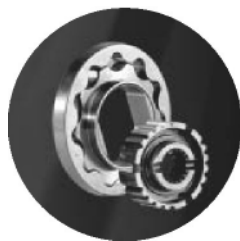
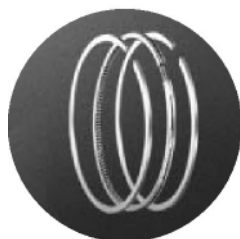


FEDERAL-MOGUL GOETZE (INDIA) LIMITED

**55th Annual Report
2009**

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BOARD OF DIRECTORS

Chairman & Director

Mr. K.N. Subramaniam

Managing Director & President

Mr. Jean Humbert Louis de VILLARDI de Montlaur

Whole Time Director & CFO

Mr. Rustin Murdock

Directors

Mr. Rainer Jueckstock

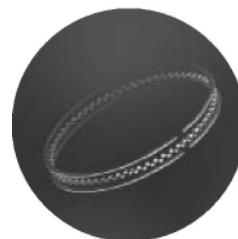
Mr. Mukul Gupta

Company Secretary

Mr. Khalid Khan

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

7870-7877, F-1 Roshanara Plaza Building,
Roshanara Road,
Delhi -110007
Tel No: 011-23827435
Fax No.: 011-30489308

WORKS

1. Bahadurgarh, Patiala (Punjab)
2. Yelahanka, Bengaluru (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

	2009	2008	2007	2006	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01
				(9 months)				(9 months)	(15 months)	(Rs. in Lacs)
Total Income	84,041.87	79,762.07	72,028.57	46,809.82	53,291.21	51,990.47	46,963.59	26,407.26	24,684.39	18,653.65
Depreciation	4,949.23	4,634.14	4,292.16	2,819.65	3,417.02	2,674.05	2,401.28	1,464.18	1,815.67	1,282.28
Profit before Tax	5,067.48	(517.00)	(1,782.69)	(561.05)	(4,244.81)	3,251.73	2,405.95	1,319.90	1,317.42	1,000.53
Taxation (adjmt for excess provision for prev yr. written back if any)	457.87	172.23	79.74	70.30	810.74	1,048.44	852.55	301.17	178.88	-
Profit after Tax	4,609.61	(689.23)	(1,862.43)	(631.35)	(5,055.55)	2,203.29	1,553.40	1,018.73	1,138.54	1,000.53
Dividend	-	-	-	-	-	1,011.50	782.74	532.87	252.88	632.19
Dividend Tax	-	-	-	-	-	132.19	100.29	68.27	-	64.48
Retained Profit/(Loss)	4,609.61	(689.23)	(1,862.43)	(631.35)	(5,055.55)	1,059.60	670.37	417.59	885.66	303.86

Assets Liabilities & Net Worth

	2009	2008	2007	2006	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01
Fixed Assets	38,348.16	40,062.06	38,038.79	35,436.36	32,873.58	33,833.21	31,389.59	30,809.13	18,792.29	18,852.30
Investments	2,092.34	2,092.34	2,093.90	2,135.18	2,243.40	2,925.26	3,547.75	3,594.43	3,613.65	2,653.96
Indebtedness	10,123.80	16,213.62	29,236.92	36,444.05	38,960.71	30,167.68	28,113.39	27,579.74	17,754.11	13,377.01
Share Capital	5,563.21	5,563.21	3,262.09	2,528.75	2,528.75	2,528.75	2,528.75	3,528.75	2,528.75	2,528.75
Reserves	28,770.82	24,150.79	14,362.21	6,497.10	7,128.45	13,328.14	12,393.68	11,867.08	11,528.19	13,108.78
Net Worth	34,334.03	29,714.00	17,624.30	9,025.85	9,657.20	15,856.89	14,922.43	15,395.83	14,056.94	15,637.53

Significant Ratios

	2009	2008	2007	2006	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01
A. Measurement of Investment										
Percentage of Return on Investment (annualised)	11.21	(1.11)	(3.86)	(1.59)	(1.19)	13.28	12.92	12.99	10.77	10.70
Percentage of Return on Equity (annualised)	15.82	(2.18)	(13.38)	(8.01)	(29.69)	21.13	15.87	11.95	7.10	6.23
Dividend Cover (Ratio)		-	-	-	-	2.18	1.98	1.91	4.50	1.58
B. Measurement of Performance										
Percentage of Profit before Tax to Sales	6.32	(0.68)	(2.61)	(1.25)	(7.39)	6.49	5.33	5.23	5.56	5.58
Percentage of Profit after Tax to Sales	0.06	(0.01)	(2.72)	(1.40)	(9.87)	4.40	3.44	4.03	4.81	5.58
C. Measurement of Financial Status										
Percentage of Term Loans to Tangible Net Worth	0.07	0.13	0.56	2.19	260.63	160.85	122.41	102.16	56.92	39.53
Current Ratio	0.99	0.73	0.83	0.88	1.18	0.85	0.82	1.01	1.40	1.16
D. General										
Dividend per Equity Share (Rs.)	-	-	-	-	-	4.00	3.00	2.00	1.00	2.50
Earnings per Equity Share (Rs.) (annualised)	8.29	(2.05)	(7.22)	(3.33)	(19.99)	8.71	6.04	5.21	3.60	3.96
Book Value per Equity Share (Rs.)	61.72	88.36	68.34	35.69	38.19	62.71	59.01	56.93	55.59	61.84

DIRECTORS' REPORT

The Directors are pleased to present the 55th Annual Report and Audited Statement of Accounts for the financial year ended 31st December, 2009.

FINANCIAL RESULTS

[Rs. in million]

	For the year ended 31.12.2009	For the year ended 31.12.2008
Total Income:		
Gross Sales	7,750.69	7,544.77
Deduct: Excise Duty	517.57	819.43
	7,233.12	6,725.34
Business and other Income	653.49	431.44
Profit before Tax, Depreciation, Finance Charges & Prior Period Items	1,261.10	725.85
Deduct:		
Depreciation and Amortization	494.92	463.41
Finance Charges	217.05	309.89
Profit /(Loss) before Tax and Prior Period Items	549.13	(47.45)
Provision for Tax		
- Current	(0.37)	6.72
- Fringe Benefit	1.64	10.5
- Deferred Tax	44.51	—
Net Profit/(Loss) after Tax	503.34	(64.67)
Prior Period Items	(42.38)	(4.25)
Balance brought forward	(364.72)	(295.80)
Surplus/(Loss) carried to balance sheet	96.24	(364.72)

Operations

The Net income of the Company during the year ended 31st December 2009 was Rs. 7,886.61 million as against Rs. 7,156.78 million for the year ended 31st December 2008.

During the year under review, the Company made a Net Profit after Tax of Rs. 460.96 million as against a loss of Rs. 68.92 million in the last year.

In view of requirement of funds for the operations of the Company, no dividend is recommended for the year ended 31st December 2009.

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 remuneration to the Managing Director, 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 Director has given written confirmation to the Company that to the extent such remuneration is not approved by the Central

Government, he will refund the said amount to the Company.

2. The Company had paid remuneration to erstwhile Managing Director for the periods April 1, 2006 to December 31, 2006 and January 1, 2007 to September 24, 2007 respectively which was in excess of permissible remuneration under Schedule XIII of the Companies Act, 1956. The application for payment of remuneration for the period January 1, 2007 to September 24, 2007 is pending with the Central Government. Further, the Company is in the process of filing an application for waiver of recovery of the remuneration paid for the period April 1, 2006 to December 31, 2006.

3. Interest free loan of Rs. 171.47 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 neither such loan nor its terms are prejudicial to the interests of the Company.

4. The Company is regular in depositing the statutory dues but our internal review process identified that there has been slight delay in a few cases. The management is taking necessary remedial steps.

MANAGEMENT DISCUSSION AND ANALYSIS :

(a) Industry structures and developments

The Indian auto component industry is one of the sunrise industries with tremendous growth prospects. The industry has emerged as a significant player in the global automotive supply chain.

The Growth of automotive component Industry is directly linked with the growth of Automobile Industry, which in turn is dependent on the performance of the economy. The measures announced by the Government in the recent budget are expected to further enhance the growth momentum of the economy.

The auto component industry appears to have put the worst behind and is raring to take the escalator as the overall economy shows signs of recovery. Positive sales trends in the year 2009 demonstrate that Indian Auto Component Manufacturers are equipped to address the challenges of a downturn and highlights the strong fundamentals underlying the industry

DIRECTORS' REPORT (Contd.)

(b) Opportunities and Threats

The Company enjoys an unstinted confidence from its valued customers for providing superior quality products. Federal-Mogul continues to support the Company with its technical expertise. With widely recognized brands, superior technology, strong distribution network and a committed team of employees, the Company is well positioned to take advantage of the opportunities and withstand the market challenges.

The superior technology and product quality of the Company gives it a competitive edge in the market place. The Company is committed to sustain its domestic market share by offering wide range of products at competitive prices.

There are limited customers in the OE market as a result of which there is stiff competition in the market place. The Company also faces stiff competition with the players in the un-organised sector.

Volatility in the prices of metals and other inputs is perceived as a threat.

(c) Segment wise or product wise performance

We operate mainly in two segments i.e. OEM's and the aftermarket. The company has a balanced approach to the OEM's and Aftermarket, which helps us in capitalizing on our strengths in both segments and to respond to market fluctuations and customer strategies.

(d) Outlook

The growth expected in the domestic automobile industry will give a fillip to the Company. Entry of global OEMs has transformed and broadened the Indian automobile and auto components landscape.

The perceptive exuberance in the industry and growth estimates indicate a booming industry. The current trends in production and exports of auto components give a positive indication of the growth prospects.

In order to meet the market challenges, your Company would continue to follow the philosophy of providing the highest quality of products to its customers as well as continue its emphasis to achieve possible cost savings in all areas of operations.

The combination of effective manufacturing costs along with quality systems would give an edge to the Company in terms of pricing and quality. Expansion and diversification will help break into new markets. Technical edge, specialization, innovation and networking will determine the success of the Company in this globally competitive environment.

(e) 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. Raw material prices:

Being in manufacturing industry, our profitability and cost effectiveness may be affected due to change in the prices of raw materials and other inputs.

2. Foreign Currency Risks:

Exchange rate fluctuations may have an adverse impact on our Company

3. Technical Intensive Industry:

The automobile industry is a technical intensive industry and thus faced with a constant demand for new designs, knowledge of nascent technology to meet market requirements.

4. 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.

(f) Adequacy of Internal Control Systems

The Company has an Audit Committee headed by a non-executive independent director, inter-alia, to oversee the Company's financial reporting process, disclosure of financial information, performance of statutory and internal auditors, functions, internal control systems, related party transactions, investigation relating to suspected fraud or failure of internal audit control, to name a few, as well as other areas requiring mandatory review per Clause 49 of the Listing Agreement with the stock exchanges. The powers of the Audit Committee, inter-alia, include seeking information from any employee, directing the company's internal audit function, obtaining outside legal or other professional advice and investigating any activity of the Company within the Committee's terms of reference.

The company has a well defined internal control system, which aims at protection of Company's resources, efficiency of operations, compliances with the legal obligations and Company's policies and procedures.

Subsidiary Companies

Federal- Mogul TPR [India] Limited

For the Financial year ending December 31, 2009 the Company has achieved total net

income of Rs.785.32 million showing an increase of 24.30% as compared to the previous year. The profit before tax showed an increase of 52.26% over the previous year due to the operational improvements.

In view of the profitability, the Board has recommended a Dividend of 6% on the Cumulative Preference Shares and 47% Dividend on Equity Shares of the Company.

Satara Rubbers and Chemicals Limited

During the year ended 31st December 2009, the Company suffered a loss of Rs. 0.52 million as compared to the profit of Rs. 0.51 million for the year ending 31st December 2008.

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 31st December 2009 and of the profit 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 consists 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, Non-executive Independent Director and Mr. Rainer Jueckstock, Non-Executive Director.

In accordance with Article 109 of the Articles of Association of the Company, Mr. Rainer Jueckstock is retiring by rotation in the forthcoming Annual General Meeting and being eligible offers himself for re-appointment.

Public Deposits

As at 31st December, 2009, your company had unclaimed Fixed Deposits of Rs. 0.51 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 2010. 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

The employee relations have remained cordial throughout the year and industrial harmony was maintained. Measures for the safety, training and development of the employees, continued to receive top priority. The total number of salaried and hourly paid employees, as at December 31, 2009, stood at 4643.

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.

Cautionary Statement

Certain statements in the Management Discussion and Analysis describing the Company's views about the Industry, expectations/predictions, objectives etc may be forward looking within the meaning of applicable laws and regulations. Actual results may differ from those expressed or implied in these statements. The Company's operations may, inter-alia, be affected by the supply and demand situations, input prices and availability, changes in Government regulations, tax laws and other factors such as industry relations and economic

developments etc. Investors should bear the above in mind.

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: March 19, 2010

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

a) Energy conservation measures taken:

- Relining of pit type furnace with fibrothal lining material
- Installation of energy efficient motor of more than 15KW.
- Reduction of line noses.
- Installation and control of Capacitors.
- Installation of Thirstier Modular for Sintering Furnace
- Insulation of Sintering Furnace

b) Additional investment and proposals, if any, being implemented for reduction of consumption.

- Energy management system for Piston foundry
- Installation of CFL lamps in packing areas, security lights.
- Installation of Turbo Ventilators on roof top.

c) Impact of measure (a) & (b) above for reduction of energy consumption & consequent on cost of production of goods:

- Reduction in energy consumption.
- Improvement in yield of generators.
- Improvement in power factor.

B. TECHNOLOGY ABSORPTION

Research & Development (R&D)

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

- Implementation and absorption of FATA die design / manufacture / casting technique

- Development of Salt core piston
- Development of high strength Aluminum Alloy materials
- Development of Cast Iron pistons
- Development of Groove Induction Hardening for steel cap pistons
- Design Optimization through FE analysis
- New material models tested for LVD, HD and gasoline pistons
- New contact formulations tested to reduce cycle time and to improve pin bore results.
- New flexible liner methodology to improve skirt results

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

- New Business with Original Equipment Manufacturers as well as development of aftermarket business.
- Product development.
- Bring down the emission level of vehicles.

3. Future plan of action

- To continue development of new products in a cost efficient manner.
- To upgrade the technology.
- Additional test cells and facilities to take up the increased testing activity.

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

Capital: Nil

Recurring: Rs. 16.56 million

Total Rs. 16.56 million

Total R & D Expenditure as a percentage of total turnover : 0.21%

Technology absorption, adaptation and innovation

1. Efforts in brief made towards technology absorption, adaptation & innovation:

Installation of hard anodizing equipment.
Installation of Profile Turning machines.

2. Benefits derived as a result of above efforts;

New Business
Upgradation in Technology.

3. Import of Technology

Technology for	Year of Import	Status
CKS Plating	2005	Implemented
Piston with salt core design	2005-2006	Implemented
Moly coating	2005-2006	Implemented
Fully Automated Robotic Machining Line	2006	Implemented
Screen Printing	2006	Implemented
Robo Oil Hole Drilling	2006	Implemented
Assymetrical Barrel Rings	2006	Implemented
Automated Phosphate Coating Line	2007	Implemented
Oil Jet Equipment	2007	Implemented
Thin Napier Ring - 1.2mm axial	2007	Implemented
Surface treatment of Piston & Pin with (AV13D coating AV11 D coating)	2007	Implemented
Profile turning of Pistons	2008 - 2009	Installed

Foreign Exchange Earning Outgo

- Exports : The Company made exports worth Rs.530.48 million for the year under review as compared to Rs.713.90 million for the corresponding previous year.
- Foreign exchange earned : Rs 530.48 million
Foreign exchange utilized Rs. 181.55 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 2009.

Sr. No.	Name of Employee	Age (Years)	Qualifications	Experience (Years)	Date of Employment	Designation/ Nature of Duties	Gross Remuneration (Rupees)	Last Employment Held
A. Employed throughout the year and in receipt of remuneration not less than Rs 2,400,000 per annum								
1	SGP Naidu	53	BE'79, PGDBM'83, DMM'84, DBT'84	29	27.04.1981	Director-App.Engg.*	3,816,004	Tata Consulting Engrs.
2	Sunit Kapur	35	B.E (Mech Engg)	16	07.03.1995	Plant Manager(Patiala Plant)	4,190,344	Escorts Ltd.
3	Mahesh Joshi	46	BE Mechanical, MBA	23	06.12.1999	General Manager	2,854,742	Sterling Tools Limited
4	Andreas Wilhelm Kolf	47	First Law Exam and Second law Exam	14	12.06.2006	Executive Director - Operations*	29,158,228	Federal Mogul GmbH, Germany
5	Rustin Ray Murdock	50	Bachelor Degree in Accounting and master Degree in Business Administration	18	01.07.2006	Whole Time Director & CFO	20,938,874	Olympia Arena Inc
6	Rajesh Sinha	40	B.E, MBA	19	02.02.2007	Director-Quality*	3,673,496	Hi Tech Gears Ltd.
7	Jean de Montlaur	58	Bachelor Degree in Engineering, Master Degree in Applied Mathematics, Master in Business Administration	31	01.01.2008	Managing Director & President Overall management of Company	52,864,239	Sintertech (France)
8	Dieter Polaski	49	Apprenticeship in Tool and Die machinist Master of industries Bachelor degree in technical mechanics Post graduate degree in business management	35	01.07.2008	Plant Manager Piston Division Bangalore	14,750,300	Federal Mogul Nuernberg GmbH, Germany
9	Vinod Hans	43	B.E (Mech Engg), PGDBM	23	01.07.2008	Director-Sales India*	5,016,359	GKN Driveline(India) Ltd.
10	Channa Ghosh	38	DCE'92, DIS'96, PGDEM'95	16	4.10.2008	General Manager	2,600,768	B P Engg (India) Pvt. Ltd.
B. Employed for a part of the year and in receipt of remuneration not less than Rs 2,00,000 per month.								
1	Rakesh Anand	59	Bachelor of Technology in Mechanical Engineering	39	01.04.1975	Director-Projects*	1,531,796	Punjab Anand Batteries Ltd
2	Rajan Luthra	48	Company Secretary, Cost and Work Accountant & Post Graduate Diploma in Personnel Management	28	28.04.1997	Financial Controller and Company Secretary	3,375,945	Talbro Automotive Components Ltd.
3	Peter Miller	57	7 'O' levels (U.K.)	39	01.01.2008	IS Manager	13,007,267	Federal Mogul Ltd. (U.K.)
4	Gunita Hazuria	54	BBA, MBA, PHD	29	1.04.2009	Director-HR*	4,503,195	BPTP Ltd.
5	Madhur Aneja	41	BE	17	1.04.2009	Global After Market Vice President	7,511,571	GE Lightening (I) Ltd.
6	Vikrant Sinha	48	ICWA	26	1.10.2009	Director- Treasury*	1,351,718	Feroda India Pvt. Ltd
7	Alok Manaktala	37	M.Sc'98, B.E'95, CPIM'03, CIRM'06, CTL'08, CPM'08	14	12.08.2009	Director-SCM*	2,467,530	CEVA Logistics India Pvt. Ltd, Gurgaon
8	Khalid Khan	41	B.Com, LLB, CS, ACIS (UK)	16	2.11.2009	General Manager Corporate & Legal Affairs & Company Secretary	435,987	Goodyear India Limited
9	Mirtunjay Nath Sahu	48	BSC, PGDPM & IR	21	16.12.2009	General Manager	122,528	Apollo Tyres Limited

* Not a Board Member.

Notes :

- Remuneration includes 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.
- Designation of the employees indicates the nature of duties.
- 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 having rich knowledge and experience in the industry and related sectors for providing strategic guidance and direction to the Company. Presently, the Company has 5 Directors on its Board, out of which 3 are Non Executive Directors. Moreover 2 of the Non Executive Directors are Independent Directors. The Chairman of the Board is a Non - Executive Independent Director. The non-executive independent Directors bring a wide range of expertise and experience to the Board. During the year, there was no pecuniary relationship or business transaction by the Company with any non-executive Director, other than the sitting fee for attending the Board/ Committee meetings

b) Details of Board Meetings held during the year 1st January, 2009 to 31st December, 2009

Date of Meeting	Board Strength	No. of Directors Present	No. of Directors Present through conference call
27th March 2009	4	3	1
30th April 2009	5	4	1
30th April 2009	5	4	-
30th July 2009	5	4	1
30th October 2009	5	4	1

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 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; including appointment or removal of Chief Financial Officer and the Company Secretary;
- Materially important show cause, demand, prosecution and penalty notices;
- Fatal or serious accidents or dangerous occurrences;
- Details of any joint venture or collaboration agreement;
- Any materially relevant default in financial obligations to and by the Company or substantial non-payment for goods sold by the company;
- 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 in the Listing Agreement in respect of Directors being re-appointed is as under:

Mr. Rainer Jueckstock, Director, is liable to retire by rotation in the ensuing Annual General Meeting of the Company and being eligible, offers himself for re-appointment. Item regarding his re-appointment has been included in the notice of the ensuing Annual General Meeting.

Mr. Rainer Jueckstock, a graduate engineer from the Military College in Germany, was an army officer before joining Goetze GmbH in 1990 as plant controller. Thereafter, he has held various senior management positions in the Goetze Group, and later in the T&N Group. Presently he is senior vice president, Global - Powertrain, Federal -Mogul Corporation, USA, looking after their global Business unit for Powertrain products (pistons, rings, liners, bearings and others).

Details of his other Directorships are as under:

- FM Dereli Holding Istanbul, Turkey
- FM Powertrain Inc., Southfield, MI/USA
- Federal-Mogul Investments
- Federal-Mogul Corporation
- Federal-Mogul Holding Deutschland GmbH
- Federal-Mogul Izmet Piston ve Pim Uretim Tesisleri A.S.
- Federal-Mogul Piston, Sogman ve Gomelek Uretim Tesisleri A.S.
- Federal-Mogul Mogul TP Liner, Inc

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	No. of Board Meetings of the Company		Whether Attended the last AGM held on 26th June 2009	(As on 19.03.2010)		
		Held During the year 2009	Attended during the year 2009		Number of Directorships of other Indian Public Limited Companies (Note 1)	Committee Memberships (Note 2)	
						Member	Chairman
Mr. Jean de Montlaur	MD&P	5	5	Yes	3	Nil	Nil
Mr. Rustin Murdock	WTD&CFO	5	5	Yes	3	2	1
Mr. Rainer Jueckstock	NED	5	4*	No	Nil	2	1
Mr. Mukul Gupta	NEID	5	5	Yes	Nil	2	1
Mr. K.N. Subramaniam (w.e.f. 30.04.2009)	CNEID	5	4	Yes	Nil	2	Nil

* Attended through conference call.

CNEID : Chairman and Non-Executive Independent Director NEID : Non Executive Independent Director

MD&P : Managing Director & President

WTD&CFO : Whole Time Director & CFO

NED : Non Executive Director

Note1 : The above excludes Foreign Companies, Private Limited Companies and Alternate Directorships.

Note2 : Includes only Audit and Shareholders'/Investors' Grievance committee in all Public Limited Companies.

Code of Conduct

We at Federal-Mogul Goetze (India) Limited have laid down a code of conduct for all Board members and senior management of the Company. The code of conduct is available on the website of the Company i.e. www.federalmogulgoetze.com. The code has been circulated to all the members of the Board and senior management and they have affirmed compliance with the code of conduct. A declaration signed by the Managing Director and President to this effect is attached to the Annual Report.

3. AUDIT COMMITTEE

a) Composition and Terms of Reference

The Audit Committee comprises of two Non-Executive Independent Directors and one Non-Executive Director viz. Mr. Mukul Gupta, Chairman (Non-Executive Independent Director), Mr. K.N. Subramaniam, Member (Non-Executive Independent Director) and Mr. Rainer Jueckstock, Member (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 conform 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, 2009 to 31st December, 2009

Date of Meeting	Strength of Committee	No. of Members present	No. of Members Present through conference call
26th March 2009	3	2	1
30th April 2009	3	2	1
30th July 2009	3	2	0
30th October 2009	3	2	0

Audit Committee Members Attendance during the Accounting year 2009

Name	Total Meetings held	No. of meetings attended	No. of meetings attended through Conference Call
Mr. Mukul Gupta (Chairman)	4	4	Nil
Mr. K.N. Subramaniam (w.e.f 30.04.2009)	3	3	Nil
Mr. Rainer Jueckstock	4	-	2

The Audit Committee meeting was also held on 19th March, 2010 for considering the reappointment of M/s. S. R. Batliboi & Co. as Statutory Auditors of the Company for the Year 2010 and reviewed the audited financial results and Annual Accounts for the year ended 31st December 2009 with the statutory auditors and recommended the same to the Board for approval.

4. REMUNERATION COMMITTEE

The Remuneration Committee of the Company comprises of Mr. K.N. Subramaniam as the Chairman (Non-Executive Independent Director), Mr. Mukul Gupta as Member (Non-Executive Independent Director) and Mr. Rainer Jueckstock as Member (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, 2009 to 31st December, 2009

Date of Meeting	Strength of Committee	No. of Members Present	No. of Members Present through conference call
30th April 2009	3	2	1

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

1. To approve the amendment in remuneration payable to Mr. Jean de Montlaur as Managing Director & President and authorizing the company for taking the approval of Central Government for the same.
2. To approve the amendment in remuneration payable to Mr. Rustin Murdock, as Whole Time Director & CFO and authorizing the company for taking the approval of Central Government for the same.

