761.21</b>	<b>9,181.06</b>
Decrease in inventories	<b>2,419.85</b>	<b>65.56</b>

**Schedule 20: Financial expenses**

Interest		
- to banks	2,568.81	3,496.05
- others	427.45	447.73
Bank charges	102.67	113.53
<b>Total</b>	<b>3,098.93</b>	<b>4,057.31</b>

**Schedule 21: Prior period expenses**

Communication costs	42.52	-
Royalty	-	63.16
	<b>42.52</b>	<b>63.16</b>

**Schedule 22: Earnings/(Loss) per share (EPS)**

Net profit as per profit and loss account	(689.23)	(1,862.43)
Weighted average number of equity shares in calculating basic and diluting Earning per share	33,626,892	25,789,836
Earning (Loss) per share (in Rs.)	(2.05)	(7.22)

## SCHEDULES 1-23 (Contd.)

### Schedule 23 : Notes to Accounts

#### 1. Background

Federal-Mogul Goetze (India) Limited ('FMGIL' or 'the Company'), was incorporated at New Delhi on November 26, 1954, for manufacture, supply and distribution of 'automotive components' i.e. rings used in two/three/four wheeler automobiles.

The principal facilities of the Company are located at Patiala (Punjab), Bangalore (Karnataka) and Bhiwadi (Rajasthan), with its registered office in New Delhi. The Company is listed at National Stock Exchange of India Limited and Bombay Stock Exchange Limited.

Federal Mogul Holdings Limited, Mauritius, is the immediate parent company and ultimate parent company is Federal Mogul Corporation, USA.

#### 2. Statement of Significant Accounting Policies

##### a) Basis of preparation

The financial statements have been prepared to comply in all material respects in respects with the Notified accounting standard by Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention and on an accrual basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

##### b) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

##### c) Tangible Assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use i.e. freight, duties, taxes and other incidental expenses excluding cenvat in so far as this is available for set off against excise duty.

##### d) Depreciation

Depreciation is provided on straight line method basis and same is determined based on management's assessment of assets lives and is calculated at the rates so determined, which are either equal to or higher than rates provided for such assets under Schedule XIV of the Companies Act, 1956.

Asset Class	Rate prescribed in Schedule XIV of Companies Act, 1956 (%)	Rates used (%)
(i) Land-Leasehold	-	over the life of lease of asset
(ii) Buildings -Factory	3.34	3.34
- Other	1.63	1.63
(iii) Furniture, fittings & office equipment	4.75 to 6.33	4.75 to 6.33
(iv) Plant & Machinery - Single Shift	4.75	4.75
- Double Shift	7.42	7.42
- Triple Shift	10.34	10.34
- Continuous process plant	5.28	5.28
(v) Vehicles – Employee	9.50	33.33
- Material Handling Vehicles	9.50	11.31
- Others	9.50	9.50
(vi) Computers	16.21	16.21
(vii) Dies and Moulds	11.31	11.31

i) Plant and Machinery also includes self constructed machinery.

ii) Depreciation on the amount of adjustment to fixed assets on account of capitalisation of insurance spares is provided over the remaining useful life of related assets.

iii) All assets costing upto Rs 5,000 are fully depreciated in the year of purchase.

##### e) Impairment

i) The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

ii) After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

##### f) Intangible Assets

Intangible assets are stated at cost less amortization less impairment, if any. Cost comprises the purchase price and other directly attributable costs. Intangibles assets are amortised over their expected useful economic lives, on straight line basis, as follows:

Design and drawings - over a period of 5 years.

##### g) Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss account on a straight-line basis over the lease term.



## SCHEDULES 1-23 (Contd.)

### Schedule 23 : Notes to Accounts

#### h) Investments

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and market value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments.

#### i) Inventories

Inventories are valued as follows:

Raw materials, components, stores and spares and bought out tools.	–	Lower of cost and net realizable value. Cost represents purchase price and other direct costs and is determined on a moving weighted average cost basis. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.
Constructed Tools:	–	Lower of cost and net realizable value. Cost represents material, labour and appropriate allocation of overheads. Material cost for this purpose is on a moving weighted average cost basis.
Work-in-progress	–	Lower of cost and net realizable value. Cost for this purpose includes material, labour and appropriate allocation of overheads.
Finished Goods:		
– Manufactured	–	Lower of cost and net realizable value. Cost for this purpose includes material, labour and appropriate allocation of overheads. Excise duty on stock lying with Company is added to the cost of the finished goods inventory.
– Traded	–	Lower of cost and net realizable value. Cost represents purchase price and other direct costs and is determined on a moving weighted average cost basis.
Reusable scrap		At net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion. Provision for obsolescence is determined based on management's assessment and is charged to profit and loss account.

#### j) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

##### i) Sale of Goods:

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and are recorded net of excise duty, sales tax and trade discount.

##### ii) Job Work:

Income from job work is accrued when right of revenue is established, which relates to effort conducted.

##### iii) Interest:

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

##### iv) Dividends:

Revenue is recognised when the shareholders' right to receive payment is established by the balance sheet date.

##### v) Commission:

Commission income is accrued when due, as per the agreed terms.

##### vi) Export Benefits/Incentives:

Export entitlements under the Duty Entitlement Pass Book (DEPB) Scheme are recognized in the profit and loss account when the right to receive credit as per the terms of the scheme is established in respect of exports made.

##### vii) Management support charges:

Income from management support charges is recognized as per the terms of the agreement based upon the services rendered.

#### k) Foreign Currency Transactions

##### (i) Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

##### (ii) Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

##### (iii) Exchange Differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.

(iv) As a policy, the company does not undertake any foreign exchange contract.

## SCHEDULES 1-23 (Contd.)

### Schedule 23 : Notes to Accounts

#### l) Retirement and Other Employee Benefits

- (i) Provident fund contributions are charged to profit and loss account, when contributions paid/payable are due to "Goetze India Limited Provident Fund Trust", administered by the trustees and to the Regional Provident Fund Commissioners. There are no other obligations other than the contribution payable to the respective trusts.
- (ii) Gratuity liability under the Payment of Gratuity Act is accrued on the basis of an actuarial valuation made at the end of each financial year. The actuarial valuation is done as per projected unit credit method.
- (iii) Short term compensated absences are provided for on based on estimates, Long term compensation liability for leave encashment is determined in accordance with company policy and is measured on the basis of valuation by an independent actuary at the end of the financial year. The actuarial valuation is done as per projected unit credit method.
- (iv) Actuarial gains/losses are immediately taken to profit and loss account.

#### (v) Superannuation Benefit

The Company has superannuation obligation administered with Life Insurance Corporation of India (LIC). Contributions to the defined contribution scheme are charged to profit and loss account when contributions paid/ payable are due to such fund. There are no other obligations other than the contribution payable to the respective trusts.

#### m) Income Taxes

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961 enacted in India. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

#### n) Earnings per Share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

#### o) Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

#### p) Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

#### q) Miscellaneous Expenditure

Miscellaneous expenditure is written off over a period of 5 years.

### 3. Segment Information

Based on the guiding principles given in AS-17 'Segmental Reporting' notified under Companies (Accounting Standard) Rules, 2006, the Company's primary business segment is manufacturing of auto components. The Company operates in one geographical segment that is "India" and no further disclosures as per AS-17 need to be made.

### 4. Related Party Transactions

During the year under review, the Company has entered into transactions with related parties.

- i) Enterprises owned or significantly influenced by key management personnel or their relatives
  - GI Power Corporation Limited
  - GTZ Securities Limited
- ii) Key managerial personnel and their relatives
  - Mr. Jean de Montlaur (w.e.f March 03, 2008)
  - Mr. Rustin Murdock (w.e.f September 24, 2007)
  - Mrs. Renu Anand (wife of Mr. Arun Anand) (upto September 24, 2007)

## SCHEDULES 1-23 (Contd.)

### Schedule 23 : Notes to Accounts

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- Mr. Arun Anand (upto September 24, 2007)
- iii) Holding company
  - Federal Mogul Holdings Limited (Mauritius)
  - Federal Mogul Vermögensverwaltungs GMBH (Germany)
- iv) Fellow subsidiaries
  - Federal Mogul Burscheid GMBH, (Germany)
  - Federal Mogul Maysville (USA)
  - Federal Mogul Operation S.R.L. (Italy)
  - Federal Mogul Bimet S.A. (Poland)
  - Federal Mogul Nurnberg, GMBH (Germany)
  - Federal Mogul Wiesbaden GMBH, (Germany)
  - Federal Mogul Power Train System (South Africa)
  - Federal Mogul Holding Deutschland (Germany)
  - Federal Mogul Valves (PTY) Ltd (South Africa)
  - T & N Limited (U.K)
  - Federal Mogul KK (Japan)
  - SSCFRAN FM Financial Services SAS Veurey Voroize (France)
  - Federal Mogul Financial Services FRANCTNL (France)
  - Federal Mogul Gorzyee, S.A (Poland)
  - Federal Mogul Friedberg, GMBH (Germany)
  - Federal Mogul Sintered Products Ltd. (U.K)
  - Federal Mogul Automotive Products Limited (India)
  - Federal Mogul Sealing Systems, GMBH (Germany)
  - Federal Mogul Friction Products Ltd
  - Federal Mogul Corporation Powertrain Systems
  - Federal Mogul Plant Van Wert, USA
  - Federal Mogul Powertrain Systems Schofield (USA)
  - Federal Mogul S.A.R.L.
  - Federal Mogul France, S.A.
  - Federal Mogul Corporation, Lake City
  - Federal Mogul Bearing India Ltd (India)
  - KFM Bearing Company (South Korea)
- iv) Associates
  - GI Power Corporation Limited (w.e.f. October 13, 2005)
  - GTZ Securities Limited
- v) Subsidiaries
  - Federal-Mogul TPR (India) Limited
  - Satara Rubbers and Chemicals Limited
- vi) Ultimate Holding Company
  - Federal Mogul Corporation, USA.

	Fellow Subsidiaries									
	Federal Mogul Power Train, S.A.		Federal Mogul Burscheid GMBH, Germany		Federal Mogul Maysville (USA)		Federal Mogul Gorzyee S.A. (Poland)		Federal Mogul Bimet S.A (Poland)	
	31.12.08	31.12.07	31.12.08	31.12.07	31.12.08	31.12.07	31.12.08	31.12.07	31.12.08	31.12.07
<b>Particulars</b>										
Sales	-	-	-	-	(4,455.22)	-	(504.23)	(565.18)	-	-
Purchase of raw material, intermediaries and finished goods	-	-	701.85	1,319.71	-	-	-	-	103.30	-
Purchase of Fixed Assets	171.39	-	1,574.30	709.13	-	-	-	-	-	-
Interest	-	-	157.66	-	-	-	-	-	-	-
Other Expenses	-	-	4.08	5.58	33.38	-	-	-	(20.46)	-
Royalty Expense	-	-	418.18	280.29	-	-	-	-	-	-
Balance outstanding as at the end of the year Receivables	-	-	-	-	-	-	29.25	365.14	-	-
Balance outstanding as at the end of the year (Payable)	(166.34)	-	(674.71)	(2,107.25)	(3282.37)	-	-	-	(1.12)	-

	Fellow Subsidiaries									
	Federal Mogul Nurnberg, GMBH (Germany)		Federal Mogul Friedberg, GMBH (Germany)		Federal Mogul Wiesbaden GMBH, (Germany)		Federal Mogul Power Train System (USA)		Federal Mogul Operational S.R.L. (Italy)	
	31.12.08	31.12.07	31.12.08	31.12.07	31.12.08	31.12.07	31.12.08	31.12.07	31.12.08	31.12.07
<b>Particulars</b>										
Sales	(9.76)	-	(25.31)	-	-	-	-	-	-	-
Purchase of raw material, intermediaries and finished goods	274.44	80.43	-	-	642.30	37.54	10.52	-	123.15	-
Purchase of Fixed Assets	615.56	1382.41	-	-	-	191.06	-	0.44	-	-
Other Expenses	19.68	-	-	-	(95.14)	(0.95)	16.69	-	(28.46)	-
Royalty Expense	233.49	260.31	-	-	-	-	-	-	-	-
Balance outstanding as at the end of the year Receivables	3.62	-	11.54	-	12.03	-	-	-	-	-
Balance outstanding as at the end of the year (Payable)	(401.67)	(1745.61)	-	-	(37.72)	(218.03)	-	(0.93)	(29.98)	-

	Federal Mogul Financial Services FRANCTNL (France)		Federal Mogul Holding Deutschland (Germany)		Federal Mogul Valves (PTY) Ltd (South Africa)		T & N LIMITED (U.K)		Federal Mogul KK (Japan)	
	31.12.08	31.12.07	31.12.08	31.12.07	31.12.08	31.12.07	31.12.08	31.12.07	31.12.08	31.12.07
<b>Particulars</b>										
Other Expenses	39.70	-	132.76	-	3.92	-	80.64	-	(74.33)	-
Balance outstanding as at the end of the year Receivables	-	-	-	-	-	-	-	-	4.51	-
Balance outstanding as at the end of the year (Payable)	(42.30)	-	(80.80)	-	-	-	(23.79)	-	-	-

	Fellow Subsidiaries									
	Federal Mogul Bearing (India) Ltd. (India)		SSCFran FM Financial Services SAS Veurey Voroize (France)		Federal Mogul Sintered Products Ltd. (U.K)		Other Fellow Subsidiaries		Total	
	31.12.08	31.12.07	31.12.08	31.12.07	31.12.08	31.12.07	31.12.08	31.12.07	31.12.08	31.12.07
<b>Particulars</b>										
Sales	(705.74)	-	-	-	-	-	(31.24)	(148.59)	(5,731.50)	(713.77)
Purchase of raw material, intermediaries and finished goods	30.27	-	-	-	15.15	-	60.50	257.28	1,961.48	1,694.96
Purchase of Fixed Assets	-	-	-	-	-	181.72	2.63	4.75	2,363.88	2,469.51
Interest	-	-	-	-	-	-	-	-	157.66	-
Other Expenses	(3.25)	-	202.44	-	(0.14)	(0.43)	(16.13)	(0.68)	295.38	3.52
Royalty Expense	-	-	-	-	273.53	143.45	-	-	925.20	684.05
Balance outstanding as at the end of the year Receivables	483.20	-	-	-	-	-	3.41	50.33	547.56	415.47
Balance outstanding as at the end of the year (Payable)	-	-	(25.52)	-	(372.10)	(321.07)	(61.58)	(190.56)	(5,200.00)	(4,583.45)

Ultimate Holding Company Federal Mogul Corporation (USA)		
Particulars	31.12.08	31.12.07
Sales	(122.56)	(2,699.01)
Purchase of raw material, intermediaries and finished goods	-	152.93
Purchase of Fixed Assets	-	1,672.22
Sale of Fixed Assets	-	(481.57)
Interest Expense	-	82.29
Other Expense	(347.48)	392.25
Balance outstanding as at the end of the year Receivable	1.47	1,291.32
Balance outstanding as at the end of the year (Payable)	(126.95)	(2,595.06)

Associates						
Particulars	G.I Power Corporation Ltd.		GTZ Securities		Total	
	31.12.08	31.12.07	31.12.08	31.12.07	31.12.08	31.12.07
Purchase of power	-	(139.83)	-	-	-	(139.83)
Other Expense	-	(13.21)	-	-	-	(13.21)
Investment as at year end	-	1070.92	-	46.15	-	1,117.07
Balance outstanding as at the end of the year (Payable)	-	(13.21)	-	-	-	(13.21)

Subsidiaries						
Particulars	Federal Mogul TPR (India) Ltd.		Satara Rubbers & Chemicals Ltd.		Total	
	31.12.08	31.12.07	31.12.08	31.12.07	31.12.08	31.12.07
Sales	(893.00)	(1071.14)	-	-	(893.00)	(1,380.59)
Purchase of raw material, intermediaries and finished goods	2,906.33	3,392.93	-	-	2,906.33	3,392.92
Dividend received	(30.60)	(30.60)	-	-	(30.60)	(30.60)
Fund Received	-	-	7.75	-	7.75	-
Management fee received	(515.02)	(473.46)	-	-	(515.02)	(473.46)
Job work income	(830.32)	(813.95)	-	-	(830.32)	(813.95)
Sole selling commission received	(173.97)	(263.77)	-	-	(173.97)	(263.77)
Expense incurred on behalf of other	-	-	(10.01)	52.79	(10.01)	52.79
Loans given	-	-	-	(1,000.00)	-	(1,000.00)
Rent expense	-	-	60.00	60.00	60.00	60.00
Rent income	(78.00)	(78.00)	-	-	(78.00)	(78.00)
Investment as at year end	1,020.00	-	-	201.00	1,020.00	1,221.00
Balance outstanding as at the end of the year Receivables	-	-	1,749.09	1,801.38	1,749.09	1801.38
Balance outstanding as at the end of the year (Payable)	(3,838.56)	(2,523.17)	-	-	(3,838.56)	(2,523.17)

Key Managerial Personnel & Their Relatives				
Particulars	Mrs. Renu Anand		Total	
	31.12.08	31.12.07	31.12.08	31.12.07
Rent expense of the year (Payable)	-	10.80	-	10.80

\* The remuneration paid to directors is disclosed elsewhere in the notes to the accounts

## SCHEDULES 1-23 (Contd.)

### Schedule 23 : Notes to Accounts

#### 5. Leases

Office premises are obtained on operating lease. The lease term is for a year and renewable for further 5 years at the option of the Company. There is no escalation clause in the lease agreement.

Leases	Year ended December 31, 2008 (Rs. in lacs)	Year ended December 31, 2007 (Rs. in lacs)
a) Lease payments for the year <i>Minimum Lease Payments (for non cancelable leases):</i>	222.78	191.59
b) Not later than one year	230.04	115.86
c) Later than one year but not later than five years	522.58	246.30
d) Later than five years	-	20.00

#### 6. Capital Commitment

Estimated amount of contract remaining to be executed on capital account and not provided for

Particulars	Year ended December 31, 2008 (Rs. in lacs)	Year ended December 31, 2007 (Rs. in lacs)
Capital commitment	1,699.42	1,172.81

#### 7. Contingent liabilities not provided for:

Particulars	Year ended December 31, 2008 (Rs. in lacs)	Year ended December 31, 2007 (Rs. in lacs)
a) Bank Guarantees	518.06	900.43
b) <i>Claims/notices contested by the company</i>		
i) Excise duty	712.13	882.49
ii) Sales Tax	59.23	118.27
iii) ESI Cases	40.53	7.56
iv) Employee Related Cases	72.67	119.52
v) Electricity Demand	52.24	52.24
vi) Income Tax Demands	307.20	285.80
vii) Consumer Cases	60.91	64.98

c) The Company has executed surety bonds in favour of sales tax authorities on behalf of Gossini Fashion Limited (earlier AN-GIP Leather (India) Limited) for Rs 1.5 lacs.

#### d) In relation to b (i) above Excise Duty cases contested by the Company comprise of:

- i) Show cause notice received in respect of excise duty benefit in relation to deduction of Trade Discounts for the period 2000-2001 to 2003-2004. The matter is pending for personal hearing with the Joint Commissioner. The Company has taken legal opinion and is advised that it has fair chance of a favorable decision. The amount involved is Rs. 33.74 lacs. (Previous year Rs. 33.74 lacs)
- ii) Matter pending with Central Excise & Service Tax Appellate Tribunal (CESTAT) in respect of valuation rates employed for certain products sold by the Company for the period 2004-2005 & 2005-2006. The Company has done an analysis and is of the opinion that it has fair chance of a favorable decision. The amount involved is Rs 0.93 lacs. (Previous year Rs. 2.60 lacs)
- iii) Matter pending with Additional Commissioner of Central Excise (ADCCE) in respect of excise duty on scrap produced by the Company for the period 2000-2001 to 2002-2003. The Company has done an analysis and is of the opinion that it has fair chance of a favorable decision. The amount involved is Rs.34.11 lacs. (Previous year Rs. 34.11 lacs)
- iv) Miscellaneous Excise Cases in respect of MODVAT credits are pending with Deputy Commissioner Central Excise Patiala (DCCE PTA)/ Additional Commissioner/ Punjab and Haryana High Court/Assistant Commissioner Central Excise for the period 1987-1988 to 2006-2007. The Company has done an analysis and is of the opinion that it has fair chance of a favorable decision. Amount involved is Rs. 58.02 lacs. (Previous year Rs. 58.02 lacs)
- v) Matters pending with Additional Commissioner, Chandigarh in respect of Service Tax on Royalty & Technical Know how from 1999-00 to 2004-05. The Company has done an analysis and is of the opinion that it has fair chance of a favorable decision. Amount involved is Rs. 39.95 lacs. (Previous year Rs. 39.95 lacs)
- vi) Matters pending with Joint Commissioner, Bangalore in respect of Service Tax on Job Work for the period 2004-05. The Company has done an analysis and is of the opinion that it has fair chance of a favorable decision. Amount involved is Rs. 54.09 lacs. (Previous year Rs. 18.01 lacs)
- vii) Matters pending with Additional Commissioner, Chandigarh in respect of Service Tax on Transport Services for the period 2005-06, 2006-07 & 2007-08. The Company has done an analysis and is of the opinion that it has fair chance of a favorable decision. Amount involved is Rs. 14.56 lacs. (Previous year Rs. 5.50 lacs)
- viii) Matter was pending with Additional Commissioner, Chandigarh in respect of Service Tax on Intellectual property services for the period 2006-07. During the year, the order was passed in the favour of the company, amount involved Rs. Nil. (Previous year Rs. 3.45 lacs)
- ix) Matter was pending with Joint Commissioner, Chandigarh in respect of Service Tax on business auxiliary services for the period 2006-07. During the year, the order was passed in the favour of the company, amount involved Rs. Nil. (Previous year Rs. 19.08 lacs)
- x) Matters pending with CESTAT in respect of excise cases in relation cenvat credit availed on imported goods for the period 2006-07. The Company has done an analysis and is of the opinion that it has fair chance of a favorable decision. Amount involved is Rs. 55.72 lacs. (Previous year Rs. 27.86 lacs)
- xi) Matters pending with CESTAT in respect of excise on non saleable piston relating to period 2005-06. The Company has done an analysis and is of the opinion that it has fair chance of a favorable decision. Amount involved is Rs. 8.57 lacs. (Previous year Rs. 249.74 lacs)
- xii) Matters pending with Commissioner Chandigarh/ Deputy Commissioner Central Excise (DCCE) Patiala in respect of clearance of reprocessed goods without payment of duty for the period 2004-2005 to 2006-2007. The Company has done an analysis and is of the opinion that it has fair chance of a favorable decision. Amount involved is Rs. 8.82 lacs. (Previous year Rs. 8.82 lacs)