B) Remuneration Committee Members Attendance during the year 2009

Name	Total Meetings held	No. of meetings attended	No. of meetings attended through Conference Call
Mr. K.N. Subramaniam (Chairman) (w.e.f 30th April 2009)	1	1	Nil
Mr. Mukul Gupta	1	1	Nil
Mr. Rainer Jueckstock	1	0	1

Details of Remuneration to Directors for the year ended 31st December, 2009

Name of Executive Directors	Remuneration for the year ended 2009 (Rs. In lacs)	Service contract
Mr. Jean de Montlaur*	- Salaries 470.63 - Contribution to Provident & Other funds 14.44 - Other Perquisites 43.57 528.64	27.03.2009 to 2.03.2013
Mr. Rustin Murdock**	- Salaries 166.73 - Contribution to Provident & Other funds 6.65 - Other Perquisites 36.01 209.39	27.03.2009 to 31.03.2012

*The Company had applied to the Central Government for obtaining approval for the remuneration payable to Mr. Jean de Montlaur for his tenure from 27th March 2009 till 2nd March 2013.

** The Company had applied to the Central Government for obtaining approval for the remuneration payable to Mr. Rustin Murdock for the period from 27th March 2009 till March 2012.

- Notes:
1. Mr. Jean de Montlaur has been elevated as Managing Director & President w.e.f 27th March 2009. The said elevation and remuneration payable to Mr. Jean de Montlaur have been approved by members of the Company at the Annual General Meeting held on 26th June 2009.
 2. The designation of Mr. Rustin Murdock was changed as Whole Time Director & CFO of the Company w.e.f 27th March 2009. The terms of said change and the remuneration payable to Mr. Rustin Murdock from 27th March 2009 till March 2012 have been approved by members of the Company at the Annual General Meeting held on 26th June 2009.
 3. 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, and Rs. 15,000/- each for Share Transfer Committee meetings attended by them. There are no other pecuniary relationships or transactions with the Company.
 4. The Company does not have a stock option scheme.

Remuneration Policy of the Company : Remuneration policy is directed towards rewarding performance based on review of achievements on a periodical basis. The Remuneration policy is in consonance with the existing Industry trends. The remuneration structure of Executive Directors comprises of salary, allowances, and perquisites.

5. 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. K.N. Subramaniam (w.e.f 30th April 2009)	Member	Non - Executive Independent Director

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

A) Meetings and Attendance

Details of Shareholders'/ Investors' Grievance Meetings held during the year 1st January, 2009 to 31st December, 2009

Date of Meeting	Strength of Committee	No. of Members Present	No. of Members Present through conference call
27th March 2009	3	2	1
30th April 2009	4	3	1
30th July 2009	4	3	0
30th October 2009	4	3	0

B) Shareholders'/Investors' Grievance Committee Members Attendance during the year 2009

Name	Total Meetings held	No. of Meetings attended	No. of Meetings attended through Conference Call
Mr. Rainer Jueckstock	4	Nil	2
Mr. Rustin Murdock	4	4	Nil
Mr. Mukul Gupta	4	4	Nil
Mr. K.N. Subramaniam (w.e.f 30th April 2009)	3	3	Nil

- 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 31st December, 2009. Further, there were no request pending for demat as on 31st December, 2009.
- The Company has transferred the 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, 2009 the Company has credited a sum of Rs. 1,02,190/- to the Investor Education and Protection Fund pursuant to the said provisions.

6. ANNUAL GENERAL MEETINGS

Year	Location	Date & Time	Whether any special resolution passed
52nd AGM (2006)	FICCI Golden Jubilee Auditorium, Tansen Marg, New Delhi - 110001	27th June 2007 10.00 A.M.	1. Payment of remuneration to Mr. Anil Nanda for the period 1st April 2006 to 12th May 2006. 2. Payment of remuneration to Mr. Arun Anand for the period 1st April 2006 to 31st December 2006.
53rd AGM (2007)	---do---	13th June 2008 10.00 A.M.	1. To consider and approve appointment and terms of appointment of Mr. Rustin Murdock as the Managing Director & CFO of the Company. 2. To consider and approve the payment of remuneration to Mr. Arun Anand, Ex- Vice Chairman, Managing Director & CEO of the Company.
54th AGM (2008)	Sri Sathya Sai International Centre, Institutional Area, Pragati Vihar, Lodhi Road, New Delhi-110003	26th June 2009 10.00 A.M.	1. To consider and approve the change in designation of Rustin Murdock to Whole Time Director & CFO of the Company and his terms of appointment. 2. To consider and approve the elevation of Mr. Jean de Montlaur as the Managing Director and President and his terms of appointment.

Postal Ballot: No resolutions have been passed by the Company's shareholders through postal ballot during the year ended 31st December 2009. At the ensuing Annual General Meeting, there is no resolution proposed to be passed by postal ballot.

7. 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 holds any share in the Company.
 - None
 - The Company has a Whistle Blower Policy for employees to report concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy. This policy provides for adequate safeguards against victimization of employees who avail of the mechanism.
 - As on date, 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 Chairman of the Board is a Non-executive Independent Director.
 2. The Board has established a Remuneration Committee in accordance with the provisions of Clause 49.

8. MEANS OF COMMUNICATION

Quarterly Results

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. These results are generally published in one English Daily i.e. Financial Express and one Hindi Daily i.e. Jansatta, Delhi. The results are available on the Company's website at www.federalmogulgoetze.com

Whether presentations were made to Institutional Investors or to the analysts ? No.

9. GENERAL SHAREHOLDERS INFORMATION

a. 55th Annual General Meeting

- Date and Time
- Venue

25th June 2010 at 10.00 a.m.
Sri Sathya Sai International Centre
Institutional Area, Pragati Vihar, Lodhi Road, New Delhi-110003

b. Financial Calendar (Tentative)

- Results for the quarter ending March 31, 2010
- Results for the quarter/half year ending June 30, 2010
- Results for the quarter/period ending September 30, 2010
- Results for the quarter/year ending December 31, 2010
- Annual General Meeting for the year ending December 31, 2010

Last week of April 2010
Last week of July 2010
Last week of October 2010
Last week of March 2011
Last week of June 2011
11th June 2010 to 25th June 2010 (both days inclusive)

c. Book Closure date

d. Listing on Stock Exchanges

- Bombay Stock Exchange Limited
Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400001
- The National Stock Exchange of India Ltd.,
Exchange Plaza, Bandra Kurla Complex, Bandra (East) Mumbai.
(See Note)
Mumbai Stock Exchange-505744
National Stock Exchange-FMGOETZE
INE 529A01010
INE 529A01010

e. Stock Code

ISIN No.-NSDL
- CDSL

Note: Listing Fees for the year 2009-2010 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.

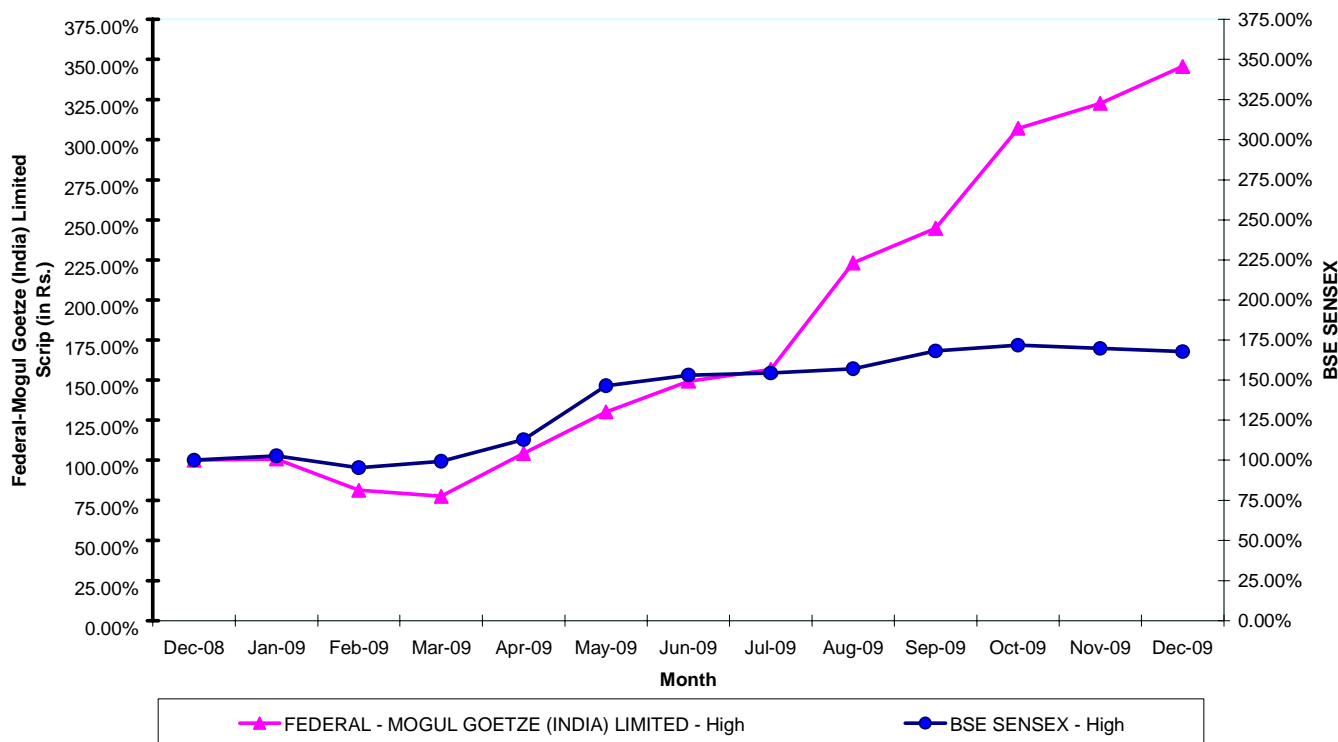
f. Stock Market Data*

Month	The Stock Exchange, Mumbai				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 2008	44.55	33.05	10188.54	8467.43	43.60	34.00	3110.45	2570.70
Jan 2009	44.90	32.70	10469.72	8631.60	43.95	32.60	3147.20	2661.65
Feb 2009	36.25	28.20	9724.87	8619.22	36.00	30.20	2969.75	2677.55
Mar 2009	34.50	27.60	10127.09	8047.17	38.25	27.50	3123.35	2539.45
April 2009	46.50	32.75	11492.10	9546.29	45.80	32.25	3517.25	2965.70
May 2009	58.00	37.00	14930.54	11621.30	58.20	37.25	4509.40	3478.70
June 2009	66.50	44.50	15600.30	14016.95	64.75	44.60	4688.95	4206.70
July 2009	69.80	40.40	15732.81	13219.99	69.50	39.25	4669.75	3918.75
Aug 2009	99.40	73.25	16002.46	14684.45	100.05	73.00	4743.75	4353.45
Sept 2009	109.00	90.00	17142.52	15356.72	107.90	89.65	5087.60	4576.60
Oct 2009	136.75	99.10	17493.17	15805.20	136.95	99.55	5181.95	4687.50
Nov 2009	143.70	107.15	17290.48	15330.56	143.50	104.40	5138.00	4538.50
Dec 2009	154.00	128.40	17097.71	16438.45	154.00	130.00	5221.85	4943.95

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

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

Comparison of Federal-Mogul Goetze (India) Limited Scrip Movement with BSE Sensex



h. 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 1st 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. With effect from 30th April 2009, 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 21 times during the year 2009 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.

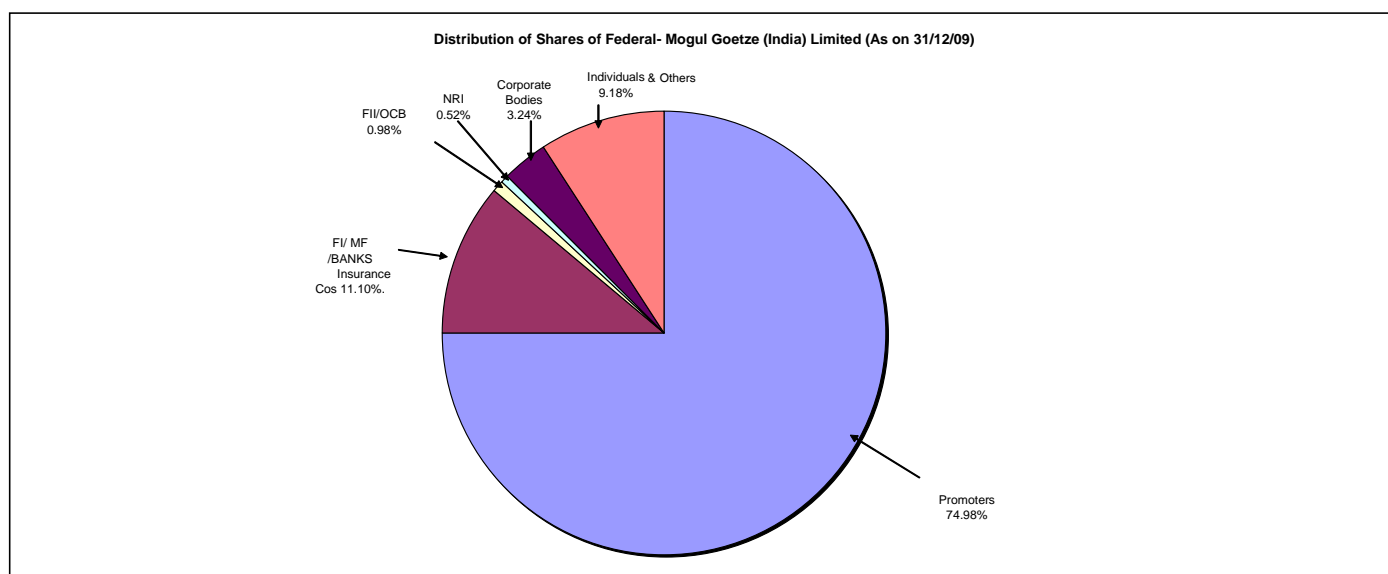
i. Distribution Schedule as on 31/12/2009

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	24830	94.41	2318475	4.16
5001 - 10000	778	2.96	609211	1.10
10001 - 20000	338	1.29	510428	0.92
20001 - 30000	111	0.42	279435	0.50
30001 - 40000	47	0.18	167358	0.30
40001 - 50000	47	0.18	221941	0.40
50001 -100000	72	0.27	540154	0.97
ABOVE 100000	76	0.29	50985128	91.65
TOTAL	26299	100.00	55632130	100.00

B] On the basis of Category

Category	No. of Shareholders	Percentage to total Shareholders	No. of shares held	Percentage to total shares held
INDIVIDUALS	25531	97.08	5105449	9.17
CORPORATE BODIES	532	2.02	1800626	3.24
FINANCIAL INSTITUTIONS / MUTUAL FUNDS/ BANKS/ INSURANCE COMPANIES	28	0.11	6172975	11.10
NON-RESIDENT INDIANS	192	0.73	288742	0.52
FOREIGN INSTITUTIONAL INVESTORS/ OVERSEAS CORPORATE BODIES	8	0.03	543098	0.98
PROMOTERS (NON-RESIDENT COMPANY)	2	0.01	41715454	74.98
OTHERS	6	0.02	5786	0.01
TOTAL	26299	100.00	55632130	100.00



j. Dematerialization of shares and Liquidity

As on 31st December 2009, 83.85% 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, Mumbai and have good liquidity.

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

l. Plant Locations :

- | | | | |
|---------------------------------------|--|---------------------------|--|
| 1. Bahadurgarh
Patiala
(PUNJAB) | 2. Yelahanka
Bengaluru
(KARNATAKA) | 3. Bhiwadi
(RAJASTHAN) | 4. Pantnagar,
Udham Singh Nagar,
(UTTARAKHAND) |
|---------------------------------------|--|---------------------------|--|

m. Corporate office:

10th Floor, Tower B, Paras Twin Towers, Sector-54, Golf Course Road, Gurgaon, Haryana 122002, India.
Tel No: 0124-478 4530

Registered office:

7870-7877, F-1 Roshanara Plaza Building, Roshanara Road, Delhi -110007
Tel No: 011-23827435 / Fax No.: 011-30489308
email: investor.grievance@federalmogulgoetze.com
Website: www.federalmogulgoetze.com

n. 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

o. Compliance Officer :

Mr. Khalid Khan, Company Secretary

For and on behalf of the Board

Jean de Montlaur
Managing Director & President

Rustin Murdock
Whole Time Director & CFO

Date : March 19, 2010.

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. Further certified that the Members of the Board and Senior Management Personnel have affirmed their compliance with the Code for the year ended 31st December, 2009.

Date : March 19, 2010.

Place : Gurgaon

Jean de Montlaur
Managing Director & President

CERTIFICATE ON CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT

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

We have examined the compliance of conditions of Corporate Governance of **Federal-Mogul Goetze (India) Limited** for the year ended 31st December, 2009 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 during the year ended 31st December 2009, no investor grievances were pending against the Company for a period exceeding one month as per the records maintained by the Company which were presented to the shareholders/Investor Grievance Committee. All the investor grievances against the Company were resolved amicably.

We further state 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 DEEPIKA GERA COMPANY SECRETARIES

Place : New Delhi
Date : March 12, 2010

DEEPIKA GERA
C.P. No. : 7487

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, 2009 and also the Profit and Loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
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 24 of financial statements stating that :
 - (a) remuneration of Rs. 540.12 lacs (including Rs. 305.54 lacs in respect of earlier financial year) being paid to the managing director which is in excess of permissible remuneration under Schedule XIII of the Companies Act, 1956. The Company has applied to the Central Government for the approval of such excess remuneration. 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.
 - (b) remuneration of Rs. 119.85 lakhs for the period April 1, 2006 to December 31, 2006, paid to the erstwhile managing director of the Company was in excess of permissible remuneration under Schedule XIII of the companies Act, 1956. The company had applied to the Central Government for the approval of such excess remuneration which was rejected by the Central Government vide letter dated May 26, 2009. The Company is in the process of filing an application under Section 309 (5B) of the companies Act, 1956 to waive the recovery of the aforesaid amount from

the erstwhile managing director. Further, there is another application for excess remuneration of Rs. 84.15 lakhs for the period January 1, 2007 to September 24, 2007 applied to the Central Government for its approval under Section 309 (3) of the Companies Act, 1956. The management has confirmed from the erstwhile managing director that he will refund this amount, to the extent of this being not approved by the Central Government.

Pending above mentioned approvals by Central Govt., no adjustments have been made to the accompanying financial statements in this regard.

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, 2009, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on December 31, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - a) in the case of the balance sheet, of the state of affairs of the Company as at December 31, 2009;
 - b) in the case of the profit and loss account, of the profit for the year ended on that date; and
 - c) in the case of 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
 Date : March 19, 2010

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 during the year ended December 31, 2007 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. (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 1,749.09 lacs and the year-end balance of loans granted to such party was Rs. 1,714.71 lacs.
- (b) In our opinion and according to the information and explanations given to us, *loan of Rs. 1,749.09 lacs is prima facie prejudicial to the interest of the Company as it has been granted interest free although other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.*
- (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, the provisions of clause 4(iii) (e), (f) and (g) of the Companies (Auditor's Report) Order, 2003 (as amended) 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. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control system of the company.
- 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*.

Further, since the Central Government has till date not prescribed the amount of cess payable under section 441 A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the company in depositing the same.

- 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 sales-tax, income-tax, custom duty, wealth-tax, service 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. Lacs)	Period to which the amount relates	Forum where dispute is pending
Central Excise Act	Excise Duty on classification of product	6.97	1998-1999	Deputy Commissioner of Central Excise, Patiala, Punjab
Central Excise Act	Excise Duty on classification of product	0.96	1997-1998	Deputy Commissioner of Central Excise, Patiala, Punjab
Central Excise Act	Excise Duty on classification of product	1.85	1997-1998	Deputy Commissioner of Central Excise, Patiala, Punjab
Central Excise Act	Excise Duty on dispute on inputs & capital goods	0.80	1998-1999	Deputy Commissioner of Central Excise, Patiala, Punjab
Central Excise Act	Excise Duty on sale of scrap	3.33	2001-2002	Additional Commissioner of Central Excise, Chandigarh.
Central Excise Act	Excise Duty on Turnover Discount	214.50	2001-2002 to 2005 - 2006	Central Excise and Service Tax Appellant Tribunal, New Delhi.
Central Excise Act	Excise Duty on Turnover Discount	108.36	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 demand on wrong availment of excise duty	1.18	1995-96	Deputy Commissioner of Central Excise, Patiala, Punjab
Central Excise Act	Excise Duty demand on wrong availment of excise duty	1.36	2003-2004	Central Excise and Service Tax Appellant Tribunal, New Delhi
Central Excise Act	Excise Duty on classification of product	40.02	1988-1994	Punjab & Haryana High Court
Central Excise Act	Excise Duty demand on wrong availment of excise duty	0.35	1994-1995	Punjab & Haryana High Court

Name of the statute	Nature of dues	Amount (Rs. Lacs)	Period to which the amount relates	Forum where dispute is pending
Central Excise Act	Interest on reversal of Special Additional Duty	14.02	2000-2001	Joint Commissioner of Central Excise, Patiala.
Central Excise Act	Excise Duty on rejected goods	0.93	2004-2005 & 2005-2006	Assistant Commissioner of Central Excise (Bangalore).
Central Excise Act	Excise Duty on valuation of scrap and waste sent for job work	15.14	2000-2001 & 2001-2002	Supreme Court.
Central Excise Act	Excise Duty on valuation rates employed for certain products	5.28	2001-2002 to 2002-2003	Deputy Commissioner of Central Excise, Bangalore.
Central Excise Act	Service tax on job work charges	54.09	2004-2005	Central Excise & Service Tax Appellate Tribunal, Bangalore.
Central Excise Act	Wrong availment of Service tax	15.40	2005-2006 to 2007-2008	Additional Commissioner, Chandigarh.
Central Excise Act	Excise Duty on removal of non saleable stock	8.57	2005-2006	Central Excise & Service Tax Appellate Tribunal, Bangalore.
Central Excise Act	Service Tax on management consultancy services	16.94	1998-1999 to 2002-2003	Central Excise & Service Tax Appellate Tribunal, New Delhi.
Central Excise Act	Service Tax on input services	28.96	2008 - 2009	Commissioner (Appeal), Central Excise, Chandigarh.
Central Excise Act	Cenvat credit availed twice	5.04	2006 - 2007	Additional Commissioner of Central Excise, Bangalore.
Central Excise Act	Wrong availment of Service tax	86.44	2006 - 2007	Commissioner (Appeal), Central Excise
Central Excise Act	Service Tax on input services	139.55	2004 - 2005	Central Excise & Service Tax Appellate Tribunal
Central Excise Act	Excise Duty demand on wrong availment of excise duty	115.25	2006 - 2008	Commissioner (Appeal), Central Excise
Central Excise Act	Cenvat credit on classification of product	1,431.93	2005 - 2008	Commissioner (Appeal), Central Excise
Central Excise Act	Wrong availment of Service tax	19.18	2006 - 2007	Central Excise & Service Tax Appellate Tribunal
Punjab VAT Act	Differential in rate of VAT	15.55	2006 - 2007	Punjab Tribunal, Chandigarh
Karnataka Sales Tax Act	Local Sales Tax	233.96	1996-1997 to 2001-2002	Karnataka High Court

- 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 the banks. The Company has no outstanding dues in respect of a financial institution or debenture holder.
- 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
Date : March 19, 2010

Membership
No.: 91813

Balance sheet and profit and loss account
Balance Sheet as at December 31, 2009

	Schedules	As at December 31, 2009 Rs (in lacs)	As at December 31, 2008 Rs (in lacs)
SOURCES OF FUNDS			
Shareholders' Funds			
Share capital	1	5,563.21	5,563.21
Reserves and surplus	2	28,770.82	27,798.00
		34,334.03	33,361.21
Loan Funds			
Secured loans	3	6,658.97	16,144.57
Unsecured loans	4	3,464.83	69.05
		10,123.80	16,213.62
Deferred Tax Liabilities (net)	5	445.13	-
Total		44,902.96	49,574.83
APPLICATION OF FUNDS			
Fixed Assets			
Gross block	6	67,124.39	64,608.88
Less : Accumulated Depreciation & Amortisation		30,497.36	25,902.83
Net block		36,627.03	38,706.05
Capital work-in-progress including capital advances		1,721.13	1,356.01
		38,348.16	40,062.06
Investments	7	2,092.34	2,092.34
Current Assets, Loans and Advances			
Inventories	8	9,135.37	10,033.13
Sundry debtors	9	10,068.73	9,325.91
Cash and bank balances	10	207.72	165.75
Other current assets	11	461.90	480.10
Loans and advances	12	4,979.99	4,950.17
Less: Current Liabilities and Provisions			
Current liabilities	13	18,072.15	18,904.83
Provisions	14	2,798.91	2,996.72
Total Current Liabilities and Provisions		20,871.06	21,901.55
Net Current Assets		3,982.65	3,053.51
Miscellaneous Expenditure	15	479.81	719.71
(to the extent not written off or adjusted)			
Debit balance in profit and loss account		-	3,647.21
Total		44,902.96	49,574.83
Notes to Accounts	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

Place: Gurgaon
Date: March 19, 2010

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

Jean de Montlaur
Managing Director & President

Khalid Khan
Company Secretary

Rustin Murdock
Whole Time Director & CFO

Balance sheet and profit and loss account
Profit and Loss Account for the year ended December 31, 2009

	Schedules	For the year ended December 31, 2009 Rs (in lacs)	For the year ended December 31, 2008 Rs (in lacs)
INCOME			
Turnover (Gross)		77,506.95	75,447.70
Less : Excise duty		5,175.75	8,194.26
Turnover (Net)		72,331.20	67,253.44
Trading sales		2,694.25	483.78
Job work income		971.58	830.47
Other income	16	2,869.09	3,000.12
Total		78,866.12	71,567.81
EXPENDITURE			
Raw materials and components consumed	17	23,406.87	21,671.53
Purchase of trading goods		2,000.58	441.95
Personnel expenses	18	15,570.14	15,862.27
Operating and other expenses	19	24,541.78	24,054.41
Decrease in inventories	20	714.45	2,419.85
Depreciation/ amortisation	6	4,949.23	4,634.14
(Decrease) of excise duty on finished goods		(218.58)	(380.69)
Amortisation of miscellaneous expenses	15	239.90	239.90
Financial expenses	21	2,170.45	3,098.93
Total		73,374.82	72,042.29
Profit/ (loss) before tax and prior period items		5,491.30	(474.48)
Provision for Tax			-
Current tax (MAT payable)		880.00	-
Less: MAT credit entitlement		(880.00)	-
Less: Reversal of provision for earlier years (Previous year Rs. 67.23 lacs)		(3.68)	67.23
Deferred tax charge		445.13	-
Fringe benefit tax		16.42	105.00
Total Tax Expense		457.87	172.23
Profit/ (loss) after tax but before prior period items		5,033.43	(646.71)
Prior period items	22	423.82	42.52
Net profit/ (loss)		4,609.61	(689.23)
Balance brought forward from previous year		(3,647.21)	(2,957.98)
Surplus/ (loss) carried to Balance Sheet		962.40	(3,647.21)
Earnings per share	23		
Basic and diluted [Nominal value of shares Rs 10 (Previous year Rs 10)]		8.29	(2.05)
Notes to Accounts	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

Place: Gurgaon
Date: March 19, 2010

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

Jean de Montlaur
Managing Director & President

Khalid Khan
Company Secretary

Rustin Murdock
Whole Time Director & CFO

Balance sheet and profit and loss account

Schedule to the Accounts

Schedule 1 : Share Capital

	As at December 31, 2009 Rs (in lacs)	As at December 31, 2008 Rs (in lacs)
Schedule 1 : Share Capital		
Authorised		
80,000,000 (Previous year 80,000,000) equity shares of Rs 10 each	8,000.00	8,000.00
Issued		
55,632,130 (Previous year 55,632,130) equity shares of Rs 10 each	5,563.21	5,563.21
Subscribed & Paid up		
55,632,130* (Previous year 55,632,130) equity shares of Rs 10 each, fully paid	5,563.21	5,563.21
Total	5,563.21	5,563.21

* Of the above Equity Shares:

- 1,252,680 (Previous year 1,252,680) equity shares have been allotted as Bonus Shares by capitalisation of General Reserve.
- 8,429,183 (Previous year 8,429,183) equity shares have been allotted as Bonus Shares by capitalisation of Securities Premium Account.
- 84,207 (Previous year 84,207) equity shares have been issued for consideration other than cash.
- 33,408,581 (Previous year 33,408,581) 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 Federal Mogul Vermögensverwaltungs GmbH, a fellow subsidiary company. The ultimate holding company is Federal-Mogul Corporation, USA.