## SCHEDULES 1-23 (Contd.)

### Schedule 23 : Notes to Accounts

- xiii) Matters pending with Commissioner Appeals/ Joint Commissioner in respect of interest on reversal of Special Additional Duty (SAD) for 2000-01. The Company has done an analysis and is of the opinion that it has fair chance of a favorable decision. Amount involved is Rs. 9.37 lacs. (Previous year Rs. 9.37 lacs)
- xiv) Matters pending with Supreme Court in respect of conversion of Aluminum Scrap into Ingots from Colts for 2000-01 & 2001-02. The Company has done an analysis and is of the opinion that it has fair chance of a favorable decision. Amount involved is Rs. 15.14 lacs. (Previous year Rs. 15.14 lacs)
- xv) Matters pending with CESTAT in respect of excise cases in relation to provisional assessment of excise duty with respect to turnover discount for the period 2001-2002 to 2006-2007. The Company has taken legal opinion in this regard and is confident of success. Amount involved is Rs. 327.19 lacs. (Previous year Rs. 334.04 lacs)
- xvi) Matter pending with Central Excise & Service Tax Appellate Tribunal (CESTAT) in respect of valuation rates employed for certain products sold by the Company for the period 2001-2003 to 2004-2005. The Company has done an analysis and is of the opinion that it has fair chance of a favorable decision. Amount involved is Rs.6.12 lacs. (Previous year Rs. 6.12 lacs)
- xvii) Matter pending with Central Excise & Service Tax Appellate Tribunal (CESTAT) in respect of non payment of service tax on management fee by the Company for the period 1998-1999 to 2002-2003. The Company has done an analysis and is of the opinion that it has fair chance of a favorable decision. Amount involved is Rs. 16.94 lacs. (Previous year Rs. 16.94 lacs)
- xviii) Matter pending with Joint commissioner of Central Excise ,Chandigarh in respect of availment of service tax credit on various services by the Company for the period 2007-2008. The Company has done an analysis and is of the opinion that it has fair chance of a favorable decision. Amount involved is Rs. 28.86 lacs. (Previous year Rs. Nil)
- e) In relation of b (ii) Sales Tax cases contested by the Company comprise of:**
- i) In respect of Assessment Year 1996-97 to 2001-02, on account of differences in sales tax rates, the matter is pending with Karnataka High court. The Company has taken legal opinion in this regard and is confident of success. Amount involved is Rs. 59.23 lacs. (Previous year Rs. 59.23 lacs)
- ii) In respect of Assessment Year 1999-00, on account of non-submission of C- forms and F- Forms, the matter is pending with JCCT. During the year, the company has deposited the amount with the authority, amount involved is Rs. Nil. (Previous period Rs. 38.39 lacs)
- iii) In respect of Assessment Year 2002-03 to 2006-07, on account of Entry tax, the matter is pending with Additional Commissioner. During the year, the company has deposited the amount with the authority, amount involved is Rs. Nil. (Previous period Rs. 20.65 lacs)
- f) In relation b (iii) above Employee State Insurance claims comprise of:**
- i) In respect of demand from Employee State Insurance, relating to non deposit of Employee State Insurance on certain employee related expenses pending with the Assessing Officer. The Company has done an analysis and is of the opinion that it has fair chance of a favorable decision. Amount involved is Rs.40.53 lacs. (Previous year Rs. 7.56 lacs)
- g) In relation of b (iv) above Employee related cases comprise of:**
- i) Claims against the Company not acknowledged as debt, in respect of demands raised by the workers. The Company has done an analysis and is of the opinion that it has fair chance of a favorable decision. Amount involved is Rs.72.67 lacs. (Previous year Rs. 119.52 lacs)
- h) In relation to b (v) above Electricity demand relates to:**
- i) In respect of a demand raised by Punjab Electricity Board (PSEB) for various years in relation to availment of additional load. The Company has done an analysis and is of the opinion that it has fair chance of a favorable decision. Amount involved is Rs. 52.24 lacs. (Previous year Rs. 52.24 lacs)
- i) In relation to b (vi) above Income Tax cases disputed by the Company:**
- i) In respect of Assessment Year 2000-01, certain additions were made on normal as well as on book profit. The matter is pending with ITAT. During the year, management has done an analysis and is of the opinion that chances of liability getting materialised are high. Hence the Company has created provision for the same. The amount for contingent liability for the year is Rs. Nil (Previous year Rs. 53.84 lacs)
- ii) In respect of Assessment Year 2002-03, certain additions were made on normal income as well as on book profits. The matter is pending with Commissioner Income Tax (Appeals). The Company has done an analysis and, in one of the case, is of the opinion that chances of liability getting materialised are high, hence the company has created provision for the same. The amount for contingent liability for the year is Rs.4.89 lacs. (Previous year Rs. 16.37 lacs)
- iii) In respect of Assessment Year 2003-04, disallowance was made for carry forward losses as well as certain disallowances. The matter is pending with Commissioner Income Tax (Appeals). The Company has done an analysis and is of the opinion that it has fair chance of a favorable decision. The amount involved is Rs.170.20 lacs. (Previous year Rs. 170.20 lacs)
- iv) In respect of Assessment Year 2004-05, certain additions were made on normal income. The matter was pending with Commissioner Income Tax (Appeals), during the year Company has got the order in its favour, hence the amount involved is Rs. Nil. (Previous year Rs. 23.79 lacs)
- v) In respect of Assessment Year 2005-06, certain additions were made on normal income. The matter is pending with Commissioner Income Tax (Appeals) and the Company is of the view that it has reasonable chance of success. The amount involved is Rs.21.60 lacs. (Previous year Rs. 21.60 lacs)
- vi) In respect of Assessment Year 1997-98, demand was raised due to disallowance of previous year expense made in regular assessment and also certain penalty proceedings on the above issue. The amount involved is Rs. 110.51 lacs. (Previous year Rs. Nil)
- j) In relation to b (vii) above Consumer cases filed against the company:**
- i) Matter was pending with Delhi High Court relating to cases filed by Mr. Harkirat Singh a customer of the Company relating to defective goods for the year 2004-05. During the year, the order was passed in the favour of the company, amount involved is Rs. Nil. (Previous year Rs. 4.07 lacs)
- ii) Matter pending with Delhi High Court relating to cases filed by Space 2000 a customer of the Company relating to defective goods for the period 1995-1996. The Company has done an analysis and is of the opinion that it has fair chance of a favorable decision Amount involved is Rs. 60.91 lacs. (Previous year Rs. 60.91 lacs)
- 8. (a) (i) Payments made to Directors :**
- | Particulars   | Year ended<br>December 31, 2008<br>(Rs. in lacs) | Year ended<br>December 31, 2007<br>(Rs. in lacs) |
|---|--|--|
| (a) Salaries  | 441.44   | 65.60  |
| (b) Contribution to Provident & Superannuation Fund | 3.47   | 8.32   |
| (c) Leave encashment paid                           | -  | 11.81  |
| (d) Gratuity paid                                   | -  | 57.60  |
| (e) Other Perquisites                               | 91.08  | 42.15  |
| (ii) Directors Sitting Fees                         | 8.60   | 10.00  |
- (b) Personnel expenses under Schedule 17 include Rs. 305.54 lacs towards director remuneration. This amount is in excess of permissible remuneration determined under Schedule XIII of the Companies Act, 1956. Management has filed an application with the Central government on July 22, 2008 for approval of payment of salary to the whole time director for Rs. 54.96 lacs per month for 5 years. Pending approval from the government, management has taken a confirmation from the director that they shall refund the amounts in the event of such approvals being refused.
- 9.** (In accordance with Explanation below Para 10 of Accounting standard 9 notified by Companies (Accounting Standards) Rules, 2006, excise duty on sales amounting to Rs. 8,194.26 lacs (Previous year 8,793.25 lacs) has been reduced from sales in profit & loss account and excise duty on decrease / (increase) in stock amounting to Rs. (380.69) lacs (Previous year Rs. 65.38 lacs) has been considered as (income) / expense in the financials statements.



## SCHEDULES 1-23 (Contd.)

### Schedule 23 : Notes to Accounts

10. During the year, the Company has not taken any foreign currency derivative instruments to hedge its foreign currency risk.

The amount of foreign currency exposure that is not hedged by a derivative instrument or otherwise as on December 31, 2008:

Particulars	Currency	Year ended December 31, 2008 Amount Rs. (in lacs)	Year ended December 31, 2008 Amount (Foreign currency (in lacs)	Year ended December 31, 2007 Amount Rs. (in lacs)	Year ended December 31, 2007 Amount (Foreign currency in lacs)
Borrowings	USD	1,292.11	26.74	139.06	3.57
Advance received	USD	3,300.29	67.63	-	-
Creditors	USD	174.41	3.57	53.93	2,126.00
Creditors	EURO	853.14	12.38	67.60	3,897.54
Creditors	GBP	34.03	0.48	4.08	321.07
Creditors	JPY	32.59	59.98	-	-
Creditors	ZAR	-	-	0.58	3.31
Debtors	USD	525.89	10.87	365.96	9.28
Debtors	EURO	105.07	1.56	38.65	0.67
Debtors	GBP	109.81	1.59	-	-

### 11. Gratuity and other post-employment benefit plans:

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service.

The following tables summarise the components of net benefit expense recognised in the profit and loss account and the funded status and amounts recognised in the balance sheet for the respective plans.

#### Profit and Loss account

Net employee benefit expense (recognised in Employee Cost)

	(Rs. in lacs)	
	Gratuity	
	2008	2007
Current service cost	239.49	412.79
Interest cost on benefit obligation	366.38	328.75
Expected return on plan assets	(239.91)	(261.70)
Net actuarial (gain) / loss recognised in the year	611.37	(153.44)
Expense allocated	-	(28.84)
Past service cost	-	-
Net benefit expense	<u>977.33</u>	<u>297.56</u>
Actual Return on Plan Assets	241.24	249.32

#### Balance sheet

##### Details of Provision for gratuity

Defined benefit obligation	5,404.64	4,419.12
Fair value of plan assets	<u>3,352.83</u>	<u>3,115.37</u>
	2,051.81	1303.75
Less: Unrecognised past service cost	-	-
Plan asset / (liability)	<u>2,051.81</u>	<u>1303.75</u>

Changes in the present value of the defined benefit obligation are as follows:

	Gratuity	
	2008	2007
Opening defined benefit obligation	4,419.12	4,117.15
Interest cost	366.38	328.75
Current service cost	239.49	412.79
Benefits paid	(233.05)	(273.74)
Actuarial (gains) / losses on obligation	612.70	(165.83)
Closing defined benefit obligation	<u>5,404.64</u>	<u>4,419.12</u>

#### Changes in the fair value of plan assets are as follows:

	Gratuity	
	2008	2007
Opening fair value of plan assets	3,115.37	2,953.30
Expected return	239.91	261.70
Contributions by employer	229.27	186.50
Benefits paid	(233.05)	(273.74)
Actuarial gains / (losses)	1.33	(12.39)
Closing fair value of plan assets	<u>3,352.83</u>	<u>3,115.37</u>

## SCHEDULES 1-23 (Contd.)

### Schedule 23 : Notes to Accounts

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	(Rs. in lacs)	
	Gratuity	
	2008	2007
	%	%
Investments with Insurer	100	100

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

The principal assumptions used in determining gratuity for the Company's plans are shown below:

	Gratuity	
	2008	2007
	%	%
Discount rate	6.5	8
Expected rate of return on assets	8	8
Employee turnover	1% at each stage	1% at each stage

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

Amount paid towards defined contribution plan is Rs. 846.74 lacs (Previous year Rs. 772.37 lacs)

Note:

- Information relating to experience adjustment in actuarial valuation of gratuity as required by Para 120 (n) (ii) of the Accounting standards 15 (revised) on Employee Benefits is not available with the company.
  - The companies expected contribution to the fund in next year is not presently ascertainable and hence, the contribution expected to be paid to the plan during the annual period beginning after the balance sheet date as required by Para 120 (o) of the Accounting standard 15 (Revised) on Employee Benefit is not disclosed.
12. The company has granted an interest free loan of Rs 1749.09 lacs to its wholly owned subsidiary company, Satara Rubbers and Chemicals Limited. The loan has been used by Satara Rubbers and Chemicals Limited for constructing a building and the purchase of associated other assets which are presently being used by the Company. Based upon an independent valuation obtained by the subsidiary from a Chartered Engineer, the present market value of these assets is more than the outstanding loan.
13. Information pursuant to paragraphs 3, 4, 4C and 4D of Part II of Schedule VI of the Companies Act, 1956.

(i) (a) Licensed and Installed Capacity and Actual Production :

Particulars	Licensed Capacity	*Installed Capacity	Actual Production
Piston Rings (Nos)	Delicensed	54,960,000 (54,960,000)	43,958,567 (43,705,318)
Pistons (Nos)	"	13,567,792 (13,567,792)	11,364,644 (9,787,637)
Pins (Nos)	"	13,478,250 (13,478,250)	12,043,051 (10,356,767)
Cylinder Liners (Nos)	"	602,309 (602,309)	98,047 (402,844)
Light Alloy Cylinders (Nos)	"	382,936 (382,936)	126,258 (117,528)
Valve Train Components (Nos.)	"	28,800,000 (28,800,000)	26,751,929 (26,942,807)
Structural Components (Nos.)	"	5,820,000 (5,820,000)	3,447,084 (4,346,987)

\* Installed Capacity as certified by Managing Director.

Note: Figures in brackets pertains to previous period

(b) Particulars of Opening Stock, Closing stock and turnover

Particulars	OPENING STOCK		CLOSING STOCK		TURNOVER	
	Quantity	Value (Rs. in lacs)	Quantity	Value (Rs. in lacs)	Quantity	Value (Rs. in lacs)
Piston Rings (Nos)	5,196,551 (5,161,393)	1,766.62 (1,686.30)	2,873,550 (5,196,551)	993.82 (1,766.62)	46,281,568 (43,670,160)	25,339.91 (22,333.03)
Pistons (Nos)	879,925 (1,029,804)	2,254.79 (2,431.87)	794,440 (879,925)	1,715.20 (2,254.79)	11,450,129 (9,937,516)	40,441.94 (36,205.74)
Pins (Nos)	879,592 (1,161,532)	452.17 (465.98)	901,913 (879,592)	437.50 (452.17)	12,020,730 (10,638,707)	4,540.93 (3,966.34)
Cylinder Liners (Nos)	39,865 (22,494)	86.65 (65.95)	663 (39,865)	1.2 (86.65)	137,249 (385,473)	132.97 (713.89)
Light Alloy Cylinders (Nos)	4,679 (9,730)	39.05 (50.09)	- (4,679)	- (39.05)	130,937 (122,579)	543.37 (772.43)
Valve Train Components (Nos)	1,336,547 (1,165,547)	137.25 (145.56)	954,128 (1,336,547)	99.22 (137.25)	27,134,348 (26,771,807)	3,181.87 (3,090.29)
Structural Components (Nos)	192,568 (94,799)	49.02 (16.88)	116,103 (192,568)	27.43 (49.02)	3,523,549 (4,249,218)	1,078.13 (1,183.64)
Miscellaneous	-	122.12 (349.60)	-	113.20 (122.12)	-	188.58 (129.38)

Notes: Figures in Brackets pertain to previous year.

**SCHEDULES 1-23 (Contd.)**

**Schedule 23 : Notes to Accounts**

**(ii) Trading Operations:**

Particular	Purchases		Closing Balances		Sales	
	Quantity	Value Rs. (in lacs)	Quantity	Value Rs. (in lacs)	Quantity	Value Rs. (in lacs)
Bearing\Liner	285,194	441.94	53,435	16	231,759	483.78

Note: Figures in brackets pertain to previous year.

	Unit	Year Ended December 31, 2008		Year Ended December 31, 2007	
		Quantity	Rs. (in lacs)	Quantity	Rs. (in lacs)
<b>(iii) Details of Raw Materials Consumed:</b>					
a) Pig Iron	M.Ton	2,966	802.96	3,183	592.62
b) Alloys	M.Ton	715	637.70	458	482.27
c) Chromic Acid	M.Ton	88	132.27	94	112.20
d) Aluminum	M.Ton	4,902	6,451.55	5,089	6,585.08
e) Steel Strips	M.Ton	15	128.11	18	136.75
f) Pin Steel	M.Ton	2,830	2,056.98	1,826	1,398.79
g) Silicon	M.Ton	738	1,064.55	793	693.07
h) Magnesium	M.Ton	84	176.73	91	106.47
i) Nickel	M.Ton	171	2,119.25	146	2,597.72
j) Iron Powder	M.Ton	510	369.10	685	316.16
k) Steel Powder	M.Ton	71	422.16	86	468.58
l) Copper Powder	M.Ton	69	267.04	84	306.51
m) Distalloys	M.Ton	72	102.31	143	176.67
o) Others		-	6,950.15	-	8,093.85
<b>Total</b>		<b>13,232</b>	<b>21,680.88</b>	<b>12,696</b>	<b>22,066.74</b>

**(iv) C.I.F. Value of Imported items:**

(a) Raw Materials	5,553.96	4,927.18
(b) Spare Parts & Components	1,128.61	1,429.82
(c) Capital Goods	4,158.16	4,130.47

**(v) Expenditure in Foreign Currency (on payment basis):**

(a) Travelling Expenses	76.97	55.00
(b) Commission on Sales	4.67	4.88
(c) Royalty	218.73	449.88
(d) Sales Promotion	2.15	-
(e) Professional Expenses	380.37	-
(f) Others	16.95	42.60

**(vi) Imported and Indigenous Raw Materials Consumed**

	Rs. (in lacs)	%	Rs. (in lacs)	%
(a) Indigenous	16,123.69	74.37	16,689.14	75.63
(b) Imported	5,557.19	25.63	5,377.60	24.37
<b>Total</b>	<b>21,680.88</b>	<b>100.00</b>	<b>22,066.74</b>	<b>100.00</b>

**(vii) Imported & Indigenous Stores and Spares Consumed:**

(a) Indigenous	6,555.56	91.37	5,427.50	89.41
(b) Imported	619.15	8.63	642.90	10.59
<b>Total</b>	<b>7,174.71</b>	<b>100.00</b>	<b>6,070.40</b>	<b>100.00</b>

**(viii) Earnings in Foreign Currency (on accrual basis)**

Export on FOB basis	7,139.03	4,965.43
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## SCHEDULES 1-23 (Contd.)

### Schedule 23 : Notes to Accounts

#### 14. Details of dues to Micro, Small and Medium Enterprises as per MSMED Act, 2006:

Particulars	2008	(Rs. in lacs) 2007
The principal amount remaining unpaid as at the end of year	104.79	143.28
Interest due on above principal and remaining unpaid as at the end of the year	1.44	0.32
The amount of interest paid by the buyer in terms of section 16, of the Micro Small and Medium Enterprise Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	-	-
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro Small and Medium Enterprise Development Act, 2006.	1.78	1.59
The amount of interest accrued and remaining unpaid at the end of each accounting year; and	5.13	1.91
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Micro Small and Medium Enterprise Development Act, 2006		

15. The company has deferred tax liability of Rs. 4,416.78 lacs on timing difference in depreciation and other difference in block of fixed assets as per tax books and financials books as at December 31, 2008. The company also has differed tax asset of Rs. 6894.39 lacs as at December 31, 2008 on carry forward losses, unabsorbed depreciation and other expenditures debited to profit and loss account in the current year but allowed for tax purposes in following years. The deferred tax liability being less than deferred tax asset, in context of block of asset, has not being provided for at the year end. Also in accordance with Accounting standard 22 'Accounting for Taxes on Income' notified under Companies (Accounting standard) Rules 2006, in view of loss incurred by the company during the year and large amount of accumulated losses carried forward at the close of the year, deferred tax asset on timing differences and on carried forward losses and unabsorbed depreciation has not being accounted for in the books since it is not virtually certain whether the company will be able to take advantage of such losses / depreciation.

#### 16. During the current year:

- i) The Company had issued 23,011,192 shares (previous year 7,333,389 shares) @ Rs. 10 each at a premium of Rs. 46 (previous year Rs. 135) per share on right issue basis for cash.
- ii) Expenses of Rs. 107.34 lacs (previous year Rs. 172.53 lacs) incurred in connection with the public issue of the Company had been adjusted against Securities Premium Account in terms of section 78 of the Companies Act, 1956. Above amount includes Rs. 14.50 lacs (Previous year Rs. 71.50 lacs) paid to statutory auditors.
- iii) Pursuant to right issue offer, the Company gathered Rs. 12,886.27 lacs, details of utilisation of right issue proceeds are as follows:

	Amount as per letter offer dated November 5, 2008 Rs. (in lacs)	Amount utilised till December 31, 2008 Rs. (in lacs)
Repayment of existing debt on their respective due dates	3,040.67	375.00
Payment to suppliers for purchase of machineries (including interest)	9,296.61	7,024.11
General corporate purposes	431.30	431.30
Issue expenses	117.69	107.34
<b>Total</b>	<b>12,886.27</b>	<b>7,937.75</b>

- iv) The unutilised amount aggregating to Rs. 4,948.52 (Previous year Rs. Nil) have been temporarily used for improving the working capital requirement of the company.

17. The company has capitalized various expenses incurred in the course of construction of self generated assets, the details of expenses capitalized from operating expenses for the purpose of construction of self generated assets is as follow:

	Year Ended December 31, 2008 Rs. (in lacs)	Year Ended December 31, 2007 Rs. (in lacs)
Salaries, wages and bonus	211.88	229.65
Consumption of stores and spares	141.26	153.10
<b>Total</b>	<b>353.14</b>	<b>382.75</b>

18. Previous year figures have been regrouped and rearranged wherever necessary to make these comparable.

As per our report of even date

For S.R. Batliboi & Co.  
Chartered Accountants

per Pankaj Chadha  
Partner  
Membership No. 91813

Place: Gurgaon  
Date: March 27, 2009

For and on behalf of the Board of Directors of  
Federal-Mogul Goetze (India) Limited

Rustin Murdock  
Whole Time Director & CFO

Rajan Luthra  
Financial Controller & Company Secretary

Place: New Delhi  
Date: March 27, 2009

Jean de Montlaur  
Managing Director &  
President

**Balance Sheet and Profit and Loss Account**  
**Cash flow statement for the year ended December 31, 2008**

	For the year ended December 31, 2008 Rs. in lacs	For the year ended December 31, 2007 Rs. in lacs
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Loss before tax after prior period	(517.00)	(1,782.69)
Adjustments for:		
Depreciation and amortisation	4,634.14	4,292.16
Loss on sale / discard of fixed assets (net)	100.51	387.58
Loss on sale of trade investments	-	0.18
Provision for doubtful debts	36.58	61.07
Advances written off	-	14.53
Interest income	(19.27)	(7.19)
Dividend income	(30.60)	(30.60)
Interest expense	2,568.81	3,496.05
Excess provision written back	(273.00)	(41.77)
Unrealised forex gain and loss (net)	223.09	28.13
Miscellaneous expenditure written off	239.90	239.90
<b>Operating profit before working capital changes</b>	<b>6,963.16</b>	<b>6,657.35</b>
Movements in working capital :		
Decrease / (Increase) in sundry debtors	(423.31)	(1,692.80)
Decrease / (Increase) in other current assets	(95.45)	(291.38)
Decrease / (Increase) in inventories	2,869.67	328.05
Decrease / (Increase) in loans and advances	115.31	(1,533.04)
Increase / (Decrease) in current liabilities and provisions	109.22	4,510.87
Cash generated from operations	9,538.60	7,979.05
Direct taxes paid (net of refunds)	146.75	(68.54)
<b>Net cash from operating activities</b>	<b>9,685.35</b>	<b>7,910.51</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets/ Intangibles Assets	(6,957.79)	(7,897.93)
Proceeds from sale of fixed assets	199.85	134.19
Sale / maturity of investments	1.56	41.10
Interest received	7.29	2.87
Dividends received	30.60	30.60
<b>Net cash used in investing activities</b>	<b>(6,718.49)</b>	<b>(7,689.17)</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of borrowings (Long term)	(5,869.54)	(14,507.77)
Receipt of borrowings (Long term)	-	4,500.00
Movement in borrowings (Short term)	(7,153.76)	2,624.47
Interest paid	(2,715.42)	(3,443.71)
Proceeds from Issuance of share capital	12,886.27	10,460.88
Share issue expenses	(107.34)	-
<b>Net cash used in financing activities</b>	<b>(2,959.79)</b>	<b>(366.13)</b>
<b>Net increase in cash and cash equivalents (A + B + C)</b>	<b>7.07</b>	<b>(144.79)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>80.37</b>	<b>225.16</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>87.44</b>	<b>80.37</b>
<b>Components of cash and cash equivalents as at</b>	<b>December 31, 2008</b>	<b>December 31, 2007</b>
	Rs. in lacs	Rs. (in lacs)
Cash and cheques on hand	1.39	2.28
With banks - on current account	59.85	51.89
- on unpaid dividend account*	26.20	26.20
	<b>87.44</b>	<b>80.37</b>

\*Balance in unpaid dividend account can be used by the Company only for payment of dividend.  
As per our report of even date

**For S.R. Balliboi & Co.**  
**Chartered Accountants**

**per Pankaj Chadha**  
**Partner**  
Membership No. 91813

Place: Gurgaon  
Date: March 27, 2009

For and on behalf of the Board of Directors of  
Federal-Mogul Goetze (India) Limited

**Rustin Murdock**  
Whole Time Director & CFO

**Rajan Luthra**  
Financial Controller & Company Secretary  
Place: New Delhi  
Date: March 27, 2009

**Jean de Montlaur**  
Managing Director & President

**SCHEDULES 1-23 (Contd.)**

**Schedule 23 : Notes on Accounts**

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

**I. Registration Details**

Registration No. C - 2 4 5 2

State Code 5 5

Balance Sheet Date 3 1 1 2 2 0 0 8  
Date Month Year

**II. Capital Raised during the year (Amount in Rs. Thousands)**

Public Issue	Rights Issue*
N I L	2 3 0 1 1 2
Bonus Issue	Private Placement
N I L	N I L

\*This amount does not include the amount of share premium

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

Total Liabilities	Total Assets
4 9 5 7 4 8 3	4 9 5 7 4 8 3

**Sources of Funds**

Paid-up Capital	Reserves & Surplus
5 5 6 3 2 1	2 7 7 9 8 0 0
Secured Loans	Unsecured Loans
1 6 1 4 4 5 7	6 9 0 5

**Application of Funds**

Net Fixed Assets	Investments
4 0 0 6 2 0 6	2 0 9 2 3 4
Net Current Assets	Deferred Tax Asset
3 0 5 3 5 1	N I L
Accumulated Losses	Misc. Expenditure
3 6 4 7 2 1	7 1 9 7 1

**IV. Performance of Company (Amount in Rs. Thousands)**

Turnover including Other Income	Total Expenditure
7 1 6 1 8 4 2	7 2 1 3 5 4 2
Loss before Tax	Loss after Tax
5 1 7 0 0	6 8 9 2 3
Earning Per Share in Rs.	Dividend Rate %
- 2 . 0 5	0 0

**V. Generic Names of Three Principal Products of Company**

Item Code No.	8 4 0 9 9 1 . 0 5
Product Description	P I S T O N R I N G S
Item Code No.	8 4 0 9 9 1 . 0 4
Product Description	P I S T O N S
Item Code No.	8 4 0 9 9 1 . 0 9
Product Description	E N G I N E P A R T S - P E T R O L

**Statement regarding subsidiaries pursuant to Section 212 of the Companies Act, 1956**

1.	Name of the Subsidiary Companies	Federal-Mogul TPR (India) Limited	Satara Rubbers & Chemicals Limited
2.	Financial Year of the Subsidiary Companies ended on	31 <sup>st</sup> December 2008	31 <sup>st</sup> December 2008
3.	Holding Company's Interest	Holders of 51,00,000 Equity Shares out of the Subscribed and Paid up Capital of the 1,00,00,000 Equity shares of Rs.10/- each (51%)	Holders of the entire 50,000 Equity shares of Rs. 10/- each fully paid up. (100%)
4.	Net Aggregate amount of Profit Less Losses of the subsidiary Companies so far as it concerns the Members of Federal-Mogul Goetze (India) Ltd.		
	a] Not dealt with in the Accounts of Federal-Mogul Goetze (India) Ltd.		
	i) for the subsidiary's financial year above referred	Rs. 441.90 Lacs	Rs. 5.15 Lacs
	ii) for previous financial years of subsidiary since it became subsidiary of Federal-Mogul Goetze (India) Ltd.	Rs. 616.23 Lacs	Rs. (251.81) Lacs
	b] Dealt with the Accounts of Federal-Mogul Goetze (India) Ltd.		
	i) for the subsidiary's financial year above referred	Nil	Nil
	ii) for previous financial years of subsidiary since it became subsidiary of Federal-Mogul Goetze (India) Ltd.	Nil	Rs. (201.00) Lacs

**Jean de Montlaur**  
Managing Director & President

**Rustin Murdock**  
Whole Time Director & CFO

**Rajan Luthra**  
Financial Controller & Company Secretary

Place: Gurgaon  
Date: 30th April, 2009



# FEDERAL-MOGUL TPR (INDIA) LIMITED

## DIRECTORS' REPORT

Your Directors have immense pleasure in presenting the Twelfth Annual Report together with the Audited Accounts for the year ended 31<sup>st</sup> December 2008.