Schedule 2 : Reserves and Surplus

	As at December 31, 2009 Rs (in lacs)	As at December 31, 2008 Rs (in lacs)
Capital Reserve	56.55	56.55
Capital Subsidy	1.12	1.12
Securities Premium Account		
Balance as per last Balance Sheet	26,740.33	16,262.52
Add: Additions in current year	-	10,585.15
Less: Utilisation for share issue expenses	-	(107.34)
Add: Adjustment against share issue expenses	10.42	-
	26,750.75	26,740.33
Capital Redemption Reserve	1,000.00	1,000.00
Profit and Loss Account	962.40	-
Total	28,770.82	27,798.00

Balance sheet and profit and loss account

Schedule to the Accounts

Schedule 3 : Secured Loans

	As at December 31, 2009 Rs (in lacs)	As at December 31, 2008 Rs (in lacs)
Term loans from banks	2,500.00	3,915.35
Interest accrued and due on term loans	16.75	43.26
Vehicle loans from banks	29.90	77.73
Working capital loans from banks	4,080.00	12,068.87
Interest accrued and due on working capital loans	32.32	39.36
Total	6,658.97	16,144.57

- 1 Term loans repayable within one year Rs 1,300 lacs (Previous Year Rs 2,915.35 lacs)
- 2 Term loans from banks are secured by
 - Rs. Nil (Previous year Rs 1,125 lacs) are secured by first pari-passu charge on entire fixed assets of the Company.
 - Rs. 1,000 lacs (Previous year Rs 2,000 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. 1,500 lacs (Previous year Rs Nil) are secured by first pari-passu charge on entire fixed assets of the Company including land and building and whole of moveable assets including plant & machinery, spares, tools and accessories, furniture & fixtures and other moveable assets of the Company.
 - Rs Nil (Previous year Rs 290.35 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 Nil (Previous year Rs 500 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.
- 3 Vehicle loans of Rs 29.90 lacs (Previous year Rs 77.33 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, 2009 Rs (in lacs)	As at December 31, 2008 Rs (in lacs)
Unclaimed Fixed Deposits	5.10	8.05
Short term loans and advances		
from others	61.00	61.00
Inter-corporate deposits*	3,290.00	-
(Due within one year Rs. 3,290, Previous year Rs. Nil)		
Interest accrued and due on inter-corporate deposits	108.73	-
Total	3,464.83	69.05

*Includes Rs. 2,300 lacs (Previous year Rs. Nil) due to Federal-Mogul TPR (India) Limited, the subsidiary company and balance of Rs. 990 lacs is due to other fellow subsidiaries.

Schedule 5 : Deferred Tax Liabilities (net)

	As at December 31, 2009 Rs (in lacs)	As at December 31, 2008 Rs (in lacs)
Deferred Tax Liabilities		
Differences in depreciation in block of fixed assets as per tax books and financial books	4,750.08	4,416.78
Gross deferred tax liabilities	4,750.08	4,416.78
Deferred Tax Assets		
Unabsorbed Depreciation	2,629.98	2,473.46
Effect of expenditure debited to profit and loss account in the current/ earlier year but allowed for tax purposes in following years	1,465.90	1,911.74
Provision for doubtful debts	209.07	31.58
Gross deferred tax assets	4,304.95	4,416.78
Net Deferred Tax Liabilities	(445.13)	-

Schedule 6 : Fixed Assets

	Rs (in lacs)								Previous Year
	Freehold Land	Leasehold Land	Buildings	Furniture & Fittings and Office Equipments	Plant and Machinery	Vehicles	Intangibles*	Total	Previous Year
Gross Block At 01.01.2009	1,485.16	207.27	8,084.48	1,189.33	52,481.12	449.41	712.11	64,608.88	57,876.89
Additions	-	155.60	176.84	228.49	2,653.52	62.69	-	3,277.14	8,353.84
Deductions	-	-	26.04	9.12	630.76	95.71	-	761.63	1,621.85
At 31.12.2009	1,485.16	362.87	8,235.28	1,408.70	54,503.88	416.39	712.11	67,124.39	64,608.88
Depreciation/Amortisation At 01.01.2009	-	8.04	2,195.88	602.91	22,406.09	228.14	461.77	25,902.83	22,590.16
For the year	-	3.62	269.16	64.29	4,578.05	83.50	69.03	5,067.65	4,634.14
Deletions / adjustments	-	-	2.92	2.65	386.97	80.58	-	473.12	1,321.47
At 31.12.2009	-	11.66	2,462.12	664.55	26,597.17	231.06	530.80	30,497.36	25,902.83
Depreciation for previous year	-	2.26	260.39	60.80	4,061.07	123.22	126.40	4,634.14	4,292.16
Net Block At 31.12.2009	1,485.16	351.21	5,773.16	744.15	27,906.71	185.33	181.31	36,627.03	38,706.05
Net Block At 31.12.2008	1,485.16	199.23	5,888.60	586.42	30,075.03	221.27	250.34	38,706.05	35,286.73
Capital work-in-progress including capital advances Rs. 201.56 lacs (Previous year Rs. 302.06 lacs)								1,721.13	1,356.01

Note:

- 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 76.04 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 7 : Investments*

	As at December 31, 2009 Rs (in lacs)	As at December 31, 2008 Rs (in lacs)
Non-trade Long Term (At Cost) (Unquoted)		
A Subsidiary Companies		
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 - 510,000) 6% redeemable cumulative preference shares of Rs.100 each in Federal-Mogul TPR (India) Ltd.	510.00	510.00
B Government Securities		
National Savings Certificates**	1.42	1.42
C Other investments		
(i) GI Power Corporation Limited		
a 3,889,600 (Previous year-3,889,600) 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		
923,000 (Previous year-923,000) equity shares of Rs 5 each fully paid	46.15	46.15
Less : Provision for diminution in the value of investment	(46.15)	-
(iii) Nanz Food Products Limited		
100,000 (Previous year-100,000) 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)	-
Non-trade Current Investments (at lower of cost and market value) (Unquoted)		
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	(201.00)	-
Total	2,092.34	2,092.34

* Investments in the companies under the same management are:

- Federal-Mogul TPR (India) Ltd
- Satara Rubbers & Chemicals Ltd

** The investment is pledged with Sale Tax Authorities

*** Cumulative Convertible Redeemable Preference Shares of Rs. 5 each fully paid of GI Power Corporation Limited are redeemable on or before July 25, 2014 at the option of the Company.

Balance sheet and profit and loss account
Schedule to the Accounts
Schedule 8 : Inventories (at lower of cost and net realisable value)

	As at December 31, 2009 Rs (in lacs)	As at December 31, 2008 Rs (in lacs)
Raw materials and components (Including materials in transit Rs 231.37 lacs (Previous year Rs 185.39lacs))	1,253.48	1,286.19
Stores and spares	1,835.13	1,985.73
Work-in- progress	2,955.83	3,265.93
Reusable scrap	20.39	91.71
Finished goods - Manufactured	2,754.09	3,387.57
- Trading	316.45	16.00
Total	9,135.37	10,033.13

Schedule 9: Sundry Debtors

Debts outstanding for a period exceeding six months		
Unsecured, considered good*	51.70	75.67
Unsecured, considered doubtful	115.11	92.91
Other debts		
Secured, considered good	210.91	184.78
Unsecured, considered good	9,806.12	9,065.46
	10,183.84	9,418.82
Less : Provision for doubtful debts	115.11	92.91
Total	10,068.73	9,325.91

* Dues from companies under the same management:

Federal-Mogul Bearings India Limited Rs. 14.63 lacs (Previous year Rs. 483.20 lacs) (Maximum amount outstanding during the year Rs. 668.61 lacs (Previous year Rs. 483.20 lacs))

Schedule 10: Cash and Bank Balances

Cash on hand	0.63	1.39
Balances with scheduled banks:		
On current accounts	136.17	59.85
On deposit accounts (pledged with Government authorities)	49.81	78.31
On unpaid dividend accounts	21.11	26.20
Total	207.72	165.75

Schedule 11: Other Current Assets

Fixed Assets held for disposal (at lower of net book value and estimated net realisable value)	12.01	47.26
Interest / Dividend accrued on deposits / investments	32.85	54.87
DEPB Benefits Receivable	350.95	373.22
Insurance Claim Receivable	66.09	4.75
Total	461.90	480.10

Balance sheet and profit and loss account

Schedule to the Accounts

Schedule 12 : Loans and Advances

	As at December 31, 2009 Rs (in lacs)	As at December 31, 2008 Rs (in lacs)
Unsecured considered good, except where stated otherwise		
Advances recoverable in cash or in kind or for value to be received	1,301.86	1,310.14
Advance to Satara Rubbers & Chemicals Limited*	1,714.71	1,749.09
(Considered doubtful Rs. 514.71 lacs (Previous year Rs. Nil), Refer note no. 12 to schedule 24)		
Security deposits	471.57	495.70
Balance with excise authorities	502.12	901.98
Advance payment of tax (net of provision Rs. 101.27 lacs, (Previous year Rs. 104.95 lacs))	599.82	471.84
MAT credit entitlement	880.00	-
Advance Payment of Fringe Benefit Tax (net of provision Rs. 406.88 lacs, (Previous year Rs. 390.46 lacs))	24.62	21.42
	5,494.70	4,950.17
Less: Provision for doubtful advances	514.71	-
Total	4,979.99	4,950.17

* 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. 1,749.09 lacs (Previous year Rs. 1,802.01 lacs)

-There is no repayment schedule in respect of this loan.

Schedule 13 : Current Liabilities

Sundry creditors		
a) total outstanding dues of Micro and Small Enterprises (refer note no. 14 to schedule 24)	84.90	104.79
b) total outstanding dues of creditors other than Micro and Small Enterprises	14,117.10	10,336.52
Amounts due to Investors Education & Protection fund (as and when due) - unpaid dividends	21.11	26.20
Due to Subsidiary company	2,456.95	3,838.56
Advance received against supplies	-	3,300.29
Advance received against sale of investment (Refer note no. 12 to schedule 24)	200.00	-
Other liabilities	866.29	1,033.43
Security deposits	260.87	212.93
Interest accrued but not due on loans	64.93	52.11
Total	18,072.15	18,904.83

Schedule 14 : Provisions

Provision for leave encashment	734.38	944.91
Provision for gratuity	2,064.53	2,051.81
Total	2,798.91	2,996.72

Schedule 15 : Miscellaneous Expenditure*

Balance as per last Balance Sheet	719.71	959.61
Less : Written off	239.90	239.90
Total	479.81	719.71

* 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 16 : Other Income

	For the year ended December 31, 2009 Rs (in lacs)	For the year ended December 31, 2008 Rs (in lacs)
Interest:		
Bank deposits (TDS Rs. 1.45 lacs, Previous year Rs. 1.50 lacs)	13.29	18.48
Interest on income tax refund	-	176.23
Others on electricity deposits (TDS Rs 3.77 lacs , Previous year Rs Nil)	24.64	0.83
Dividend on investment in subsidiary-Non-trade Long Term (unquoted)	30.60	30.60
Sale of scrap	1,168.81	1,255.47
Commission received from subsidiary	339.33	173.97
Duty drawback/ Exim Scrip realisation	304.33	304.13
Excess provision written back	231.49	273.00
Miscellaneous income	312.94	252.39
Management Support Charges	443.66	515.02
Total	2,869.09	3,000.12

Schedule 17 : Raw materials and Components Consumed

Inventories as at December 31, 2008	1,286.19	1,786.51
Add: Purchases	23,374.16	21,171.21
	24,660.35	22,957.72
Inventories as at December 31, 2009	1,253.48	1,286.19
Total	23,406.87	21,671.53

Schedule 18 : Personnel expenses

Salaries, wages and bonus (Refer note no. 16 in schedule no. 24)	13,185.53	12,923.50
Contribution to provident fund and other funds	881.64	773.08
Contribution to superannuation fund	165.89	155.53
Contribution to gratuity	227.89	977.33
Workmen and staff welfare expenses	1,109.19	1,032.83
Total	15,570.14	15,862.27

Balance sheet and profit and loss account

Schedule to the Accounts

Schedule 19 : Operating and Other Expenses

	For the year ended December 31, 2009 Rs (in lacs)	For the year ended December 31, 2008 Rs (in lacs)
Consumption of stores and spares (Refer note no. 16 in Schedule no. 24)	8,126.50	7,174.71
Sub-contracting expenses	1,298.46	1,375.47
Power and fuel	4,779.52	4,235.80
Freight and forwarding charges	1,530.83	1,649.64
Rent	416.42	222.78
Rates and taxes	323.11	421.86
Insurance	43.11	72.08
Repairs and maintenance		
- Plant and machinery	294.80	206.28
- Buildings	107.62	115.01
- Others	210.79	179.92
	613.21	501.21
Advertising and sales promotion	4,096.03	2,917.91
Royalty	921.33	874.32
Product rectification charges	90.48	51.81
Legal and professional expenses	391.17	938.08
Travelling and conveyance	297.30	554.30
Communication costs	247.59	281.09
Printing and stationery	69.87	107.00
Directors' sitting fees	15.46	8.60
Payment to Auditor		
As auditor:		
- Audit fee	37.00	37.00
- Tax audit fee	23.00	22.25
- Limited reviews	9.00	4.50
- Out-of-pocket expenses	4.26	5.48
In other manner:		
- Certification and others matters	2.70	0.50
	75.96	69.73
Charity & Donation	-	0.20
Provision for doubtful debts	53.14	36.58
Provision for loans and advances (Refer note no. 12 to schedule 24)	514.71	-
Foreign exchange rate difference (net)	12.97	2,051.33
Loss on sale / discard of fixed assets (net)	224.89	100.51
Advances written off	1.65	-
Miscellaneous expenses	398.07	409.40
Total	24,541.78	24,054.41

Balance sheet and profit and loss account

Schedule to the Accounts

Schedule 20 : Decrease in Inventories

	For the year ended December 31, 2009 Rs (in lacs)	For the year ended December 31, 2008 Rs (in lacs)
Inventories as at December 31, 2008		
- Work-in-progress	3,265.93	3,754.31
- Finished goods - Manufactured	3,387.57	4,907.67
- Trading	16.00	-
- Reusable Scrap	91.71	519.08
	6,761.21	9,181.06
Inventories as at December 31, 2009		
- Work-in-progress	2,955.83	3,265.93
- Finished goods - Manufactured	2,754.09	3,387.57
- Trading	316.45	16.00
- Reusable Scrap	20.39	91.71
	6,046.76	6,761.21
	714.45	2,419.85

Schedule 21 : Financial Expenses

Interest		
-on term loans	236.68	735.86
- to banks	1,167.27	1,832.95
- others	627.37	427.45
Bank charges	139.13	102.67
Total	2,170.45	3,098.93

Schedule 22 : Prior Period Items

Communication costs	-	42.52
Interest - others	232.82	-
Depreciation and amortisation	118.42	-
Salaries, wages and bonus	72.58	-
Total	423.82	42.52

Schedule 23 : Earnings\ (loss) Per Share (EPS)

Net profit/ (loss) as per profit and loss account	4,609.61	(689.23)
Weighted average number of equity shares in calculating basic and diluting Earning per share	55,632,130	33,626,892
Earning/ (loss) per share	8.29	(2.05)

Schedules 1 - 24 (Contd.)

Schedule 24 : Notes to Accounts

1. Background

Federal-Mogul Goetze (India) Limited ('FMGIL' or 'the Company'), is inter-alia engaged in the manufacture, supply and distribution of 'automotive components' used in two/three/four wheeler automobiles.

The principal facilities of the Company are located at Patiala (Punjab), Bengaluru (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 (as amended) 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) 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 i.e. freight, duties, taxes and other incidental expenses excluding cenvat in so far as this is available for set off against excise duty. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

d) Depreciation

Depreciation is provided using straight line method and the 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 by the company
(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% to 33.33%

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.

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. Cost is determined on a weighted average basis.
Work-in-progress	- Lower of cost and net realizable value. Cost for this purpose includes material, labour and appropriate allocation of overheads. Cost is determined on a weighted average basis.
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. Cost is determined on a weighted average basis.
- 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 lower of cost or 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. Dividend from subsidiaries is recognized even if the same are declared after the balance sheet date but pertains to period on or before the date of balance sheet as per the requirement of schedule VI of the Companies Act, 1956.

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 on proportionate basis.

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.

(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.

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 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.

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. In the year in which the Minimum Alternative tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period

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 for cash flow statement comprises 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) Key managerial personnel and their relatives

- Mr. Jean De Montlaur, Managing Director & President (w.e.f March 03, 2008)
- Mr. Rustin Murdock, Whole Time Director & CFO

ii) Holding Company

- Federal Mogul Holdings Limited (Mauritius)

iii) Fellow subsidiaries

- Federal Mogul Burscheid GMBH, Germany.
- Federal Mogul Vermögensverwaltungs 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).
- Federal Mogul Limited (formerly 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 Sealing Systems, GMBH (Germany).
- Federal Mogul Friction Products Ltd (India).
- Federal Mogul Corporation Power Train Systems (USA).
- Federal Mogul Plant Van Wert (USA.)
- Federal Mogul Power Train Systems Schofield (USA).
- Federal Mogul S.A.R.L. (Switzerland)
- Federal Mogul France, S.A. (France)
- Federal Mogul Corporation, Lake City (USA)
- Federal-Mogul Chivasso. (Italy)
- Federal Mogul Corporation, Garennes (France)
- Federal Mogul Dongsuh Piston Co. Ltd. (China)
- Federal Mogul Corp, Mgmooogus (USA).
- KFM Bearing Company (South Korea).
- Federal Mogul Bearings India Ltd (India).
- Federal Mogul Automotive Products (India) Pvt Ltd. (India).
- Ferodo India Private Ltd. (India).
- Federal Mogul Trading India Pvt Ltd.(India)

iv) Associates

- GI Power Corporation Limited
- GTZ Securities Limited

v) Subsidiaries

- Federal-Mogul TPR (India) Limited
- Satara Rubbers and Chemicals Limited

vi) Ultimate Holding Company

- Federal Mogul Corporation, USA.

Rs. in lacs

Ultimate Holding Company		
Particulars	Federal Mogul Corporation (USA)	
	31.12.09	31.12.08
Sales	-	(122.56)
Reimbursement of expenses paid	119.87	266.29
Reimbursement of expenses (received)	(1.01)	(613.77)
Royalty Expense	-	-
Balance outstanding as at the end of the year Receivables	-	1.47
Balance outstanding as at the end of the year (Payable)	(36.42)	(126.95)

Rs. in lacs

Fellow Subsidiaries										
Particulars	Federal Mogul Power Train System, (S.A)		Federal Mogul Burscheid GmbH, (Germany)		Federal Mogul Maysville, (USA)		Federal Mogul Gorzyee S.A (Poland)		Federal Mogul Power Train System(USA)	Federal Mogul Limited (formerly T & N Limited), (U.K)
	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08
Sales	-	-	-	-	(4,043.70)	(4,455.22)	0.38	(504.23)	-	-
Purchase of raw material, intermediaries and finished goods	-	-	3,224.89	701.85	-	-	182.80	-	410.65	10.52
Purchase/(Sale) of Fixed Assets	(105.13)	171.39	629.11	1,574.30	-	-	-	-	-	-
Interest Expenses	-	-	-	157.66	-	-	-	-	-	-
Reimbursement of expenses paid	-	-	9.18	4.08	17.20	33.38	4.32	-	4.07	16.69
Reimbursement of expenses (recd.)	-	-	-	-	(71.19)	-	(0.69)	-	(0.17)	-
Royalty Expense	-	-	426.34	418.18	-	-	-	-	-	-
Balance outstanding as at the end of the year Receivables	-	-	-	-	743.96	-	6.63	29.25	-	-
Balance outstanding as at the end of the year (Payable)	(45.99)	(166.34)	(901.28)	(674.71)	-	(3,282.37)	-	-	(118.30)	(4.17)
										(23.79)

Rs. in lacs

Fellow Subsidiaries												
Particulars	Federal Mogul Bimet S.A, (Poland)		Federal Mogul Nurnberg, GmbH (Germany)		Federal Mogul Operation S.R.L. (Italy)		Federal Mogul Wiesbaden GmbH, (Germany)		Federal Mogul Holding Deutschland (Germany)		Federal Mogul KK, (Japan)	
	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08
Sales	-	-	(11.52)	(9.76)	-	-	-	-	-	-	-	-
Purchase of raw material, intermediaries and finished goods	0.29	103.30	26.36	274.44	-	123.15	-	642.30	-	-	-	-
Purchase/(Sale) of Fixed Assets	-	-	408.47	615.56	-	-	-	-	-	-	-	-
Interest Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Reimbursement of expenses paid	-	-	19.94	19.68	0.97	-	-	-	168.16	132.76	-	-
Reimbursement of expenses (recd.)	-	(20.46)	-	-	-	(28.46)	-	(95.14)	-	-	(2.72)	(74.33)
Royalty Expense	-	-	340.00	233.49	-	-	-	-	-	-	-	-
Balance outstanding as at the end of the year Receivables	7.36	-	-	3.62	-	-	1.62	12.03	-	-	2.73	4.51
Balance outstanding as at the end of the year (Payable)	-	(1.12)	(292.74)	(401.67)	(6.37)	(29.98)	-	(37.72)	(25.79)	(80.80)	-	-

Rs. in lacs

Particulars	Fellow Subsidiaries											
	Federal Mogul Financial Services FRANCHNL (France)		KFM Bearing Company, (South Korea)		Federal Mogul Sintered Products Limited, (U.K)		SSCFran FM Financial Services SAS Veurey Voroize (France)		Other Fellow Subsidiaries		Total	
	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08
Sales	-	-	-	-	-	-	-	-	(4.64)	(56.55)	(4,059.48)	(5,025.76)
Purchase of raw material, intermediaries and finished goods	-	-	3.35	41.39	2.04	15.15	-	-	56.45	19.11	3,906.82	1,931.21
Purchase/(Sale) of Fixed Assets	-	-	-	-	-	-	-	-	35.13	2.63	967.59	2,363.88
Interest expenses	-	-	-	-	-	-	-	-	-	-	-	157.66
Reimbursement of expenses paid	316.77	39.70	-	-	1.98	-	-	202.44	22.82	3.92	627.08	533.29
Reimbursement of expenses (recd.)	-	-	(38.32)	(0.18)	-	(0.14)	-	-	(51.83)	(15.95)	(164.93)	(234.66)
Royalty Expense	-	-	-	-	137.30	273.53	-	-	-	-	903.65	925.20
Balance outstanding as at the end of the year Receivables	-	-	-	-	0.65	-	-	-	-	14.95	762.95	64.36
Balance outstanding as at the end of the year (Payable)	(21.99)	(42.30)	-	(1.01)	(137.30)	(372.10)	-	(25.52)	(25.62)	(60.57)	(1,579.54)	(5,200.00)