### Financial Results

(Rs. in Million)

	For the year ended 31.12.08	For the year ended 31.12.07
Total Income		
Gross Sales	732.34	745.30
Deduct: Excise Duty	<u>103.16</u>	<u>112.32</u>
	<b>629.18</b>	<b>632.98</b>
Business and other Income	<u>2.86</u>	<u>2.63</u>
	<b>632.04</b>	<b>635.61</b>
Profit before Depreciation and Interest	<b>192.55</b>	142.75
Deduct:		
Depreciation	<b>33.94</b>	32.40
Interest & Finance Charges	<b>26.88</b>	22.05
Net Profit before Tax	<b>131.73</b>	88.30
Provision for Tax		
- Current	<b>50.47</b>	36.39
- Deferred	<b>(6.05)</b>	(4.98)
- Fringe Benefit	<b>0.66</b>	0.48
Profit after Tax	<b>86.65</b>	56.41
Profit brought forward	<b>120.83</b>	71.44
Net profit available for appropriation	<b>207.48</b>	127.85
Appropriations :		
Dividend- Preference @6%	<b>6.00</b>	6.00
Tax on Dividend	<b>1.02</b>	1.02
Surplus carried to Balance Sheet	<b>200.46</b>	120.83

### Financial Performance

Despite a drop in sales by 0.6% versus the prior year due to an unprecedented decline in the automotive market, the net profit before tax increased by 49% due to significant cost reduction measures which helped to set off the impact of decline in the sales.

The Gross Turnover of the Company during 2008 is Rs.732.34 million as against Rs. 745.30 million for the year ended December 31, 2007. The profit before tax increased to Rs. 131.73 million as compared to Rs. 88.30 million for the previous year.

### Operations

Auto component industry is fully dependent on the automotive industry. Since mid of 2008 the Auto industry has witnessed a steady fall. Due to credit crunch and non availability of finance, the demand has shrunk for the cars and with slight increase in the demand for motor cycles. Government has given financial incentives by way of reduction in excise duty and tax benefits which may improve the sentiments of the market and sustainability of the demand. In the long run, it is expected that there will be a revival of the economy leading to the growth of the company.

During this downturn in the market your Company is able to maintain high profits due to reduction in costs and saving measures adopted.

### Auditors' Comments

The Management is in the process of setting up an internal audit system in concurrence with the

Statutory Auditors of the Company. However, management is of the opinion that the Company has adequate internal controls to protect the Company's resources and to bring efficiencies in all aspects of business.

### Dividend

In view of profits your Directors are pleased to recommend dividend @6% on the Cumulative Redeemable Preference Shares for the year ended 31<sup>st</sup> December, 2008. The total outflow on account of dividend, if approved, will be Rs. 7.02 million [including dividend tax of Rs. 1.02 million].

### Personnel

There are no employees who come under the category of employees, as required under Section 217(2A) of the Companies Act, 1956.

### Directors

In accordance with Articles of Association of the Company, Mr. Andreas Kolf, Director, is liable to retire by rotation and, being eligible, offers himself for re-appointment.

In accordance with Articles of Association of the Company, Mr. Hiroshi Takano, Director, is liable to retire by rotation and, being eligible, offers himself for re-appointment.

### Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, your Directors wish to place on record that:

- In preparing the Annual Accounts, all applicable

accounting standards have been followed and that there have been no material departures;

- The accounting policies are adopted and consistently followed and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at the end of financial year and of the Profit & Loss Account of the Company for the Financial Year;
- The Directors have taken proper and sufficient care for the maintenance of adequate accounting records, in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- The Annual Accounts have been prepared on a going concern basis.

### Audit Committee

The Audit Committee comprised of Mr. Rustin Murdock as Chairman, Mr. John Derham, Mr. Hiroshi Takano and Mr. Andreas Kolf as Members.

The Audit Committee met on 21<sup>st</sup> February, 2008 to consider and approve the annual accounts for the year ended December, 2007 and to recommend dividend and re-appointment of M/s. S. R. Batliboi & Co. as the statutory Auditors for the year 2008 and fix their remuneration for the year ended 31<sup>st</sup> December 2007.





# FEDERAL-MOGUL TPR (INDIA) LIMITED

## Auditors

M/s. S. R. Batliboi & Co., Chartered Accountants, retire as Auditors at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment. They have certified that the re-appointment, if made, will be in accordance with sub-section (1B) of Section 224 of the Companies Act, 1956.

## Public Deposits

The Company has not accepted any Fixed Deposits from the public.

## Safety, Health and Environment Protection

The Company sustained its initiatives to maintain a pollution free environment by elimination of waste, optimum utilization of power and preventive maintenance of equipments and machines to keep them in good condition. Safety and health of the people working in and around the manufacturing facilities has always been the main emphasis of the Company. We endeavor to be environmentally responsible Company by developing safe, efficient and environmentally conscious products and manufacturing processes. The Company ensures the due compliance of all environmental laws, emission norms etc., recycling of effluents and timely removal of wastes and residues.

## Industrial Relations

The industrial relations in the Company remained cordial and harmonious throughout the year.

## Conservation of Energy & Technology Absorption

Information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is annexed and forms a part of this report.

## Acknowledgement

Your Directors take this opportunity to place on

record their gratitude for timely and valuable assistance and support received from its promoters Teikoku Piston Ring Company Ltd., Federal-Mogul Corporation and Federal-Mogul Goetze (India) Ltd as well as from the employees of the Company, dealers, vendors, customers, business associates, State Government Authorities and all concerned without which it would not have been possible to achieve all round progress and growth of the Company.

For and on behalf of the Board

**Jean de Montlaur**  
Chairman & Director

Date : March 12, 2009

## Annexure to the Directors' Report

Particulars required under the Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988.

### A. CONSERVATION OF ENERGY

Continued efforts were made for improving the production process resulting in reduced energy consumption.

### Additional Investment and Proposals for reduction in Energy Consumption:

Re- rating of motor horse power based on output requirements. This proposal will result in conservation of energy.

### B. TECHNOLOGY ABSORPTION

#### Research & Development (R&D)

#### 1. Specific areas in which the Company carried out the R&D

- Improvements in the process to achieve close tolerances.

#### 2. Benefits derived as a result of the above R&D

- Better performance in terms of reduced oil consumption and emission.

#### 3. Future plan of action

To test and develop alternate low cost material without comprising of the product quality and performance.

#### 4. Expenditure on R&D

- Capital - Nil
- Recurring - Rs. 0.21 million
- Total - Rs. 0.21 million
- Total R & D Expenditure as a percentage of total turnover - 0.03%

## Technology absorption, adaptation and innovation

### 1. Technology absorption measures taken by the Company and benefits there from:

The Company has successfully absorbed the technology for the manufacture of piston rings conforming to Euro I, II & III standards for Gasoline/ Diesel/CNG applications.

### 2. Import of Technology

Technology for	Imported from	Year	Status
Designs and technical know how for manufacturing steel compression and oil control piston rings	Teikoku Piston Ring Company Ltd. Japan	Jan 08- Dec-08	Continuous flow of technology in the form of technology upgrades and processes for new products

### C. FOREIGN EXCHANGE EARNING AND OUTGO

There were no exports during the year.  
Foreign exchange earnings- Nil  
Foreign exchange outgo - Rs. 7.64 million



# FEDERAL-MOGUL TPR (INDIA) LIMITED

## AUDITORS' REPORT

### To The Members of Federal-Mogul TPR (India) Limited

1. We have audited the attached Balance Sheet of Federal-Mogul TPR (India) Limited ('the Company') as at December 31, 2008 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.
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 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.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) 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, 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 the written representations received from the directors, as on December 31, 2008, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on December 31, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956; and
  - 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 December 31, 2008;
    - 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 S.R. BATLIBOI & CO.**  
Chartered Accountants

**per Pankaj Chadha**

Place : Gurgaon

Partner

Dated: March 12, 2009

Membership No. 91813

### Annexure referred to in Paragraph 3 of our report of even date

#### Re: Federal-Mogul TPR (India) Limited ('The Company')

- i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

- (b) All fixed assets were physically verified by the management in the previous year in accordance with a planned programme of verifying them once in three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification.
- (c) There was no substantial disposal of fixed assets during the year.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) As informed, the Company has not granted/ taken any loans, secured or unsecured to/ from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Therefore, clause 4 (iii) (b), (c), (d), (e), (f) and (g) are not applicable to the company.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
- (v) (a) 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 Act that need to be entered into the register maintained under section 301 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs entered during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public.
- (vii) *The Company does not have an internal audit system.*
- (viii) We have broadly reviewed the books of account 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 are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determine whether they are accurate and complete.
- (ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it. Investor education and protection fund is not applicable to the company.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues applicable to the Company were outstanding, at the year end, for a period of more than six months from the date they became payable. Investor education and protection fund is not applicable to the company.
- (c) According to the record of the Company, the dues outstanding of sales-tax, income-tax, customs duty, wealth tax, excise duty and cess which have not been deposited on account of any dispute, are as follows::

Name of the Statute	Nature of the Dues	Amount	Period to which the amount relates	Forum where dispute is pending
Central Excise Act	Excise Duty on trade discount	2,42,426	2000-2004	Joint Commissioner of Central Excise
Central Excise Act	Excise Duty on Turnover Discount	6,91,479	2003-2007	Central Excise and Service Tax Appellant Tribunal
Central Excise Act	Cenvat Credit availment on Job work	3,61,06,654	2005-2007	CESTAT
Central Excise Act	Availment of cenvat credit (Service tax)	3,83,705	April 2006-May 2006	Deputy Commissioner of Central Excise
Central Excise Act	Service tax on management fees and sole selling commission.	67,54,992	2004 to 2007	Commissioner of Central Excise
Central Excise Act	Irregular availment of excise duty credit.	69,542	2007 to 2008	Commissioner of central excise
Income Tax Act	Additions to normal income	1,45,92,560	2005 to 2006	Commissioner of Income Tax (Appeals)

- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet and cash flow statement of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The company has not raised any money through a public issue during the year.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the 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 S.R. BATLIBOI & CO.**  
Chartered Accountants

**per Pankaj Chadha**

Partner

Place : Gurgaon

Dated: March 12, 2009

Membership No. 91813



# FEDERAL-MOGUL TPR (INDIA) LIMITED

## BALANCE SHEET AS AT DECEMBER 31, 2008

	Schedule	As at December 31, 2008 Amount in Rs.	As at December 31, 2007 Amount in Rs.
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share capital	1	200,000,000	200,000,000
Reserves and surplus	2	200,460,374	120,832,764
		<b>400,460,374</b>	<b>320,832,764</b>
<b>Loan funds</b>			
Secured loans	3	214,227,362	191,597,473
		<b>214,227,362</b>	<b>191,597,473</b>
<b>Deferred tax liabilities (net)</b>	4	<b>25,111,324</b>	<b>31,163,080</b>
<b>TOTAL</b>		<b>639,799,060</b>	<b>543,593,317</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed assets</b>			
Gross block	5	399,155,457	357,824,436
Less : Accumulated Depreciation / amortisation		195,639,316	163,395,849
<b>Net block</b>		<b>203,516,141</b>	<b>194,428,587</b>
Capital work-in-progress including capital advances		2,398,528	25,050,921
		<b>205,914,669</b>	<b>219,479,508</b>
<b>Current Assets, Loans and Advances</b>			
Inventories	6	81,778,232	92,082,512
Sundry debtors	7	422,552,397	292,751,280
Cash and bank balances	8	3,181,725	6,755,666
Other current assets	9	-	56,281
Loans and advances	10	7,276,352	9,231,093
	(A)	<b>514,788,706</b>	<b>400,876,832</b>
Less: <b>Current liabilities and provisions</b>			
Current liabilities	11	68,430,651	61,773,021
Provisions	12	12,473,664	14,990,002
	(B)	<b>80,904,315</b>	<b>76,763,023</b>
<b>Net current assets</b>	(A-B)	<b>433,884,391</b>	<b>324,113,809</b>
<b>TOTAL</b>		<b>639,799,060</b>	<b>543,593,317</b>
<b>Notes to accounts</b>	21		

The schedules referred to above and the notes to accounts form an integral part of the Balance Sheet

As per our report of even date

**For S.R. BATLIBOI & CO.**  
**Chartered Accountants**

per **Pankaj Chadha**  
**Partner**  
Membership No. 91813

Place: Gurgaon  
Date: March 12, 2009

For and on behalf of the Board of Directors of  
Federal- Mogul TPR (India) Limited

**Jean de Montlaur**  
Chairman & Director

Place: New Delhi  
Date: March 12, 2009

**Rustin Murdock**  
Director

**Shifali Chawla**  
Company Secretary



## FEDERAL-MOGUL TPR (INDIA) LIMITED

### PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2008

Schedule	For the year ended December 31, 2008 Amount in Rs.	For the year ended December 31, 2007 Amount in Rs.
<b>Income</b>		
Turnover (Gross)	732,339,566	745,298,389
Less : Excise duty	103,158,300	112,316,559
Turnover (Net)	629,181,266	632,981,830
Other income	13 2,855,427	2,632,148
<b>TOTAL</b>	<b>632,036,693</b>	<b>635,613,978</b>
<b>EXPENDITURE</b>		
Raw materials and components consumed	14 41,976,371	58,222,118
Purchase of Trading Goods	89,300,491	107,113,643
Personnel expenses	15 15,051,722	17,086,874
Other Manufacturing expenses	16 144,764,878	145,655,965
Operating and other expenses	17 143,793,840	148,686,542
Decrease/(increase) in inventories	18 8,736,071	18,033,947
Depreciation and amortisation	5 33,937,708	32,397,636
Increase/(decrease) of excise duty on finished goods	(4,134,158)	(1,933,000)
Financial expenses	19 26,877,323	22,051,182
	<b>500,304,246</b>	<b>547,314,907</b>
<b>Profit before tax</b>	<b>131,732,447</b>	<b>88,299,071</b>
<b>Provision for tax</b>		
Current Tax (includes Rs. Nil, (previous year Rs. 515,000) relating to earlier year).	50,471,406	36,393,226
Fringe Benefit Tax	665,487	475,000
Deferred -Tax Credit	(6,051,756)	(4,980,295)
<b>Total Tax expense</b>	<b>45,085,137</b>	<b>31,887,931</b>
<b>Profit after tax</b>	<b>86,647,310</b>	<b>56,411,140</b>
Balance brought forward from previous year	120,832,764	71,441,324
<b>Profit available for appropriation</b>	<b>207,480,074</b>	<b>127,852,464</b>
<b>Appropriations:</b>		
Proposed final dividend	6,000,000	6,000,000
Tax and cess on dividend	1,019,700	1,019,700
<b>Surplus carried to balance sheet</b>	<b>200,460,374</b>	<b>120,832,764</b>
<b>Earnings per share</b>	20	
Basic and diluted [Nominal value of shares Rs. 10 (Previous year Rs. 10)]	7.96	4.94
<b>Notes to Accounts</b>	21	

The schedules referred to above and the notes to accounts form an integral part of the Profit and Loss Account

As per our report of even date

**For S.R. BATLIBOI & CO.**  
**Chartered Accountants**

per Pankaj Chadha  
Partner  
Membership No. 91813

For and on behalf of the Board of Directors of  
Federal- Mogul TPR (India) Limited

**Jean de Montlaur**  
Chairman & Director

**Rustin Murdock**  
Director

**Shifali Chawla**  
Company Secretary

Place: Gurgaon  
Date: March 12, 2009

Place: New Delhi  
Date: March 12, 2009



# FEDERAL-MOGUL TPR (INDIA) LIMITED

Balance sheet and profit and loss account

## Schedules to the Accounts

### Schedule 1: Share Capital

	As at December 31, 2008 Amount in Rs.	As at December 31, 2007 Amount in Rs.
<b>Authorised</b>		
1,00,00,000 (Previous year 100,00,000) equity shares of Rs. 10 each	100,000,000	100,000,000
10,00,000 (Previous year 10,00,000) 6% redeemable cumulative preference shares of Rs. 100 each	100,000,000	100,000,000
	<b>200,000,000</b>	<b>200,000,000</b>
<b>Issued, Subscribed and Paid up</b>		
1,00,00,000 (Previous year 1,00,00,000) equity shares of Rs.10 each	100,000,000	100,000,000
10,00,000 (Previous year 10,00,000) 6% Redeemable cumulative preference shares of Rs.100 each	100,000,000	100,000,000
	<b>200,000,000</b>	<b>200,000,000</b>

Of the above :

1. Out of the above 5,100,000 Equity Shares (Previous year 5,100,000) of Rs. 10 each are held by Federal-Mogul Goetze (India) Limited, the holding company.
2. The Redeemable Cumulative Preference Shares were redeemable at par after 5 years from the date of allotment (20th January 2000) or later, at the option of the Company. The company has not exercise the option to redeem preference shares.

### Schedule 2: Reserves and Surplus

<b>Profit and Loss Account</b>	<b>200,460,374</b>	120,832,764
<b>Total</b>	<b>200,460,374</b>	120,832,764

### Schedule 3: Secured Loans

<b>Loans and advances from banks</b>		
Term loans	57,540,861	90,917,209
Working capital loan from banks		
– Cash credits	11,686,501	10,680,264
– Demand loans	145,000,000	90,000,000
<b>Total</b>	<b>214,227,362</b>	191,597,473

- The term loan is secured by exclusive charge on the entire fixed assets of the company. (Amount payable within one year is Rs.38,461,156 Previous year Rs.36,703,552 .)

- Working capital loans are secured by way of first pari-passu charge on entire current assets of the company.

### Schedule 4: Deferred tax liability

<b>Deferred tax liabilities</b>		
Differences in depreciation and other differences in block of fixed assets as per tax books and financial books	29,142,223	34,079,845
<b>Gross deferred tax liabilities</b>	<b>29,142,223</b>	34,079,845
<b>Deferred tax assets</b>		
Effect of expenditure debited to profit and loss account in the current / earlier years but allowed for tax purposes in following years	3,775,335	2,758,520
Provision for doubtful debts	255,564	158,245
<b>Gross deferred tax assets</b>	<b>4,030,899</b>	2,916,765
<b>Net deferred tax Liability</b>	<b>(25,111,324)</b>	(31,163,080)



## FEDERAL-MOGUL TPR (INDIA) LIMITED

### Schedules to the Accounts

#### Schedule 5: Fixed Assets

	Plant and machinery	Furniture & fixtures	Vehicles	Total	Amount in Rs. Previous Year
<b>Gross block</b>					
At January 1,2008	354,582,032	1,616,936	1,625,468	<b>357,824,436</b>	354,048,496
Additions	43,189,284	-	-	<b>43,189,284</b>	5,687,939
Deletions	264,505	-	1,593,758	<b>1,858,263</b>	1,911,999
<b>At December 31, 2008</b>	<b>397,506,811</b>	<b>1,616,936</b>	<b>31,710</b>	<b>399,155,457</b>	357,824,436
<b>Depreciation</b>					
At January 1,2008	160,843,876	1,093,912	1,458,061	<b>163,395,849</b>	132,046,732
For the year	33,891,992	29,880	15,836	<b>33,937,708</b>	32,397,636
Deletions / adjustments	232,158	-	1,462,083	<b>1,694,241</b>	1,048,519
<b>At December 31, 2008</b>	<b>194,503,710</b>	<b>1,123,792</b>	<b>11,814</b>	<b>195,639,316</b>	163,395,849
For Previous Year	32,119,742	32,143	245,751	32,397,636	22,944,490
<b>Net block</b>					
<b>At December 31, 2008</b>	<b>203,003,101</b>	<b>493,144</b>	<b>19,896</b>	<b>203,516,141</b>	194,428,587
For previous year	193,738,156	523,024	167,407	194,428,587	222,001,764
<b>Capital work in progress including Capital Advances of Rs. Nil ( Previous Year Rs. 254,379)</b>				<b>2,398,528</b>	25,050,921

#### Schedule 6: Inventories

	As at December 31, 2008 Amount in Rs.	As at December 31, 2007 Amount in Rs.
Raw materials and components (Including materials in transit Rs. 3,767,961 (Previous Period Rs. 5,417,397))	<b>34,040,434</b>	40,175,755
Stores and spares	<b>19,643,655</b>	15,076,543
Work-in- progress	<b>14,227,920</b>	14,759,753
Finished goods	<b>13,866,223</b>	22,070,461
<b>Total</b>	<b>81,778,232</b>	92,082,512

#### Schedule 7: Sundry Debtors

<b>Debts outstanding for a period exceeding six months</b>		
Unsecured, considered good*	<b>256,398,744</b>	104,320,846
Unsecured, considered doubtful	<b>751,879</b>	465,564
<b>Other debts</b>		
Unsecured, considered good **	<b>166,153,653</b>	188,430,434
	<b>423,304,276</b>	293,216,844
Less : Provision for doubtful debts	<b>751,879</b>	465,564
<b>Total</b>	<b>422,552,397</b>	292,751,280

\*Balance due from the holding company, Federal-Mogul Goetze ( India) Limited Rs. 256,045,400. (Previous Year Rs. 103,974,901)

\*\*Balance due from the holding company, Federal-Mogul Goetze ( India) Limited Rs 127,810,566 (Previous Year Rs. 148,342,018)

#### Schedule 8: Cash and Bank Balances

Cash on hand	<b>2,973</b>	1,538
Balances with scheduled banks:		
On current accounts	<b>2,773,752</b>	6,349,128
On deposit accounts (pledged with Government authorities)	<b>405,000</b>	405,000
<b>Total</b>	<b>3,181,725</b>	6,755,666



## FEDERAL-MOGUL TPR (INDIA) LIMITED

### Schedules to the Accounts

#### Schedule 9: Other Current Assets

	As at December 31, 2008 Amount in Rs.	As at December 31, 2007 Amount in Rs.
Interest / Dividend accrued on deposits / investments	-	56,281
<b>Total</b>	<b>-</b>	<b>56,281</b>

#### Schedule 10: Loans and advances

<b>Unsecured considered good, except where stated otherwise</b>		
Advances recoverable in cash or in kind or for value to be received	3,807,977	2,902,285
Security Deposits	-	56,000
Balance with Excise Authorities	3,468,375	6,272,808
<b>Total</b>	<b>7,276,352</b>	<b>9,231,093</b>

#### Schedule 11: Current Liabilities

Sundry creditors		
a) total amount outstanding due to micro, small and medium enterprises (refer note no. 13 to schedule no. 21)	1,459,490	-
b) total outstanding to creditors other than micro, small and medium enterprises	61,170,605	46,411,927
Other liabilities	5,214,268	15,252,106
Security Deposit	8,000	8,000
Interest Accrued but not due on loans	578,288	100,988
<b>Total</b>	<b>68,430,651</b>	<b>61,773,021</b>

#### Schedule 12: Provisions

Provision for Current tax (Net of Advance Tax)	2,973,579	5,779,809
Provision for Fringe benefit tax (Net of Advance Tax)	246,422	29,000
Provision for leave encashment	1,156,352	1,102,855
Provision for gratuity	1,077,611	1,058,638
Proposed Dividend	6,000,000	6,000,000
Tax on Proposed dividend	1,019,700	1,019,700
<b>Total</b>	<b>12,473,664</b>	<b>14,990,002</b>

#### Schedule 13: Other Income

	For the year ended December 31, 2008 Amount in Rs.	For the year ended December 31, 2007 Amount in Rs.
Interest:		
Bank deposits (Tax deducted at source Rs. Nil, Previous year Rs. 1,500)	27,592	70,902
Sale of scrap	1,335,943	1,041,185
Cash Discount	241,507	244,269
Foreign exchange rate difference (net)	500,787	217,807
Miscellaneous income	749,598	1,057,985
<b>Total</b>	<b>2,855,427</b>	<b>2,632,148</b>



## FEDERAL-MOGUL TPR (INDIA) LIMITED

### Schedules to the Accounts

#### Schedule 14: Raw materials and components consumed

	For the Year ended December 31, 2008 Amount in Rs.	For the Year ended December 31, 2007 Amount in Rs.
Inventories - Opening	40,175,755	42,537,892
Add: Purchases	35,841,050	55,859,981
	<u>76,016,805</u>	<u>98,397,873</u>
Less: Inventories - Closing	34,040,434	40,175,755
<b>Total</b>	<b>41,976,371</b>	<b>58,222,118</b>

#### Schedule 15: Personnel Expenses

Salaries, Wages and Bonus	13,610,586	15,572,698
Contribution to provident fund and other funds	1,068,293	1,024,798
Contribution to super annuation	104,414	14,080
Contribution to gratuity	18,973	192,890
Workmen and staff welfare expenses	249,456	282,408
<b>Total</b>	<b>15,051,722</b>	<b>17,086,874</b>

#### Schedule 16: Other Manufacturing Expenses

Consumption of stores and spares	49,699,482	51,199,681
Sub-contracting expenses	4,965,429	6,824,214
Chrome plating charges	83,032,241	81,395,258
Power and fuel	7,067,726	6,236,812
<b>Total</b>	<b>144,764,878</b>	<b>145,655,965</b>

#### Schedule 17: Operating and Other Expenses

Freight and forwarding charges	2,052,461	2,517,574
Rent	7,934,967	7,462,922
Rates and taxes	3,219,346	6,254,873
Insurance	778,397	849,352
Repairs and maintenance		
- Plant and machinery	74,320	-
- Buildings	148,003	-
- Others	767,830	977,932
Advertising and sales promotion	58,624,513	66,885,170
Management support charges (including expense reimbursed Rs. 48,536,308 (Previous year Rs. 43,156,199))	51,501,598	47,345,976
Royalty	10,461,464	9,110,900
Product rectification charges	87,495	99,047
Legal and professional expenses	4,947,206	2,963,550
Travelling and conveyance	863,712	1,156,446
Printing and stationery	264,542	301,593
<b>Auditor's remuneration (as auditor)</b>		
- Audit fee	500,000	500,000
- Tax audit fee	200,000	200,000
- For certification and others matters	325,000	-
- Out-of-pocket expenses	54,000	9,795
Fixed asset written off	-	863,481
Provision for doubtful debts	286,315	426,106
Loss on sale / discard of fixed assets (net)	52,850	-
Advances written off	56,000	-
Miscellaneous expenses	593,821	761,825
<b>Total</b>	<b>143,793,840</b>	<b>148,686,542</b>





## FEDERAL-MOGUL TPR (INDIA) LIMITED

### Schedules to the Accounts

#### Schedule 18: Decrease/(increase) in Inventories

	For the Year ended December 31, 2008 Amount in Rs.	For the Year ended December 31, 2007 Amount in Rs.
Inventories - Opening		
- Work-in-progress	14,759,753	18,885,126
- Finished goods	22,070,461	35,979,035
<b>Total</b>	<b>36,830,214</b>	<b>54,864,161</b>
Inventories - closing		
- Work-in-progress	14,227,920	14,759,753
- Finished goods	13,866,223	22,070,461
- Reusable Scrap	-	-
<b>Total</b>	<b>28,094,143</b>	<b>36,830,214</b>
Decrease in Inventories	<b>8,736,071</b>	18,033,947

#### Schedule 19: Financial expenses

Interest		
- to banks	25,858,279	20,724,078
Bank charges	1,019,044	1,327,104
<b>Total</b>	<b>26,877,323</b>	<b>22,051,182</b>

#### Schedule 20: Earnings per share (EPS)

Net profit as per profit and loss account	86,647,310	56,411,140
Less: Preference Dividend (including Dividend Tax)	7,019,700	7,019,700
Profit available for equity share holder	79,627,610	49,391,440
Weighted average number of equity shares in calculating basic and diluting earning per share	10,000,000	10,000,000
Earning per share	7.96	4.94



## Schedules to the Accounts

### Schedule 21 : Notes to Accounts

#### 1. Background

During 1997-98, Goetze (India) Ltd. (now Federal-Mogul Goetze (India) Limited) promoted Federal – Mogul TPR (India) Limited for manufacture of steel rings used in passenger vehicle automobiles, in technical collaboration with Teikoku Piston Ring Co. Ltd, Japan and T&N Investments Ltd, a group Company of Federal Mogul Corporation.

At the year end, 51% of the shares of the Company are held by Federal-Mogul Goetze (India) Limited and 49% of the shares are equally (24.5% each) held by Teikoku Piston Ring Co. Ltd and T&N Investment Ltd, a group company of Federal Mogul Corporation.

#### 2. Statement of Significant Accounting Policies

##### a) Basis of Preparation

The financial statements have been prepared to comply in all material respects with the Notified accounting standard by Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

##### b) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting year end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

##### c) Fixed Assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

##### d) Depreciation

Depreciation is provided on straight line method based on the Management's estimate of useful life of the asset and is equal to or higher than rates specified in Schedule XIV of the Companies Act, 1956:

Asset Class	Rate prescribed in Schedule XIV of Companies Act, 1956 (%)	Rates used (%)
(i) Plant & Machinery - Single Shift	4.75	4.75
- Double Shift	7.42	7.42
- Triple Shift	10.34	10.34
(ii) Computers	16.21	16.21
(iii) Furniture, fittings & office equipment	6.33	6.33
(iv) Vehicles	9.50	33.33

Individual items of fixed assets costing below Rs. 5,000 are fully depreciated in the year of addition.

##### e) Impairment

- The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.
- After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

##### f) Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss account on a straight line basis over the lease term.

##### g) Inventories

Inventories are valued as follows:

Raw materials, components, stores and spares and bought out tools.

Lower of cost and net realizable value. Cost represents purchase price and other direct costs and is determined on a moving weighted average cost basis. However materials and other items held for use in production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined on weighted average cost basis.

Work-in-progress

Lower of cost and net realizable value. Cost for this purpose includes material, labour and appropriate allocation of overheads.

Finished goods - traded

Lower of cost and net realizable value. Cost represents purchase price and other direct costs and is determined on a moving weighted average cost basis.

- Manufactured

Lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty. Cost is determined on a weighted average basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

##### h) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

###### Sale of Goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and are recorded net of trade discounts and sales tax / VAT.

###### Interest

Interest is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.



# FEDERAL-MOGUL TPR (INDIA) LIMITED

## Schedules to the Accounts

### Schedule 21 : Notes to Accounts

- i) Foreign Currency Transactions**
- (i) Initial Recognition**  
Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.
- (ii) Conversion**  
Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.
- (iii) Exchange Differences**  
Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.
- j) Retirement and Other Employee Benefits**
- (i)** Provident fund contribution is a defined contribution scheme and are charged to profit and loss account, when contributions paid/ payable are due to "Goetze India Limited Provident Fund Trust", administered by the trustees and to the Regional Provident Fund Commissioners. There are no other obligations other than the contribution payable to the respective trusts.
- (ii)** Gratuity liability under the Payment of Gratuity Act is defined benefit obligations and is accrued on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year.
- (iii)** Short term compensated absences are provided for on based on estimates, long term compensation liability for leave encashment is determined on the basis of Company policy and recorded on the basis of valuation by an independent actuary at the end of the financial year. The actuarial valuation is done as per projected unit credit method.
- (iv)** Actuarial gains/losses are immediately taken to profit and loss account.
- (v)** Superannuation Benefit.  
The Company has superannuation obligation which is a defined contribution scheme and is administered with Life Insurance Corporation of India (LIC). Contributions to the defined contribution scheme are charged to profit and loss account when contributions paid/ payable are due to such fund. There are no other obligations other than the contribution payable to the respective trusts.
- k) Income Taxes**  
Tax expense comprises of current, deferred and fringe benefit tax. Current Income Tax and Fringe Benefit Tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961 enacted in India. Deferred Income Taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.  
Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.  
At each balance sheet date the Company re-assesses unrecognized deferred tax assets. It recognises unrecognized deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.  
The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.
- l) Earnings per Share**  
Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period.  
For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and weighted average number of shares outstanding during the period is adjusted for the effects of all dilutive potential equity shares.
- m) Provisions**  
A provision is recognized when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.
- n) Cash and Cash Equivalents**  
Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short – term investments with an original maturity of three months or less.
- 3. Segmental Information**  
Based on the guiding principles given in Accounting Standard on 'Segmental Reporting' (AS-17), issued by the Institute of Chartered Accountants of India, the Company's primary business segment is manufacturing of auto components. The Company operates only in one geographical segment.
- 4. Related Party Disclosure**
- Names of related parties where control exists:**
- i) Holding Company**  
-Federal-Mogul Goetze (India) Limited.
- Names of related parties with whom transactions have taken place during the year:**
- ii) Common control with Holding Company**  
-T & N Investments Limited, U.K  
-Teikoku Piston Ring Co. Ltd., Japan
- iii) Key managerial personnel and their relatives**  
-Ms. S. Bhuvaneshwari, Deputy General Manager, Projects (Till March 31, 2008)  
(Manager under section 269 of the Companies Act, 1956.)



# FEDERAL-MOGUL TPR (INDIA) LIMITED

Particulars	Holding Company Federal-Mogul Goetze (India) Ltd		Common Control with Holding Company				Key Managerial Person		Total (Rs.)	
	For the Year ended December 31, 2008	For the year ended December 31, 2007	For the Year ended December 31, 2008	For the year ended December 31, 2007	For the Year ended December 31, 2008	For the year ended December 31, 2007	For the Year ended December 31, 2008	For the year ended December 31, 2007	For the Year ended December 31, 2008	For the year ended December 31, 2007
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Sales	(290,633,100)	(339,292,632)	-	-	-	-	-	-	(290,633,100)	(339,292,632)
Purchases of raw materials, intermediaries and finished goods	89,300,491	107,113,643	-	-	-	-	-	-	89,300,491	107,113,643
Dividend Paid	3,060,000	3,060,000	1,470,000	1,470,000	-	-	-	-	6,000,000	6,000,000
Job work Expense	83,032,241	81,395,258	-	-	-	-	-	-	83,032,241	81,395,258
Management support charges*	51,501,589	47,345,976	-	-	-	-	-	-	51,501,589	47,345,976
Sale selling commission Paid	17,397,023	26,377,835	-	-	-	-	-	-	17,397,023	26,377,835
Remuneration	-	-	-	-	-	-	1,235,854	-	553,557	1,235,854
Rent expense	7,800,000	7,800,000	-	-	-	-	-	-	7,800,000	7,800,000
Royalty expense	-	-	-	-	-	-	-	-	-	-
Balance outstanding as at the end receivable	383,855,966	252,316,919	-	-	10,461,464	9,110,900	-	-	10,461,464	9,110,900
Balance outstanding as at the end (payable)	-	-	-	-	(4,716,725)	(4,511,315)	-	-	383,855,966	252,316,919
									(4,716,725)	(4,511,315)

\* Including expense reimbursed Rs. 48,536,308 (Previous year Rs. 43,156,199)



## FEDERAL-MOGUL TPR (INDIA) LIMITED

### Schedules to the Accounts

#### Schedule 21 : Notes on Accounts

##### 5. Capital Commitment

Estimated amount of contract remaining to be executed on capital account (net of advances) and not provided for:

Particulars	As at December 31,2008 (Rs. )	As at December 31,2007 (Rs. )
Capital commitment	400,000	306,000

##### 6. Contingent liabilities not provided for:

	Particulars	As at December 31,2008 (Rs. )	As at December 31,2007 (Rs. )
a)	Claims/notices contested by the company		
b)	Excise duty	44,248,798	1,726,108
c)	Income tax demands	14,592,560	-
	In relation to (a) above, following are the Excise duty cases contested by the Company:		

i) Matters pending with Central Excise and Service Tax Appellate Tribunal (CESTAT):

(a) in respect of excise cases in relation to provisional assessment of excise duty with respect to turnover discount for the period 2003-2004 to 2006-2007. The Company has taken legal opinion in this regard and is advised that it has fair chance of a favorable decision. The amount involved is Rs. 691,479 (Previous year Rs. 802,513).

(b) in respect of irregular availment of cenvat credit in respect to certain products obtained on job work basis for the period 2005- 2007. The Company has done an analysis and is of the opinion that it has fair chance of a favorable decision. The amount involved is Rs. 36,106,654 including interest and penalties of Rs. 18,053,327 (Previous year Rs. Nil).

ii) The matter is pending for personal hearing with the Joint Commissioner of Central Excise in respect of excise duty benefit in relation to deduction of Trade Discounts for the period 2000-2002 to 2003-2004. The Company has taken legal opinion and is advised that it has fair chance of a favorable decision. The amount involved is Rs. 242,426. ( Previous year Rs. 242,426)

iii) The matter is pending before the Commissioner of Central Excise, Bangalore:

(a) in respect of availment of cenvat credit (service tax) in relation to management consultancy service and sole selling commission for the period 2004-2005 to 2006-2007. The Company has done an analysis and is of the opinion that it has fair chance of a favorable decision. The amount involved is Rs. 6,754,992 (Previous year Rs. 341,968).

(b) in respect of irregular availment of cenvat credit in relation to certain trading goods for the period 2007-2008. The Company has done an analysis and is of the opinion that it has fair chance of a favorable decision. The amount involved is Rs. 69,542 (Previous year Rs. Nil).

iv) The matter is pending before the Deputy Commissioner of Central Excise, Bangalore:

(a) in respect of irregular availment of cenvat credit (service tax) in relation to certain services for the period April 2006-May 2006. The Company has done an analysis and is of the opinion that it has fair chance of a favorable decision. The amount involved is Rs. 383,705 (Previous year Rs. Nil).

(b) in respect of cenvat credit on rejected goods received from customers for the period May 2006 to May 2007. During the year, the matter has been decided in favor of the company. The amount involved as of December 31, 2008 was Rs. Nil (Previous year Rs. 339,201).

d) In relation to (b) above Income Tax cases disputed by the Company:

During the year, the company has received a show cause notice in respect of Assessment year 2006-07, in which assessing officer has raised a demand of Rs. 14,592,560 on account of additions made to normal income during the years and in assessment year 2004-05 and 2005-06. Matter is pending with CIT(A), the Company has done an analysis and is of the opinion that it has fair chance of a favorable decision.

##### 7. Gratuity and other post-employment benefit plans:

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service.

The following tables summarise the components of net benefit expense recognised in the profit and loss account and the funded status and amounts recognised in the balance sheet for the respective plans.



## FEDERAL-MOGUL TPR (INDIA) LIMITED

### Profit and Loss account

Net employee benefit expense (recognised in Employee Cost)

	Gratuity	
	2008	2007
Current service cost	190,393	-
Interest cost on benefit obligation	84,691	-
Expected return on plan assets	-	-
Net actuarial( gain) / loss recognised in the year	(256,111)	-
Past service cost	-	-
Expenses allocated	-	192,890
Net benefit expense	18,973	192,890

Actual Return on Plan Assets

### Balance sheet

#### Details of Provision for gratuity

	Gratuity	
	2008	2007
Defined benefit obligation	1,077,611	1,058,638
Fair value of plan assets	-	-
Less: Unrecognised past service cost	-	-
Plan asset / (liability)	(1,077,611)	(1,058,638)

Changes in the present value of the defined benefit obligation are as follows:

	Gratuity	
	2008	2007
Opening defined benefit obligation	1,058,638	537,843
Interest cost	84,691	-
Current service cost	190,393	-
Benefits paid	-	-
Actuarial (gains) / losses on obligation	(256,111)	-
Transferred from holding company	-	520,795
Closing defined benefit obligation	1,077,611	1,058,638

Changes in the fair value of plan assets are as follows:

	Gratuity	
	2008	2007
Opening fair value of plan assets	-	-
Expected return	-	-
Contributions by employer	-	-
Benefits paid	-	-
Actuarial gains / (losses)	-	-
Closing fair value of plan assets	-	-

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	Gratuity	
	2008	2007
	%	%
Investments with Insurer	-	-

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

The principal assumptions used in determining gratuity for the Company's plans are shown below:

	Gratuity	
	2008	2007
	%	%
Discount rate	7	8
Expected rate of return on assets	-	-
Employee turnover	1% at each stage	1% at each stage

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



# FEDERAL-MOGUL TPR (INDIA) LIMITED

## Schedules to the Accounts

### Schedule 21 : Notes to Accounts

Note:

- 1) Information relating to experience adjustment in actuarial valuation of gratuity as required by Para 120 (n) (ii) of the Accounting standards 15 (revised) on Employee Benefits is not available with the company.
- 2) The companies expected contribution to the fund is next year is not presently ascertainable and hence, the contribution expected to be paid to the plan during the annual period beginning after the balance sheet date as required by Para 120 (o) of the Accounting standard 15 (Revised) on Employee Benefit is not disclosed.

#### 8. (i) Payments made to Director / Manager :

Particulars	For the Year ended December 31, 2008 (Rs.)	For the Year ended December 31, 2007 (Rs.)
(a) Salaries	276,140	1,132,250
(b) Contribution to Provident, Superannuation and Gratuity Funds	257,417	103,604
<b>Total</b>	<b>533,557</b>	<b>1,235,854</b>

#### 9. Computation of Net profit in accordance with section 198 of the companies Act, 1956 for calculation of managerial remuneration:

Particulars	For the Year ended December 31,2008 (Rs.)	For the Year ended December 31,2007 (Rs.)
Profit as per profit and loss account (after prior period items)	131,732,447	88,299,071
Add: Director's / Manager remuneration including perquisites	533,557	1,235,854
Add: Depreciation charged in accounts Profit as per profit and loss account:	33,937,708	32,397,636
Less: depreciation as per section 350 of the Companies Act, 1956	33,937,708	32,397,636
Profit Calculated u/s 198 of Companies Act, 1956	132,266,004	89,534,925
Maximum Remuneration payable to Director's / Manager	6,613,300	4,476,746

#### 10. Particulars of unhedged Foreign Currency Exposures as at balance sheet date:

##### A) Import creditors

Particulars	Amount in Foreign Currency	Closing Rate	Amount in INR
Japanese yen	20,903,685	0.54	11,287,990
Euro	795	68.23	54,243
<b>Total</b>	<b>20,904,480</b>		<b>11,342,233</b>

##### B) Advances to creditors

Particulars	Amount in Foreign Currency	Closing Rate	Amount in INR
Japanese yen	5,361,253	0.54	2,895,077
<b>Total</b>	<b>5,361,253</b>		<b>2,895,077</b>

#### 11. Information pursuant to paragraphs 3 and 4 of Part II of Schedule VI of the Companies Act, 1956.

(i) (a) Licensed and Installed Capacity and Actual Production :

Particulars	Licensed Capacity	*Installed Capacity	Actual Production
Piston Rings (Nos)	Delicensed	31,520,700	27,803,925
		(31,520,700)	(26,108,243)

\* Annualised Installed Capacity as certified by Director.

**Note:** Figures in brackets pertain to previous year



## FEDERAL-MOGUL TPR (INDIA) LIMITED

### Schedules to the Accounts

#### Schedule 21 : Notes to Accounts

##### (b) Particulars of Opening Stock, Closing stock and turnover

	OPENING STOCK		CLOSING STOCK		TURNOVER	
	Quantity Nos.	Value Rs.	Quantity Nos.	Value Rs.	Quantity Nos.	Value Rs.
Piston Rings	922,685	9,047,602	660,394	7,593,358	28,066,216	620,230,366
	(1,439,875)	(17,186,391)	(922,685)	(9,047,602)	(26,625,433)	(615,697,097)

Notes: 1. Sales value excludes scraps, samples and quantity discount.  
2. Figures in Brackets pertain to previous year.

##### (ii). Trading Operations:

	Opening Balances		Purchases		Closing Balances		Sales	
	Quantity Nos.	Value Rs.	Quantity Nos.	Value Rs.	Quantity Nos.	Value Rs.	Quantity Nos.	Value Rs.
Piston Rings	374,733	13,022,859	3,448,443	89,300,491	214,593	6,272,865	3,608,223	112,109,200
	(458,586)	(18,792,644)	(3,305,907)	(107,113,643)	(374,733)	(13,022,859)	(3,389,760)	(129,601,292)

Note: Figures in brackets pertain to previous year.

##### (iii). Details of Raw Materials Consumed:

Particulars	Unit	For the Year ended December 31,2008		For the Period ended December 31,2007	
		Quantity	Rs.	Quantity	Rs.
a) Steel Wire	Kg	43,537	37,865,737	43,682	47,208,161
b) Others			4,110,634		11,013,957
<b>Total</b>			<b>41,976,371</b>		<b>58,222,118</b>

##### (iv). C.I.F. Value of Imported items:

(a) Raw Materials	23,445,761	48,820,798
(b) Spare Parts & Components	7,964,409	11,939,569
(c) Capital Goods	17,435,876	8,306,230
<b>Total</b>	<b>48,846,045</b>	<b>69,066,597</b>

##### (v). Expenditure in Foreign Currency (on payment basis):

(a) Traveling Expenses	161,460	817,251
(b) Interest	-	2,428,565
(c) Royalty	4,703,037	8,306,230
<b>Total</b>	<b>4,864,497</b>	<b>11,552,046</b>

##### (vi). Imported and Indigenous Raw Materials and Components Consumed:

	For the Year ended December 31,2008 (Rs.)		For the Year ended December 31,2007 (Rs.)	For the Year ended December 31,2007 (Rs.)
	(%)	(%)		
(a) Indigenous	4,110,634	9.79	11,013,957	18.92
(b) Imported	37,865,737	90.21	47,208,161	81.08
<b>Total</b>	<b>41,976,371</b>	<b>100.00</b>	<b>58,222,118</b>	<b>100.00</b>





## FEDERAL-MOGUL TPR (INDIA) LIMITED

### Schedules to the Accounts

#### Schedule 21 : Notes to Accounts

(vii) Imported & Indigenous Stores, Spares and Tools Consumed

	For the Year ended December 31, 2008 (Rs.)		For the Year ended December 31, 2007 (Rs.)	
		(%)		(%)
(a) Indigenous	44,945,187	90.43	46,776,710	91.36
(b) Imported	4,754,295	9.57	4,422,971	8.64
<b>Total</b>	<b>49,699,482</b>	<b>100.00</b>	<b>51,199,681</b>	<b>100.00</b>

(viii). Remittance in foreign currency on account of dividend:

Year	No. of shares held	No. of non resident share holders	Amount
2007 – Preference Share	(net of tax) 490,000 (490,000)	2 (2)	*2,940,000 (2,940,000)

\* Payment made in 2008 pertains to Year December 31, 2007.

**Note:** Figures in brackets pertain to previous year

12. The Company has taken manufacturing facilities under cancelable lease. Rental expenses towards operating lease charges are Rs 7,800,000 (previous year Rs 7,800,000)

#### 13. Details of dues to Micro, Small and Medium Enterprises as per MSMED Act, 2006:

Particulars	2008	2007
The principal amount remaining unpaid as at the end of year	14,59,490	-
Interest due on above principal and remaining unpaid as at the end of the year	18,042	-
The amount of interest paid by the buyer in terms of section 16, of the Micro Small and Medium Enterprise Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	-	-
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro Small and Medium Enterprise Development Act, 2006.	17,282	-
The amount of interest accrued and remaining unpaid at the end of each accounting year; and	35,325	-
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Micro Small and Medium Enterprise Development Act, 2006	-	-

14. Previous Year figures have been regrouped and rearranged wherever necessary to confirm to current year's classification.

**For S.R. BATLIBOI & CO.**  
Chartered Accountants

For and on behalf of Board of Directors of Federal-Mogul TPR (India) Limited .