Rs. in lacs

Particulars	Fellow Subsidiaries										Total	
	Federal Mogul Bearings India Limited (India)		Federal Mogul Automotive Products (India) Private Limited, (India)		Ferodo India Private Limited, (India)		Federal Mogul Trading India Private Limited, (India)					
	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08		
Sales	(15.29)	(705.74)	(2.48)	-	-	-	-	-	(17.77)	(705.74)		
Purchase of raw material, intermediaries and finished goods	533.28	30.27	1,060.48	-	-	-	-	-	1,593.76	30.27		
Reimbursement of expenses paid	-	27.08	22.33	-	-	-	-	-	22.33	27.08		
Reimbursement of expenses (recd.)	(49.42)	(30.33)	-	-	-	-	(66.00)	-	(115.43)	(30.33)		
Inter-corporate deposit (ICD) Taken	-	-	1,000.00	-	1,155.00	-	-	-	2,155.00	-		
Inter-corporate deposit (ICD) repaid	-	-	(1,000.00)	-	(165.00)	-	-	-	(1,165.00)	-		
Interest on the above ICD	-	-	61.98	-	99.68	-	-	-	161.66	-		
Balance outstanding as at the end of the year Receivables	(14.63)	483.20	-	-	-	-	66.00	-	51.37	483.20		
Balance outstanding as at the end of the year (Payable)	-	-	(241.02)*	(11.21)	(1094.45)**	-	-	-	1,335.47	(11.21)		

* Includes Rs 9.05 lacs payable against interest on ICD taken during the year

** Includes Rs 990 lacs payable against ICD taken and Rs 99.68 lacs payable against the interest on the same

Particulars	Subsidiaries					
	Federal-Mogul TPR (India) Limited, (India)		Satara Rubbers & Chemicals Limited, (India)		Total	
	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08
Sales	(1,010.64)	(893.00)	-	-	(1,010.64)	(893.00)
Purchase of raw material, intermediaries and finished goods	3,708.27	2,906.33	-	-	3,708.27	2,906.33
Reimbursement of expenses paid	-	-	-	-	-	-
Reimbursement of expenses (received)	-	-	-	(10.01)	-	(10.01)
Dividend received	(30.60)	(30.60)	-	-	(30.60)	(30.60)
Management fee received	(436.66)	(515.02)	(7.00)	-	(443.66)	(515.02)
Job work income	(971.58)	(830.32)	-	-	(971.58)	(830.32)
Rent expense	3.00	-	55.10	60.00	58.10	60.00
Rent income	(78.00)	(78.00)	-	-	(78.00)	(78.00)
Sole selling commission received	(339.33)	(173.97)	-	-	(339.33)	(173.97)
Inter-corporate deposit (ICD) Taken	2,300.00	-	-	-	-	-
Interest on the above ICD	50.10	-	-	-	-	-
Investment as at year end	1,020.00	1,020.00	-	-	1,020.00	1,020.00
Balance outstanding as at the end of the year Receivables	-	-	1714.71***	1,749.09	1,714.71	1,749.09
Balance outstanding as at the end of the year (Payable)	(4802.04)****	(3,838.56)	-	-	(4,802.04)	(3,838.56)

*** Including provision for doubtful advances Rs.514.71 lacs (Previous year Rs. Nil).

**** Includes Rs. 2,456.95 lacs for Sundry creditors, Rs. 2,300 lacs for Inter-Corporate Deposit and Rs. 45.09 lacs for interest payable.

Particulars	Key Managerial Personnel and their relatives			
	Mr. Jean de Montlaur		Mr. Rustin Murdock	
	31.12.09	31.12.08	31.12.09	31.12.08
Remuneration	528.64	345.54	209.39	190.45
Balance outstanding as at the end of the year (Payable)	-	-	-	-

Schedules 1 - 24 (Contd.)

Schedule 24 : Notes to Accounts

5. Leases

a) Assets taken under Operating Leases

The company has taken office and residential facilities under cancellable and non-cancellable operating leases, which are renewable on a periodic basis.

Leases	Year ended December 31, 2009 (Rs in lacs)	Year ended December 31, 2008 (Rs in lacs)
a) Lease payments/expenses for the year	416.42	222.78
Minimum Lease Payments:		
b) Not later than one year	215.99	230.04
c) Later than one year but not later than five years	184.86	522.58
d) Later than five years	-	-

b) Assets given under Operating Leases

The Company has leased out certain plant & machinery, furniture & fixtures and office equipment on operating lease. The lease terms is for 5 years and are renewable thereafter. There are no restrictions imposed by lease arrangements.

Leases	Year ended December 31, 2009 (Rs in lacs)	Year ended December 31, 2008 (Rs in lacs)
a) Uncollectible minimum lease payments receivable at the Balance sheet date	Nil	Nil
Minimum Lease Payments:		
b) Not later than one year	78.00	78.00
c) Later than one year but not later than five years	312.00	312.00
d) Later than five years	-	-

6. Capital Commitment

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

Particulars	Year ended December 31, 2009 (Rs in lacs)	Year ended December 31, 2008 (Rs in lacs)
Capital commitment	823.84	1,699.42

7. Contingent liabilities not provided for:

Particulars	Year ended December 31, 2009 (Rs in lacs)	Year ended December 31, 2008 (Rs in lacs)
(a) Bank Guarantees	355.82	518.06
(b) Claims/notices contested by the company		
i) Excise duty	47.80	146.45
ii) Sales Tax	59.23	59.23
iii) ESI Cases	14.51	40.53
iv) Employee Related Cases	63.33	72.67
v) Electricity Demand	52.24	52.24
vi) Income Tax Demands	683.20	154.88
vii) Consumer Cases	60.91	60.91

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

- 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. 0.93 lacs)
- 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. During the year, the order was passed in favour of the company. The amount involved is Rs. Nil (Previous year Rs. 34.11 lacs)
- 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. 16.82 lacs (Previous year Rs. 16.82 lacs).
- 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. 15.40 lacs (Previous year Rs. 14.56 lacs).

- v) Matters pending with CESTAT in respect of excise cases in relation cenvat credit availed on imported goods for the period 2006-07. During the year, the order was passed in the favour of the company. Amount involved is Rs. Nil (Previous year Rs. 55.72 lacs).
- vi) 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. During the year, the order was passed in the favour of the Company. Amount involved is Rs. Nil. (Previous year Rs. 8.82 lacs).
- vii) 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).
- viii) 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 2001-2002 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.5.28 lacs. (Previous year Rs. 6.12 lacs).
- d) 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)
- e) 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. 14.51 lacs. (Previous year Rs. 40.53 lacs)
- f) 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.63.33 lacs. (Previous year Rs. 72.67 lacs)
- g) In relation to b (v) above Electricity demand relates to:**
- 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).
- h) In relation to b (vi) above Income Tax cases disputed by the Company:**
- i) In respect of Assessment Year 2001-02, certain additions were made on normal as well as on book profit. The matter is pending with ITAT. The Company has done an analysis and is of the opinion that it has fair chance of a favorable decision. The amount for contingent liability for the year is Rs. 104.24 lacs (Previous year Rs. Nil)
- 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 is of the opinion that it has fair chance of a favorable decision. The amount for contingent liability for the year is Rs. 214.28 lacs. (Previous year Rs. 15.10 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.220.66 lacs. (Previous year Rs. 55.62 lacs)
- iv) In respect of Assessment Year 2004-05, certain additions were made on normal income. The matter is pending with ITAT, during the year Company has got the order in its favour, hence the amount involved is Rs. 24.07 lacs. (Previous year Rs. 11.71 lacs)
- v) In respect of Assessment Year 2005-06, certain additions were made on normal as well as on book profit. 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 for contingent liability for the year is Rs. 47.19 lacs (Previous year Rs. 39.21 lacs)
- vi) In respect of Assessment Year 2006-07, certain additions were made on normal as well as on book profit. The matter is pending with Commissioner Income Tax (Appeals). 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. 39.52 lacs (Previous year Rs. Nil)
- vii) 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. 33.24 lacs. (Previous year Rs. 33.24 lacs)
- i) In relation to b (vii) above Consumer cases filed against the company:**
- i) 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) Payment made to Directors:

Leases	(Rs in lacs)	
	Year ended December 31, 2009 (Rs in lacs)	Year ended December 31, 2008 (Rs in lacs)
(a) Salaries	637.36	441.44
(b) Contribution to Provident Fund	21.09	3.47
(c) Other Perquisites	79.58	91.08
(d) Directors Sitting Fees	15.46	8.60

- (b) Personnel expenses under Schedule 18 include Rs. 540.12 lacs (including Rs. 305.54 lacs in respect of earlier financial year) towards director remuneration which 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 June 23, 2009 for approval of payment of salary to the managing director for Rs. 54.96 lacs per month for 5 years. Pending approval from the government, management has taken a confirmation from the managing director that he shall refund the amounts in the event of such approvals being refused.
- (c) Remuneration of Rs. 119.85 lakhs for the period April 1, 2006 to December 31, 2006, paid to the erstwhile managing director of the Company was in excess of permissible remuneration under Schedule XIII of the Companies Act, 1956. The Company had applied to the Central Government for the approval of such excess remuneration which was rejected by the Central Government vide letter dated May 26, 2009. The Company is in the process of filing an application under Section 309 (5B) of the Companies Act, 1956 to waive the recovery of the aforesaid amount from the erstwhile managing director. Further, there is another application for excess remuneration of Rs. 84.15 lakhs for the period January 1, 2007 to September 24, 2007 applied to the Central Government for its approval under Section 309 (3) of the Companies Act, 1956. The management has confirmed from the erstwhile managing director that he will refund this amount, to the extent of this being not approved by the Central Government. Pending above mentioned approvals by Central Govt, no adjustments have been made to these financial statements in this regard.
- 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. 5,175.75 lacs (Previous year Rs. 8,194.26 lacs) has been reduced from sales in profit & loss account and excise duty on (decrease) / increase in stock amounting to Rs. (218.58) lacs (Previous year Rs. (380.69) lacs) has been considered as (income) / expense in the financial 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, 2009:

Particulars	Currency	Year ended December 31, 2009 Amount Rs.(in lacs)	Year ended December 31, 2009 Amount (Foreign currency in lacs)	Year ended December 31, 2008 Amount Rs.(in lacs)	Year ended December 31, 2008 Amount (Foreign currency in lacs)
Borrowings	USD	-	-	1,292.11	26.74
Advance received	USD	-	-	3,300.29	67.63
Creditors	USD	632.33	13.46	174.41	3.57
Creditors	EURO	1,073.71	15.81	853.14	12.38
Creditors	GBP	14.44	0.19	34.03	0.48
Creditors	JPY	1.00	1.95	32.59	59.98
Creditors	CHF	3.95	0.09	-	-
Advance to creditor	EUR	322.92	4.76	-	-
Advance to creditor	USD	216.38	4.61	-	-
Advance to creditor	GBP	100.84	1.33	-	-
Advance to creditor	JPY	47.91	93.60	-	-
Advance to creditor	SEK	4.29	0.64	-	-
Debtors	USD	973.41	20.72	525.89	10.87
Debtors	EURO	76.13	1.12	105.07	1.56
Debtors	GBP	78.71	1.04	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 table summarizes 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	
	2009	2008
Current service cost	276.81	239.49
Interest cost on benefit obligation	339.28	366.38
Expected return on plan assets	(201.72)	(239.91)
Net actuarial(gain) / loss recognised in the year	(186.48)	611.37
Past service cost	-	-
Net benefit expense	227.89	977.33
Actual Return on Plan Assets	135.67	241.24

Balance sheet

Details of Provision for gratuity

	Gratuity	
	2009	2008
Defined benefit obligation	5,535.76	5,404.64
Fair value of plan assets	3,471.23	3,352.83
	2,064.53	2,051.81
Less: Unrecognised past service cost	-	-
Plan asset / (liability)	(2,064.53)	(2,051.81)

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

	Gratuity	
	2009	2008
Opening defined benefit obligation	5,404.64	4,419.12
Interest cost	339.28	366.38
Current service cost	276.81	239.49
Benefits paid	(232.44)	(233.05)
Actuarial (gains) / losses on obligation	(252.53)	612.70
Closing defined benefit obligation	5,535.76	5,404.64

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

	(Rs. in lacs)	
	Gratuity	
	2009	2008
Opening fair value of plan assets	3,352.82	3,115.37
Expected return	201.72	239.91
Contributions by employer	215.18	229.27
Benefits paid	(232.44)	(233.05)
Actuarial gains / (losses)	(66.05)	1.33
Closing fair value of plan assets	3,471.23	3,352.83

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

	Gratuity	
	2009	2008
	%	%
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	
	2009	2008
	(%)	(%)
Discount rate	7.50	6.50
Expected rate of return on assets	8.00	8.00
Employee turnover	5.00	5.00

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.

Note:

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. Amounts for the current and previous periods are as follows:

	Gratuity		
	2009	2008	2007
Defined benefit obligation	5,535.76	5,404.64	4,419.12
Plan assets	3,471.23	3,352.83	3,115.37
Surplus / (deficit)	(2,064.53)	(2,051.81)	(1,303.75)

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.

12. On December 31, 2009, the Company has entered into an agreement/memorandum of understanding with a third party to sell the investment made in one of the subsidiary for Rs 1,200 lacs. As per the terms of the agreement the Company will convert the loan recoverable of Rs 1,700 lacs into equity share capital with a face value of Rs 10 per share of subsidiary. Accordingly a provision of Rs 514.71 lacs has been made.
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)	46,134,526 (43,958,567)
Pistons (Nos)	"	14,355,000 (13,567,792)	12,375,808 (11,364,644)
Pins (Nos)	"	14,655,200 (13,478,250)	12,644,591 (12,043,051)
Cylinder Liners (Nos)	"	- (602,309)	- (98,047)
Light Alloy Cylinders (Nos)	"	- (382,936)	- (126,258)
Valve Train Components (Nos.)	"	46,944,000 (28,800,000)	28,221,086 (26,751,929)
Structural Components (Nos.)	"	5,820,000 (5,820,000)	2,262,039 (3,447,084)

* Installed Capacity as certified by the management.

Note: Figures in brackets pertains to previous year

(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)	2,873,550 (5,196,551)	992.99 (1,766.62)	2,735,013 (2,873,550)	918.33 (992.99)	46,273,063 (46,281,568)	28,093.72 (25,339.91)
Pistons (Nos)	794,440 (879,925)	1,715.20 (2,254.79)	579,961 (794,440)	1,319.04 (1,715.20)	12,590,287 (11,450,129)	39,971.73 (40,441.94)
Pins (Nos)	901,913 (879,592)	437.50 (452.17)	1,020,504 (901,913)	288.75 (437.50)	12,526,000 (12,020,730)	5,568.13 (4,540.93)
Cylinder Liners (Nos)	- (39,865)	- (86.65)	-	-	- (137,912)	- (132.98)
Light Alloy Cylinders (Nos)	- (4,679)	- (39.05)	-	-	- (130,937)	- (731.95)
Valve Train Components (Nos)	954,128 (1,336,547)	99.22 (137.25)	1,274,082 (954,128)	109.27 (99.22)	27,901,132 (27,134,348)	2,988.29 (3,181.87)
Structural Components (Nos)	116,103 (192,568)	27.43 (49.02)	81,292 (116,103)	28.99 (27.43)	2,296,850 (3,523,549)	871.53 (1,078.12)
Miscellaneous	-	115.23 (122.12)	-	89.71 (115.23)	-	13.55
Total	5,640,134 (8,529,727)	3,387.57 (4,907.67)	5,690,852 (5,640,134)	2,754.09 (3,387.57)	101,587,332 (100,679,173)	77,506.95 (75,447.70)

Notes: Figures in Brackets pertain to previous year.

(ii) Trading Operations:

Particulars	OPENING BALANCE		CLOSING BALANCE		PURCHASE		SALES	
	Quantity	Value Rs.(in lacs)	Quantity	Value Rs.(in lacs)	Quantity	Value Rs.(in lacs)	Quantity	Value Rs.(in lacs)
Bearing\Liner (Nos)	53,435	16.00	89,318 (53,435)	175.48 (16.00)	456,665 (285,194)	880.72 (441.95)	420,782 (231,759)	1,282.50 (483.78)
Spark Plug (Nos)	-	-	314,542	101.58	3,074,214	861.23	2,759,672	1,083.30
Others*	-	-	39.39	-	-	258.63	-	328.45
Total	53,435	16.00	403,860 (53,435)	316.45 (16.00)	3,530,879 (285,194)	2,000.58 (441.95)	3,180,454 (231,759)	2,694.25 (483.78)

Note: Figures in brackets pertain to previous year

*It is not practicable to furnish quantitative information in view of the large number of items which differ in size and nature, each being less than 10% in value of the total.

(iii) Details of Raw Materials Consumed :

Particulars	Unit	Year Ended December 31, 2009		Year Ended December 31, 2008	
		Quantity	Rs.(in lacs)	Quantity	Rs.(in lacs)
a) Pig Iron	M.Ton	3,019	715.03	2,966	802.96
b) Alloys	M.Ton	695	522.49	715	637.70
c) Chromic Acid	M.Ton	39	78.51	88	132.27
d) Aluminum	M.Ton	5,058	5,041.35	4,902	6,451.55
e) Steel Strips	M.Ton	17	189.86	15	128.11
f) Pin .Steel	M.Ton	2,533	1,930.11	2,830	2,056.98
g) Silicon	M.Ton	857	1,134.00	738	1,064.55
h) Magnesium	M.Ton	93	150.44	84	176.73
i) Nickel	M.Ton	217	1,636.30	171	2,119.25
j) Iron Powder	M.Ton	524	358.99	510	369.10
k) Steel Powder	M.Ton	71	452.95	71	422.16
l) Copper Powder	M.Ton	72	255.16	69	267.04
m) Distalloys	M.Ton	83	120.68	72	102.31
n) Bought out rings	Nos.	3,844,967	4,729.31	643,667	727.37
n) Others*			6,091.69	-	6,213.45
Total		3,858,245	23,406.87	656,898	21,671.53

*It is not practicable to furnish quantitative information in view of the large number of items which differ in size and nature, each being less than 10% in value of the total.

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

	Year Ended December 31, 2009	Year Ended December 31, 2008
(a) Raw Materials	8,184.99	5,553.96
(b) Spare Parts & Components	1,223.62	1,128.61
(c) Capital Goods	1,612.86	4,158.16

	Year Ended December 31, 2009		Year Ended December 31, 2008	
(v) Expenditure in Foreign Currency (on payment basis):				
(a) Traveling Expenses		15.09		76.97
(b) Commission on Sales		1.65		4.67
(c) Communication expenses		101.87		-
(d) Royalty		1,509.53		218.73
(e) Sales Promotion		-		2.15
(f) Professional Expenses		177.64		380.37
(g) Others		9.70		16.95
(vi) Imported and Indigenous Raw Materials and Components Consumed:				
	Rs. (in lacs)	%	Rs. (in lacs)	%
(a) Indigenous	14,713.56	62.86	16,114.34	74.36
(b) Imported	8,693.31	37.14	5,557.19	25.64
Total	23,406.87	100.00	21,671.53	100.00
(vii) Imported & Indigenous Stores, Spares and Tools Consumed				
(a) Indigenous	7,515.78	92.48	6,555.56	91.37
(b) Imported	610.72	7.52	619.15	8.63
Total	8,126.50	100.00	7,174.71	100
(viii) Earnings in Foreign Currency (on accrual basis)				
Export on FOB basis		5,304.84		7,139.03
14. Details of dues to Micro and Small Enterprises as per MSMED Act, 2006:				
Particulars			(Rs. in lacs)	
The principal amount remaining unpaid as at the end of year			2009	2008
Interest due on above principal and remaining unpaid as at the end of the year			84.90	104.79
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			0.48	1.44
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.			-	-
The amount of interest accrued and remaining unpaid at the end of each accounting year; and			5.52	1.78
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			6.00	3.22
			11.13	5.13
15. During the year ended December 31, 2008, the Company had issued 23,011,192 shares @ Rs 10 each at a premium of Rs 46 per share on right issue basis for cash. Pursuant to right issue offer, the Company received Rs 12,886.27 lacs, details of utilization of right issue proceeds are as follows:				
Particulars	Amount as per letter of offer dated November 5, 2008 (Rs. in lacs)	Amount utilized till December 31, 2009 (Rs. in lacs)	Amount utilized till December 31, 2008 (Rs. in lacs)	
Repayment of existing debt on their respective due dates	3,040.67	3,040.67	375.00	
Payment to suppliers for purchase of machineries (including interest)	9,296.61	8,158.19	7,024.11	
General corporate purposes	431.30	431.30	431.30	
Issue expenses	117.69	107.34	107.34	
Total	12,886.27	11,737.50	7,937.75	
The unutilized amount aggregating to Rs. 1,148.77 lacs (Previous year Rs 4,948.52 lacs) have been temporarily used for improving the working capital requirement of the company.				
16. 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 are as follow:				
Particulars	Year ended Dec. 31, 2009 Rs. (in lacs)	Year ended Dec. 31, 2008 Rs. (in lacs)		
Salaries, wages and bonus	147.21	211.88		
Consumption of stores and spares	98.14	141.26		
Total	245.35	353.14		
17. Non fulfillment of export obligation under (Export promotion Capital Goods) EPCG Licenses				
During the year, the Company has identified some of the licenses, obtained under Export Promotion Capital Goods scheme under which Company had imported certain fixed assets without payment of relevant custom duties, on which the Company has fulfilled the export obligation partially. The Company, based on opinions by legal experts, is of the view that they will be able to apply for the extension of the time period and will be exploring various possibilities for completing the export obligations.				
However, considering that these licenses have already expired, the management has decided, on prudent basis, to make a provision for the potential interest payable to the Government aggregating to Rs. 532.20 lacs in these financial statements and has also capitalized the duty portion to be paid for Rs. 380.06 lacs with the relevant fixed assets and has depreciated the same as if these were capitalized on the date of respective assets being put to use. This has resulted in Company charging the additional depreciation and additional interest of Rs. 822.76 lacs during the year (including Rs. 351.25 lacs for earlier periods).				
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 19, 2010

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

Jean de Montlaur
 Managing Director & President

Rustin Murdock
 Whole Time Director & CFO

Khalid Khan
 Company Secretary

Balance sheet and profit and loss account
Cash flow statement for the year ended December 31, 2009

	For the year ended December 31, 2009 Rs (in lacs)	For the year ended December 31, 2008 Rs (in lacs)
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit/ (loss) before tax and after prior period	5,067.48	(517.00)
Adjustments for:		
Depreciation and amortisation	5,067.65	4,634.14
Loss on sale / discard of fixed assets (net)	224.89	100.51
Provision for doubtful debts	53.14	36.58
Advances written off	1.65	-
Provision for loans and advances	514.71	-
Interest income	(13.29)	(19.27)
Dividend income	(30.60)	(30.60)
Interest expense	2,264.14	2,568.81
Excess provision written back	(231.49)	(273.00)
Unrealised forex (gain)/loss (net)	(108.38)	223.09
Miscellaneous expenditure written off	239.90	239.90
Operating profit before working capital changes	13,049.80	6,963.16
Movements in working capital:		
Decrease / (Increase) in sundry debtors	(790.30)	(423.31)
Decrease / (Increase) in other current assets	(3.82)	(95.45)
Decrease / (Increase) in inventories	897.76	2,869.67
Decrease / (Increase) in loans and advances	493.50	115.31
Increase / (Decrease) in current liabilities & provisions	(1,241.30)	109.22
Cash generated from operations	12,405.64	9,538.60
Direct taxes paid (net of refunds)	(1,023.92)	146.75
Net cash from operating activities	11,381.72	9,685.35
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets/ Intangibles Assets	(3,642.26)	(6,957.79)
Proceeds from sale of fixed assets	63.62	199.85
Sale / maturity of investments	-	1.56
Interest received	35.31	7.29
Dividends received	30.60	30.60
Net cash used in investing activities	(3,512.73)	(6,718.49)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of borrowings (Long term)	(2,915.35)	(5,869.54)
Receipt of borrowings (Long term)	1,500.00	-
Movement in borrowings (Short term)	(4,749.65)	(7,153.76)
Interest paid	(1,643.94)	(2,715.42)
Proceeds from issuance of share capital	-	12,886.27
Share issue expenses	10.42	(107.34)
Net cash used in financing activities	(7,798.52)	(2,959.79)
Net increase in cash and cash equivalents (A + B + C)	70.47	7.07
Cash and cash equivalents at the beginning of the year	87.44	80.37
Cash and cash equivalents at the end of the year	157.91	87.44
Components of cash and cash equivalents as at	December 31, 2009	December 31, 2008
	Rs (in lacs)	Rs (in lacs)
Cash and cheques on hand	0.63	1.39
With banks - on current account	136.17	59.85
- on unpaid dividend account*	21.11	26.20
	157.91	87.44

* 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

Place: Gurgaon

Date: March 19, 2010

ANNUAL REPORT 2009

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

Jean de Montflaur
Managing Director & President

Khalid Khan
Company Secretary

Rustin Murdock
Whole Time Director & CFO

SCHEDULES 1 - 24 (Contd.)

Schedule 24 : Significant Accounting Policies and Notes on Accounts (Contd.)

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 31 12 2009
Date Month Year

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

Public Issue
N I L

Rights Issue
N I L

Bonus Issue
N I L

Private Placement
N I L

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

Total Liabilities
4 4 9 0 2 9 6

Total Assets
4 4 9 0 2 9 6

Sources of Funds

Paid-up Capital
5 5 6 3 2 1

Reserves & Surplus
2 8 7 7 0 8 2

Secured Loans
6 6 5 8 9 7

Unsecured Loans
3 4 6 4 8 3

Deferred Tax Liability
4 4 5 1 3

Application of Funds

Net Fixed Assets
3 8 3 4 8 1 6

Investments
2 0 9 2 3 4

Net Current Assets
3 9 8 2 6 5

Misc. Expenditure
4 7 9 8 1

Accumulated Losses
-

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

Turnover including Other Income
7 8 8 6 6 1 2

Total Expenditure
7 3 7 9 8 6 4

Profit before Tax
5 0 6 7 4 8

Profit after tax
4 6 0 9 6 1

Earning Per Share in Rs.
8 . 2 9

Dividend Rate %
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	31st December 2009	31st December 2009
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. 667.53 Lacs	Rs. (5.19) Lacs
	ii) for previous financial years of subsidiary since it became subsidiary of Federal-Mogul Goetze (India) Ltd.	Rs. 1022.34 Lacs	Rs (246.66) 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

Khalid Khan
Company Secretary

Place: Gurgaon
Date: March 19, 2010



FEDERAL-MOGUL TPR (INDIA) LIMITED

DIRECTOR'S REPORT

Your Directors are pleased to present the Thirteenth Annual Report alongwith the Audited Statements of Accounts for the financial year ended 31st December 2009.

Financial Results

[Rs. in Million]

	For the year ended 31.12.2009	For the year ended 31.12.2008
Total Income:		
Gross Sales	847.03	732.34
Deduct: Excise Duty	70.29	103.16
	776.74	629.18
Business and other Income	8.58	2.61
	785.32	631.79
Profit before Depreciation and Finance Charges	257.62	192.55
Deduct:		
Depreciation	36.72	33.94
Interest & Finance Charges	20.32	26.88
Net Profit before Tax	200.58	131.73
Provision for Tax		
- Current	78.00	50.47
- Deferred	(8.31)	(6.05)
- Fringe Benefit	-	0.66
Profit after Tax	130.89	86.65
Profit brought forward	200.46	120.83
Net profit available for appropriation	331.35	207.48
Appropriations :		
Transfer to general reserve	13.10	-
Dividend-		
Preference @6%	6.00	6.00
Tax and cess on dividend-Preference	1.00	1.02
Equity Shares	47.00	-
Tax and cess on dividend-Equity	7.80	-
Surplus carried to Balance Sheet	256.45	200.46

Financial Performance

The net income of the Company during the year ended 31st December, 2009 was Rs. 785.32 million as against Rs. 631.79 million for the year ended 31st December, 2008.

During the year under review, the company made a net profit after tax of Rs. 130.89 million as against the net profit after tax of Rs. 86.65 million in the last year.

High level of competence in design and processes, high productivity and low costs are the forte of the Company.

Operations

The Indian auto industry is highly competitive with a number of global and Indian auto-companies present. Auto component industry is directly related to the automotive industry. Though the industry witnessed slower growth in 2008 owing to the global slowdown, positive sales trends in the year 2009 demonstrate the strong fundamentals.

Further the stabilization of the auto industry during the year 2009 embarks sequential

improvements in the performance of the Company.

Auditors' Comments

The Auditors' observation as contained in Clause vii of Annexure to their Report regarding enlargement of the scope and coverage of internal audit to be commensurate with the size and nature of its business is self explanatory and although management belief the internal control function is sound, the management has initiated additional necessary steps in that direction for further improvement.

Dividend

In view of profits your Directors are pleased to recommend dividend @6% on the Cumulative Redeemable Preference Shares and dividend @ 47% on Equity shares for the year ended 31st December, 2009.

The total outflow on account of dividend, if approved, will be Rs. 61.80 million [including dividend tax of Rs. 8.80 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. Jean de Montlaur, 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;



FEDERAL-MOGUL TPR (INDIA) LIMITED

DIRECTORS' REPORT (Contd.)

- 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. Hiroshi Takano and Mr. Andreas Kolf as Members.

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 is committed to protect the environment and safety of its employees and those associated with it.

We strive to sustain 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. The Company adheres to the provisions of environmental laws and ensures due compliance of all emission norms, 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

The Board of Directors would like to express its sincere thanks for the support and cooperation of its promoters Teikoku Piston Ring Company Ltd., Federal-Mogul UK Investments Limited and

Federal-Mogul Goetze (India) Ltd. We also wish to place on record our deep sense of appreciation for the committed services by the executives, staff and workers of the Company and for the encouragement and confidence extended by its dealers, vendors, customers, business associates 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 15, 2010

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

a) Energy conservation measures taken:

- Use of solar water heater (1000 Ltrs/Day)
- Installation of Centralised switch control

b) Additional investment and proposals, if any, being implemented for reduction of consumption.

Rebuilding of nitriding and tuffriding furnace

c) Impact of measure (a) & (b) above for reduction of energy consumption & consequent on cost of production of goods:

The above measures helped towards reduction in energy consumption of approximately 90 units per day.

B. TECHNOLOGY ABSORPTION

Research & Development (R&D)

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

- Introduction of all steel ring pack
- Development of Asymmetrical Barrel Nitrided steel ring
- Development of 85 mm dia steel ring pack
- Introduction of Butt end Grinding for spacer in bulk supplies for LOC improvement

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

- a) New Business with OE's as well as development of aftermarket business.
- b) Product development.

3. Future plan of action

To work towards product development, cost reduction & technological upgradation.

4. Expenditure on R&D

During the year 2009, no expenditure was incurred on R&D.

Technology absorption, adaptation and innovation

1. Efforts in brief made towards technology absorption, adaptation & innovation:

- New grinding machine installed for OD grinding.
- Non oxidation furnace installed and side rails are treated for free gap
- Implementation of the butt end grinding operation for oil ring spacers

2. Benefits derived as a result of above efforts;

Improvement in the quality of side rails.

3. Import of Technology

Technology for	Year of Import	Status
Tuffriding process for Side rails	2008	Implemented.
Side rail OD grinding	2009	Implemented.
Free gap treatment for side rails	2009	Implemented.
Butt end grinding	2009	Implemented.

ENVIRONMENT & SAFETY

During the year 2009 the following measures were taken to reduce the pollution levels:

- Sewage treatment plant has been taken up for upgradation.
- Project to eliminate usage of Tri chloro ethylene.
- Epoxy flooring in new building.
- Identifying and providing basic safety devices in machines.

C. FOREIGN EXCHANGE EARNING AND OUTGO

Foreign exchange earnings - Nil

Foreign exchange outgo - Rs. 41,81,580.



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, 2009 and also the Profit and Loss account and the Cash Flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
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, 2009, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on December 31, 2009 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, 2009;
 - b) in the case of the profit and loss account, of the profit for the year ended on that date; and
 - c) in the case of 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
Date : March 15, 2010 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 during the year ended December 31, 2007 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, clauses 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. According to the information and explanations provided by the management, we are of the opinion that there are no contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956. Therefore, the provisions of clause 4(v)(a) and (b) of the Companies (Auditors' Report) order, 2003 (as amended) are not applicable to the Company.
- vi. The Company has not accepted any deposits from the public.
- vii. The Company has an internal audit system, the scope and coverage of which, in our opinion requires to be enlarged to be 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, 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 records of the Company, the dues outstanding of 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	Period to which the amount relates	Forum where dispute is pending
Central Excise Act	Excise Duty on trade discount	242,426	2000 to 2004	Joint Commissioner of Central Excise
Central Excise Act	Excise Duty on Turnover Discount	691,479	2003 to 2007	Central Excise and Service Tax Appellant Tribunal
Central Excise Act	Service tax on import services	1,974,000	2004 to 2006	Additional Commissioner of Service Tax
Central Excise Act	Cenvat credit availed on Job Work	36,106,654	2005 to 2007	Central Excise and Service Tax Appellant Tribunal
Central Excise Act	Availment of cenvat credit (service tax)	383,705	April 2006 to May 2006	Deputy Commissioner of Central Excise
Central Excise Act	Service tax on management fees and sole selling commission.	6,163,980	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
Central Excise Act	Service tax on supplementary bills for price reduction	2,984,083	2008 to 2009	Commissioner of central excise
Central Excise Act	Cenvat credit of service tax on job work charges	45,401,450	2008 to 2009	Central Excise and Service Tax Appellant Tribunal
Income Tax Act	Additions to normal income.	10,592,560	2005 - 2006	Commissioner of Income tax (Appeals)
Income Tax Act	Additions to normal income.	3,090,018	2006 - 2007	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 the banks. The Company has no outstanding dues in respect of a financial institution or debenture holder.
- 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 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
Membership No.: 91813

Place : Gurgaon
Date : March 15, 2010



FEDERAL-MOGUL TPR (INDIA) LIMITED

BALANCE SHEET AS AT DECEMBER 31, 2009

	Schedules	As at December 31, 2009 Amount in Rs.	As at December 31, 2008 Amount in Rs.
SOURCES OF FUNDS			
Shareholders' Funds			
Share capital	1	200,000,000	200,000,000
Reserves and surplus	2	269,545,943	200,460,374
		469,545,943	400,460,374
Loan Funds			
Secured loans	3	153,009,949	214,227,362
		153,009,949	214,227,362
Deferred Tax Liabilities (net)	4	16,806,162	25,111,324
TOTAL		639,362,054	639,799,060
APPLICATION OF FUNDS			
Fixed Assets			
Gross block	5	406,246,495	399,155,457
Less : Accumulated Depreciation/ Amortisation		232,356,959	195,639,316
Net block		173,889,536	203,516,141
Capital work-in-progress including capital advances		1,266,469	2,398,528
		175,156,005	205,914,669
Current Assets, Loans and Advances			
Inventories	6	76,720,795	81,778,232
Sundry debtors	7	306,883,849	422,552,397
Cash and bank balances	8	7,462,140	3,181,725
Other current assets	9	4,508,718	-
Loans and advances	10	238,883,460	7,276,352
(A)		634,458,962	514,788,706
Less: Current Liabilities and Provisions			
Current liabilities	11	76,988,218	68,430,651
Provisions	12	93,264,695	12,473,664
(B)		170,252,913	80,904,315
Net Current Assets (A-B)		464,206,049	433,884,391
TOTAL		639,362,054	639,799,060
Notes to Accounts	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

For and on behalf of the 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 15, 2010



FEDERAL-MOGUL TPR (INDIA) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2009

	Schedules	For the year ended December 31, 2009 Amount in Rs.	For the year ended December 31, 2008 Amount in Rs.
INCOME			
Turnover (Gross)		847,031,103	732,339,566
Less : Excise duty		70,289,892	103,158,300
Turnover (Net)		776,741,211	629,181,266
Other income	13	8,583,186	2,613,920
TOTAL		785,324,397	631,795,186
EXPENDITURE			
Raw materials and components consumed	14	193,207,488	131,035,355
Personnel expenses	15	24,208,027	15,051,722
Other manufacturing expenses	16	160,953,886	147,803,757
Operating and other expenses	17	145,828,790	143,793,840
Decrease/ (increase) in inventories	18	3,720,500	1,986,077
Depreciation and amortisation	5	36,717,643	33,937,708
Increase/ (decrease) of excise duty on finished goods		(219,935)	(423,043)
Financial expenses	19	20,324,953	26,877,323
TOTAL		584,741,352	500,062,739
Profit before tax		200,583,045	131,732,447
Provision for Tax			
Current tax		78,000,000	50,471,406
Fringe benefit tax		-	665,487
Deferred tax credit (includes Rs. 889,020 relating to earlier years, Previous year Rs. Nil)		(8,305,162)	(6,051,756)
Total Tax expense		69,694,838	45,085,137
Net profit		130,888,207	86,647,310
Balance brought forward from previous year		200,460,374	120,832,764
Profit available for appropriation		331,348,581	207,480,074
Appropriations:			
Transfer to General Reserve		13,100,000	-
Proposed dividend - Preference Shares		6,000,000	6,000,000
Proposed dividend - Equity Shares		47,000,000	-
Tax on Preference Share Dividend		996,525	1,019,700
Tax on Equity Share dividend		7,806,113	-
Surplus carried to balance sheet		256,445,943	200,460,374
Earnings per share	20		
Basic and diluted [Nominal value of shares Rs. 10 (Previous year Rs. 10)]		12.39	7.96
Notes to Accounts	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

For and on behalf of the 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 15, 2010

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FEDERAL-MOGUL TPR (INDIA) LIMITED

Schedules to the Accounts

	As at December 31, 2009 Amount in Rs.	As at December 31, 2008 Amount in Rs.
Schedule 1 : Share Capital		
Authorised		
10,000,000 (Previous year 10,000,000) equity shares of Rs 10 each	100,000,000	100,000,000
1,000,000 (Previous year 1,000,000) 6% redeemable cumulative preference shares of Rs. 100 each	100,000,000	100,000,000
	200,000,000	200,000,000
Issued, Subscribed and Paid up*		
10,000,000 (Previous year 10,000,000) equity shares of Rs 10 each	100,000,000	100,000,000
1,000,000 (Previous year 1,000,000) 6% redeemable cumulative preference shares of Rs. 100 each	100,000,000	100,000,000
	200,000,000	200,000,000

* Of the above::

1. 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, the ultimate holding company being Federal-Mogul Corporation.
2. The redeemable cumulative preference shares are 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 exercised the option to redeem preference shares.

Schedule 2 : Reserves and Surplus

General reserve		
Transferred from Profit and Loss Account	13,100,000	-
Profit and loss account	256,445,943	200,460,374
	269,545,943	200,460,374

Schedule 3 : Secured loans

Loans and advances from banks		
Term loans	19,079,705	57,540,861
Cash Credit facilities	8,930,244	11,686,501
Demand Loans	125,000,000	145,000,000
	153,009,949	214,227,362

- The term loans are secured by exclusive charge on the entire fixed assets of the Company. (Amount payable within one year is Rs. 19,079,705 Previous year Rs. 38,461,156).
- Working capital loans are secured by way of first pari-passu charge on entire current assets of the company.

Schedule 4 : Deferred tax liability

Deferred tax liabilities		
Differences in depreciation in block of fixed assets as per tax books and financial books	23,432,657	29,142,223
Gross deferred tax liabilities	23,432,657	29,142,223
Deferred tax assets		
Effect of expenditure debited to profit and loss account in the current/ earlier year but allowed for tax purposes in following years	6,173,624	3,775,335
Provision for doubtful debts and advances	452,871	255,564
Gross deferred tax assets	6,626,495	4,030,899
Net deferred tax liability	(16,806,162)	(25,111,324)



FEDERAL-MOGUL TPR (INDIA) LIMITED

Schedules to the Accounts

Schedule 5 : Fixed Assets

					Amount in Rs.
	Plant and machinery	Furniture & fixtures	Vehicles	Total	Previous Year
Gross block					
At 01.01.2009	397,506,811	1,616,936	31,710	399,155,457	357,824,436
Additions	7,091,038	-	-	7,091,038	43,189,284
Deductions	-	-	-	-	1,858,263
At 31.12.2009	404,597,849	1,616,936	31,710	406,246,495	399,155,457
Depreciation					
At 01.01.2009	194,503,710	1,123,792	11,814	195,639,316	163,395,849
For the year	36,684,751	29,880	3,012	36,717,643	33,937,708
Deletions/ adjustments	-	-	-	-	1,694,241
At 31.12.2009	231,188,461	1,153,672	14,826	232,356,959	195,639,316
For previous year	33,891,992	29,880	15,836	33,937,708	32,397,636
Net block					
At 31.12.2009	173,409,388	463,264	16,884	173,889,536	203,516,141
At 31.12.2008	203,003,101	493,144	19,896	203,516,141	
Capital work in progress including Capital Advances of Rs. 277,500 (Previous year Rs. Nil)				1,266,469	2,398,528

Schedule 6 : Inventories

	As at December 31, 2009 Amount in Rs.	As at December 31, 2008 Amount in Rs.
Raw materials and components (Including materials in transit Rs. 1,917,233 (Previous year Rs 3,767,961))	41,042,052	40,313,299
Stores and spares	17,577,965	19,643,655
Work-in- progress	13,226,597	14,227,920
Finished goods	4,874,181	7,593,358
Total	76,720,795	81,778,232

Schedule 7 : Sundry Debtors

Debts outstanding for a period exceeding six months		
Unsecured, considered good *	28,814,538	256,398,744
Unsecured, considered doubtful	1,332,366	751,879
Other debts		
Unsecured, considered good **	278,069,311	166,153,653
	308,216,215	423,304,276
Less : Provision for doubtful debts	1,332,366	751,879
Total	306,883,849	422,552,397

*Balance due from the holding company, Federal-Mogul Goetze (India) Limited Rs. 28,203,848 (Previous year Rs 256,045,400)

**Balance due from the holding company, Federal-Mogul Goetze (India) Limited Rs 217,491,050 (Previous year Rs. 127,810,566)

Schedule 8 : Cash and Bank Balances

Cash on hand	14,571	2,973
Balances with scheduled banks:		
On current accounts	7,042,569	2,773,752
On deposit accounts (pledged with Government authorities)	405,000	405,000
Total	7,462,140	3,181,725



FEDERAL-MOGUL TPR (INDIA) LIMITED

Schedules to the Accounts

Schedule 9 : Other Current Assets

	As at December 31, 2009 Amount in Rs.	As at December 31, 2008 Amount in Rs.
Interest accrued on Inter-corporate deposit	4,508,718	-
Total	4,508,718	-

* Dues from companies under the same management:

Federal-Mogul Goetze (India) Limited, the holding company (Maximum amount outstanding during the year Rs. 4,508,718
(Previous year Rs. Nil))

Schedule 10 : Loans and advances

Unsecured considered good, except where stated otherwise

Advances recoverable in cash or in kind or for value to be received	2,856,603	3,807,977
Inter-corporate deposit*	230,000,000	-
Balance with excise authorities	6,018,779	3,468,375
Advance payment of fringe benefit tax (net of provision)	8,078	-
Total	238,883,460	7,276,352

* Dues from companies under the same management:

Federal-Mogul Goetze (India) Limited, the holding company (Maximum amount outstanding during the year Rs. 230,000,000 (Previous year Rs. Nil))

Schedule 11 : Current liabilities

Sundry creditors

a) total outstanding dues of Micro and Small Enterprises (refer note no. 13 to schedule no. 21)	1,352,025	1,459,490
b) total outstanding dues of creditors other than Micro and Small Enterprises	70,530,396	61,170,605
Other liabilities	4,702,640	5,214,268
Security deposit	8,000	8,000
Interest accrued but not due on loans	395,157	578,288
Total	76,988,218	68,430,651

Schedule 12 : Provisions

Provision for taxation (net of advance tax payments)	27,487,878	2,973,579
Provision for fringe benefit tax (net of advance tax payments)	-	246,422
Provision for leave encashment	1,453,646	1,156,352
Provision for gratuity (refer note no. 7 to schedule no. 21)	2,520,533	1,077,611
Proposed dividend	53,000,000	6,000,000
Tax on dividend	8,802,638	1,019,700
Total	93,264,695	12,473,664

Schedule 13 : Other Income

Interest:		
-Bank deposits (Tax deducted at source Rs. Nil, Previous year Rs. Nil)	10,000	27,592
-Others (Tax deducted at source Rs. 500,969, Previous year Rs. Nil)	5,033,507	-
Sale of scrap	684,186	1,335,943
Foreign exchange rate difference (net)	1,442,918	500,787
Excess provision written back	525,000	-
Miscellaneous income	887,575	749,598
Total	8,583,186	2,613,920



FEDERAL-MOGUL TPR (INDIA) LIMITED

Schedules to the Accounts

Schedule 14 : Raw materials and components consumed

	As at December 31, 2009 Amount in Rs.	As at December 31, 2008 Amount in Rs.
Inventories as at December 31, 2008	40,313,299	53,198,614
Add: Purchases	193,936,241	118,150,040
	234,249,540	171,348,654
Less: Inventories as at December 31, 2009	41,042,052	40,313,299
Total	193,207,488	131,035,355

Schedule 15 : Personnel expenses

Salaries, wages and bonus	20,880,956	13,610,586
Contribution to provident fund and other funds	1,409,597	1,068,293
Contribution to super annuation	58,479	104,414
Gratuity expenses (refer note no. 7 to schedule no. 21)	1,442,922	18,973
Workmen and staff welfare expenses	416,073	249,456
Total	24,208,027	15,051,722

Schedule 16 : Other manufacturing expenses

Consumption of stores and spares	51,590,530	52,738,361
Sub-contracting expenses	3,621,198	4,965,429
Chrome plating charges	97,158,079	83,032,241
Power and fuel	8,584,079	7,067,726
Total	160,953,886	147,803,757

Schedule 17 : Operating and other expenses

Freight and forwarding charges	2,981,283	2,052,461
Rent	7,938,965	7,934,967
Rates and taxes	4,141,001	3,219,346
Insurance	810,312	778,397
Repairs and maintenance		
- Plant and machinery	29,851	74,320
- Buildings	295,392	148,003
- Others	266,310	767,830
	591,553	990,153
Advertising and sales promotion	33,178,183	41,227,490
Sole selling commission	33,932,416	17,397,023
Management support charges (including expense reimbursed Rs. 38,596,039 (Previous year Rs. 48,536,308))	43,666,249	51,501,598
Royalty	13,142,839	10,461,464
Product rectification charges	93,925	87,495
Legal and professional expenses	450,893	1,194,685
Technical training charges	1,535,752	3,752,521
Travelling and conveyance	1,554,252	863,712
Printing and stationery	223,233	264,542
Auditor's remuneration		
- Audit fee	500,000	500,000
- Tax audit fee	275,000	275,000
- For certification and others matters	25,000	250,000
- Out-of-pocket expenses	70,195	54,000
	870,195	1,079,000
Provision for doubtful debts	580,487	286,315
Loss on sale / discard of fixed assets (net)	-	52,850
Advances written off	-	56,000
Miscellaneous expenses	137,252	593,821
Total	145,828,790	143,793,840



FEDERAL-MOGUL TPR (INDIA) LIMITED

Schedules to the Accounts

Schedule 18 : Decrease/(increase) in inventories

	For the year ended December 31, 2009 Amount in Rs.	For the year ended December 31, 2008 Amount in Rs.
Inventories as at December 31, 2008		
- Work-in-progress	14,227,920	14,759,753
- Finished goods	7,593,358	9,047,602
Total	21,821,278	23,807,355
Inventories as at December 31, 2009		
- Work-in-progress	13,226,597	14,227,920
- Finished goods	4,874,181	7,593,358
Total	18,100,778	21,821,278
	3,720,500	1,986,077

Schedule 19 : Financial expenses

Interest		
- to banks	19,958,014	25,858,279
Bank charges	366,939	1,019,044
Total	20,324,953	26,877,323

Schedule 20 : Earnings per share (EPS)

Net profit as per profit and loss account	130,888,207	86,647,310
Less: Preference Dividend (including Dividend Tax Rs. 996,525, Previous year Rs. 1,019,700)	6,996,525	7,019,700
Profit available for equity share holder	123,891,682	79,627,610
Weighted average number of equity shares in calculating basic and diluting earning per share	10,000,000	10,000,000
Earning per share	12.39	7.96



FEDERAL-MOGUL TPR (INDIA) LIMITED

Schedules to the Accounts

Schedule 21 : Notes to Accounts

1. Background

Federal-Mogul TPR (India) Limited (the 'Company') is a subsidiary of Federal-Mogul Goetze (India) Limited. The company in technical collaboration with Teikoku Piston Ring Co. Ltd, Japan and Federal Mogul UK Investments Limited (formerly known as T&N Investments Ltd), a group Company of Federal-Mogul Corporation manufactures steel rings used in passenger vehicles automobiles.

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 Federal Mogul UK Investments Limited (formerly known as T&N Investments 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 Accounting Standards notified by Companies (Accounting Standards) Rules, 2006 (as amended) 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 using the straight line method (SLM) as per the useful lives of the assets estimated by the management and is equal to or higher than rates prescribed under Schedule XIV of the Companies Act, 1956:

Asset Class	Schedule XIV Rates (SLM)	Rates used by the Company
(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

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) 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.

Work-in-progress.

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

Finished goods

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

i) Foreign Currency Translation

(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 such monetary items of company 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) Retirement benefits in the form of Provident Fund is a defined contribution scheme and the contributions are charged to the Profit and Loss account of the year, 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 and are not deferred.