**Per Pankaj Chadha**  
Partner  
Membership No. 91813

**Jean de Montlaur**  
Chairman & Director

**Rustin Murdock**  
Director

**Shifali Chawla**  
Company Secretary

Place: Gurgaon  
Date: March 12, 2009

Place: New Delhi  
Date: March 12, 2009



## FEDERAL-MOGUL TPR (INDIA) LIMITED

### CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2008

	For the Year ended December 31, 2008 Amount in Rs.	For the year ended December 31, 2007 Amount in Rs.
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit Before Tax	131,732,447	88,299,071
Adjustments for:		
Depreciation and amortisation	33,937,708	32,397,636
Provision for doubtful debts and advances	286,315	426,106
Interest expense	25,858,279	20,724,078
Interest Income	(27,592)	(70,902)
Loss on sale / discard of fixed assets	52,850	-
Unrealised foreign exchange fluctuation	354,025	-
Advances written off	56,000	-
Fixed assets written off	-	863,481
<b>Operating profit before working capital changes</b>	<b>192,250,032</b>	<b>142,639,470</b>
<b>Movements in working capital :</b>		
Decrease / (Increase) in sundry debtors	(130,087,432)	(86,025,139)
Decrease / (Increase) in current assets	56,281	-
Decrease / (Increase) in inventories	10,304,280	31,005,046
Decrease / (Increase) loans and advances	1,898,741	9,306,849
Increase / (Decrease) in current liabilities	5,826,305	(6,656,103)
Increase / (Decrease) in Provisions	72,470	1,689,792
Cash generated from operations	80,320,677	91,959,915
Direct taxes paid (net of refunds)	(53,614,236)	(36,137,743)
<b>Net cash from operating activities</b>	<b>26,706,441</b>	<b>55,822,172</b>
<b>B. Cash flows from investing activities</b>		
Purchase of fixed assets/ Intangibles Assets	(20,536,891)	(19,388,263)
Proceeds from sale of fixed assets	111,172	-
<b>Net cash from investing activities</b>	<b>(20,425,719)</b>	<b>(19,388,263)</b>
<b>C. Cash flows from financing activities</b>		
Payment of borrowings (Long term)	(37,329,201)	(152,581,668)
Receipt of borrowings (Long term)	3,953,730	107,583,538
Movement of borrowings (Short term)	56,005,360	40,680,605
Interest paid	(25,380,979)	(22,206,707)
Interest received	(83,873)	45,498
Dividends paid	(6,000,000)	(6,000,000)
Tax on dividend paid	(1,019,700)	(841,500)
<b>Net cash used in financing activities</b>	<b>(9,854,663)</b>	<b>(33,320,234)</b>
<b>Net increase in cash and cash equivalents (A + B + C)</b>	<b>(3,573,941)</b>	<b>3,113,675</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>6,350,666</b>	<b>3,236,991</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>2,776,725</b>	<b>6,350,666</b>
<b>Components of cash and cash equivalents as at</b>	<b>As at</b>	<b>As at</b>
	<b>December</b>	<b>December</b>
	<b>31, 2008</b>	<b>31, 2007</b>
Cash and cheques on hand	2,973	1,538
With banks - on current account	2,773,752	6,349,128
<b>Total</b>	<b>2,776,725</b>	<b>6,350,666</b>

As per our report of even date

**For S.R. BATLIBOI & CO.**  
Chartered Accountants

For and on behalf of Board of Directors of Federal-Mogul TPR (India) Limited .

**Per Pankaj Chadha**  
Partner  
Membership No. 91813

**Jean de Montlaur**  
Chairman & Director

**Rustin Murdock**  
Director

**Shifali Chawla**  
Company Secretary

Place: Gurgaon  
Date: March 12, 2009

Place: New Delhi  
Date: March 12, 2009



# FEDERAL-MOGUL TPR (INDIA) LIMITED

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

### I. Registration Details

Registration No. 5 5 - 8 7 4 1 0 of 1 9 9 7 - 9 8

State Code 5 5

Balance Sheet Date 3 1 Date 1 2 Month 2 0 0 8 Year

### II. Capital Raised during the year (Amount in Rs.Thousands)

Public Issue	Rights Issue
N I L	N I L
Bonus Issue	Private Placement
N I L	N I L

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

Total Liabilities	Total Assets
6 3 9 7 9 9	6 3 9 7 9 9

#### Sources of Funds

Paid-up Capital	Reserves & Surplus
2 0 0 0 0 0	2 0 0 4 6 0
Secured Loans	Unsecured Loans
2 1 4 2 2 7	N I L

#### Application of Funds

Net Fixed Assets	Investments
2 0 5 9 1 4	N I L
Net Current Assets	Deffered Tax Liabilities
4 3 3 8 8 4	2 5 1 1 1
Accumulated Losses	Misc. Expenditure
N I L	N I L

### IV. Performance of Company (Amount in Rs.Thousands)

Turnover Including Other Income	Total Expenditure
6 3 2 0 3 6	5 0 0 3 0 4
Profit/Loss before Tax	Profit/Loss after Tax
1 3 1 7 3 2	8 6 6 4 7
Earning per Share in Rs.	Preference Dividend Rate (%)
7 . 9 6	6

### V. Generic Names of Three Principal Products of Company

Item Code No. 8 4 0 9 9 1 . 0 5

Product Description P I S T O N R I N G S

# SATARA RUBBERS AND CHEMICALS LIMITED

## DIRECTORS' REPORT

Your Directors are pleased to present the Annual Report together with the Audited Accounts for the year ended 31st December 2008.

### Financial Results

[Rs. in Million]

	For the year ended December 31, 2008	For the year ended December 31, 2007
Total Income	6.06	6.00
Profit/(Loss) before Depreciation and Tax	5.83	1.05
Depreciation	5.32	5.32
Profit/(Loss) after Depreciation before tax	(0.51)	(4.27)
Less: Brought Forward losses from last year	(25.18)	(20.91)
Net Profit/(Loss) transferred to Profit & Loss Account	(24.67)	(25.18)

### OPERATIONS

During the year ending on 31st December 2008, the total income of the Company was Rs. 6.06 million. This was rental income received from its holding Company, M/s. Federal-Mogul Goetze (India) Limited for the use of the building of the Company as office premises and also includes the Interest on Income Tax Refund. The Company did not have any other operation during the year under review. The Company has earned a profit of Rs. 0.51 million as against the loss of Rs. 4.27 million for the year under review.

### DIRECTORS

In accordance with Articles of Association of the Company, Mr. Rustin Murdock, Director, is liable to retire by rotation in the forthcoming Annual General Meeting and, being eligible, offers himself for re-appointment.

### DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, your Directors wish to place on record that:

- In preparing the Annual Accounts, all applicable accounting standards have been followed and that there have been no material departures;

- The accounting policies are adopted and consistently followed and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at the end of financial year and of the Profit & Loss Account of the Company for the Financial Year;
- The Directors have taken proper and sufficient care for the maintenance of adequate accounting records, in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- The Annual Accounts have been prepared on a going concern basis.

### FIXED DEPOSITS

The Company has not accepted /renewed any fixed deposit during the year under review.

### PARTICULARS OF EMPLOYEES

The Company has no employee of the category indicated under section 217(2A) of the Companies Act, 1956, as amended to date.

### PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY, ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO

The Company did not have any activity during the year under review. Therefore, no measures for conservation of energy or technology absorption were taken. Neither does your Company have any foreign exchange earnings or outgo.

### AUDITORS

M/s. V.P. Jain & Associates, Chartered Accountants, New Delhi retire as Auditors of the Company in the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment. They have furnished a certificate to the effect that the appointment, if made, will be in accordance with sub-section (1B) of Section 224 of the Companies Act 1956.

For and on behalf of the Board

Place : New Delhi  
Date : February 25, 2009

**Rustin Murdock**  
Chairman & Director

# SATARA RUBBERS AND CHEMICALS LIMITED

## AUDITORS' REPORT

### To The Members of Satara Rubbers and Chemicals Limited

1. We have audited the attached Balance Sheet of Satara Rubbers & Chemicals Limited as at 31<sup>st</sup> December 2008, the Profit & Loss Account and also 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.
2. We conducted our audit in accordance with Auditing Standards generally accepted in India. Those Standards requires 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.
3. Attention is drawn to Note 2(iii) of Schedule 7, as indicated in the said note the accumulated losses of the Company as at 31<sup>st</sup> December 2008 exceeded its share capital and considering reorganizing plans and strategy prepared by the Company, the accounts for the year have been drawn on the assumption that the Company will continue as a going concern.
4. As required by the Companies (Auditor's Report) Order, 2003, as amended, issued by the Central Government of India, in term 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.
5. Further to our comments in the Annexure referred to above, we report that :
  - (a) 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.
  - (b) In our opinion, proper books of account as required by law have been kept by the company as far as appears from our examination of those books.
  - (c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
  - (d) In our opinion, the Balance Sheet, Profit & 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.
  - (e) On the basis of written representations

received from the directors, as on 31<sup>st</sup> December 2008 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31<sup>st</sup> December 2008 from being appointed as a director in terms of clause (g) of sub-subsection (1) of Section 274 of the Companies Act, 1956.

- (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the notes thereon, 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:
  - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> December 2008,
  - ii) in the case of the Profit & Loss Account, of the Loss for the year ended on that date and
  - iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**For V.P. Jain & Associates  
Chartered Accountants**

**(V.P. Jain)**

**Partner**

M. No. 81514

Dated: February 25, 2009

Place: New Delhi

### **Annexure referred to in paragraph 4 of our report of even date on the Accounts of Satara Rubbers & Chemicals Limited, for the year ended 31<sup>st</sup> December 2008.**

- i) (a) Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) According to the information and explanations given to us, physical verification of fixed assets is being conducted in a phased manner by the management under a programme designed to cover all the fixed assets over a period of three years, which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. However, no physical verification of its fixed assets has been conducted during the year.
- (c) According to the information and explanations given to us, the Company has not disposed off a substantial part of its fixed assets during the year.
- ii) (a) According to the information and explanations given to us, the Company is not maintaining any inventories. Therefore, provisions of clause (ii) of paragraph 4 of the Order are not applicable to the Company.

- iii) (a) As informed, the company has not granted any loans, secured or unsecured, to companies, forms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Therefore, the provisions of clause (iii) (b) to (iii) (d) of paragraph 4 of the Order are not applicable to the Company.
- (b) The Company has taken interest free loan from Federal-Mogul Goetze (India) Limited (The Holding Company). The Maximum amount involved during the year was Rs.18,02,01,340/- and the balance of loan taken was Rs.17,49,09,116/- as at 31<sup>st</sup> December 2008.
- (c) In our opinion and according to the information and explanations given to us, the other terms and conditions of such interest free loan are not, prima facie, prejudicial to the interest of the Company.
- (d) There is no stipulation as to repayment of loan.
- iv) In our opinion and according to 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, for the purchase of fixed assets. During the year there was no purchase of inventory or sale of goods and services. We have neither come across nor have been informed of any continuing failure to correct major weaknesses in the internal control systems during the course of our audit.
- v) According to the information and explanations given to us, we are of the opinion that there are no contracts or arrangements that need to be entered in the register maintained under Section 301 of the Companies Act, 1956.
- vi) According to the information and explanations given to us, the Company has not accepted any deposits from the public to which provisions of section 58A and 58AA of the Companies Act, 1956, and Companies (Acceptance of Deposits) Rules, 1975 apply. Accordingly, the provisions of clause (vi) of paragraph 4 of the Order are not applicable to the Company.
- vii) The Company did not have a formal Internal Audit system during the year under review. However, the Company has explained that it's internal control procedures involve reasonable internal checking which, in our opinion, is considered adequate under the circumstances.
- viii) According to information and explanations given to us, the Central Government has not prescribed maintenance of cost records under Section 209 (1) (d) of the Companies act 1956. Therefore, provisions of clause (viii) of paragraph 4 of the Order are not applicable to the Company.
- ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues, if any, including provident fund, investor education and protection fund,

## SATARA RUBBERS AND CHEMICALS LIMITED

employees state insurance income-tax, sales-tax, wealth-tax, service-tax, custom duty, excise duty, cess and other material statutory dues applicable to it.

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees state insurance income-tax, sales-tax, wealth-tax, service-tax, custom duty, excise duty, cess and other undisputed statutory dues were outstanding as at 31<sup>st</sup> December, 2008 for a period of more than 6 month from the date they became applicable.

- (b) According to the records of the company and information and explanation given, there were no dues outstanding in respect of sales tax, income tax, wealth-tax, service-tax, custom duty, excise duty and cess which have not been deposited on account of any dispute.
- x) In our opinion the accumulated loss of the company is more than 50% of its net worth as at 31<sup>st</sup> December 2008. The Company has not incurred any cash loss during the financial year covered by our audit but in the immediately preceding financial year the company had incurred cash loss.
- xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institution or bank
- xii) According to the information and explanation given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund/ society. Therefore, provisions of clause (xiii) of paragraph 4 of the Order are not applicable to the Company.
- xiv) In our opinion and according to the information and explanations given to us, the company is not dealing or trading in shares, securities, debenture and other investments. Accordingly, the provisions of clause (xiv) of paragraph 4 of the Order are not applicable to the Company.
- xv) According to the information and explanations given to us, the Company has not given guarantees for loans taken by others from banks and financial institutions.
- xvi) Company has not taken any term loan.
- xvii) According to the information and explanation given to us and on an overall examination of the Balance Sheet of the Company, we report that the no funds

raised on short-term basis have been used for long term investment.

- xviii) According to the information and explanations given to us, the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- xix) The Company has not issued any debentures during the year. Therefore, the provisions of clause (xix) of paragraph 4 of the Order are not applicable to the company.
- xx) The Company has not raised any money through public issue during the year under review.
- xxi) To the best of our knowledge and believe and according to the information and explanation given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

**For V.P. Jain & Associates  
Chartered Accountants**

**(V.P. Jain)  
Partner**

Dated: February 25, 2009  
Place: New Delhi

M. No. 81514

# SATARA RUBBERS AND CHEMICALS LIMITED

## BALANCE SHEET AS AT DECEMBER 31, 2008

	Schedule	As at December 31, 2008 (Rs.)	As at December 31, 2007 (Rs.)
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	500,000	500,000
<b>Loan Funds</b>			
Unsecured Loans	2	175,078,401	180,307,299
<b>Total</b>		<b>175,578,401</b>	<b>180,807,299</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	3	169,975,274	169,975,274
Less: Depreciation		22,898,819	17,575,212
Net Block		147,076,455	152,400,062
<b>Current Assets, Loans and Advances</b>			
Cash & Bank Balances	4	156,454	117,858
Loans and Advances	5	3,797,314	3,183,592
		3,953,768	3,301,450
<b>Less: Current Liabilities &amp; Provisions</b>			
Current Liabilities	6	117,900	75,283
<b>Net Current Assets</b>		<b>3,835,868</b>	<b>3,226,167</b>
<b>Debit Balance in Profit &amp; Loss Account</b>		<b>24,666,077</b>	<b>25,181,071</b>
<b>Total</b>		<b>175,578,401</b>	<b>180,807,299</b>

### Significant Accounting Policies & Notes to Accounts 7

As per our report of even date attached  
**For V.P. Jain & Associates**  
**Chartered Accountants**

(V.P. Jain)  
**Partner**  
 Membership No. 81514

Place : New Delhi  
 Dated: February 25, 2009

**Andreas Kolf**  
 Director

For and on Behalf of the Board of Directors of  
 Satara Rubbers & Chemicals Limited

**Rajan Luthra**  
 Director

**Rustin Murdock**  
 Chairman & Director

# SATARA RUBBERS AND CHEMICALS LIMITED

## PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2008

	For the year ended December 31, 2008 (Rs.)	For the year ended December 31, 2007 (Rs.)
<b>INCOME</b>		
Rental Income	6,000,000	6,000,000
TDS deducted Rs. 12,86,924/- (Previous Year Rs. 14,28,751/-)		
Interest on Income Tax Refund	67,320	-
	<b>6,067,320</b>	6,000,000
<b>EXPENSES</b>		
Rates & Taxes	180,050	260,453
Payment to Auditors		
-Audit Fees	24,000	12,000
-Tax Audit Fee	10,000	10,000
-Other Services	5,000	2,000
-Service Tax	5,144	2,966
Professional charges	3,000	13,061
Interest	-	4,645,890
Misc. Expenses	1,527	-
Depreciation	5,323,605	5,323,605
	<b>5,552,326</b>	10,269,975
Net Profit /(Loss) before tax	514,994	(4,269,975)
Add: Brought Forward losses from Last year	(25,181,071)	(20,911,096)
Net Profit/(Loss) Carried to the Balance Sheet	<b>(24,666,077)</b>	(25,181,071)
Basic & Diluted Earnings Per Share	10.30	(85.40)
Refer Note no. 2(ii) Notes to the Accounts		

### Significant Accounting Policies & Notes to Accounts 7

As per our report of even date attached  
**For V.P. Jain & Associates**  
**Chartered Accountants**

**(V.P. Jain)**  
**Partner**  
 Membership No. 81514

Place : New Delhi  
 Dated: February 25, 2009

**Andreas Kolf**  
 Director

For and on Behalf of the Board of Directors of  
 Satara Rubbers & Chemicals Limited

**Rajan Luthra**  
 Director

**Rustin Murdock**  
 Chairman & Director



# SATARA RUBBERS AND CHEMICALS LIMITED

## Schedules 1-7

### Schedule 1: Share Capital

	As at December 31, 2008 (Rs.)	As at December 31, 2007 (Rs.)
<b>Authorised</b>		
1,20,000 (Previous Year 1,20,000) Equity Shares of Rs. 10/- each	1,200,000	1,200,000
<b>Issued, Subscribed and Paid up</b>		
50,000 (Previous Year 50,000) Equity Shares of Rs. 10/- each fully paid-up	500,000	500,000
<b>Total</b>	<b>500,000</b>	<b>500,000</b>

The above Equity Shares are held by Federal-Mogul Goetze (India) Limited, the Holding Company.

### Schedule- 2: Unsecured Loans

Federal-Mogul Goetze (India) Ltd.	174,909,116	180,138,014
GTZ Securities Limited	169,285	169,285
<b>Total</b>	<b>175,078,401</b>	<b>180,307,299</b>

### Schedule- 3: Fixed Assets

(In Rupees)

	GROSS BLOCK			DEPRECIATION			NET BLOCK		
	As at 01.01.08	Additions	Deletions	As at 31.12.2008	Depreciation upto 31.12.2007	For the year	Deletion	As at 31.12.2008	As at 31.12.2007
LEASE HOLD LAND	102,341	-	-	102,341	-	-	-	102,341	102,341
BUILDING	96,030,255	-	-	96,030,255	5,094,708	1,565,293	-	6,660,001	89,370,254
PLANT & MACHINERY	56,976,468	-	-	56,976,468	8,808,718	2,706,382	-	11,515,100	45,461,368
FURNITURE & FIXTURES	16,866,210	-	-	16,866,210	3,671,788	1,051,930	-	4,723,718	12,142,492
	169,975,274	-	-	169,975,274	17,575,214	5,323,605	-	22,898,819	147,076,455
PREVIOUS YEAR	169,975,274	-	-	169,975,274	12,251,607	5,323,605	-	17,575,212	-

### Schedule- 4: Current Assets

	As at December 31, 2008 (Rs.)	As at December 31, 2007 (Rs.)
Cash and Bank Balance		
Balance with Scheduled Bank in Current Account	156,454	117,858
<b>Total</b>	<b>156,454</b>	<b>117,858</b>

### Schedule- 5: Loans and Advances

Unsecured - Considered Good		
Advance recoverable in cash or in kind or for value to be received	63,274	63,276
Advance Tax (Net of Provision)	3,728,220	3,114,496
Security Deposits	5,820	5,820
<b>Total</b>	<b>3,797,314</b>	<b>3,183,592</b>

# SATARA RUBBERS AND CHEMICALS LIMITED

## Schedules 1-7 (Contd.)

	As at December 31, 2008 (Rs.)	As at December 31, 2007 (Rs.)
<b>Schedule 6: Current Liabilities &amp; Provisions</b>		
Audit fee payable	51,415	11,956
TDS payable	4,685	1,527
Service tax payable	61,800	61,800
<b>Total</b>	<b>117,900</b>	<b>75,283</b>

## Schedule 7 : Significant Accounting Policies and Notes to Accounts

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### (i) Accounting Convention

The financial statements have been prepared under the historical cost convention, to comply in all material aspects with the Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

#### (ii) Fixed Assets & Depreciation

Fixed Assets are stated at cost less accumulated depreciation, Cost of Acquisition or construction is inclusive of freight, duties, taxes and other incidental expenses. Depreciation is charged on pro-rata basis on straight-line method at the rates prescribed in Schedule XIV to the Companies Act, 1956. Items costing Rs.5000/- or less are fully depreciated in the year of purchase.

#### (ii) Impairment of Assets

At each Balance Sheet date, the Company reviews the carrying amount of its fixed assets to determine whether they are recorded in excess of their recoverable amounts and where the carrying values exceed the estimated recoverable amount, impairment loss is provided to that extent.

### 2. NOTES TO ACCOUNTS

#### i) Related Party disclosures (as identified and certified by the management)

Related Party disclosures as required under Accounting Standard on "Related Party disclosures" issued by the Institute of Chartered Accountants of India are given below:

##### a) Holding Company:

Federal-Mogul Goetze (India) Limited

##### b) Key Management Personnel:

i) Mr. Rustin Murdock ii) Mr. Andreas Kolf iii) Mr. Rajan Luthra

##### c) Related Party transactions:

#### Particulars

#### Holding Company Federal-Mogul Goetze (India) Ltd

	For the Year ended December 31, 2008 (Rs.)	For the Year ended December 31, 2007 (Rs.)
<b>Rent Income</b>	<b>6,000,000</b>	6,000,000
<b>Loan taken</b>		
Balance as on 1 <sup>st</sup> January, 2008	180,138,014	79,800,339
Availed during the period	1,000,778	105,341,494
Repaid during the period	6,229,676	5,003,849
Balance as at 31 <sup>st</sup> December, 2008	<b>174,909,116</b>	180,138,014
ii) Earnings per Share (Face value of Rs.10)		
a) Net Profit/(Loss) after tax	514,994	(4,269,975)
b) Total number of Equity Shares	50,000	50,000
c) Basic and Diluted Earning per Share	10.30	(85.40)

## SATARA RUBBERS AND CHEMICALS LIMITED

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- iii) The accumulated losses of the Company as at 31st December, 2008 exceeded its share capital. Steps are being taken by the Management to revive the Company by reorganizing the whole set up Considering reorganizing plans and strategy prepared by the Company, the accounts for the year have been drawn on the assumption that the Company will continue as a going concern.
- iv) Balance Sheet abstract and companies general business profile is attached.
- v) Schedules 1 to 7 form an integral part of the Balance Sheet and have been duly authenticated.

As per our report of even date attached  
**For V.P. Jain & Associates**  
**Chartered Accountants**

**(V.P. Jain)**  
**Partner**  
Membership No. 81514

Place : New Delhi  
Dated: February 25, 2009

For and on Behalf of the Board of Directors of  
Satara Rubbers & Chemicals Limited

**Andreas Kolf**  
*Director*

**Rajan Luthra**  
*Director*

**Rustin Murdock**  
*Chairman & Director*

# SATARA RUBBERS AND CHEMICALS LIMITED

## CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2008

	As At December 31, 2008 (Rs.)	As At December 31, 2007 (Rs.)
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit/(Loss) Before Tax	514,994	(4,269,975)
Adjustment for Depreciation	5,323,605	5,323,605
Interest Paid	-	4,645,890
<b>Operating profits before working capital changes</b>	<b>5,838,599</b>	<b>5,699,520</b>
Adjustment for Trade and other receivables	(613,722)	(1,425,029)
Trade and other payables	42,617	33,754
<b>Net Cash generated from operations</b>	<b>5,267,494</b>	<b>4,308,245</b>
<b>B. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayment of Long Term Borrowings	-	(100,000,000)
Proceeds from Short Term Borrowings	(5,228,898)	100,337,645
Interest paid	-	(4,645,890)
<b>Net Cash Flow from Financing Activities</b>	<b>(5,228,898)</b>	<b>(4,308,245)</b>
Net Increase/(Decrease) in Cash & Cash Equivalents	38,596	-
Cash & Cash Equivalents at the Beginning of the period	117,858	117,858
<b>Cash &amp; Cash Equivalents at the end of the period</b>	<b>156,454</b>	<b>117,858</b>

As per our report of even date attached  
**For V.P. Jain & Associates**  
**Chartered Accountants**

**(V.P. Jain)**  
**Partner**  
 Membership No. 81514

Place : New Delhi  
 Dated: February 25, 2009

**Andreas Kolf**  
 Director

For and on Behalf of the Board of Directors of  
 Satara Rubbers & Chemicals Limited

**Rajan Luthra**  
 Director

**Rustin Murdock**  
 Chairman & Director

# SATARA RUBBERS AND CHEMICALS LIMITED

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

### I. Registration Details

Registration No.             -    State Code

Balance Sheet Date

Date                      Month                      Year

### II. Capital Raised during the year (Amount in Rs.Thousands)

Public Issue	Rights Issue
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>
Bonus Issue	Private Placement
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>

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

Total Liabilities	Total Assets
<input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="7"/> <input type="text" value="5"/> <input type="text" value="5"/> <input type="text" value="7"/> <input type="text" value="8"/>	<input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="7"/> <input type="text" value="5"/> <input type="text" value="5"/> <input type="text" value="7"/> <input type="text" value="8"/>

#### Sources of Funds

Paid-up Capital	Reserves & Surplus
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="5"/> <input type="text" value="0"/> <input type="text" value="0"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>
Secured Loans	Unsecured Loans
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>	<input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="7"/> <input type="text" value="5"/> <input type="text" value="0"/> <input type="text" value="7"/> <input type="text" value="8"/>

#### Application of Funds

Net Fixed Assets	Investments
<input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="4"/> <input type="text" value="7"/> <input type="text" value="0"/> <input type="text" value="7"/> <input type="text" value="6"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>
Net Current Assets	Misc. Expenditure
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="3"/> <input type="text" value="8"/> <input type="text" value="3"/> <input type="text" value="6"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>
Deferred Tax Liabilities	Accumulated Losses
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="4"/> <input type="text" value="6"/> <input type="text" value="6"/> <input type="text" value="6"/>

### IV. Performance of Company (Amount in Rs. Thousands)

Turnover including other income	Total Expenditure
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="6"/> <input type="text" value="0"/> <input type="text" value="6"/> <input type="text" value="7"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="5"/> <input type="text" value="5"/> <input type="text" value="5"/> <input type="text" value="2"/>
Income before Tax	Income after Tax
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="5"/> <input type="text" value="1"/> <input type="text" value="4"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="5"/> <input type="text" value="1"/> <input type="text" value="4"/>
Earning per Share in Rs.	Dividend Rate %
<input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="."/> <input type="text" value="3"/> <input type="text" value="0"/>	<input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>

### V. Generic Names of Three Principal Products of Company

Item Code No.