(v) Superannuation Benefit

The Company's superannuation obligation 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 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 losses for the period attributable to equity shareholders and weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

m) 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.

n) Cash and Cash Equivalents

Cash and cash equivalents for the purposes of cash flow statement 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:

i) Holding Company

- Federal-Mogul Goetze (India) Limited

ii) Common control with Holding Company

- Federal Mogul UK Investments Limited (formerly known as T&N Investments Ltd)

- Teikoku Piston Ring Co. Ltd., Japan

iii) Key managerial personnel and their relatives

- Ms. S. Bhuvaneshwari, Deputy General Manager, Projects (Till March 31, 2008)

- Mr. Krish Mani, Manager (From March 12, 2009)

(Manager under section 269 of the Companies Act, 1956)



FEDERAL-MOGUL TPR (INDIA) LIMITED

Particulars	Holding Company		Common Control with Holding Company				Key Managerial Personnel and their relatives			
	Federal-Mogul Goetze (India) Ltd		Federal Mogul UK Investments Ltd.		Teikoku Piston Rings Co. Ltd.		Mr Krish Mani		Ms S. Bhuvaneshwari	
	For the Year ended December 31, 2009 (Rs.)	For the Year ended December 31, 2008 (Rs.)	For the Year ended December 31, 2009 (Rs.)	For the Year ended December 31, 2008 (Rs.)	For the Year ended December 31, 2009 (Rs.)	For the Year ended December 31, 2008 (Rs.)	For the Year ended December 31, 2009 (Rs.)	For the Year ended December 31, 2008 (Rs.)	For the Year ended December 31, 2009 (Rs.)	For the Year ended December 31, 2008 (Rs.)
Sales	370,827,805	290,633,100	-	-	-	-	-	-	-	-
Purchases of raw materials, inter-mediaries and finished goods	101,064,319	89,300,491	-	-	109,240	-	-	-	-	-
Dividend Paid	3,060,000	3,060,000	1,470,000	1,470,000	1,470,000	1,470,000	-	-	-	-
Job work Expense	97,158,079	83,032,241	-	-	-	-	-	-	-	-
Management support charges*	43,666,249	51,501,589	-	-	-	-	-	-	-	-
Sole selling commission Paid	33,932,416	17,397,023	-	-	-	-	-	-	-	-
Remuneration	-	-	-	-	-	-	1,417,235	-	-	533,557
Rent expense	7,800,000	7,800,000	-	-	-	-	-	-	-	-
Royalty expense/ Technical training charges	-	-	-	-	14,678,591	14,213,985	-	-	-	-
Inter-corporate deposit (ICD) given	230,000,000	-	-	-	-	-	-	-	-	-
Interest on ICD	5,009,687	-	-	-	-	-	-	-	-	-
Balance outstanding as at the end receivable	480,203,616**	383,855,966	-	-	-	-	-	-	-	-
Balance outstanding as at the end (payable)	-	-	-	-	(14,503,139)	(4,716,725)	-	-	-	-

*Including expenses reimbursed Rs. 38,596,039 (Previous year Rs. 48,536,308).

** Includes Rs. 245,694,898 for Sundry debtors, Rs. 230,000,000 for Inter-Corporate Deposit and Rs. 4,508,718 for interest receivable.



FEDERAL-MOGUL TPR (INDIA) LIMITED

Schedules to the Accounts

Schedule 21 : Notes to Accounts

5. Capital Commitment

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

Particulars	As at December 31, 2009 (Rs.)	As at December 31, 2008 (Rs.)
Capital commitment	647,500	400,000

6. Contingent liabilities not provided for:

Particulars	As at December 31, 2009 (Rs.)	As at December 31, 2008 (Rs.)
Claims/notices contested by the Company		
a) Excise duty	92,043,319	43,657,786
b) Income tax demands	17,682,578	14,592,560

a) 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. 691,479).
 - 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. 36,106,654).
 - c. In respect of notice received for the period 2008-09 on account of Cenvat credit of service tax on job work charges passed on by one of the supplier. The amount involved is Rs. 45,401,450 including interest and penalties of Rs. 25,200,725 (Previous year Rs. Nil).
- ii) Matter pending with Joint Commissioner of Central Excise, Bangalore:
 - a. In relation to deduction of Trade Discounts for the period 2000-2002 to 2003-2004. 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. 242,426 (Previous year Rs. 242,426).
- iii) Matters pending with 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. 6,163,980 (Previous year Rs. 6,163,980).
 - 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. 69,542).
 - c. In respect of demand notice received for the period 2008-09, which is on account of demand for service tax on supplementary bills on job work charges for price reduction passed on by one of the supplier. The amount involved is Rs. 2,984,083 (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. 383,705).

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

- a. The company received a show cause notice in respect of Assessment year 2006-07, in which assessing officer had raised a demand on account of additions made to normal income during the years and in assessment year 2004-05 and 2005-06. Matter is pending with Commissioner of 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. 14,592,560 (Previous year Rs. 14,592,560).
- b. During the year, the company has received a show cause notice in respect of Assessment year 2007-08, in which assessing officer has raised a demand of Rs. 3,090,018 (Previous year Rs. Nil) on account of disallowance of royalty expenses. Matter is pending with Commissioner of Income tax (Appeals), 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)

Current service cost
Interest cost on benefit obligation
Expected return on plan assets
Net actuarial(gain) / loss recognised in the year
Past service cost
Net benefit expense

Actual return on plan assets

Balance sheet

Details of Provision for gratuity

Defined benefit obligation

Fair value of plan assets

Less: Unrecognised past service cost

Plan asset / (liability)

(Rs. in lacs)

Gratuity	
2009	2008
230,609	190,393
75,433	84,691
-	-
1,136,880	(256,111)
-	-
1,442,922	18,973
-	-

Gratuity	
2009	2008
2,520,533	1,077,611
-	-
-	-
(2,520,533)	(1,077,611)

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

Opening defined benefit obligation
Interest cost
Current service cost
Benefits paid
Actuarial (gains) / losses on obligation
Closing defined benefit obligation

Gratuity	
2009	2008
1,077,611	1,058,638
75,433	84,691
230,609	190,393
-	-
1,136,880	(256,111)
2,520,533	1,077,611

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

Opening fair value of plan assets
Expected return
Contributions by employer
Benefits paid
Actuarial gains / (losses)

Closing fair value of plan assets

Gratuity	
2009	2008
-	-
-	-
-	-
-	-
-	-
-	-

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

Investments with insurer

Gratuity	
2009 (%)	2008 (%)
-	-

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

Discount rate
Expected rate of return on assets
Employee turnover

2009 (%)	2008 (%)
7.50	7.00
Not Applicable	Not Applicable
5.00	5.00

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

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 company 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.

Amounts for the current and previous periods are as follows:

	Gratuity		
	2009	2008	2007
Defined benefit obligation	2,520,533	1,077,611	1,058,638
Plan assets	-	-	-
Surplus / (deficit)	(2,520,533)	(1,077,611)	(1,058,638)

8. Payments made to Director / Manager:

Particulars	For the Year ended December 31, 2009 (Rs.)	For the Year ended December 31, 2008 (Rs.)
(a) Salaries	1,351,870	276,140
(b) Contribution to Provident, Superannuation and Gratuity Funds	65,365	257,417
Total	1,417,235	533,557

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, 2009 (Rs.)	For the Year ended December 31, 2008 (Rs.)
Profit as per profit and loss account (after prior period items)	200,583,045	131,732,447
Add: Director's/Manager remuneration including perquisites	1,417,235	533,557
Add: Depreciation charged in accounts Profit as per profit and loss account:	36,717,643	33,937,708
Less: depreciation as per section 350 of the Companies Act, 1956	36,717,643	33,937,708
Profit Calculated u/s 198 of Companies Act, 1956	202,000,280	132,266,004
Maximum Remuneration payable to Director's / Manager	10,100,014	6,613,300

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

A) Import creditors

Current year

Particulars	Amount in Foreign Currency	Closing Rate	Amount in INR
Japanese yen	11,569,931	0.5119	5,922,648
USD	1,19,214	46.98	5,600,674
Euro	6,618	67.90	449,362
Total	11,695,763		11,972,684

Previous year

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
Total	20,904,480		11,342,233

B) Advance to creditors

Current year

Particulars	Amount in Foreign Currency	Closing Rate	Amount in INR
Euro	5,823	67.90	395,382
Japanese yen	261,000	0.5119	133,606
Total	266,823		5,28,988

Previous year

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



FEDERAL-MOGUL TPR (INDIA) LIMITED

11. Excise duty on sales amounting to Rs 70,289,892 (Previous year Rs 103,158,300) has been reduced from sales in profit & loss account and excise duty on (increase)/decrease in stock amounting to (Rs 219,932) (Previous year (Rs 423,043)) has been considered as (income)/expense in the financial statements.

12. 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	36,488,700	39,864,595
		(31,520,700)	(31,412,148)

* Annualized Installed Capacity as certified by the management.

Note: Figures in brackets pertain to previous year

Note: Actual production includes 4,678,195 (Previous year 3,608,223) rings purchased from outside suppliers and sold to customers..

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

Particulars	Opening Stock		Closing Stock		Turnover	
	Quantity	Value	Quantity	Value	Quantity	Value
Piston Rings	660,394	7,593,358	488,997	4,874,181	40,035,992	847,031,103
	(922,685)	(9,047,602)	(660,394)	(7,593,358)	(31,674,439)	(723,339,566)

Notes : 1. Sales value excludes scraps, samples and quantity discount.

2. Figures in brackets pertain to previous year.

(ii) Details of Raw Materials Consumed:

Particulars	Unit	For the Year ended December 31, 2009		For the Year ended December 31, 2008	
		Quantity	Rs.	Quantity	Rs.
a) Steel Wire	Kg	52,481	68,247,800	43,537	37,865,737
b) Bought Out Rings		4,678,195	123,525,583	3,608,223	89,058,984
c) Others			1,434,105		4,110,634
Total			193,207,488		131,035,355

(iii) C.I.F. Value of Imported items:

Particulars	For the Year ended December 31, 2009 (Rs.)	For the Year ended December 31, 2008 (Rs.)
(a) Raw Materials	67,930,087	23,445,761
(b) Spare Parts & Components	1,695,126	7,964,409
(c) Capital Goods	3,695,887	17,435,876
Total	73,321,100	48,846,046

(iv) Expenditure in Foreign Currency (on payment basis)

Particulars	For the Year ended December 31, 2009 (Rs.)	For the Year ended December 31, 2008 (Rs.)
(a) Traveling Expenses	213,620	161,460
(b) Royalty	3,967,960	4,703,037
Total	4,181,580	4,864,497



FEDERAL-MOGUL TPR (INDIA) LIMITED

(v) Imported and Indigenous Raw Materials and Components Consumed:

Particulars	For the Year ended December 31, 2009 (Rs.)	(%)	For the Year ended December 31, 2008 (Rs.)	(%)
(a) Indigenous	111,603,917	57.76	93,169,618	71.10
(b) Imported	81,603,571	42.24	37,865,737	28.90
Total	193,207,488	100.00	131,035,355	100.00

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

Particulars	For the Year ended December 31, 2009 (Rs.)	(%)	For the Year ended December 31, 2008 (Rs.)	(%)
(a) Indigenous	49,699,588	96.33	47,984,066	90.99
(b) Imported	1,890,942	3.67	4,754,295	9.01
Total	51,590,530	100.00	52,738,361	100.00

(vii) Remittance in foreign currency on account of dividend:

Year		No. of shares held	No. of non resident share holders	Amount
2008 - Preference Share	(net of tax)	490,000	2	(29,40,000)
		(490,000)	(2)	(29,40,000)

Note : Figures in brackets pertain to previous year

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

Particulars	2009	2008
The principal amount remaining unpaid as at the end of year	1,352,025	14,59,490
Interest due on above principal and remaining unpaid as at the end of the year	15,314	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.	36,094	17,282
The amount of interest accrued and remaining unpaid at the end of each accounting year; and	51,408	35,324
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	86,732	-

14. 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).

15. During the year, the Company has converted certain long outstanding receivables, classified as 'sundry debtors', from holding company into interest bearing inter-corporate deposits amounting to Rs. 23 crores. The remaining receivables from the holding company, outstanding as at the year end is aggregating to Rs. 24.57 crores.

16. Previous Year figures have been regrouped and rearranged wherever necessary to confirm to this years classification.

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 15, 2010

ANNUAL REPORT 2009



FEDERAL-MOGUL TPR (INDIA) LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2009

	For the year ended December 31, 2009 Amount in Rs.	For the year ended December 31, 2008 Amount in Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	200,583,045	131,732,447
Adjustments for:		
Depreciation and amortisation	36,717,643	33,937,708
Provision for doubtful debts and advances	580,487	286,315
Interest expense	19,958,014	25,858,279
Interest Income	(5,043,507)	(27,592)
Excess provision written back	(525,000)	-
Loss on sale / discard of fixed assets	-	52,850
Unrealised foreign exchange fluctuation	(1,511,650)	354,025
Advances written off	-	56,000
Operating profit before working capital changes	250,759,032	192,250,032
Movements in working capital :		
Decrease / (increase) in sundry debtors	115,088,061	(130,087,432)
Decrease / (increase) in other current assets	-	56,281
Decrease / (increase) in inventories	5,057,437	10,304,280
Decrease / (increase) loans and advances	(1,599,030)	1,730,995
Increase / (decrease) in current liabilities	10,777,348	5,826,305
Increase / (decrease) in provisions	1,740,216	72,470
Cash generated from operations	381,823,064	80,152,931
Direct taxes paid (net of refunds)	(53,740,201)	(53,614,236)
Net cash from operating activities	328,082,863	26,538,695
B. Cash flows from investing activities		
Purchase of fixed assets/ intangibles assets	(5,958,979)	(20,536,891)
Proceeds from sale of fixed assets	-	111,172
Interest received	534,789	83,873
Inter-corporate deposit	(230,000,000)	-
Net cash from investing activities	(235,424,190)	(20,341,846)
C. Cash flows from financing activities		
Payment of borrowings (Long term)	(38,461,156)	(37,329,201)
Receipt of borrowings (Long term)	-	3,953,730
Movement of borrowings (Short term)	(22,756,257)	56,005,360
Interest paid	(20,141,145)	(25,380,979)
Dividends paid	(6,000,000)	(6,000,000)
Tax on dividend paid	(1,019,700)	(1,019,700)
Net cash used in financing activities	(88,378,258)	(9,770,790)
Net increase in cash and cash equivalents (A + B + C)	4,280,415	(3,573,941)
Cash and cash equivalents at the beginning of the year	2,776,725	6,350,666
Cash and cash equivalents at the end of the year	7,057,140	2,776,725
Components of cash and cash equivalents as at	December 31, 2009	December 31, 2008
Cash on hand	14,571	2,973
Balances with scheduled banks - on current account	7,042,569	2,773,752
Total	7,057,140	2,776,725

As per our report of even date

For S.R.BATLIBOI & CO.
Chartered Accountants

For and on behalf of the 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 15, 2010



FEDERAL-MOGUL TPR (INDIA) LIMITED

BALANCE SHET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registraton Details

Registration No.

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 State Code

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Balance Sheet Date

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Date Month Year

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

<p>Public Issue</p> <table border="1" style="width: 100%;"><tr><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table> <p>Bonus Issue</p> <table border="1" style="width: 100%;"><tr><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>					N	I	L					N	I	L	<p>Rights Issue</p> <table border="1" style="width: 100%;"><tr><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table> <p>Private Placement</p> <table border="1" style="width: 100%;"><tr><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>					N	I	L					N	I	L
				N	I	L																							
				N	I	L																							
				N	I	L																							
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III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

<p>Total Liabilities</p> <table border="1" style="width: 100%;"><tr><td></td><td>6</td><td>3</td><td>9</td><td>3</td><td>6</td><td>2</td></tr></table> <p>Sources of Funds</p> <p>Paid-up Capital</p> <table border="1" style="width: 100%;"><tr><td></td><td>2</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td></tr></table> <p>Secured Loans</p> <table border="1" style="width: 100%;"><tr><td></td><td>1</td><td>5</td><td>3</td><td>0</td><td>0</td><td>9</td></tr></table>		6	3	9	3	6	2		2	0	0	0	0	0		1	5	3	0	0	9	<p>Total Assets</p> <table border="1" style="width: 100%;"><tr><td></td><td>6</td><td>3</td><td>9</td><td>3</td><td>6</td><td>2</td></tr></table> <p>Reserves & Surplus</p> <table border="1" style="width: 100%;"><tr><td></td><td>2</td><td>6</td><td>9</td><td>5</td><td>4</td><td>6</td></tr></table> <p>Unsecured Loans</p> <table border="1" style="width: 100%;"><tr><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>		6	3	9	3	6	2		2	6	9	5	4	6					N	I	L
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Application of Funds

<p>Net Fixed Assets</p> <table border="1" style="width: 100%;"><tr><td></td><td>1</td><td>7</td><td>5</td><td>1</td><td>5</td><td>6</td></tr></table> <p>Net Current Assets</p> <table border="1" style="width: 100%;"><tr><td></td><td>4</td><td>6</td><td>4</td><td>2</td><td>0</td><td>6</td></tr></table> <p>Accumulated Losses</p> <table border="1" style="width: 100%;"><tr><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>		1	7	5	1	5	6		4	6	4	2	0	6					N	I	L	<p>Deferred Tax Liability</p> <table border="1" style="width: 100%;"><tr><td></td><td></td><td>1</td><td>6</td><td>8</td><td>0</td><td>6</td></tr></table> <p>Investment</p> <table border="1" style="width: 100%;"><tr><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table> <p>Misc. Expenditure</p> <table border="1" style="width: 100%;"><tr><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>			1	6	8	0	6					N	I	L					N	I	L
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IV. Performance of Company (Amount in Rs. Thousands)

<p>Turnover including other income</p> <table border="1" style="width: 100%;"><tr><td></td><td>7</td><td>8</td><td>5</td><td>3</td><td>2</td><td>4</td></tr></table> <p>Profit before Tax</p> <table border="1" style="width: 100%;"><tr><td></td><td>2</td><td>0</td><td>0</td><td>5</td><td>8</td><td>3</td></tr></table> <p>Earning per Share in Rs.</p> <table border="1" style="width: 100%;"><tr><td></td><td>1</td><td>2</td><td>.</td><td>3</td><td>9</td></tr></table>		7	8	5	3	2	4		2	0	0	5	8	3		1	2	.	3	9	<p>Total Expenditure</p> <table border="1" style="width: 100%;"><tr><td></td><td>5</td><td>8</td><td>4</td><td>7</td><td>4</td><td>1</td></tr></table> <p>Profit after Tax</p> <table border="1" style="width: 100%;"><tr><td></td><td>1</td><td>3</td><td>0</td><td>8</td><td>8</td><td>8</td></tr></table> <p>Preference Dividend Rate % Equity Dividend Rate %</p> <table border="1" style="display: inline-table;"><tr><td>0</td><td>6</td></tr></table> <table border="1" style="display: inline-table;"><tr><td>4</td><td>7</td></tr></table>		5	8	4	7	4	1		1	3	0	8	8	8	0	6	4	7
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V. Generic Names of Three Principal Products of Company

Item Code No.

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Product Description

P	I	S	T	O	N		R	I	N	G	S		
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SATARA RUBBERS AND CHEMICALS LIMITED

DIRECTOR' S REPORT

Your Directors are pleased to present the Annual Report together with the Audited Accounts for the year ended 31st December 2009.

Financial Results

[Rs. in Million]

	For the year ended 31.12.2009	For the year ended 31.12.2008
Total Income	5.51	6.06
Profit/ (Loss) before Depreciation and Tax	4.53	5.83
Depreciation	5.05	5.32
Profit/ (Loss) after Depreciation before tax	(0.52)	0.51
Add: Brought Forward losses from last year	(24.67)	(25.18)
Net Profit/ (Loss) carried to the Balance Sheet	(25.19)	(24.67)

OPERATIONS

During the year ending on 31st December 2009, the total income of the Company was Rs. 5.51 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. The Company did not have any other operation during the year under review. The Company has made a net loss after tax of Rs. 0.52 million as against the profit of Rs. 0.51 million for the last year.

After the Close of Financial Year The Authorised Share Capital of the Company was increased to Rs. 17,12,00,000 divided into 1,71,20,000 equity shares of Rs. 10 each. Thereafter 1,70,05,903 equity shares were allotted to Federal Mogul Goetze India Limited, the Holding Company at par value aggregating to Rs. 17,00,59,030 on preferential basis by way of conversion of existing loan into equity.

DIRECTORS

During the year under review, Mr. Rajan Luthra has resigned w.e.f. from 17th September 2009 from the directorship of your Company. The Board places on record its appreciation for the services rendered by him during his tenure as the Director of the Company.

The casual vacancy caused by the resignation of Mr. Rajan Luthra was filled up by Mr. Jean de Montlaur, Director w.e.f. 24th September, 2009. Mr. Jean de Montlaur holds a bachelor's degree in engineering from the École Centrale de Paris, France, a master's degree in applied mathematics from University Paris VII, and an MBA from Institute

Français de Gestion in Paris. He has held various positions in areas ranging from sales and marketing, program management, and purchasing, to business strategy, operations and general management. He contributed in those roles for major global companies, including Delphi Automotive Systems and Valeo.

In accordance with Articles of Association of the Company, Mr. Andreas Kolf, 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 did not have any employee during the year under review.

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, 2010 **Rustin Murdock**
Chairman & Director

SATARA RUBBERS AND CHEMICALS LIMITED

AUDITOR'S REPORT

To The Members of Satara Rubbers and Chemicals Limited

- 1 We have audited the attached Balance Sheet of Satara Rubbers and Chemicals Limited as at 31st December 2009, 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 The accumulated losses of the Company as at 31st December 2009 exceeded its share capital. Attention is drawn to Note 2 (iii) 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 31st December 2009 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st December 2009 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 31st December 2009,
 - 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

Date: February 25, 2010
Place: New Delhi

(V.P.Jain)
Partner
M.NO. 81514

Annexure referred to in paragraph 4 of our report of even date on the Accounts of Satara Rubbers and Chemicals Limited, for the year ended 31st December 2009.

- i) (a) The 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, firms 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.174970916/- and the balance of loan taken was Rs.171472596/- as at 31st December 2009.
- (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.

SATARA RUBBERS AND CHEMICALS LIMITED

ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues, if any, including 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 material statutory dues applicable to it.

(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, sales-tax, wealth-tax, service-tax, custom duty, excise duty, cess and other undisputed statutory dues were outstanding as at 31st December, 2008 for a period of more than 6 month from the date they became applicable.

Annexure referred to in paragraph 4 of our report of even date on the Accounts of Satara Rubbers & Chemicals Limited, for the year ended 31st December 2009.

(c) 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 31st December 2009.