Product Description

## AUDITORS' REPORT

### Auditor's report to the Board of Directors of Federal-Mogul Goetze (India) Limited on the consolidated financial statements of Federal-Mogul Goetze (India) Limited.

1. We have audited the attached consolidated Balance Sheet of Federal-Mogul Goetze (India) Limited, its subsidiaries and associates (the "Federal-Mogul Goetze Group") as at December 31, 2008, and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the group management and have been prepared by the management on the basis of separate financial statement and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. 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.
3. Without qualifying our opinion, we draw your attention to the note no. 8 (b) of schedule 23 of consolidated financial statements stating that remuneration of

Rs. 305.54 lacs being paid to the managing director and whole time director which is in excess of permissible remuneration under Schedule XIII of the Companies Act, 1956. The management has confirmed from these directors that they shall refund these amounts, to the extent of these being not approved by the Central Government.

4. We did not audit the financial statements of certain subsidiaries and associates, whose financial statements reflect
  - (i) In relation to subsidiary Satara Rubbers and Chemicals Limited, total assets (net) of Rs. 1,509 lacs as at December 31, 2008, total revenue of Rs. 60 lacs and cash flows inflow amounting to Rs. .38 lacs.
  - (ii) In relation to an associate GI Power Corporation Limited, total assets (net) of Rs. 6,308 lakh as at December 31, 2008, total revenue of Rs. 803 lacs and cash flow outflow amounting to Rs. 9.46 lacs.
  - (iii) In relation to an associate GTZ Securities Limited, total assets (net) of Rs. 613 lacs as at December 31, 2008, total revenue of Rs. 0.18 lacs and cash flows outflow amounting Rs. 14.62 lacs.

These financial statements and other financial information at December 31, 2008, *except for financial statements and other financial information for GTZ Securities Limited and GI Power Corporation Limited which are consolidated based on unaudited accounts*, have been audited by other auditors whose report(s) has (have) been furnished to us, and our opinion is based solely the report of other auditors.

5. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated financial statements and Accounting Standards (AS) 23, Accounting for Investments in Associates in Consolidated Financial Statements notified pursuant to the Companies (Accounting Standards) Rules, 2006.

Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statement 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 the Federal-Mogul Goetze Group as at December 31, 2008;
- (b) in the case of the consolidated profit and loss account, of the profit for the year ended on that date; and
- (c) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

**FOR S. R. BATLIBOI & CO.**  
**Chartered Accountants**

per  
**Pankaj Chadha**  
**Partner**

Membership No.: 91813

Place: Gurgaon

Date: March 27, 2009

Consolidated Balance sheet and profit and loss account

**Balance Sheet as at December 31, 2008**

	Schedule	As at December 31, 2008 Rs. (in lacs)	As at December 31, 2007 Rs. (in lacs)
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share capital	1	5,563.21	3,262.09
Reserves and surplus	2	27,798.00	17,320.19
		<b>33,361.21</b>	<b>20,582.28</b>
Minority Interest		1,962.26	1,572.09
<b>Loan Funds</b>			
Secured loans	3	18,286.85	23,083.24
Unsecured loans	4	70.74	8,071.34
		<b>18,357.59</b>	<b>31,154.58</b>
<b>Deferred tax liabilities (net)</b>	5	<b>251.11</b>	<b>311.63</b>
<b>TOTAL</b>		<b>53,932.17</b>	<b>53,620.58</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed assets</b>			
Gross block	6	70,518.37	63,373.08
Less : Accumulated depreciation & amortisation		28,191.86	24,481.71
Net block		42,326.51	38,891.37
Capital work-in-progress including capital advances		1,380.00	3,002.57
		<b>43,706.51</b>	<b>41,893.94</b>
<b>Investments</b>	7	<b>1,088.55</b>	<b>1,090.11</b>
<b>Current assets, loans and advances</b>			
Inventories	8	10,753.58	13,637.20
Sundry debtors	9	9,712.88	9,355.87
Cash and bank balances	10	199.13	227.12
Other current assets	11	480.10	372.93
Loans and advances	12	3,309.35	3,653.75
<b>Less: Current liabilities and provisions</b>			
Current liabilities	13	15,751.75	17,935.36
Provisions	14	3,119.00	2,256.99
<b>Total current liabilities and provisions</b>		<b>18,870.75</b>	<b>20,192.35</b>
<b>Net current assets</b>		<b>5,584.29</b>	<b>7,054.52</b>
<b>Miscellaneous Expenditure</b> (to the extent not written off or adjusted)	15	<b>719.71</b>	<b>959.61</b>
<b>Debit balance in profit and loss account</b>		<b>2,833.11</b>	<b>2,622.40</b>
<b>TOTAL</b>		<b>53,932.17</b>	<b>53,620.58</b>
<b>Notes to Accounts</b>	24		

The schedules referred to above and the notes to accounts form an integral part of the Balance Sheet

As per our report of even date

**For S.R. BATLIBOI & CO.**  
Chartered Accountants

per Pankaj Chadha  
Partner  
Membership No. 91813

For and on behalf of the Board of Directors of  
Federal-Mogul Goetze (India) Limited

**Rustin Murdock**  
Whole Time Director & CFO

**Rajan Luthra**  
Financial Controller & Company Secretary

**Jean de Montlaur**  
Managing Director & President

Place: Gurgaon  
Date: March 27, 2009

Place: New Delhi  
Date: March 27, 2009

Consolidated Balance sheet and profit and loss account

**Profit and Loss Account for the year ended December 31, 2008**

Schedule	For the year ended December 31, 2008 Rs. (in lacs)	For the year ended December 31, 2007 Rs. (in lacs)
<b>INCOME:</b>		
Turnover (Gross)	78,049.61	71,604.60
Less : Excise duty	8,702.59	9,321.10
Turnover (Net)	69,347.02	62,283.50
Other income	2,277.36	2,431.92
Sale of Trading Goods	483.78	-
<b>TOTAL</b>	<b>72,108.16</b>	<b>64,715.42</b>
<b>EXPENDITURE</b>		
Raw materials and components consumed	18,795.41	20,072.30
Purchase of trading goods	441.95	-
Personnel expenses	15,840.02	13,790.30
Operating and other expenses	25,493.89	22,237.18
Decrease in inventories	2,418.11	307.72
Depreciation and amortisation	5,048.57	4,691.19
Share of loss in associates companies	-	4.95
Amortisation of miscellaneous expenses	239.90	239.90
Increase/(decrease) of excise duty on finished goods	(422.03)	46.05
Financial expenses	3,367.70	4,324.28
<b>TOTAL</b>	<b>71,223.52</b>	<b>65,713.87</b>
<b>Profit/(loss) before tax and prior period items</b>	<b>884.64</b>	<b>(998.45)</b>
Provision for tax [includes Rs. 67.23 lacs, Previous period Rs. (20.85) lacs relating to earlier years]	571.94	337.93
Deferred tax	(60.52)	(49.80)
Fringe benefit tax	111.65	110.49
<b>Total tax expense</b>	<b>623.07</b>	<b>398.62</b>
<b>Profit/(loss) after tax but before prior period item</b>	<b>261.57</b>	<b>(1,397.07)</b>
Prior period items	42.52	63.16
<b>Profit/(loss) before minority interest</b>	<b>219.05</b>	<b>(1,460.23)</b>
Minority Interest	(390.18)	(242.01)
<b>Profit/(loss) after minority interest</b>	<b>(171.13)</b>	<b>(1,702.24)</b>
<b>Balance brought forward from previous year</b>	<b>(2,591.78)</b>	<b>(880.58)</b>
<b>(loss) available for appropriation</b>	<b>(2,762.91)</b>	<b>(2,582.82)</b>
<b>Appropriations:</b>		
Proposed final dividend	60.00	29.38
Tax and cess on dividend	10.20	10.20
<b>Surplus carried to balance sheet</b>	<b>(2,833.11)</b>	<b>(2,622.40)</b>
<b>Loss Per Share</b>		
Basic and diluted	(0.72)	(6.75)
[Nominal value of shares Rs. 10 (Previous Year Rs. 10)]		
<b>Notes to Accounts</b>	24	

The schedules referred to above and the notes to accounts form an integral part of the Profit and Loss Account

As per our report of even date

**For S.R.BATLIBOI & CO.**  
Chartered Accountants

per Pankaj Chadha  
Partner  
Membership No. 91813

For and on behalf of the Board of Directors of  
Federal-Mogul Goetze (India) Limited

**Rustin Murdock**  
Whole Time Director & CFO  
  
**Rajan Luthra**  
Financial Controller & Company Secretary

**Jean de Montlaur**  
Managing Director & President

Place: Gurgaon  
Date: March 27, 2009

Place: New Delhi  
Date: March 27, 2009



**Consolidated Balance sheet and profit and loss account**
**Schedule to the Accounts**
**Schedule 1 : Share Capital**

	As at December 31, 2008 Rs. (in lacs)	As at December 31, 2007 Rs. (in lacs)
<b>Authorised</b>		
80,000,000 Equity Shares of Rs.10 each	<b>8,000.00</b>	8,000.00
<b>Issued</b>		
55,632,100 (Previous Year-32,620,938) Equity Shares of Rs.10 each	<b>5,563.21</b>	3,262.09
<b>Subscribed</b>		
55,632,100* (Previous Year-32,620,938) Equity Shares of Rs.10 each fully paid	<b>5,563.21</b>	3,262.09
<b>Total</b>	<b>5,563.21</b>	3,262.09

\* Of the above Equity Shares:

- a) 1,252,680 (Previous year-1,252,680) equity shares have been allotted as Bonus Shares by capitalisation of General Reserve.  
 b) 8,429,183 (Previous year-8,429,183) equity shares have been allotted as Bonus Shares by capitalisation of Securities Premium Account.  
 c) 84,207 (Previous year-84,207) equity shares have been issued for consideration other than cash.  
 d) 23,011,200 (Previous year - 7,333,389 ) equity shares have been issued on right issue basis during the year (refer note no. 12 of schedule 24)  
 e) 33,408,581 (Previous year 10,407,715) equity shares are held by Federal Mogul Holding Limited, further 8,306,873 (Previous year 8,306,873) equity shares are held by another group company Federal Mogul Vermögensverwaltungs GMBH

**Schedule 2 : Reserves and Surplus**

	As at December 31, 2008 Rs. (in lacs)	As at December 31, 2007 Rs. (in lacs)
Capital Reserve	<b>56.55</b>	56.55
Capital subsidy	<b>1.12</b>	1.12
Securities Premium Account		
Balance as per last Balance Sheet	<b>16,262.52</b>	6,534.98
Add: Additions in current year	<b>10,585.15</b>	9,900.07
Less: Utilisation for share issue expenses	<b>(107.34)</b>	(172.53)
Capital Redemption Reserve	<b>1,000.00</b>	1,000.00
<b>Total</b>	<b>27,798.00</b>	17,320.19

**Schedule 3 : Secured Loans**

	As at December 31, 2008 Rs. (in lacs)	As at December 31, 2007 Rs. (in lacs)
<b>Loans and advances from banks</b>		
Term loans from banks	<b>4,490.76</b>	10,694.06
Vehicle loans from banks	<b>77.73</b>	90.95
Working capital loans from banks	<b>13,635.74</b>	12,221.98
Interest accrued and due	<b>82.62</b>	76.25
<b>Total</b>	<b>18,286.85</b>	23,083.24

**Consolidated Balance sheet and profit and loss account**
**Schedule to the Accounts**
**Schedule 3 : Secured Loans (Contd.)**

- 1 Term loans repayable within one year Rs. 3,299.95 lacs (Previous year Rs. 6,235.25 lacs)
- 2 Term loans from banks are secured by
  - Rs. 1,125 lacs (Previous year Rs. 1,500 lacs) are secured by first pari-passu charge on entire fixed assets of the Company.
  - Rs. 2,000 lacs (Previous year Rs. 3,000 lacs) are secured by first pari-passu charge on entire fixed assets of the Company, along with other secured term lenders and second pari-passu charge on current assets of the Company along with other term lenders.
  - Rs 290.35 lacs (Previous year Rs. 1,458.34 lacs) are secured by first pari-passu charge with all secured lenders on the entire current assets of the Company, both present and future.
  - Rs 500 lacs (Previous year Rs. 2,250 lacs) are secured by first pari-passu charge on the gross block of the company i.e. fixed movable assets of the company in Bahadurgarh, Yelahanka, Bhiwadi and Alwar, subject to prior charges created and/ or to be created in favour of our Company's bankers on our stock of raw materials, semi-finished and finished goods, consumable stores, book debts.
  - Rs. 575.41 lacs (Previous year Rs. 909.17 lacs) are secured by exclusive charge on the entire fixed assets of the Company.
  - Rs. Nil (Previous year Rs. Nil) are secured by irrevocable corporate guarantee of Federal-Mogul Goetze (India) Limited.
- 3 Vehicle loans of Rs 77.73 lacs (Previous year Rs. 90.95 lacs) from banks are secured by way of hypothecation of the underlying vehicles
- 4 Working capital loan from banks are secured by
  - Rs. 12,068.87 lacs (Previous year Rs. 11,215.18 lacs) are secured against hypothecation of current assets of the Company, both present and future.
  - Rs. 1,566.88 lacs (Previous year Rs. 1,006.80 lacs) are secured by First pari-passu hypothecation charge on stock, book debts of the company ranking pari-passu with other term loan as above.

**Schedule 4 : Unsecured Loans**

	As at December 31, 2008 Rs. (in lacs)	As at December 31, 2007 Rs. (in lacs)
Unclaimed fixed deposits	8.05	8.65
Short term loans & advances		
- From banks *	-	1,000.00
- Others **	61.00	7,061.00
- GTZ Securities Ltd	1.69	1.69
<b>Total</b>	<b>70.74</b>	<b>8,071.34</b>

\*Includes Rs. Nil (Previous year -Rs. 1000 lacs) commercial papers. Maximum amount outstanding during the year Rs. 1,000 lacs (Previous year-Rs 4,000).

\*\*Includes Rs. Nil (Previous year -Rs. 3,900 lacs) commercial papers. Maximum amount outstanding during the year Rs. 3,000 lacs (Previous year-Rs. 7,000 lacs).

**Schedule 5 : Deferred Tax Liabilities (net) :**

	As at December 31, 2008 Rs. (in lacs)	As at December 31, 2007 Rs. (in lacs)
<b>Deferred tax liabilities</b>		
Differences in depreciation in block of fixed assets as per tax books and financial books	291.42	340.80
<b>Gross deferred tax liabilities</b>	<b>291.42</b>	<b>340.80</b>
<b>Deferred tax assets</b>		
Effect of expenditure debited to profit and loss account in the current/ earlier year but allowed for tax purposes in following years	37.75	27.59
Provision for Doubtful Debt	2.56	1.58
<b>Gross deferred tax assets</b>	<b>40.31</b>	<b>29.17</b>
<b>Net deferred tax liabilities</b>	<b>251.11</b>	<b>311.63</b>

Consolidated Balance sheet and profit and loss account

Schedule to the Accounts

Schedule 6 : Fixed Assets

Rs. (in lacs)

	Freehold Land	Leasehold Land	Buildings	Furniture & fittings and office equipments	Plant and machinery	Vehicles	Intangibles*	Goodwill	Total	Previous Year
<b>Gross block</b>										
At Jan 1, 2008	1,486.18	207.27	8,682.10	1,416.53	50,135.60	515.08	712.11	218.21	<b>63,373.08</b>	58,845.96
Additions	-	-	362.68	60.63	8,213.38	149.02	-	-	<b>8,785.71</b>	7,000.05
Deductions	-	-	-	103.00	1,323.05	214.37	-	-	<b>1,640.42</b>	2,472.93
<b>At Dec 31, 2008</b>	<b>1,486.18</b>	<b>207.27</b>	<b>9,044.78</b>	<b>1,374.16</b>	<b>57,025.93</b>	<b>449.73</b>	<b>712.11</b>	<b>218.21</b>	<b>70,518.37</b>	63,373.08
<b>Depreciation/Amortisation</b>										
At Jan 1, 2008	-	5.78	1,986.67	649.22	21,135.80	287.04	335.37	81.83	<b>24,481.71</b>	21,251.47
For the year	-	2.26	276.05	71.62	4,427.04	123.38	126.40	21.82	<b>5,048.57</b>	4,691.19
Deletions / adjustments	-	-	0.23	59.45	1,096.58	182.16	-	-	<b>1,338.42</b>	1,460.95
<b>At Dec 31, 2008</b>	<b>-</b>	<b>8.04</b>	<b>2,262.49</b>	<b>661.39</b>	<b>24,466.26</b>	<b>228.26</b>	<b>461.77</b>	<b>103.65</b>	<b>28,191.86</b>	24,481.71
For previous year	-	2.23	262.70	81.58	4,056.12	150.02	116.72	21.82	<b>4,691.19</b>	3,106.38
<b>Net block</b>										
<b>At Dec 31, 2008</b>	<b>1,486.18</b>	<b>199.23</b>	<b>6,782.29</b>	<b>712.77</b>	<b>32,559.67</b>	<b>221.47</b>	<b>250.34</b>	<b>114.56</b>	<b>42,326.51</b>	38,891.37
At Dec 31, 2007	1,486.18	201.49	6,695.43	767.31	28,999.80	228.04	376.74	136.38	38,891.37	37,594.49
Capital work-in-progress including capital advances Rs. 1,380.00 lacs (Previous Year Rs. 3,002.57 lacs)									<b>1,380.00</b>	3,002.57

**Note:**

1. Land includes (at cost) Rs. 900.65 lacs (Previous year Rs.900.65 lacs) pending registration in the name of the Company.
2. Buildings include (at cost )
  - i) Rs. 101.38 lacs (Previous year Rs. 101.38 lacs) Residential flats pending registration in the name of the Company
  - ii) Rs. 1,261.39 lacs (Previous year Rs. 1,261.39 lacs), constructed on land pending registration in the name of the Company.
3. \*Includes Patents and Trade marks valued at Re.1.

Consolidated Balance sheet and profit and loss account

Schedule to the Accounts

Schedule 7 : Investment

	As at December 31, 2008 Rs. (in lacs)	As at December 31, 2007 Rs. (in lacs)
<b>Long-Term investment (at cost) other than trade (unquoted)</b>		
<b>A Government Securities</b>		
National Savings Certificates* (cost Rs 1.42 lakh)	1.42	1.42
<b>B Investments in Associates</b>		
<b>(i) GI Power Corporation Ltd.</b>		
a 38,89,600 (Previous year-38,89,600) equity shares of Rs 5 each, fully paid	194.48	194.48
Add: Share of Profit/ (losses) in associate	16.21	16.21
Carrying amount of investment	210.69	210.69
b Nil (Previous year-Nil) 10% redeemable cumulative preference shares of Rs.5 each fully paid	-	-
c 17,528,800 ( Previous year - 17,528,800 ) 8% cumulative convertible redeemable Preference Shares of Rs.5 each fully paid in GI Power Corporation Ltd.	876.44	876.44
<b>(ii) GTZ Securities</b>		
9,23,000 (Previous year-9,23,000) equity shares of Rs 5 each fully paid in	46.15	46.15
9,23,000 (Previous year-9,23,000) equity shares of Rs 5 each fully paid in	(46.15)	(46.15)
Less: Share of losses in associate	-	-
Carrying value of investment	-	-
<b>C Other investments</b>		
<b>(i) Nanz Food Products Limited</b>		
1,00,000 (Previous year-1,00,000) 6% redeemable cumulative preference shares of Rs.10 each fully paid	10.00	10.00
Less : Provision for diminution in the value of investment	(10.00)	(10.00)
<b>Current investments (quoted) (At lower of cost or market value)</b>	-	-
<b>(i) Unit Trust of India**</b>		
Nil (Previous year 1,558) 6.75% Taxfree US 64 Bonds of 100 each fully paid in Unit Trust of India	-	1.56
<b>Total</b>	<b>1,088.55</b>	<b>1,090.11</b>

\* The investment is pledged with Sale Tax Authorities

\*\* Aggregate value of quoted investments

Market value Rs Nil , Previous year Rs 1.56 lacs

Units sold during the period 1,558

Aggregate value of unquoted investments Rs. 1,198.98 lacs (previous year Rs. 1,088.53 lacs).

Schedule 8: Inventories (at lower of cost and net realisable value)

Raw materials and components (Including materials in transit Rs 223.07 lacs (Previous year Rs 128.82 lacs)	1,626.59	2,188.27
Stores and spares	2,182.17	2,086.00
Work-in- progress	3,408.21	3,901.91
Reusable scrap	91.71	519.08
Finished goods	3,444.90	4,941.94
<b>Total</b>	<b>10,753.58</b>	<b>13,637.20</b>

Consolidated Balance sheet and profit and loss account

Schedule to the Accounts

Schedule 9 : Sundry Debtors

	As at December 31, 2008 Rs. (in lacs)	As at December 31, 2007 Rs. (in lacs)
<b>Debts outstanding for a period exceeding six months</b>		
Secured, considered good	-	-
Unsecured, considered good	79.21	21.30
Unsecured, considered doubtful	100.43	63.69
<b>Other</b>		
Secured, considered good	184.78	182.86
Unsecured, considered good	9,448.89	9,151.71
	<b>9,813.31</b>	<b>9,419.56</b>
Less : Provision for doubtful debts	100.43	63.69
<b>Total</b>	<b>9,712.88</b>	<b>9,355.87</b>

Schedule 10: Cash and Bank Balances

Cash in hand	1.42	2.30
Balances with scheduled banks:		
- On current accounts	89.15	116.56
- On deposit accounts (pledged with Government authorities)	82.36	82.06
- On unpaid dividend accounts	26.20	26.20
<b>Total</b>	<b>199.13</b>	<b>227.12</b>

Schedule 11: Other Current Assets

Fixed Assets held for disposal (at lower of net book value and estimated net realisable value)	47.26	29.62
Interest/dividend accrued on deposits/investments	54.87	43.45
DEPB benefits receivable	373.22	148.63
Other claim receivable	4.75	151.23
<b>Total</b>	<b>480.10</b>	<b>372.93</b>

Schedule 12: Loans and Advances

Unsecured considered good, except where stated otherwise		
Advances recoverable in cash or in kind or for value to be received	1,348.85	1,335.78
Security deposits	495.76	460.93
Balance with excise authorities	936.66	1,067.14
Advance payment of tax (net of provision)	509.12	789.90
Advance payment of fringe benefit tax (net of provision)	18.96	-
<b>Total</b>	<b>3,309.35</b>	<b>3,653.75</b>

Schedule 13: Current Liabilities

Sundry creditors		
a) total outstanding due to Micro and small enterprises (refer note no. 12 to schedule no. 24)	119.38	143.28
b) total outstanding to creditors other than Micro and small enterprises.	10,928.30	15,758.36
Advance received against supplies from Subsidiary Company	3,300.29	-
Other liabilities	1,106.68	1,594.54
Security Deposit	213.01	213.25
Investors Education & Protection fund shall be credited by as and when due - unpaid dividends	26.20	26.20
Interest Accrued but not Due	57.89	199.73
<b>Total</b>	<b>15,751.75</b>	<b>17,935.36</b>

Consolidated Balance sheet and profit and loss account

Schedule to the Accounts

Schedule 14 : Provisions

	As at December 31, 2008 Rs. (in lacs)	As at December 31, 2007 Rs. (in lacs)
Provision for leave encashment	956.47	868.43
Provision for gratuity	2,062.59	1,314.33
Provision for fringe benefit tax (net of advances)	-	4.03
Provision for current tax (net of advance tax)	29.74	-
Proposed dividend	60.00	60.00
Tax on proposed dividend	10.20	10.20
<b>Total</b>	<b>3,119.00</b>	<b>2,256.99</b>

Schedule 15: Miscellaneous Expenditure\*

Balance as per last balance sheet	959.61	-
Add: Additions in current year	-	1,199.51
Less : Written off	239.90	239.90
<b>Total</b>	<b>719.71</b>	<b>959.61</b>

\* Amount represents the impact of transitional provision on adoption of notified Accounting Standard 15 (revised).