The Company has not incurred any cash loss during the financial year covered by our audit and even in the immediate preceding financial year the company had not 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**

Date: February 25, 2010

Place: New Delhi

M.NO. 81514

SATARA RUBBERS AND CHEMICALS LIMITED

BALANCE SHEET AS AT DECEMBER 31, 2009

	Schedules	As at December 31, 2009 Amount in Rs.	As at December 31, 2008 Amount in Rs.
SOURCES OF FUNDS			
Shareholder's Funds			
Share Capital	1	500,000	500,000
Loan Funds			
Unsecured Loans	2	171,641,881	175,078,401
TOTAL		172,141,881	175,578,401
APPLICATION OF FUNDS			
Fixed Assets	3		
Gross Block		169,054,524	169,975,274
Less: Depreciation		27,695,674	22,898,819
Net Block		141,358,850	147,076,455
Current Assets, Loans and Advances			
Cash & Bank Balances	4	156,454	156,454
Loans & Advances	5	5,488,281	3,797,314
		5,644,735	3,953,768
Less: Current Liabilities & Provisions	6		
Current Liabilities		46,616	117,900
Net Current Assets		5,598,119	3,835,868
Profit & Loss Account		25,184,911	24,666,077
TOTAL		172,141,881	175,578,401
Significant Accounting Policies & Notes on Accounts	7		

As per our report of even date attached

For V.P.JAIN & ASSOCIATES
Chartered Accountants

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

(V.P.JAIN)
PARTNER
M.NO.81514

ANDREAS KOLF
DIRECTOR

JEAN de MONTLAUR
DIRECTOR

RUSTIN MURDOCK
CHAIRMAN & DIRECTOR

Place: New Delhi
Date: February 25, 2010

SATARA RUBBERS AND CHEMICALS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2009

Schedules	For the year ended December 31, 2009 Amount in Rs.	For the year ended December 31, 2008 Amount in Rs.
INCOME		
Rental Income	5,510,000	6,000,000
TDS deducted Rs. 1028000/- (Previous Year 12,86,924/-)		
Interest on Income Tax Refund	-	67,320
Total	5,510,000	6,067,320
EXPENSES		
Rates & Taxes	229,327	180,050
Payment to Auditors		
-Audit Fees	24,000	24,000
-Tax Audit Fee	10,000	10,000
-Other Services	-	5,000
-Service Tax	2,266	5,144
Professional charges	-	3,000
Management expense	700,000	-
Misc. Expenses	534	1,527
Insurance	10,589	-
Depreciation	5,052,118	5,323,605
Total	6,028,834	5,552,326
Net Profit /(Loss) before tax	(518,834)	514,994
Net Profit /(Loss) After tax	(518,834)	514,994
Add: Brought Forward losses from Last year	(24,666,077)	(25,181,071)
Net Profit/(Loss) Carried to the Balance Sheet	(25,184,911)	(24,666,077)
Basic & Diluted Earnings Per Share	(10.38)	10.30
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

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

(V.P.JAIN)
PARTNER

ANDREAS KOLF
DIRECTOR

JEAN de MONTLAUR
DIRECTOR

RUSTIN MURDOCK
CHAIRMAN & DIRECTOR

M.NO.81514

Place: New Delhi
Date: February 25, 2010

SATARA RUBBERS AND CHEMICALS LIMITED

Schedules to the Accounts

Schedule 1 : Share Capital

	As at December 31, 2009 Amount in Rs.	As at December 31, 2008 Amount in Rs.
Authorised		
120,000 (Previous Year 120,000) Equity Shares of Rs. 10/- each	1,200,000	1,200,000
Issued, Subscribed and Paid up		
50,000 (Previous Year 50,000) Equity Shares of Rs. 10/-each fully paid-up	500,000	500,000
Total	500,000	500,000

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

Schedule- 2: Unsecured Loans

Federal-Mogul Goetze (India) Ltd.	171,472,596	174,909,116
GTZ Securities Limited	169,285	169,285
Total	171,641,881	175,078,401

Schedule- 3 : Fixed Assets

(In Rupees)

GROSS BLOCK				DEPRECIATION				NET BLOCK		
	As At 01.01.2009	Additions	Deletions	As At 31.12.2009	Depreciation Upto 31.12.2008	For the Year	Deletion	As At 31.12.2009	As At 31.12.2009	As At 31.12.2008
Lease Hold Land	102,341	-	-	102,341	-	-	-	-	102,341	102,341
Building	96,030,255	-	-	96,030,255	6,660,001	1,565,293	-	8,225,294	87,804,961	89,370,254
Plant & Machinery	56,976,468	-	92,750	56,883,718	11,515,100	2,597,135	19,789	14,092,446	42,791,272	45,461,368
Furniture & Fixtures	16,866,210	-	828,000	16,038,210	4,723,718	889,690	235,474	5,377,934	10,660,276	12,142,492
	169,975,274	-	920,750	169,054,524	22,898,819	5,052,118	255,263	27,695,674	141,358,850	147,076,455
Previous Year	169,975,274	-	-	169,975,274	17,575,214	5,323,605	-	22,898,819		

Schedule - 4: Current Assets

Cash & Bank Balance		
Balance with Scheduled Bank in Current Account	156,454	156,454
Total	156,454	156,454

Schedule- 5: Loans & Advances

Unsecured-Considered Good		
Service tax receivable	72,100	
Prepaid Expense	54,141	63,274
Advance Tax (Net of Provision)	4,756,220	3,728,220
Security Deposits	605,820	5,820
Total	5,488,281	3,797,314

SATARA RUBBERS AND CHEMICALS LIMITED

Schedule 6 : Current Liabilities & Provisions

	As at December 31, 2009 Amount in Rs.	As at December 31, 2008 Amount in Rs.
Audit fee payable	45,586	51,415
TDS payable	-	4,685
Service tax payable	1,030	61,800
Total	46,616	117,900

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.

iii) 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) Jean de Montlaur iv) Rajan Luthra (Till 17th September, 2009)

c) Related Party transactions:

Particulars	Holding Company Federal-Mogul Goetze (India) Ltd	(in Rupees)
	Year ended 31.12.2009	Year ended 31.12.2008
Rent Income	55,10,000	60,00,000
Loan taken		
Balance as on 1st January, 2009	17,49,09,116	18,01,38,014
Availed during the period	36,84,435	10,00,778
Repaid during the period	71,20,955	62,29,676
Balance as at 31st December, 2009	17,14,72,596	17,49,09,116
Management Fee Paid	7,00,000	Nil
ii) Earnings per Share (Face value of Rs.10)		
a) Net Profit/(Loss) after tax	(5,18,834)	5,14,994
b) Total number of Equity Shares	50,000	50,000
c) Basic and Diluted Earning per Share	(10.38)	10.30

SATARA RUBBERS AND CHEMICALS LIMITED

- iii) 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.
- vi) In lieu of carry Forward of Losses Deferred Tax Assets/Liability has not been created.

As per our report of even date attached

For V.P.JAIN & ASSOCIATES
Chartered Accountants

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

(V.P.JAIN)

PARTNER

M.NO.81514

ANDREAS KOLF

DIRECTOR

JEAN de MONTLAUR

DIRECTOR

RUSTIN MURDOCK

CHAIRMAN & DIRECTOR

Place: New Delhi

Date: February 25, 2010

SATARA RUBBERS AND CHEMICALS LIMITED

CASH FLOW STATEMENT FOR THE PERIOD ENDED DECEMBER 31, 2009

	As at 31.12.2009 Rs.	As at 31.12.2008 Rs.
A CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit/(Loss) Before Tax	(518,834)	514,994
Adjustment for Depreciation	5,052,118	5,323,605
Profit on sale of Fixed Assets	-	-
Interest Paid	-	-
Operating profits before working capital changes	4,533,284	5,838,599
Adjustment for Trade and other receivables	(1,690,967)	(613,722)
Trade and other payables	(71,284)	42,617
Net Cash generated from operations	2,771,033	5,267,494
B CASH FLOW FROM INVESTING ACTIVITIES		
Sale of Fixed Assets	665,487	-
Net Cash used in Investing Activities	665,487	-
C CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of Long Term Borrowings	-	-
Proceeds from Short Term Borrowings	(3,436,520)	(5,228,898)
Interest paid	-	-
Net Cash Flow from Financing Activities	(3,436,520)	(5,228,898)
Net Increase/(Decrease) in Cash & Cash Equivalents	0	38,596
Cash & Cash Equivalents at the Beginning of the period	156,454	117,858
Cash & Cash Equivalents at the end of the period	156,454	156,454

As per our report of even date attached

For V.P.JAIN & ASSOCIATES
Chartered Accountants

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

(V.P.JAIN)
PARTNER

ANDREAS KOLF
DIRECTOR

JEAN de MONTLAUR
DIRECTOR

RUSTIN MURDOCK
CHAIRMAN & DIRECTOR

M.NO.81514

Place: New Delhi
Date: February 25, 2010

SATARA RUBBERS AND CHEMICALS LIMITED

BALANCE SHET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registraton Details

Registration No.

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 State Code

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Balance Sheet Date

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Date Month Year

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

<p>Public Issue</p> <table border="1" style="width: 100%; text-align: center;"><tr><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table> <p>Bonus Issue</p> <table border="1" style="width: 100%; text-align: center;"><tr><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>					N	I	L					N	I	L	<p>Rights Issue</p> <table border="1" style="width: 100%; text-align: center;"><tr><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table> <p>Private Placement</p> <table border="1" style="width: 100%; text-align: center;"><tr><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>					N	I	L					N	I	L
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				N	I	L																							

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

<p>Total Liabilities</p> <table border="1" style="width: 100%; text-align: center;"><tr><td></td><td>1</td><td>7</td><td>2</td><td>1</td><td>4</td><td>2</td></tr></table> <p>Sources of Funds</p> <p>Paid-up Capital</p> <table border="1" style="width: 100%; text-align: center;"><tr><td></td><td></td><td></td><td></td><td>5</td><td>0</td><td>0</td></tr></table> <p>Secured Loans</p> <table border="1" style="width: 100%; text-align: center;"><tr><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>		1	7	2	1	4	2					5	0	0					N	I	L	<p>Total Assets</p> <table border="1" style="width: 100%; text-align: center;"><tr><td></td><td>1</td><td>7</td><td>2</td><td>1</td><td>4</td><td>2</td></tr></table> <p>Reserves & Surplus</p> <table border="1" style="width: 100%; text-align: center;"><tr><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table> <p>Unsecured Loans</p> <table border="1" style="width: 100%; text-align: center;"><tr><td></td><td>1</td><td>7</td><td>1</td><td>4</td><td>7</td><td>3</td></tr></table>		1	7	2	1	4	2					N	I	L		1	7	1	4	7	3
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Application of Funds

<p>Net Fixed Assets</p> <table border="1" style="width: 100%; text-align: center;"><tr><td></td><td>1</td><td>4</td><td>1</td><td>3</td><td>5</td><td>9</td></tr></table> <p>Net Current Assets</p> <table border="1" style="width: 100%; text-align: center;"><tr><td></td><td></td><td></td><td>5</td><td>5</td><td>9</td><td>8</td></tr></table> <p>Misc. Expenditure</p> <table border="1" style="width: 100%; text-align: center;"><tr><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>		1	4	1	3	5	9				5	5	9	8					N	I	L	<p>Investments</p> <table border="1" style="width: 100%; text-align: center;"><tr><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table> <p>Deferred Tax Liabilities</p> <table border="1" style="width: 100%; text-align: center;"><tr><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table> <p>Accumulated Losses</p> <table border="1" style="width: 100%; text-align: center;"><tr><td></td><td></td><td>2</td><td>5</td><td>1</td><td>8</td><td>5</td></tr></table>					N	I	L					N	I	L			2	5	1	8	5
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IV. Performance of Company (Amount in Rs. Thousands)

<p>Turnover including other income</p> <table border="1" style="width: 100%; text-align: center;"><tr><td></td><td></td><td></td><td>5</td><td>5</td><td>1</td><td>0</td></tr></table> <p>Income before Tax</p> <table border="1" style="width: 100%; text-align: center;"><tr><td></td><td></td><td></td><td>-</td><td>5</td><td>1</td><td>9</td></tr></table> <p>Earning per Share in Rs.</p> <table border="1" style="width: 100%; text-align: center;"><tr><td>-</td><td>1</td><td>0</td><td>.</td><td>3</td><td>8</td></tr></table>				5	5	1	0				-	5	1	9	-	1	0	.	3	8	<p>Total Expenditure</p> <table border="1" style="width: 100%; text-align: center;"><tr><td></td><td></td><td></td><td>6</td><td>0</td><td>2</td><td>9</td></tr></table> <p>Income after Tax</p> <table border="1" style="width: 100%; text-align: center;"><tr><td></td><td></td><td></td><td>-</td><td>5</td><td>1</td><td>9</td></tr></table> <p>Dividend Rate %</p> <table border="1" style="width: 100%; text-align: center;"><tr><td>N</td><td>I</td><td>L</td></tr></table>				6	0	2	9				-	5	1	9	N	I	L
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V. Generic Names of Three Principal Products of Company

Item Code No.

						N	I	L
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Product Description

N	O	T		A	P	P	L	I	C	A	B	L	E
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AUDITOR'S 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 31st December 2009, 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 Federal-Mogul Goetze Group management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

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 24 of financial statements stating that:

(a) remuneration of Rs. 540.12 lacs (including Rs. 305.54 lacs in respect of earlier financial year) being paid to the managing director which is in excess of permissible remuneration under Schedule XIII of the Companies Act, 1956. The Company had applied to the Central Government for the approval of such excess remuneration. 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.

(b) remuneration of Rs. 119.85 lakhs for the period April 1, 2006 to December 31, 2006, paid to the erstwhile managing director of the Company was in excess of permissible remuneration under Schedule XIII of the Companies Act, 1956. The Company had applied to the Central Government for the approval of such excess remuneration which was rejected by the Central Government vide letter dated May 26, 2009. The Company is in the process of filing an application under Section 309 (5B) of the Companies Act, 1956 to waive the recovery of the aforesaid amount from the erstwhile managing director. Further, there is another application for excess remuneration of Rs. 84.15 lakhs for the period January 1, 2007 to September 24, 2007 applied to the Central Government for its approval under Section 309 (3) of the Companies Act, 1956. The management has confirmed from the erstwhile managing director that he will refund this amount, to the extent of this being not approved by the Central Government.

Pending above mentioned approvals by Central Government, no adjustments have been made to the accompanying financial statements in this regard.

4. a) We did not audit the financial statements of a subsidiary, whose financial statements reflect total assets (net) of Rs. 1,469.57 lacs as at December 31, 2009, the total revenue of Rs. 55.10 lacs and cash flows amounting to Rs. 1.56 lacs for the year then ended. These financial statements and other financial information have been audited by other auditors whose report has been furnished to us, and our opinion is based solely on the report of other auditors.

b) We did not audit the financial statements of an associate, whose financial statements reflect total profits of Rs. 3.81 lacs (being the proportionate share of Federal-Mogul Goetze Group) for the year ended December 31, 2009. These financial

statements and other financial information have been prepared by the management of the associate, and our opinion is based solely on these management certified accounts.

5. We report that the consolidated financial statements have been prepared by the Federal-Mogul Goetze Group 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, (as amended).

6. 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 statements give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the consolidated balance sheet, of the state of affairs of the Federal-Mogul Goetze Group as at 31st December 2009;

(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 19, 2010

Consolidated Balance sheet and profit and loss account
Balance Sheet as at December 31, 2009

	Schedules	As at December 31, 2009 Rs (in lacs)	As at December 31, 2008 Rs (in lacs)
SOURCES OF FUNDS			
Shareholders' Funds			
Share capital	1	5,563.21	5,563.21
Reserves and surplus	2	30,155.51	27,798.00
		35,718.72	33,361.21
Minority Interest		2,569.33	1,962.26
Loan Funds			
Secured loans	3	8,189.07	18,286.85
Unsecured loans	4	1,166.52	70.74
		9,355.59	18,357.59
Deferred Tax Liabilities (net)	5	613.19	251.11
Total		48,256.83	53,932.17
APPLICATION OF FUNDS			
Fixed Assets			
Gross block	6	71,186.84	70,518.37
Less : Accumulated Depreciation & Amortisation		32,820.94	28,191.86
Net block		38,365.90	42,326.51
Capital work-in-progress including capital advances		1,733.74	1,380.00
		40,099.64	43,706.51
Investments	7	1,092.36	1,088.55
Current Assets, Loans and Advances			
Inventories	8	9,847.68	10,753.58
Sundry debtors	9	10,680.62	9,712.88
Cash and bank balances	10	283.91	199.13
Other current assets	11	1,605.92	480.10
Loans and advances	12	3,648.83	3,279.61
Less: Current Liabilities and Provisions			
Current liabilities	13	16,340.45	15,751.75
Provisions	14	3,141.49	3,089.26
Total Current Liabilities and Provisions		19,481.94	18,841.01
Net Current Assets		6,585.02	5,584.29
Miscellaneous Expenditure (to the extent not written off or adjusted)	15	479.81	719.71
Debit balance in profit and loss account		-	2,833.11
Total		48,256.83	53,932.17
Notes to Accounts	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

Place: Gurgaon
Date: March 19, 2010

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

Jean de Montlaur
Managing Director & President

Khalid Khan
Company Secretary

Rustin Murdock
Whole Time Director & CFO

Consolidated Balance sheet and profit and loss account
Profit & Loss Account for the year ended December 31, 2009

	Schedules	For the year ended December 31, 2009 Rs (in lacs)	For the year ended December 31, 2008 Rs (in lacs)
INCOME			
Turnover (Gross)		81,304.92	78,049.61
Less : Excise duty		5,467.09	8,702.59
Turnover (Net)		75,837.83	69,347.02
Trading sales		2,694.25	483.78
Share of profit in Associate		3.81	-
Other income	16	2,000.26	2,224.33
Total		80,536.15	72,055.13
EXPENDITURE			
Raw materials and components consumed	17	21,078.17	18,728.69
Purchase of trading goods		2,000.58	441.95
Personnel expenses	18	15,812.22	16,012.78
Operating and other expenses	19	25,566.35	25,234.98
Decrease in inventories	20	709.22	2,480.84
Depreciation/ amortisation	6	5,388.75	5,048.57
(Decrease) of excise duty on finished goods		(220.78)	(384.92)
Amortisation of miscellaneous expenses	15	239.90	239.90
Financial expenses	21	2,323.60	3,367.70
Total		72,898.01	71,170.49
Profit/ (loss) before tax and prior period items		7,638.14	884.64
Provision for Tax			
Current tax (including MAT payable)		1,660.00	
Less: MAT credit entitlement		(880.00)	
Less: Reversal of provision for earlier years (Previous year Rs 67.23 lacs)		(3.68)	
Deferred tax		362.08	(60.52)
Fringe benefit tax		16.42	111.65
Total Tax Expense		1,154.82	623.07
Profit/(loss) after tax but before prior period item		6,483.32	261.57
Prior period items	22	423.82	42.52
Profit/(loss) before minority interest		6,059.50	219.05
Minority Interest		(607.07)	(390.18)
Profit/(loss) after minority interest		5,452.43	(171.13)
Balance brought forward from previous year		(2,802.51)	(2,591.78)
Profit/ (loss) available for appropriation		2,649.92	(2,762.91)
Appropriations:			
Transfer to General Reserve		131.00	-
Proposed dividend - Preference Shares		29.40	60.00
Proposed dividend - Equity Shares		230.30	-
Tax on Preference Share Dividend		4.88	10.20
Tax on Equity Share Dividend		38.25	-
Surplus/ (loss) carried to Balance Sheet		2,216.09	(2,833.11)
Earnings per share	23		
Basic and diluted [Nominal value of shares Rs 10 (Previous year Rs 10)]		9.74	(0.72)
Notes to Accounts	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

Place: Gurgaon
Date: March 19, 2010

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

Jean de Montlaur
Managing Director & President

Khalid Khan
Company Secretary

Rustin Murdock
Whole Time Director & CFO

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

	As at December 31, 2009 Rs (in lacs)	As at December 31, 2008 Rs (in lacs)
Authorised		
80,000,000 (Previous Year 80,000,000) equity shares of Rs 10 each	8,000.00	8,000.00
Issued		
55,632,130 (Previous Year 55,632,130) equity shares of Rs 10 each	5,563.21	5,563.21
Subscribed & Paid up		
55,632,130 * (Previous Year 55,632,130) equity shares of Rs 10 each, fully paid	5,563.21	5,563.21
Total	5,563.21	5,563.21

* Of the above Equity Shares:

- 1,252,680 (Previous year 1,252,680) equity shares have been allotted as Bonus Shares by capitalisation of General Reserve.
- 8,429,183 (Previous year 8,429,183) equity shares have been allotted as Bonus Shares by capitalisation of Securities Premium Account.
- 84,207 (Previous year 84,207) equity shares have been issued for consideration other than cash.
- 33,408,581 (Previous year 33,408,581) 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 Federal Mogul Vermögensverwaltungs GmbH, a fellow subsidiary company. The ultimate holding company is Federal-Mogul Corporation, USA.

Schedule 2 : Reserves and Surplus

	As at December 31, 2009 Rs (in lacs)	As at December 31, 2008 Rs (in lacs)
Capital Reserve	56.55	56.55
Capital subsidy	1.12	1.12
Securities Premium Account		
Balance as per last Balance Sheet	26,740.33	16,262.52
Add: Additions in current year	-	10,585.15
Less: Utilisation for share issue expenses	-	(107.34)
Add: Adjustment against share issue expenses	10.42	-
	26,750.75	26,740.33
Capital Redemption Reserve	1,000.00	1,000.00
General reserve		
Transfer from profit and loss account	131.00	-
Profit and loss account	2,216.09	-
Total	30,155.51	27,798.00

Schedule 3 : Secured loans

	As at December 31, 2009 Rs (in lacs)	As at December 31, 2008 Rs (in lacs)
Term loans from banks	2,690.80	4,490.76
Interest accrued and due on term loans	16.75	43.26
Vehicle loans from banks	29.90	77.73
Working capital loans from banks	5,419.30	13,635.74
Interest accrued and due on working capital loans	32.32	39.36
Total	8,189.07	18,286.85

Schedule 3 : Secured loans

- 1 Term loans repayable within one year Rs 1,490.80 lacs (Previous Year Rs 3,299.95 lacs)
- 2 Term loans from banks are secured by
 - Rs. Nil (Previous year Rs 1,125 lacs) are secured by first pari-passu charge on entire fixed assets of the Company.
 - Rs. 1,000 lacs (Previous year Rs 2,000 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. 1,500 lacs (Previous year Rs Nil) are secured by first pari-passu charge on entire fixed assets of the Company including land and building and whole of moveable assets including plant & machinery, spares, tools and accessories, furniture & fixtures and other moveable assets of the Company.
 - Rs Nil (Previous year Rs 290.35 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 Nil (Previous year Rs 500 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.
 - Rs. 190.80 lacs (Previous year Rs 575.41 lacs) are secured by exclusive charge on the entire fixed assets of the Company.
- 3 Vehicle loans of Rs 29.90 lacs (Previous year Rs 77.33 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.

Schedule 4 : Unsecured Loans

	As at December 31, 2009 Rs (in lacs)	As at December 31, 2008 Rs (in lacs)
Unclaimed Fixed Deposits	5.10	8.05
Short term loans & advances from		
- GTZ Securities Ltd	1.69	1.69
- Others	61.00	61.00
Inter-corporate deposits*	990.00	-
Interest accrued and due on inter-corporate deposits	108.73	-
	1,166.52	70.74

*Includes Rs. 990 lacs (Previous year Rs. Nil) due to Ferodo India Private Limited, a fellow subsidiary.

Schedule 5 : Deferred tax liabilities (net) :

	As at December 31, 2009 Rs (in lacs)	As at December 31, 2008 Rs (in lacs)
Deferred Tax Liabilities		
Differences in depreciation in block of fixed assets as per tax books and financial books	4,984.41	291.42
Gross deferred tax liabilities	4,984.41	291.42
Deferred Tax Assets		
Unabsorbed Depreciation	2,629.98	37.75
Effect of expenditure debited to profit and loss account in the current/ earlier year but allowed for tax purposes in following years	1,527.64	-
Provision for doubtful debts	213.60	2.56
Gross deferred tax assets	4,371.22	40.31
Net Deferred Tax Liabilities	(613.19)	(251.11)

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
Gross Block										
At 01.01.2009	1,486.18	207.27	9,044.78	1,374.16	57,025.93	449.73	712.11	218.21	70,518.37	63,373.08
Additions	-	155.60	176.84	228.49	2,724.44	62.69	-	-	3,348.06	8,785.71
Deductions	-	1.02	986.34	177.78	1,200.53	95.71	-	218.21	2,679.59	1,640.42
At 31.12.2009	1,486.18	361.85	8,235.28	1,424.87	58,549.84	416.71	712.11	-	71,186.84	70,518.37
Depreciation/Amortisation										
At 01.01.2009	-	8.04	2,262.49	661.39	24,466.26	228.26	461.77	103.65	28,191.86	24,481.71
For the year	-	3.62	284.81	73.49	4,970.87	83.53	69.03	21.82	5,507.17	5,048.57
Deletions / adjustments	-	-	85.17	58.78	528.09	80.58	-	125.47	878.09	1,338.42
At 31.12.2009	-	11.66	2,462.13	676.10	28,909.04	231.21	530.80	-	32,820.94	28,191.86
Depreciation for previous year	-	2.26	276.05	71.62	4,427.04	123.38	126.40	21.82	5,048.57	4,691.19
Net Block										
At 31.12.2009	1,486.18	350.19	5,773.15	748.77	29,640.80	185.50	181.31	-	38,365.90	42,326.51
At 31.12.2008	1,486.18	199.23	6,782.29	712.77	32,559.67	221.47	250.34	114.56	42,326.51	38,891.37
Capital work-in-progress including capital advances Rs 204.28 lacs (Previous Year Rs 1,380 lacs)									1,733.74	1,380.00

Note:

- 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 76.04 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.

Consolidated Balance sheet and profit and loss account

Schedule to the Accounts

Schedule 7 : Investments

	As at December 31, 2009 Rs (in lacs)	As at December 31, 2008 Rs (in lacs)
Non-trade Long Term (at cost) (unquoted)		
A Government Securities		
National savings certificates* (cost Rs 1.42 lacs)	1.42	1.42
B Investments in Associates		
(i) GI Power Corporation Ltd.		
a 3,889,600 (Previous year-3,889,600) equity shares of Rs 5 each, fully paid	194.48	194.48
Add: Share of profit/(loss) in associate	20.02	16.21
Carrying value of investment	214.50	210.69
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		
9,23,000 (Previous year-9,23,000) equity shares of Rs 5 each, fully paid	46.15	46.15
Less: Share of losses in associate	(46.15)	(46.15)
Carrying value of investment	-	-
C Other investments		
(i) 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	(10.00)	(10.00)
Carrying value of investment	-	-
Total	1,092.36	1,088.55

* The investment is pledged with Sale Tax Authorities

** Cumulative Convertible Redeemable Preference Shares of Rs. 5 each fully paid of GI Power Corporation Limited are redeemable on or before July 25, 2014 at the option of the Company.