Schedule 16 : Other Income

	For the year ended December 31, 2008 Rs. (in lacs)	For the year ended December 31, 2007 Rs. (in lacs)
Interest:		
Bank deposits (tax deducted at source Rs. 1.50 lacs, (previous year Rs. 1.54 lacs))	19.55	7.90
Interest on income-tax refund	176.90	173.03
Others (Tax deducted at source Nil, Previous year Rs. 1.76 lacs)	0.04	8.93
Sale of scrap	1,268.83	1,369.09
Duty drawback	304.13	138.00
Cash discount	53.03	64.51
Excess provision written back	273.00	41.77
Miscellaneous income	181.88	103.77
Foreign Exchange Rate Difference (net)		524.92
<b>Total</b>	<b>2,277.36</b>	<b>2,431.92</b>

Schedule 17 : Raw Materials and Components Consumed

Inventories - Opening	2,188.26	1,862.47
Add: Purchases	18,233.74	20,398.10
	20,422.00	22,260.57
Less: Inventories - Closing	1,626.59	2,188.27
<b>Total</b>	<b>18,795.41</b>	<b>20,072.30</b>

Consolidated Balance sheet and profit and loss account

Schedule to the Accounts

Schedule 18 : Personnel Expenses

	For the year ended December 31, 2008 Rs. (in lacs)	For the year ended December 31, 2007 Rs. (in lacs)
Salaries, wages and bonus (refer Note no.14 in schedule no. 24)	12,249.14	11,212.03
Contribution to provident fund and other funds	783.76	721.96
Contribution to other funds	156.57	152.65
Contribution to gratuity	977.52	299.52
Workmen and staff welfare expenses	1,673.02	1,404.14
<b>Total</b>	<b>15,840.01</b>	<b>13,790.30</b>

Schedule 19: Operating and Other Expenses

Consumption of stores and spares (refer Note no.14 in schedule no. 24)	7,671.70	6,582.40
Sub-contracting expenses	1,425.12	1,397.72
Chromoplating Charges	-	-
Power and fuel	4,306.48	4,331.57
Freight and forwarding charges	1,670.16	1,352.69
Rent	164.13	128.22
Rates and taxes	421.86	-
- Sale & purchase tax	28.22	318.32
- Others	5.82	149.40
Insurance	121.12	152.89
- Plant and machinery	207.02	180.95
- Buildings	116.49	108.97
- Others	187.60	101.36
Advertising and sales promotion	3,330.19	3,368.96
Management Support Charges	-	-
Royalty	978.93	803.35
Product rectification charges	52.68	73.10
Legal and professional expenses	987.58	974.88
Travelling and conveyance	735.71	886.91
Communication costs	281.09	171.59
Trade discount	107.00	-
Printing and stationery	11.25	137.06
Directors fees & travelling	-	10.00
Auditor's remuneration - as auditor		
- Audit fee	42.24	83.74
- Tax audit fee	24.35	32.65
- For certification and others matters	3.80	0.50
- For limited reviews	4.50	4.00
- Out-of-pocket expenses	6.02	3.11
Charity & donation	0.20	0.05
Provision for doubtful debts and advances	39.44	65.33
Loss on sale of trade investments	-	0.18
Foreign exchange fluctuation (net)	2,046.32	-
Loss on sale / discard of fixed assets (net)	101.04	396.21
Advances written off	0.56	14.53
Miscellaneous expenses	415.28	406.54
<b>Total</b>	<b>25,493.89</b>	<b>22,237.18</b>

Consolidated Balance sheet and profit and loss account

Schedule to the Accounts

Schedule 20 : Decrease in Inventories

	For the year ended December 31, 2008 Rs. (in lacs)	For the year ended December 31, 2007 Rs. (in lacs)
Inventories - opening		
- Work-in-progress	3,901.91	3,629.24
- Finished goods	4,941.94	5,449.00
- Reusable Scrap	519.08	592.41
	<u>9,362.93</u>	<u>9,670.65</u>
Inventories - closing		
- Work-in-progress	3,408.21	3,901.91
- Finished goods	3,444.90	4,941.94
- Reusable Scrap	91.71	519.08
	<u>6,944.82</u>	<u>9,362.93</u>
<b>Decrease</b>	<b>2,418.11</b>	<b>307.72</b>

Schedule 21 : Financial Expenses

Interest		
- to banks	2,827.39	3,741.52
- others	427.45	455.96
Bank charges	112.86	126.80
<b>Total</b>	<b>3,367.70</b>	<b>4,324.28</b>

Schedule 22: Prior Period Expenses

Royalty	-	63.16
Communication costs	42.52	-
<b>Total</b>	<b>42.52</b>	<b>63.16</b>

Schedule 23: Loss per Share (EPS)

Net loss as per profit and loss account	(171.13)	(1,702.24)
Less proposed dividend on preference shares and taxes their on	(70.20)	(39.58)
<b>Net profit for calculation of basic EPS</b>	<b>(241.33)</b>	<b>(1,741.82)</b>
Weighted average number of equity shares in calculating basic and diluting earning per share	<b>33,566,566</b>	25,789,836
Loss per share (Rs.)	<b>(0.72)</b>	(6.75)



**SCHEDULES 1-24 (Contd.)**
**Schedule 24 : Notes to Consolidated financial statements**
**1. Background**

Federal-Mogul Goetze (India) Limited (FMGIL) ('FMGIL' or 'the Company'), was incorporated at New Delhi on November 26, 1954, for manufacture, supply and distribution of 'automotive components' i.e. rings used in two/ three/ four wheeler automobiles.

The Company has two subsidiaries namely Federal-Mogul TPR (India) Limited (formerly Goetze TP (India) Limited) and Satara Rubbers and Chemicals Limited. Federal-Mogul TPR (India) Limited (formerly Goetze TP (India) Limited) was promoted for manufacturing of steel rings used in two/ three/ four wheeler automobiles, in technical collaboration with Teikoku Piston Rings Co. Limited, Japan and T & N Investments Limited, a group company of Federal Mogul Corporation. The Satara Rubbers and Chemicals Limited is a 100% subsidiary of FMGIL. Both the subsidiaries are incorporated with in India.

**2. Statement of Significant Accounting Policies**
**a) Basis of Preparation and Consolidation**

The financial statements have been prepared to comply in all material respects in respects with the Notified accounting standard by Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention and on an accrual basis.

The Consolidated Financial Statements have been prepared in accordance with Accounting Standard 21 (AS 21) "Consolidated Financial Statements" and Accounting Standard 23 (AS 23) "Accounting for investments in Associates in Consolidated Financial Statements".

The subsidiaries (which along with Federal-Mogul Goetze (India) Limited, the parent, constitute the Federal-Mogul Goetze Group) considered in the preparation of these consolidated financial statements are:

Name	Percentage of Ownership interest as at December 31, 2008	Percentage of Ownership interest as at December 31, 2007
Federal-Mogul TPR (India) Limited	51%	51%
Satara Rubbers and Chemicals Limited	100%	100%

The audited financial statements of subsidiaries, considered in the consolidated accounts, are drawn upto December 31, 2008.

Investments in Associates:

The Federal-Mogul Goetze Group's Associates are:

Name	Percentage of Ownership interest as at December 31, 2008	Percentage of Ownership interest as at December 31, 2007
GTZ Securities Limited	23.67%	23.67%
GI Power Corporation Limited	26%	26%

The un-audited financial statements of these associates as at December 31, 2008 are considered in consolidated account.

These investments have been accounted for using the equity method whereby the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Federal-Mogul Goetze Group's share of net asset.

(i) These Consolidated Financial Statements are based on audited accounts in so far as they relate to amounts included in respect of subsidiaries and on basis of un-audited accounts in so far as they relate to amounts included in respect of associates.

The accounting policies have been consistently applied by the Company and its subsidiaries and are consistent with those used in the previous year.

**b) Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

**c) Tangible assets**

Fixed assets are stated at cost less accumulated depreciation less impairment if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use i.e. freight duties, taxes and other incidental expenses excluding Cenvat in so far as this is available for set off against excise duty.

**d) Depreciation**

i) Depreciation is provided on straight line method basis and same is based on management's assessment of assets' useful lives and is calculated at the rates so determined, which are either equal to or higher than rates provided for such assets under Schedule XIV of the Companies Act, 1956.

Asset Class	Rate prescribed in Schedule XIV of Companies Act, 1956 (%)	Rates used (%)
(i) Land-Leasehold	-	over the life of lease of asset
(ii) Buildings – Factory	3.34	3.34
– Other	1.63	1.63
(iii) Furniture, fittings & office equipment	6.33 to 4.75	6.33 to 4.75
(iv) Plant & Machinery – Single Shift	4.75	4.75
– Double Shift	7.42	7.42
– Triple Shift	10.34	10.34
– Continuous process plant	5.28	5.28
(v) Vehicles – Employee	9.50	33.33
– Material Handling Vehicles	9.50	11.31
– Others	9.50	9.50
(vi) Computers	16.21	16.21
(vii) Dies and Moulds	11.31	11.31

## SCHEDULES 1-24 (Contd.)

### Schedule 24 : Notes to Consolidated financial statements

- ii) Plant and Machinery also includes self constructed machinery.
- iii) Depreciation on the amount of adjustment to fixed assets on account of capitalization of insurance spares is provided over the remaining useful life of related assets.
- iv) All assets costing upto Rs 5,000 are fully depreciated in the year of purchase.
- e) Impairment**
- i) The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.
- ii) After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.
- f) Intangible Assets**
- Intangible assets are stated at cost less amortisation less impairment, if any. Cost comprises the purchase price and other directly attributable costs. Intangible assets are amortised over their expected useful economic lives, on straight line basis, as follows:
- i) Design and drawings - 5 years.
- g) Leases**
- Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss account on a straight-line basis over the lease term.
- h) Investments**
- Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and market value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline, other than temporary, in the value of the investments.
- i) Inventories**
- Inventories are valued as follows:
- |  |   |
|--|---|
| Raw materials, components, stores and spares and bought out tools. | Lower of cost and net realizable value. Cost represents purchase price and other direct costs and is determined on a moving weighted average cost basis. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. |
| Constructed Tools  | Lower of cost and net realizable value. Cost represents material, labour and appropriate allocation of overheads. Material cost for this purpose is determined on a moving weighted average cost basis.   |
| Work-in-progress   | Lower of cost and net realizable value. Cost for this purpose includes material, labour and appropriate allocation of overheads.  |
| Finished Goods:  |   |
| - Manufactured   | Lower of cost and net realizable value. Cost for this purpose includes material, labour and appropriate allocation of overheads. Excise duty on stock lying with Company is added to the cost of the finished goods inventory.  |
| -Traded  | Lower of cost and net realizable value. Cost represents purchase price and other direct costs and is determined on a moving weighted average cost basis.  |
| Reusable scrap   | At net realizable value.  |
- Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion. Provision for obsolescence is determined based on management's assessment and is charged to profit and loss account.
- j) Revenue recognition**
- Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.
- i) **Sale of Goods:**  
Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and are recorded net of excise duty, sales tax and trade discount.
- ii) **Interest:**  
Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.
- iii) **Export Benefits/Incentives:**  
Export entitlements under the Duty Entitlement Pass Book (DEPB) Scheme are recognized in the profit and loss account when the right to receive credit as per the terms of the scheme is established in respect of exports made.
- k) Foreign Currency Transactions**
- (i) **Initial Recognition**  
Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.
- (ii) **Conversion**  
Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.
- (iii) **Exchange Differences**  
Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.
- l) Retirement and Other Employee Benefits**
- (i) Provident fund contributions are charged to profit and loss account, when contributions paid/payable are due to "Goetze India Limited Provident Fund Trust", administered by the trustees and to the Regional Provident Fund Commissioners. There are no other obligations other than the contribution payable to the respective trusts.

## SCHEDULES 1-24 (Contd.)

### Schedule 24 : Notes to Consolidated financial Statements

- (ii) Gratuity liability under the Payment of Gratuity Act is accrued on the basis of an actuarial valuation made at the end of each financial year. The actuarial valuation is done as per projected unit credit method.
- (iii) Short term compensated absences are provided for based on estimates, Long term compensation liability for leave encashment is determined in accordance with company policy and measured on the basis of valuation by an independent actuary at the end of the financial year. The actuarial valuation is done as per projected unit credit method.
- (iv) Actuarial gains/losses are immediately taken to profit and loss account.
- (v) Superannuation Benefit

The Company has superannuation obligation administered with Life Insurance Corporation of India (LIC). Contributions to the defined contribution scheme are charged to profit and loss account when contributions paid/ payable are due to such fund. There are no other obligations other than the contribution payable to the respective trusts.

#### m) Income taxes

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961 enacted in India. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liability, if any in the subsidiaries are not set off against each other as the respective companies in the Federal-Mogul Goetze Group do not have a legal right to do so. Current and deferred tax assets and liabilities are only offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

#### n) Earnings per Share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

#### o) Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

#### p) Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

#### q) Miscellaneous Expenditure

Miscellaneous expenditure is written off over a period of 5 years.

### 3. Segment Information

Based on the guiding principles given in Accounting Standard on 'Segmental Reporting' (AS-17), notified under Companies (accounting Standards) Rules, 2006, the Company's primary business segment is manufacturing of auto components. The Company operates in one geographical segment that is "India" and no further disclosures as per AS-17 need to be made.

### 4. Related Party Disclosure

During the year, the Company and its subsidiaries have entered into following transactions with related parties.

- i) Enterprises owned or significantly influenced by key management personnel or their relatives
  - GI Power Corporation Limited
  - GTZ Securities Limited
- ii) Key managerial personnel and their relatives
  - Mr. Jean de Montlaur (w.e.f March 03, 2008)
  - Mr. Rustin Murdock (w.e.f September 24, 2007)
  - Mr. Arun Anand (till September 24, 2007)
  - Mr. Mohan Narayanan, Director (till January 21, 2008)
  - Mrs. Renu Anand (wife of Mr. Arun Anand)
  - Ms. S. Bhuvaneshwari, Deputy General Manager, Projects (Till March 31, 2008) (Manager under section 269 of the Companies Act,1956.)
- iii) Holding Company
  - Federal Mogul Holdings Limited (Mauritius)
  - Federal Mogul Vemogensverwaltung GMBH (Germany)
- iv) Fellow subsidiaries
  - Federal Mogul Burscheid GMBH, (Germany)
  - Federal Mogul Maysville (USA)
  - Federal Mogul Operation S.r.L. (Italy)
  - Federal Mogul Bimet S.A. (Poland)
  - Federal Mogul Nurnberg, GMBH (Germany)

## SCHEDULES 1-24 (Contd.)

### Schedule 24 : Notes to Consolidated financial Statements

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- Federal Mogul Wiesbaden GMBH, (Germany)
- Federal Mogul Power Train System (South Africa)
- Federal Mogul Holding Deutschland (Germany)
- Federal Mogul Valves (PTY) Ltd (South Africa)
- T & N Limited (U.K)
- Federal Mogul KK (Japan)
- SSCFRAN FM Financial Services SAS Veurey Voroize (France)
- Federal Mogul Financial Services FRANCTNL (France)
- Federal Mogul Gorzyee, S.A (Poland)
- Federal Mogul Friedberg, GMBH (Germany)
- Federal Mogul Sintered Products Ltd. (U.K)
- Federal Mogul Automotive Products Limited (India)
- Federal Mogul Sealing Systems, GMBH (Germany)
- Federal Mogul Friction Products Ltd
- Federal Mogul Corporation Powertrain Systems
- Federal Mogul Plant Van Wert, USA
- Federal Mogul Powertrain Systems Schofield (USA)
- Federal Mogul S.A.R.L.
- Federal Mogul France, S.A.
- Federal Mogul Corporation, Lake City
- Federal Mogul Bearing India Ltd (India)
- KFM Bearing Company (South Korea)

iv) Associates

1. GI Power Corporation Limited (w.e.f. October 13, 2005)
2. GTZ Securities Limited

v) Ultimate Holding Company

- Federal Mogul Corporation, USA.

Those transactions along with related balances as at December 31, 2008 and December 31, 2007 and for the years then ended are presented in the following table:

Fellow Subsidiaries										
	Federal Mogul Power Train, (South Africa)		Federal Mogul Burscheid GMBH, (Germany)		Federal Mogul Maysville (USA)		Federal Mogul Gorzyee S.A. (Poland)		Federal Mogul Bimex S.A (Poland)	
Particulars	31.12.08	31.12.07	31.12.08	31.12.07	31.12.08	31.12.07	31.12.08	31.12.07	31.12.08	31.12.07
Sales	-	-	-	-	-	-	-	-	-	-
Purchase of raw material, intermediaries and finished goods	-	-	701.85	1,319.71	-	-	-	-	103.30	-
Purchase of Fixed Assets	171.39	-	1,574.30	709.13	-	-	-	-	-	-
Interest	-	-	157.66	-	-	-	-	-	-	-
Other Expenses	-	-	4.08	5.58	-	-	-	-	(20.46)	-
Royalty Expense	-	-	418.18	280.29	-	-	-	-	-	-
Balance outstanding as at the end of the year (Receivables)	-	-	-	-	-	-	29.25	365.14	-	-
Balance outstanding as at the end of the year (Payable)	(166.34)	-	(674.71)	(2,107.25)	(3282.37)	-	-	-	(1.12)	-

Fellow Subsidiaries										
	Federal Mogul Nurnberg, GMBH (Germany)		Federal Mogul Friedberg, GMBH (Germany)		Federal Mogul Wiesbaden GMBH (Germany)		Federal Mogul Power Train System (South Africa)		Federal Mogul Operational S.R.L. (Italy)	
Particulars	31.12.08	31.12.07	31.12.08	31.12.07	31.12.08	31.12.07	31.12.08	31.12.07	31.12.08	31.12.07
Sales	(9.76)	-	(25.31)	-	-	-	-	-	-	-
Purchase of raw material, intermediaries and finished goods	274.44	80.43	-	-	642.30	37.54	10.52	-	123.15	-
Purchase of Fixed Assets	615.56	1,382.41	-	-	-	191.06	-	0.44	-	-
Other Expenses	19.68	-	-	-	(95.14)	(0.95)	16.69	-	(28.46)	-
Royalty Expense	233.49	260.31	-	-	-	-	-	-	-	-
Balance outstanding as at the end of the year (Receivables)	3.62	-	11.54	-	12.03	-	-	-	-	-
Balance outstanding as at the end of the year (Payable)	(401.67)	(1745.61)	-	-	(37.72)	(218.03)	-	(0.93)	(29.98)	-

Fellow Subsidiaries											
Particulars	FM Financial Services FRANCTNL (France)		Federal Mogul Holding Deutschland (Germany)		Federal Mogul Valves (PTY) Ltd (South Africa)		T & N Limited (U.K)		Federal Mogul KK (Japan)		
	31.12.08	31.12.07	31.12.08	31.12.07	31.12.08	31.12.07	31.12.08	31.12.07	31.12.08	31.12.07	
Other Expenses	39.70	-	132.76	-	3.92	-	80.64	-	(74.33)	-	
Balance outstanding as at the end of the year, (Receivables)	-	-	-	-	-	-	-	-	4.51	-	
Balance outstanding as at the end of the year (Payable)	(42.30)	-	(80.80)	-	-	-	(23.79)	-	-	-	
Fellow Subsidiaries											
Particulars	Federal Mogul Bearing (India) Ltd.		SSCFran FM Financial Services SAS Veurey Voroize (France)		Federal Mogul Sintered Products Ltd. (U.K)		Other Fellow Subsidiaries		Total		
	31.12.08	31.12.07	31.12.08	31.12.07	31.12.08	31.12.07	31.12.08	31.12.07	31.12.08	31.12.07	
Sales	(705.74)	-	-	-	-	-	(31.24)	(148.59)	(5,731.51)	(713.77)	
Purchase of raw material, intermediaries and finished goods	30.27	-	-	-	15.15	-	60.50	257.28	1,961.49	1,694.96	
Purchase of Fixed Assets	-	-	-	-	-	181.72	2.63	4.75	2,363.88	2,469.51	
Interest	-	-	-	-	-	-	-	-	157.66	-	
Other Expenses	(3.25)	-	202.44	-	(0.14)	(0.43)	(16.13)	(0.68)	295.08	3.52	
Royalty Expense	-	-	-	-	273.53	143.45	-	-	925.20	684.05	
Balance outstanding as at the end of the year	483.20	-	-	-	-	-	3.41	50.33	547.56	415.47	
Receivables	-	-	-	-	-	-	(61.58)	(190.56)	(5200.00)	(4583.45)	
Balance outstanding as at the end of the year (Payable)	-	-	(25.52)	-	(372.10)	(321.07)	-	-	-	-	

<b>Ultimate Holding Company Federal Mogul Corporation (USA)</b>		
<b>Particulars</b>	<b>31.12.08</b>	31.12.07
Sales	<b>(122.56)</b>	(2699.01)
Purchase of raw material, intermediaries and finished goods	-	152.93
Purchase of Fixed Assets	-	1672.22
Sale of Fixed Assets		(481.57)
Interest Expense		82.29
Other Expense	<b>(347.48)</b>	392.25
Balance outstanding as at the end of the year (Receivable)	<b>1.47</b>	1291.32
Balance outstanding as at the end of the year (Payable)	<b>(126.95)</b>	(2595.06)

<b>Associates</b>						
<b>Particulars</b>	<b>G.I Power Corporation Ltd.</b>		<b>GTZ Securities</b>		<b>Total</b>	
	<b>31.12.08</b>	31.12.07	<b>31.12.08</b>	31.12.07	<b>31.12.08</b>	31.12.07
Purchase of power	-	139.83	-	-	-	139.83
Other Expense	-	(13.21)	-	-	-	(13.21)
Balance outstanding as at the end of the year (Payable)	-	(13.21)	-	-	-	(13.21)

<b>Key Managerial Personnel &amp; their relatives**(see note below)</b>						
<b>Particulars</b>	<b>Mrs Renu Anand</b>		<b>Ms. S. Bubvaneshwari</b>		<b>Total</b>	
	<b>31.12.08</b>	31.12.07	<b>31.12.08</b>	31.12.07	<b>31.12.08</b>	31.12.07
Rent expense	-	10.80	-	-	-	10.80
Remuneration	-	-	<b>5.54</b>	12.36	<b>5.54</b>	46.17

\*\* The remuneration paid to directors is disclosed elsewhere in the notes to the accounts

#### 5. Leases

Office premises are obtained on operating lease. The lease term is for a year and renewable for further 5 years at the option of the Company. There is no escalation clause in the lease agreement.

<b>Leases</b>	<b>For the year ended December 31, 2008 (Rs in lacs)</b>	For the year ended December 31, 2007 (Rs in lacs)
a) Lease payments for the year*	<b>164.13</b>	128.22
<i>Minimum Lease Payments (for non cancelable leases):</i>		
b) Not later than one year	<b>170.04</b>	55.86
c) Later than one year but not later than five years	<b>322.58</b>	6.30

\*Includes amount paid towards cancelable lease payments is Rs. 60.67 lacs (Previous year Rs. 57.42 lacs)

#### 6. Capital Commitment

Estimated amount of contract remaining to be executed on capital account and not provided for

<b>Particulars</b>	<b>Year ended December 31, 2008 (Rs in lacs)</b>	Year ended December 31, 2007 (Rs in lacs)
Capital commitment	<b>1,703.42</b>	1,175.87

## SCHEDULES 1-24 (Contd.)

### Schedule 24 : Notes to Consolidated financial Statements

#### 7. Contingent Liabilities not provided for:

Particulars	Year ended December 31, 2008 (Rs. in lacs)	Year ended December 31, 2007 (Rs. in lacs)
a) Bank Guarantees	518.06	900.43
b) Claims/notices contested by the Company		
i) Excise duty	712.13	882.49
ii) Sales Tax	59.23	118.27
iii) ESI Cases	40.53	7.56
iv) Employee Related Cases	72.67	119.52
v) Electricity Demand	52.24	52.24
vi) Income Tax Demands	307.20	285.80
vii) Consumer Cases	60.91	64.98
viii) Other Excise duty liabilities of subsidiary	442.29	8.81
ix) Income tax liability of subsidiary	145.93	-

c) The Company has executed surety bonds in favour of sales tax authorities on behalf of Gossini Fashion Limited (earlier AN-GIP Leather (India) Limited) for Rs. 1.5 lacs.

d) In relation to b (i) above Excise Duty cases contested by the Company comprise of:

- i) Show cause notice received in respect of excise duty benefit in relation to deduction of Trade Discounts for the period 2000-2001 to 2003-2004. The matter is pending for personal hearing with the Joint Commissioner. The Company has taken legal opinion and is advised that it has fair chance of a favorable decision. The amount involved is Rs. 33.74 lacs. (Previous year Rs. 33.74 lacs)
- ii) Matter pending with Central Excise & Service Tax Appellate Tribunal (CESTAT) in respect of valuation rates employed for certain products sold by the Company for the period 2004-2005 & 2005-2006. The Company has done an analysis and is of the opinion that it has fair chance of a favorable decision. The amount involved is Rs. 0.93 lacs. (Previous year Rs. 2.60 lacs)
- iii) Matter pending with Additional Commissioner of Central Excise (ADCCE) in respect of excise duty on scrap produced by the Company for the period 2000-2001 to 2002-2003. The Company has done an analysis and is of the opinion that it has fair chance of a favorable decision. The amount involved is Rs.34.11 lacs. (Previous year Rs. 34.11 lacs)
- iv) Miscellaneous Excise Cases in respect of MODVAT credits are pending with Deputy Commissioner Central Excise Patiala (DCCE PTA)/ Additional Commissioner/ Punjab and Haryana High Court/Assistant Commissioner Central Excise for the period 1987-1988 to 2006-2007. The Company has done an analysis and is of the opinion that it has fair chance of a favorable decision. Amount involved is Rs. 58.02 lacs. (Previous year Rs. 58.02 lacs)
- v) Matters pending with Additional Commissioner, Chandigarh in respect of Service Tax on Royalty & Technical Know how from 1999-00 to 2004-05. The Company has done an analysis and is of the opinion that it has fair chance of a favorable decision. Amount involved is Rs. 39.95 lacs. (Previous year Rs. 39.95 lacs)
- vi) Matters pending with Joint Commissioner, Bangalore in respect of Service Tax on Job Work for the period 2004-05. The Company has done an analysis and is of the opinion that it has fair chance of a favorable decision. Amount involved is Rs. 54.09 lacs. (Previous year Rs. 18.01 lacs)
- vii) Matters pending with Additional Commissioner, Chandigarh in respect of Service Tax on Transport Services for the period 2005-06, 2006-07 & 2007-08. The Company has done an analysis and is of the opinion that it has fair chance of a favorable decision. Amount involved is Rs. 14.56 lacs. (Previous year Rs. 5.50 lacs)
- viii) Matter was pending with Additional Commissioner, Chandigarh in respect of Service Tax on Intellectual property services for the period 2006-07. During the year, the order was passed in the favour of the company, amount involved Rs. Nil. (Previous year Rs. 3.45 lacs)
- ix) Matter was pending with Joint Commissioner, Chandigarh in respect of Service Tax on business auxiliary services for the period 2006-07. During the year, the order was passed in the favour of the company, amount involved Rs. Nil. (Previous year Rs. 19.08 lacs)
- x) Matters pending with CESTAT in respect of excise cases in relation cenvat credit availed on imported goods for the period 2006-07. The Company has done an analysis and is of the opinion that it has fair chance of a favorable decision. Amount involved is Rs. 55.72 lacs. (Previous year Rs. 27.86 lacs)
- xi) Matters pending with CESTAT in respect of excise on non saleable piston relating to period 2005-06. The Company has done an analysis and is of the opinion that it has fair chance of a favorable decision. Amount involved is Rs. 8.57 lacs. (Previous year Rs. 249.74 lacs)
- xii) Matters pending with Commissioner Chandigarh/ Deputy Commissioner Central Excise (DCCE) Patiala in respect of clearance of reprocessed goods without payment of duty for the period 2004-2005 to 2006-2007. The Company has done an analysis and is of the opinion that it has fair chance of a favorable decision. Amount involved is Rs. 8.82 lacs. (Previous year Rs. 8.82 lacs)
- xiii) Matters pending with Commissioner Appeals/ Joint Commissioner in respect of interest on reversal of Special Additional Duty (SAD) for 2000-01. The Company has done an analysis and is of the opinion that it has fair chance of a favorable decision. Amount involved is Rs. 9.37 lacs. (Previous year Rs. 9.37 lacs)
- xiv) Matters pending with Supreme Court in respect of conversion of Aluminum Scrap into Ingots from Colts for 2000-01 & 2001-02. The Company has done an analysis and is of the opinion that it has fair chance of a favorable decision. Amount involved is Rs. 15.14 lacs. (Previous year Rs. 15.14 lacs)
- xv) Matters pending with CESTAT in respect of excise cases in relation to provisional assessment of excise duty with respect to turnover discount for the period 2001-2002 to 2006-2007. The Company has taken legal opinion in this regard and is confident of success. Amount involved is Rs. 327.19 lacs. (Previous year Rs. 334.04 lacs)
- xvi) Matter pending with Central Excise & Service Tax Appellate Tribunal (CESTAT) in respect of valuation rates employed for certain products sold by the Company for the period 2001-2003 to 2004-2005. The Company has done an analysis and is of the opinion that it has fair chance of a favorable decision. Amount involved is Rs.6.12 lacs. (Previous year Rs. 6.12 lacs)
- xvii) Matter pending with Central Excise & Service Tax Appellate Tribunal (CESTAT) in respect of non payment of service tax on management fee by the Company for the period 1998-1999 to 2002-2003. The Company has done an analysis and is of the opinion that it has fair chance of a favorable decision. Amount involved is Rs. 16.94 lacs. (Previous year Rs. 16.94 lacs)
- xviii) Matter pending with Joint commissioner of Central Excise, Chandigarh in respect of availment of service tax credit on various services by the Company for the



## SCHEDULES 1-24 (Contd.)

### Schedule 24 : Notes to Consolidated financial Statements

period 2007-2008. The Company has done an analysis and is of the opinion that it has fair chance of a favorable decision. Amount involved is Rs. 28.86 lacs. (Previous year Rs. Nil)

**e) In relation of b (ii) Sales Tax cases contested by the Company comprise of:**

- i) In respect of Assessment Year 1996-97 to 2001-02, on account of differences in sales tax rates, the matter is pending with Karnataka High court. The Company has taken legal opinion in this regard and is confident of success. Amount involved is Rs. 59.23 lacs. (Previous year Rs. 59.23 lacs)
- ii) In respect of Assessment Year 1999-00, on account of non-submission of C- forms and F- Forms, the matter is pending with JCCT. During the year, the company has deposited the amount with the authority, amount involved is Rs. Nil. (Previous period Rs. 38.39 lacs)
- iii) In respect of Assessment Year 2002-03 to 2006-07, on account of Entry tax, the matter is pending with Additional Commissioner. During the year, the company has deposited the amount with the authority, amount involved is Rs. Nil. (Previous period Rs. 20.65 lacs)

**f) In relation b (iii) above Employee State Insurance claims comprise of:**

- i) In respect of demand from Employee State Insurance, relating to non deposit of Employee State Insurance on certain employee related expenses pending with the Assessing Officer. The Company has done an analysis and is of the opinion that it has fair chance of a favorable decision. Amount involved is Rs.40.53 lacs. (Previous year Rs. 7.56 lacs)

**g) In relation of b (iv) above Employee related cases comprise of:**

- i) Claims against the Company not acknowledged as debt, in respect of demands raised by the workers. The Company has done an analysis and is of the opinion that it has fair chance of a favorable decision. Amount involved is Rs.72.67 lacs. (Previous year Rs. 119.52 lacs)

**h) In relation to b (v) above Electricity demand relates to:**

- i) In respect of a demand raised by Punjab Electricity Board (PSEB) for various years in relation to availment of additional load. The Company has done an analysis and is of the opinion that it has fair chance of a favorable decision. Amount involved is Rs. 52.24 lacs. (Previous year Rs. 52.24 lacs)

**i) In relation to b (vi) above Income Tax cases disputed by the Company:**

- i) In respect of Assessment Year 2000-01, certain additions were made on normal as well as on book profit. The matter is pending with ITAT. During the year, management has done an analysis and is of the opinion that chances of liability getting materialised are high. Hence the Company has created provision for the same. The amount for contingent liability for the year is Rs. Nil (Previous year Rs. 53.84 lacs)
- ii) In respect of Assessment Year 2002-03, certain additions were made on normal income as well as on book profits. The matter is pending with Commissioner Income Tax (Appeals). The Company has done an analysis and, in one of the case, is of the opinion that chances of liability getting materialised are high, hence the company has created provision for the same. The amount for contingent liability for the year is Rs.4.89 lacs. (Previous year Rs. 16.37 lacs)
- iii) In respect of Assessment Year 2003-04, disallowance was made for carry forward losses as well as certain disallowances. The matter is pending with Commissioner Income Tax (Appeals). The Company has done an analysis and is of the opinion that it has fair chance of a favorable decision. The amount involved is Rs.170.20 lacs. (Previous year Rs. 170.20 lacs)
- iv) In respect of Assessment Year 2004-05, certain additions were made on normal income. The matter was pending with Commissioner Income Tax (Appeals), during the year Company has got the order in its favour, hence the amount involved is Rs. Nil. (Previous year Rs. 23.79 lacs)
- v) In respect of Assessment Year 2005-06, certain additions were made on normal income. The matter is pending with Commissioner Income Tax (Appeals) and the Company is of the view that it has reasonable chance of success. The amount involved is Rs.21.60 lacs. (Previous year Rs. 21.60 lacs)
- vi) In respect of Assessment Year 1997-98, demand was raised due to disallowance of previous year expense made in regular assessment and also certain penalty proceedings on the above issue. The amount involved is Rs. 110.51 lacs. (Previous year Rs. Nil)

**j) In relation to b (vii) above Consumer cases filed against the company:**

- i) Matter was pending with Delhi High Court relating to cases filed by Mr. Harkirat Singh a customer of the Company relating to defective goods for the year 2004-05. During the year, the order was passed in the favour of the company, amount involved is Rs. Nil. (Previous year Rs. 4.07 lacs).
- ii) Matter pending with Delhi High Court relating to cases filed by Space 2000 a customer of the Company relating to defective goods for the period 1995-1996. The Company has done an analysis and is of the opinion that it has fair chance of a favorable decision Amount involved is Rs. 60.91 lacs. (Previous year Rs. 60.91 lacs)

**k) In relation to b (viii) above Excise Duty cases contested by the subsidiary company comprise of:**

- i) Matters pending with Central Excise and Service Tax Appellate Tribunal (CESTAT):
  - (a) in respect of excise cases in relation to provisional assessment of excise duty with respect to turnover discount for the period 2003-2004 to 2006-2007. The Company has taken legal opinion in this regard and is advised that it has fair chance of a favorable decision. The amount involved is Rs. 691,479 (Previous year Rs. 802,513).
  - (b) in respect of irregular availment of cenvat credit in respect to certain products obtained on job work basis for the period 2005- 2007. The Company has done an analysis and is of the opinion that it has fair chance of a favorable decision. The amount involved is Rs. 36,106,654 including interest and penalties of Rs. 18,053,327 (Previous year Rs. Nil).
- ii) The matter is pending for personal hearing with the Joint Commissioner of Central Excise in respect of excise duty benefit in relation to deduction of Trade Discounts for the period 2000-2002 to 2003-2004. The Company has taken legal opinion and is advised that it has fair chance of a favorable decision. The amount involved is Rs. 242,426. ( Previous year Rs. 242,426)
- iii) The matter is pending before the Commissioner of Central Excise, Bangalore:
  - (a) in respect of availment of cenvat credit (service tax) in relation to management consultancy service and sole selling commission for the period 2004-2005 to 2006-2007. The Company has done an analysis and is of the opinion that it has fair chance of a favorable decision. The amount involved is Rs. 6,754,992 (Previous year Rs. 341,968).
  - (b) in respect of irregular availment of cenvat credit in relation to certain trading goods for the period 2007-2008. The Company has done an analysis and is of the opinion that it has fair chance of a favorable decision. The amount involved is Rs. 69,542 (Previous year Rs. Nil).
- iv) The matter is pending before the Deputy Commissioner of Central Excise, Bangalore:
  - (a) in respect of irregular availment of cenvat credit (service tax) in relation to certain services for the period April 2006-May 2006. The Company has done an analysis and is of the opinion that it has fair chance of a favorable decision. The amount involved is Rs. 383,705 (Previous year Rs. Nil).
  - (b) in respect of cenvat credit on rejected goods received from customers for the period May 2006 to May 2007. During the year, the matter has been decided in favor of the company. The amount involved as of December 31, 2008 was Rs. Nil (Previous year Rs. 339,201).

**k) In relation to b (ix) above Tax cases disputed by the subsidiary company comprise of:**

- i) During the year, the company has received a show cause notice in respect of Assessment year 2006-07, in which assessing officer has raised a demand of Rs. 14,592,560 on account of additions made to normal income during the years and in assessment year 2004-05 and 2005-06. Matter is pending with CIT(A), the Company has done an analysis and is of the opinion that it has fair chance of a favorable decision.

## SCHEDULES 1-24 (Contd.)

### Schedule 24 : Notes to Consolidated financial Statements

#### 8. (a) (i) Payment made to Directors:

Particulars	Year ended December 31, 2008	Year ended December 31, 2007
(a) Salaries	444.20	76.93
(b) Contribution to Provident & Superannuation Fund	6.04	9.35
(c) Leave encashment paid	-	11.81
(d) Gratuity paid	-	57.60
(e) Other Perquisites	91.08	42.15
(ii) Directors Sitting Fees	8.60	10.00

- (b) Personnel expenses under Schedule 18 include Rs. 305.54 lacs towards director remuneration. This amount is in excess of permissible remuneration determined under Schedule XIII of the Companies Act, 1956. Management has filed an application with the Central Government on July 22, 2008 for approval of payment of salary to the whole time director for Rs. 54.96 lacs per month for 5 years. Pending approval from the government, management has taken a confirmation from the director that he shall refund the amounts in the event of such approvals being refused.
9. a) In accordance with Explanation below Para 10 of Accounting standard 9 notified by Companies (Accounting Standards) Rules, 2006, excise duty on sales amounting to Rs. 8,702.59 lacs (Previous Period 9,321.10 lacs) has been reduced from sales in profit & loss account and excise duty on decrease / (increase) in stock amounting to Rs. (422.03) lacs [Previous Period Rs. 46.05 lacs] has been considered as (income) / expense in the financials statements.
10. During the year, the Company has not taken any foreign currency derivative instruments to hedge its foreign currency risk.  
The amount of foreign currency exposure that is not hedged by a derivative instrument or otherwise as on December 31, 2008:

(Amounts in lacs)

Particulars	Currency	Year ended December 31, 2008 (INR)	Year ended December 31, 2008 Amount (Foreign currency)	Year ended December 31, 2007 (INR)	Year ended December 31, 2007 Amount (Foreign currency)
Borrowings	USD	1,292.11	26.74	139.06	3.57
Advance received	USD	3,300.29	67.63	-	-
Creditors	USD	174.41	3.57	53.93	2,126.01
Creditors	EURO	853.14	12.38	67.60	3,897.54
Creditors	GBP	34.03	0.48	4.09	321.07
Creditors	JPY	145.44	269.02	-	-
Creditors	ZAR	-	-	0.58	3.31
Debtors	USD	525.9	10.88	365.96	9.28
Debtors	EURO	105.07	1.56	38.64	0,67
Debtors	GBP	109.81	1.59	-	-
Advance paid	JPY	28.95	53.61	-	-

#### 11. Gratuity and Other Post-employment Benefit Plans :

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The following tables summarise the components of net benefit expense recognised in the profit and loss account and the funded status and amounts recognised in the balance sheet for the respective plans.

##### Profit and Loss account

Net employee benefit expense (recognised in Employee Cost)

	(Rs. in lacs)	
	2008	2007
Current service cost	241.39	385.88
Interest cost on benefit obligation	367.23	328.75
Expected return on plan assets	(239.91)	(261.70)
Net actuarial (gain) / loss recognised in the year	608.81	(153.44)
Past service cost	-	-
Net benefit expense	977.52	299.49
Actual Return on Plan Assets	241.24	249.32

**SCHEDULES 1-24 (Contd.)**

**Schedule 24 : Notes to Consolidated financial Statements**

**Balance sheet**

**Details of Provision for gratuity**

	2008	Gratuity 2007
Defined benefit obligation	5,415.42	4,397.59
Fair value of plan assets	3,352.83	3,083.25
	<u>2,062.59</u>	<u>1,314.34</u>
Less: Unrecognised past service cost	-	-
Plan asset/(liability)	<u>2,062.59</u>	<u>1,314.34</u>

(Rs. in lacs)

**Changes in the present value of the defined benefit obligation are as follows:**

	2008	Gratuity 2007
Opening defined benefit obligation	4,429.71	4,122.53
Interest cost	367.23	328.75
Current service cost	241.39	385.88
Benefits paid	(233.05)	(273.74)
Actuarial (gains) / losses on obligation	610.14	(165.83)
Closing defined benefit obligation	<u>5,415.42</u>	<u>4,397.59</u>

**Changes in the fair value of plan assets are as follows:**

	2008	Gratuity 2007
Opening fair value of plan assets	3,115.37	2,953.30
Expected return	239.91	261.70
Contributions by employer	229.27	154.38
Benefits paid	(233.05)	(273.74)
Actuarial gains / (losses)	1.33	(12.39)
Closing fair value of plan assets	<u>3,352.83</u>	<u>3,083.25</u>

The company expects to contribute Rs. 200 lacs to gratuity in 2008.

**The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:**

	2008 %	Gratuity 2007 %
Investments with Insurer	100	100

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

**The principal assumptions used in determining gratuity for the Company's plans are shown below:**

	2008 %	2007 %
Discount rate	6.5	8
Expected rate of return on assets	8	8
Employee turnover	1% at each stage	1% at each stage

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

Amount paid towards defined contribution plan is Rs. 858.46 lacs (Previous year Rs. 782.76 lacs)

**Note:**

- Information relating to experience adjustment in actuarial valuation of gratuity as required by Para 120 (n) (ii) of the Accounting standards 15 (revised) on Employee Benefits is not available with the company.
- The companies expected contribution to the fund in next year is not presently ascertainable and hence, the contribution expected to be paid to the plan during the annual period beginning after the balance sheet date as required by Para 120 (o) of the Accounting standard 15 (Revised) on Employee Benefit is not disclosed.

**SCHEDULES 1-24 (Contd.)**
**Schedule 24 : Notes to Consolidated financial Statements**

12. Details of dues to Micro, Small and Medium Enterprises as per MSME Act, 2006 by the Federal-Mogul Goetze Group:

<b>Particulars</b>	<b>2008</b>	(Rs. in lacs) 2007
The principal amount remaining unpaid as at the end of year	<b>119.38</b>	143.28
Interest due on above principal and remaining unpaid as at the end of the year	<b>1.62</b>	0.32
The amount of interest paid by the buyer in terms of section 16, of the Micro Small and Medium Enterprise Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	-	-
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro Small and Medium Enterprise Development Act, 2006.	<b>1.95</b>	1.59
The amount of interest accrued and remaining unpaid at the end of each accounting year; and	<b>5.48</b>	1.91
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Micro Small and Medium Enterprise Development Act, 2006	-	-

13. During the current year

- i) The Company had issued 23,011,192 shares (previous year 7,333,389 shares) @ Rs. 10 each at a premium of Rs. 46 (previous year Rs. 135) per share on right issue basis for cash.
- ii) Expenses of Rs. 107.34 lacs (previous year Rs. 172.53 lacs) incurred in connection with the public issue of the Company had been adjusted against Securities Premium Account in terms of section 78 of the Companies Act, 1956. Above amount includes Rs. 14.50 lacs (Previous year Rs. 71.50 lacs) paid to statutory auditors.
- iii) Pursuant to right issue offer, the Company gathered Rs. 12,886.27 lacs, details of utilisation of right issue proceeds are as follows:

<b>Particulars</b>	<b>Amount as per letter of offer dated November 5, 2008</b>	<b>(Rs. in lacs) Amount utilised till December 31, 2008</b>
Repayment of existing debt on their respective due dates	3,040.67	375.00
Payment to suppliers for purchase of machineries (including interest)	9,296.61	7,024.11
General corporate purposes	431.30	431.30
Issue expenses	117.69	107.34
<b>Total</b>	<u>12,886.27</u>	<u>7,937.75</u>

- iv) The unutilised amount aggregating to Rs. 4,948.52 (Previous year Rs. Nil) have been temporarily used for improving the working capital requirement of the company.

14. The company has capitalized various expenses incurred in the course of construction of self generated assets, the details of expenses capitalized from operating expenses for the purpose of construction of self generated assets is as follow:

	<b>For the year ended December 31, 2008 Rs. in lacs</b>	For the year ended December 31, 2007 Rs. in lacs
Salaries, wages and bonus	<b>211.88</b>	229.65
Consumption of stores and spares	<b>141.26</b>	99.55
<b>Total</b>	<u><b>353.14</b></u>	<u>248.87</u>

15. Federal-Mogul Goetze (India) Limited has deferred tax liability of Rs. 4,416.78 lacs on timing difference in depreciation and other difference in block of fixed assets as per tax books and financials books as at December 31, 2001. Federal-Mogul Goetze (India) Limited also has differed tax asset of Rs. 6894.39 lacs as at December 31, 2008 on carry forward losses, unabsorbed depreciation and other expenditures debited to profit and loss account in the current year but allowed for tax purposes in following years. The deferred tax liability being less than deferred tax asset, in context of block of asset, has not being provided for in its book at the year end. Also in accordance with Accounting standard 22 'Accounting for Taxes on Income' notified under Companies (Accounting standard) Rules 2006, in view of loss incurred by the company during the year and large amount of accumulated losses carried forward at the close of the year, deferred tax asset on timing differences and on carried forward losses and unabsorbed depreciation has not being accounted for in the books since it is not virtually certain whether the company will be able to take advantage of such losses / depreciation.

16. Previous year's figures have been regrouped and rearranged where necessary to conform to current year's classification.

For **S.R. Batliboi & Co.**  
Chartered Accountants

per **Pankaj Chadha**  
Partner  
Membership No. 91813

Place: Gurgaon  
Date: March 27, 2009

For and on behalf of the Board of Directors of  
Federal-Mogul Goetze (India) Limited

**Rustin Murdock**  
Whole Time Director & CFO

**Rajan Luthra**  
Financial Controller & Company Secretary

Place: New Delhi  
Date: March 27, 2009

**Jean de Montlaur**  
Managing Director & President

**Consolidated Balance sheet and profit and loss account**
**Cash Flow Statement for the year ended December 31, 2008**

	Year ended December 31, 2008 Rs. in lacs	Year ended December 31, 2007 Rs. in lacs
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Profit/(Loss) for the year before tax after prior period</b>	<b>842.12</b>	<b>(1,030.99)</b>
Adjustments for:		
Depreciation and amortisation	5,048.57	4,691.19
Loss on sale / discard of fixed assets (net)	101.04	396.21
Loss on sale of trade investments	-	0.18
Provision for doubtful debts	39.44	65.33
Advances written off	0.56	14.53
Interest income	(19.55)	(7.90)
Interest expense	2,827.39	3,741.52
Excess provision written back	(273.00)	(41.77)
Unrealised forex (gain)/loss (net)	-	28.13
Miscellaneous expenditure written off	239.90	239.90
Share of loss in Associates	-	4.95
<b>Operating profit before working capital changes</b>	<b>8,806.47</b>	<b>8,101.28</b>
<b>Movements in working capital:</b>		
Increase in sundry debtors	(396.45)	(1,870.03)
Increase in other current assets	(96.05)	(287.38)
Decrease in inventories	2,883.62	699.92
Decrease / (Increase) loans and advances	82.02	(453.63)
Increase / (Decrease) in current liabilities	(932.47)	3,751.19
Cash generated from operations	10,347.14	9,941.35
Direct taxes paid (refunds) (net)	(396.03)	(416.84)
<b>Net cash from operating activities</b>	<b>9,951.11</b>	<b>9,524.51</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets/intangibles	(7,163.18)	(8,091.82)
Proceeds from sale of fixed assets	200.96	134.21
Sale / maturity of investments	1.56	41.10
Interest received	8.13	3.33
<b>Net cash used in investing activities</b>	<b>(6,952.53)</b>	<b>(7,913.18)</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of borrowings (Long term)	(6,203.30)	(14,598.60)
Receipt of borrowings (Long term)	-	4,500.00
Movement in borrowings (Short term)	(6,593.69)	1,672.11
Proceeds from issuance of share capital	12,886.27	10,460.89
Share issue expenses	(107.34)	-
Interest paid	(2,969.23)	(3,689.18)
Dividends paid	(29.38)	(60.00)
Tax on dividend paid	(10.20)	(10.20)
<b>Net cash used in financing activities</b>	<b>(3,026.87)</b>	<b>(1,724.98)</b>
<b>Net increase in cash and cash equivalents (A + B + C)</b>	<b>(28.29)</b>	<b>(113.65)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>145.06</b>	<b>258.71</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>116.77</b>	<b>145.06</b>
<b>Components of cash and cash equivalents</b>	<b>As at December 31, 2008</b>	<b>As at December 31, 2007</b>
	<b>Rs.</b>	<b>Rs.</b>
Cash and cheques on hand	1.42	2.30
With banks - in current account	89.15	116.56
- on unpaid dividend account*	26.20	26.20
	<b>116.77</b>	<b>145.06</b>

\*Balance in unpaid dividend account can be used by the Company only for payment of dividend.

As per our report of even date

For S.R. Batliboi & Co.  
Chartered Accountants

per Pankaj Chadha  
Partner  
Membership No. 91813

For and on behalf of the Board of Directors of  
Federal-Mogul Goetze (India) Limited

Rustin Murdock  
Whole Time Director & CFO

Jean de Montlaur  
Managing Director & President

Rajan Luthra  
Financial Controller & Company Secretary

Place: Gurgaon  
Date: March 27, 2009

Place: New Delhi  
Date: March 27, 2009

# **FEDERAL-MOGUL GOETZE (INDIA) LIMITED**

## **Corporate Office:**

**Paras Twin Towers, Tower 'B' 10th Floor, Sector-54,  
Golf Course Road, Gurgaon (Haryana)  
Phone: 0124-4784530**

## **Registered Office:**

**A-26/3, Mohan Co-operative Industrial Estate  
Mathura Road, New Delhi-110 044  
Phone: 011-41497670  
Website : [www.federalmogulgoetze.com](http://www.federalmogulgoetze.com)**