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

	As at December 31, 2009 Rs (in lacs)	As at December 31, 2008 Rs (in lacs)
Raw materials and components	1,663.90	1,689.32
(Including materials in transit Rs 250.54 lacs (Previous year Rs 223.07 lacs)		
Stores and spares	2,010.91	2,182.17
Work-in- progress	3,088.10	3,408.21
Reusable scrap	20.39	91.71
Finished goods - Manufactured	2,747.93	3,366.17
- Trading	316.45	16.00
Total	9,847.68	10,753.58

Consolidated Balance sheet and profit and loss account
Schedule to the Accounts
Schedule 9 : Sundry Debtors

	As at December 31, 2009 Rs (in lacs)	As at December 31, 2008 Rs (in lacs)
Debts outstanding for a period exceeding six months		
Unsecured, considered good*	339.85	79.21
Unsecured, considered doubtful	128.43	100.43
Other		
Secured, considered good	210.91	184.78
Unsecured, considered good	10,129.86	9,448.89
	10,809.05	9,813.31
Less : Provision for doubtful debts	128.43	100.43
Total	10,680.62	9,712.88

* Dues from companies under the same management:

Federal-Mogul Bearings India Limited Rs. 14.63 lacs (Previous year Rs. 483.20 lacs) (Maximum amount outstanding during the year Rs. 668.61 lacs (Previous year Rs. 483.20 lacs))

Schedule 10 : Cash and Bank balances

Cash on hand	0.78	1.42
Balances with scheduled banks:		
- On current accounts	208.16	89.15
- On deposit accounts (pledged with Government authorities)	53.86	82.36
- On unpaid dividend accounts (declared in earlier years)	21.11	26.20
Total	283.91	199.13

Schedule 11 : Other Current Assets

Fixed Assets held for disposal (at lower of net book value and estimated net realisable value)	1,156.03	47.26
Interest/dividend accrued on deposits/investments	32.85	54.87
DEPB benefits receivable	350.95	373.22
Insurance claim receivable	66.09	4.75
Total	1,605.92	480.10

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	1,331.69	1,348.85
Security deposits	477.63	495.76
Balance with excise authorities	562.31	936.66
Advance payment of tax (net of provision Rs. 2,157.01 lacs, (Previous year Rs. 1,367.83 lacs))	372.50	479.38
MAT credit entitlement	880.00	-
Advance payment of fringe benefit tax (net of provision Rs. 448.62 lacs, (Previous year Rs. 432.20 lacs))	24.70	18.96
Total	3,648.83	3,279.61

Schedule 13 : Current Liabilities

Sundry creditors		
a) total outstanding dues of Micro and Small Enterprises (refer note no. 12 to schedule 24)	98.42	119.38
b) total outstanding dues of creditors other than Micro and Small Enterprises	14,822.40	10,948.23
Amounts due to Investors Education & Protection fund (as and when due) - unpaid dividends	21.11	26.20
Advance received against supplies	-	3,300.29
Advance received against sale of investment	200.00	-
Other liabilities	913.78	1,086.75
Security deposit	260.95	213.01
Interest accrued but not due on loans	23.79	57.89
Total	16,340.45	15,751.75

Consolidated Balance sheet and profit and loss account

Schedule to the Accounts

Schedule 14 : Provisions

	As at December 31, 2009 Rs (in lacs)	As at December 31, 2008 Rs (in lacs)
Provision for leave encashment	748.92	956.47
Provision for gratuity	2,089.74	2,062.59
Proposed dividend	259.70	60.00
Tax on proposed dividend	43.13	10.20
Total	3,141.49	3,089.26

Schedule 15 : Miscellaneous Expenditure*

Balance as per last balance sheet	719.71	959.61
Less : Written off	239.90	239.90
	479.81	719.71
Total	479.81	719.71

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

Schedule 16 : Other Income

Interest:		
Bank deposits (TDS Rs 1.45 lacs, (Previous year Rs 1.50 lacs))	13.39	18.76
Interest on income-tax refund	-	176.90
Others (TDS Rs 3.77 lacs, Previous year Rs Nil lacs)	24.88	0.83
Sale of scrap	1,175.65	1,268.83
Duty drawback/ Exim scrip realisation	304.33	304.13
Excess provision written back	236.74	273.00
Miscellaneous income	243.81	181.88
Foreign exchange fluctuation (net)	1.46	-
Total	2,000.26	2,224.33

Schedule 17 : Raw materials and Components Consumed

Inventories as at December 31, 2008	1,689.32	2,188.26
Add: Purchases	21,052.75	18,229.75
	22,742.07	20,418.01
Inventories as at December 31, 2009	1,663.90	1,689.32
Total	21,078.17	18,728.69

Consolidated Balance sheet and profit and loss account

Schedule to the Accounts

Schedule 18 : Personnel Expenses

	As at December 31, 2009 Rs (in lacs)	As at December 31, 2008 Rs (in lacs)
Salaries, wages and bonus (refer note no.14 in schedule no. 24)	13,394.34	13,059.62
Contribution to provident fund and other funds	895.74	783.76
Contribution to superannuation fund	166.47	156.57
Contribution to gratuity	242.32	977.52
Workmen and staff welfare expenses	1,113.35	1,035.31
Total	15,812.22	16,012.78

Schedule 19 : Operating and Other Expenses

Consumption of stores and spares (refer Note no.14 in schedule no. 24)	8,642.41	7,634.59
Sub-contracting expenses	1,334.67	1,425.12
Power and fuel	4,865.36	4,306.48
Freight and forwarding charges	1,560.64	1,670.16
Rent	362.71	164.13
Rates and taxes	366.81	455.90
Insurance	51.32	72.08
Repairs and maintenance		
- Plant and machinery	295.10	207.02
- Buildings	110.57	116.49
- Others	213.45	187.60
	619.12	511.11
Advertising and sales promotion	4,427.81	3,330.19
Royalty	1,052.76	978.93
Product rectification charges	91.42	52.68
Legal and professional expenses	395.68	950.05
Travelling and conveyance	312.84	562.94
Communication costs	247.59	281.09
Technical knowhow charges	15.36	37.53
Trade discount	-	107.00
Printing and stationery	72.10	11.25
Directors sitting fees	15.46	-
Payment to Auditor		
As auditor:		
- Audit fee	42.24	42.24
- Tax audit fee	25.85	24.35
- Limited reviews	9.00	4.50
- Out-of-pocket expenses	4.96	6.02
In other manner:		
- Certification and others matters	2.97	3.80
	85.02	80.91
Charity & donation	-	0.20
Provision for doubtful debts	58.94	39.44
Foreign exchange fluctuation (net)	-	2,046.32
Loss on sale / discard of fixed assets (net)	587.20	101.04
Advances written off	1.65	0.56
Miscellaneous expenses	399.48	415.28
Total	25,566.35	25,234.98

Consolidated Balance sheet and profit and loss account

Schedule to the Accounts

Schedule 20 : Decrease in Inventories

	For the year ended December 31, 2009 Rs (in lacs)	For the year ended December 31, 2008 Rs (in lacs)
Inventories - opening		
- Work-in-progress	3,408.21	3,901.91
- Finished goods - Manufactured	3,366.17	4,941.94
- Trading	16.00	-
- Reusable Scrap	91.71	519.08
	6,882.09	9,362.93
Inventories - closing		
- Work-in-progress	3,088.10	3,408.21
- Finished goods - Manufactured	2,747.93	3,366.17
- Trading	316.45	16.00
- Reusable Scrap	20.39	91.71
	6,172.87	6,882.09
	709.22	2,480.84

Schedule 21 : Financial Expenses

Interest		
- to term loans	282.00	836.34
- to banks	1,321.53	1,991.05
- others	577.27	427.45
Bank charges	142.80	112.86
Total	2,323.60	3,367.70

Schedule 22 : Prior Period Item

Depreciation and amortisation	118.42	-
Interest - others	232.82	-
Communication costs	-	42.52
Salaries, wages and bonus	72.58	-
Total	423.82	42.52

Schedule 23 : Earnings\ (loss) per share (EPS)

Net profit/ (loss) as per profit and loss account	5,452.43	(171.13)
Less proposed dividend on preference shares and taxes their on	(34.29)	(70.20)
Net profit for calculation of basic EPS	5,418.15	(241.33)
Weighted average number of equity shares in calculating basic and diluting earning per share	55,632,130	33,566,566
Earning/ (loss) per share	9.74	(0.72)

SCHEDULES 1 - 24 (Contd.)

Schedule 24: Notes to Consolidated financial statements

1. Background

Federal-Mogul Goetze (India) Limited ('FMGIL' or 'the Company'), is inter-alia engaged in the manufacture, supply and distribution of 'automotive components' used in two/three/four wheeler automobiles.

The Company has two subsidiaries namely Federal-Mogul TPR (India) Limited and Satara Rubbers and Chemicals Limited. Federal-Mogul TPR (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 (as amended) 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 and Associates (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, 2009	Percentage of Ownership interest as at December 31, 2008
Federal-Mogul TPR (India) Limited	51.00 %	51.00 %
Satara Rubbers and Chemicals Limited	100.00 %	100.00 %

The audited financial statements of subsidiaries, considered in the consolidated accounts, are drawn upto December 31, 2009.

Investments in Associates:

The Federal-Mogul Goetze Group's Associates are:

Name	Percentage of Ownership interest as at December 31, 2009	Percentage of Ownership interest as at December 31, 2008
GTZ Securities Limited	23.67%	23.67 %
GI Power Corporation Limited	26.00%	26.00%

The un-audited financial statements of GI Power Corporation Limited as at December 31, 2009 are considered in consolidated account.

The Company has investment in GTZ Securities Limited which is considered as an associate, whose financial statements were audited for the year ended March 31, 2009 and are available with the Company. However, no financial statements have been prepared by the management of this associate company for the nine months period ended December 31, 2009 resulting in the results of this associate being not consolidated in these financial statements. The Group management is of the view that this non-availability of the financial statements of this associate will not affect the consolidated financial statements as the investment in such associate is fully provided for and it had incurred losses till March 31, 2009 and as informed by the management of the associate, the financial position has not improved since then.

Subsidiary companies are consolidated on a line-by-line basis by adding together the book values of the like items of assets, liabilities, income and expenses, after eliminating all significant intra-group balances and intra-group transactions and also unrealised profits or losses. The results of operations of a subsidiary are included in the consolidated financial statements from the date on which the parent subsidiary relationship comes into existence.

The difference between the cost to the Company of its investment in the subsidiary and its proportionate share in the equity of the subsidiary as at the date of acquisition of stake is recognized as goodwill or capital reserve, as the case may be. Goodwill is tested for impairment at the end of each accounting year. For impairment, the carrying value of goodwill is compared with the present value of discounted cash flows of the respective subsidiaries and loss, if any, is adjusted to the carrying value of the goodwill.

Minorities' interest in net profits/losses of the subsidiaries for the year is identified and adjusted against the income in order to arrive at the net income attributable to the shareholders of the Company. Their share of net assets is identified and presented in the consolidated balance sheet separately. Where accumulated losses attributable to the minorities are in excess of their equity, in the absence of the contractual obligation on the minorities, the same are accounted for the holding company.

Investments in associates are accounted for using the equity method. The difference between the cost of investment in associate and the proportionate share in equity of the associate as at the date of acquisition of stake is identified as goodwill or the capital reserve, as the case may be and included in the carrying value of the investment in the associate. The carrying amount of the investment is adjusted thereafter for the post acquisition change in the share of net assets of the associate. However, the share of losses is accounted for only to the extent of the cost of investment. Subsequent profits of such associates are not accounted for unless the accumulated losses (not accounted for by the Company) are recouped.

The financial statements of the group entities used for the purpose of consolidation are drawn up to the same reporting date as that of the Company i.e. year ended December 31, 2009.

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 group 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) Fixed 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. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

d) Depreciation

i) Depreciation is provided using straight line method basis and the same is determined 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 by the company
(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% to 33.33%

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:

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.

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. Cost is determined on a weighted average basis.
Work-in-progress	Lower of cost and net realizable value. Cost for this purpose includes material, labour and appropriate allocation of overheads. Cost is determined on a weighted average basis
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. Cost is determined on a weighted average basis
- 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 lower of cost or 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.

(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 recognized 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.

(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.

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. In the year in which the Minimum Alternative tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period

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 for cash flow 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 under review, the Company has entered into transactions with related parties.

i) Key managerial personnel and their relatives

- Mr. Jean De Montlaur, Managing Director & President (w.e.f March 03, 2008).
- Mr. Rustin Murdock, Whole Time Director & CFO.
- Ms. S. Bhuvaneshwari, Deputy General Manager, Projects (Till March 31, 2008) (Manager under section 269 of the Companies Act, 1956)
- Mr. Krish Mani, Manager (From March 12, 2009) (Manager under section 269 of the Companies Act, 1956)

ii) Holding Company of Parent Company

- Federal Mogul Holdings Limited (Mauritius)

iii) Fellow subsidiaries

- Federal Mogul Burscheid GMBH, Germany.
- Federal Mogul Vermögensverwaltungs 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).
- Federal Mogul Limited (Formerly 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 Sealing Systems, GMBH (Germany).
- Federal Mogul Friction Products Ltd (India).
- Federal Mogul Corporation Power Train Systems (USA).
- Federal Mogul Plant Van Wert, USA.
- Federal Mogul Power train Systems Schofield (USA).
- Federal Mogul S.A.R.L.(Switzerland)
- Federal Mogul France, S.A.(France).
- Federal Mogul Corporation, Lake City (USA).
- Federal-Mogul Chivasso.(Italy).
- Federal Mogul Corporation, Garennes (France).
- Federal Mogul Dongsuh Piston Co. Ltd (China).
- Federal Mogul Corp, Mgmooogus (USA).
- KFM Bearing Company (South Korea).
- Federal Mogul Bearings India Ltd (India).
- Federal Mogul Automotive Products (India) Pvt Ltd. (India).
- Ferodo India Private Ltd. (India).
- Federal Mogul Trading India Pvt Ltd.(India)

iv) Associates

- GI Power Corporation Limited
- GTZ Securities Limited

v) Ultimate Holding Company

- Federal Mogul Corporation, USA.

Those transactions along with related balances as at December 31, 2009 and December 31, 2008 and for the years then ended are presented in the following table :

Rs. in lacs

Particulars	Fellow Subsidiaries									
	Federal Mogul Power Train System, (S.A)	Federal Mogul Burscheid GmbH, (Germany)	Federal Mogul Maysville, (USA)	Federal Mogul Gorzyee S.A (Poland)	Federal Mogul Power Train System(USA)	Federal Mogul Limited (U.K)				
	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08
Sales	-	-	-	(4,043.70)	(4,455.22)	-	-	-	-	-
Purchase of raw material, intermediaries and finished goods	-	-	-	-	-	-	-	-	-	-
Purchase/(Sale) of Fixed Assets	(105.13)	171.39	3,224.89	701.85	10.52	-	410.65	-	-	-
Interest Expenses	-	-	629.11	1,574.30	-	-	-	-	-	-
Reimbursement of expenses paid	-	-	-	157.66	-	-	-	-	-	-
Reimbursement of expenses (recd.)	-	-	9.18	4.08	-	-	4.07	16.69	61.67	80.64
Royalty Expense	-	-	-	-	-	-	(0.69)	-	-	-
Balance outstanding as at the end of the year Receivables	-	-	426.34	418.18	-	-	-	-	-	-
Balance outstanding as at the end of the year (Payable)	(45.99)	(166.34)	(901.28)	(674.71)	-	(3,282.37)	(118.30)	-	(4.17)	(23.79)

Rs. in lacs

Particulars	Fellow Subsidiaries									
	Federal Mogul Bimet S.A, (Poland)	Federal Mogul Nurnberg, GmbH (Germany)	Federal Mogul Operation S.R.L. (Italy)	Federal Mogul Wiesbaden GmbH, (Germany)	Federal Mogul Holding Deutschland (Germany)	Federal Mogul KK, (Japan)				
	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08
Sales	-	-	(11.52)	(9.76)	-	-	-	-	-	-
Purchase of raw material, intermediaries and finished goods	0.29	103.30	26.36	274.44	-	-	-	-	-	-
Purchase/(Sale) of Fixed Assets	-	-	408.47	615.56	-	-	-	-	-	-
Interest Expenses	-	-	-	-	-	-	-	-	-	-
Reimbursement of expenses paid	-	-	19.94	19.68	-	-	168.16	132.76	-	-
Reimbursement of expenses (recd.)	-	(20.46)	-	-	(28.46)	(95.14)	-	-	(2.72)	(74.33)
Royalty Expense	-	-	340.00	233.49	-	-	-	-	-	-
Balance outstanding as at the end of the year Receivables	7.36	-	-	3.62	-	-	1.62	12.03	-	2.73
Balance outstanding as at the end of the year (Payable)	-	(1.12)	(292.74)	(401.67)	(6.37)	(29.98)	(25.79)	(80.80)	-	-

Particulars	Fellow Subsidiaries									Total
	Federal Mogul Financial Services FRANCHNL (France)	KFM Bearing Company, (South Korea)	Federal Mogul Sintered Products Limited, (U.K)	SSCFran FM Financial Services SAS Veurey Voroize (France)	Other Fellow Subsidiaries					
	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08
Sales	-	-	-	-	-	-	-	-	(4.64)	(56.55)
Purchase of raw material, intermediaries and finished goods	-	-	3.35	41.39	2.04	15.15	-	-	56.45	19.11
Purchase/(Sale) of Fixed Assets	-	-	-	-	-	-	-	-	35.13	2.63
Interest expenses	-	-	-	-	-	-	-	-	-	-
Reimbursement of expenses paid	316.77	39.70	-	-	1.98	-	-	202.44	22.82	3.92
Reimbursement of expenses (recd.)	-	-	(38.32)	(0.18)	-	(0.14)	-	-	(51.83)	(15.95)
Royalty Expense	-	-	-	-	137.30	273.53	-	-	-	-
Balance outstanding as at the end of the year Receivables	-	-	-	-	0.65	-	-	-	-	14.95
Balance outstanding as at the end of the year (Payable)	(21.99)	(42.30)	-	(1.01)	(137.30)	(372.10)	-	(25.52)	(25.62)	(60.57)

Particulars	Fellow Subsidiaries								
	Federal Mogul Bearings India Limited (India)		Federal Mogul Automotive Products (India) Private Limited, (India)		Ferodo India Private Limited, (India)		Federal Mogul Trading India Private Limited, (India)		Total
	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08	
Sales	(15.29)	(705.74)	(2.48)	-	-	-	-	-	31.12.08
Purchase of raw material, intermediaries and finished goods	533.28	30.27	1,060.48	-	-	-	-	-	1,593.76
Reimbursement of expenses paid	-	27.08	22.33	-	-	-	-	-	22.33
Reimbursement of expenses (recd.)	(49.42)	(30.33)	-	-	-	-	(66.00)	-	(115.43)
Loan taken	-	-	1,000.00	-	1,155.00	-	-	-	2,155.00
Loan repayment	-	-	(1,000.00)	-	(165.00)	-	-	-	(1,165.00)
Interest on the above loan	-	-	61.98	-	99.68	-	-	-	161.66
Balance outstanding as at the end of the year Receivables	(14.63)	483.20	-	-	-	-	66.00	-	51.37
Balance outstanding as at the end of the year (Payable)	-	-	(241.02)*	(11.21)	(1094.45)**	-	-	-	1,335.47
									(11.21)

* Includes Rs 9.05 lacs payable against interest on ICD taken during the year

** Includes Rs 990 lacs payable against ICD taken and Rs 99.68 lacs payable against the interest on the same.

Rs. in lacs

Ultimate Holding Company		
Particulars	Federal Mogul Corporation (USA)	
	31.12.09	31.12.08
Sales	-	(122.56)
Purchase of raw material, intermediaries and finished goods	-	-
Purchase/(Sale) of Fixed Assets	-	-
Interest Expenses	-	-
Reimbursement of expenses paid	119.87	266.29
Reimbursement of expenses (received)	(1.01)	(613.77)
Royalty Expense	-	-
Balance outstanding as at the end of the year Receivables	-	1.47
Balance outstanding as at the end of the year (Payable)	(36.42)	(126.95)

Rs. in lacs

Key Managerial Personnel and their relatives									
Particulars	Mr. Jean de Montlaur		Mr. Rustin Murdock		Mr. Krish Mani		Ms S. Bhuvaneshwari		Total
	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09 31.12.08
Remuneration	528.64	345.54	209.39	190.45	14.17	-	-	5.34	752.20 541.32
Balance outstanding as at the end of the year (Payable)	-	-	-	-	-	-	-	-	-

5. Leases

The company has taken office and residential facilities under cancellable and non-cancellable operating leases, which are renewable on a periodic basis.

Leases	For the year ended December 31, 2009 (Rs in lacs)	For the year ended December 31, 2008 (Rs in lacs)
a) Lease payments / expenses for the year <i>Minimum Lease Payments (for non cancelable leases):</i>	362.71	164.13
b) Not later than one year	214.79	170.04
c) Later than one year but not later than five years	184.86	322.58
d) Later than five years	-	-

6. Capital Commitment

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

Particulars	Year ended December 31, 2009 (Rs in lacs)	Year ended December 31, 2008 (Rs in lacs)
Capital commitment	830.31	1,703.42

7. Contingent Liabilities not provided for:

Particulars	Year ended December 31, 2009 (Rs in lacs)	Year ended December 31, 2008 (Rs in lacs)
a) Bank Guarantees	355.82	518.06
b) <i>Claims/notices contested by the Company</i>		
i) Excise duty	47.80	146.45
ii) Sales Tax	59.23	59.23
iii) ESI Cases	14.51	40.53
iv) Employee Related Cases	63.33	72.67
v) Electricity Demand	52.24	52.24
vi) Income Tax Demands	683.20	154.88
vii) Consumer Cases	60.91	60.91
viii) Other Excise duty liabilities of subsidiary	920.44	436.58
ix) Income tax liability of subsidiary	176.83	145.93

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

- i) 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. 0.93 lacs)
- ii) 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. During the year, the order was passed in favour of the company. The amount involved is Rs. Nil (Previous year Rs. 34.11 lacs)
- iii) 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. 16.82 lacs (Previous year Rs. 16.82 lacs).
- iv) 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. 15.40 lacs (Previous year Rs. 14.56 lacs).
- v) Matters pending with CESTAT in respect of excise cases in relation cenvat credit availed on imported goods for the period 2006-07. During the year, the order was passed in the favour of the company. Amount involved is Rs. Nil (Previous year Rs. 55.72 lacs).
- vi) 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. During the year, the order was passed in the favour of the Company. Amount involved is Rs. Nil. (Previous year Rs. 8.82 lacs).
- vii) 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).
- viii) 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 2001-2002 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.5.28 lacs. (Previous year Rs. 6.12 lacs).

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

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)

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

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. 14.51 lacs. (Previous year Rs. 40.53 lacs)

f) 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.63.33 lacs. (Previous year Rs. 72.67 lacs)

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

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).

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

- i) In respect of Assessment Year 2001-02, certain additions were made on normal as well as on book profit. The matter is pending with ITAT. The Company has done an analysis and is of the opinion that it has fair chance of a favorable decision. The amount for contingent liability for the year is Rs. 104.24 lacs (Previous year Rs. Nil)
- 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 is of the opinion that it has fair chance of a favorable decision. The amount for contingent liability for the year is Rs. 214.28 lacs. (Previous year Rs. 15.10 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.220.66 lacs. (Previous year Rs. 55.62 lacs)
- iv) In respect of Assessment Year 2004-05, certain additions were made on normal income. The matter is pending with ITAT, during the year Company has got the order in its favour, hence the amount involved is Rs. 24.07 lacs. (Previous year Rs. 11.71 lacs)
- v) In respect of Assessment Year 2005-06, certain additions were made on normal as well as on book profit. 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 for contingent liability for the year is Rs. 47.19 lacs (Previous year Rs. 39.21 lacs)
- vi) In respect of Assessment Year 2006-07, certain additions were made on normal as well as on book profit. The matter is pending with Commissioner Income Tax (Appeals). 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. 39.52 lacs (Previous year Rs. Nil)
- vii) 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. 33.24 lacs. (Previous year Rs. 33.24 lacs)

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

- i) 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).

j) 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. 6.91 lacs (Previous year Rs. 6.91 lacs).
 - 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. 361.07 lacs including interest and penalties of Rs. 180.53 lacs (Previous year Rs. 361.07 lacs).
 - c. In respect of notice received for the period 2008-09 on account of Cenvat credit of service tax on job work charges passed on by one of the supplier. The amount involved is Rs. 454.02 lacs including interest and penalties of Rs. 252.01 lacs (Previous year Rs. Nil).
- ii) Matter pending with Joint Commissioner of Central Excise, Bangalore:
 - a. In relation to deduction of Trade Discounts for the period 2000-2002 to 2003-2004. 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. 2.42 lacs (Previous year Rs. 2.42 lacs).
- iii) Matters pending with 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. 61.64 lacs (Previous year Rs. 61.64 lacs).
 - 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. 0.70 lacs (Previous year Rs. 0.70 lacs).
 - c. In respect of demand notice received for the period 2008-09, which is on account of demand for service tax on supplementary bills on job work charges for price reduction passed on by one of the supplier. The amount involved is Rs. 29.84 (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. 3.84 lacs (Previous year Rs. 3.84 lacs).

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

- i) The company received a show cause notice in respect of Assessment year 2006-07, in which assessing officer had raised a demand on account of additions made to normal income during the years and in assessment year 2004-05 and 2005-06. Matter is pending with Commissioner of 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. 145.93 lacs (Previous year Rs. 145.93 lacs).
- ii) During the year, the company has received a show cause notice in respect of Assessment year 2007-08, in which assessing officer has raised a demand of Rs. 30.90 lacs (Previous year Rs. Nil) on account of disallowance of royalty expenses. Matter is pending with Commissioner of Income tax (Appeals), the Company has done an analysis and is of the opinion that it has fair chance of a favorable decision.

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

Particulars	Year ended December 31, 2009. Rs.(in lacs)	Year ended December 31, 2008. Rs. (in lacs)
(a) Salaries	650.88	444.20
(b) Contribution to Provident & Superannuation Fund	21.74	6.04
(c) Other Perquisites	79.58	91.08
(d) Directors Sitting Fees	15.46	8.60

(b) Personnel expenses under Schedule 18 include Rs. 540.12 lacs (including Rs. 305.54 lacs in respect of earlier financial year) towards director remuneration which is in excess of permissible remuneration 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 managing 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.

(c) Remuneration of Rs. 119.85 lakhs for the period April 1, 2006 to December 31, 2006, paid to the erstwhile managing director of the Company was in excess of permissible remuneration under Schedule XIII of the Companies Act, 1956. The Company had applied to the Central Government for the approval of such excess remuneration which was rejected by the Central Government vide letter dated May 26, 2009. The Company is in the process of filing an application under Section 309 (5B) of the Companies Act, 1956 to waive the recovery of the aforesaid amount from the erstwhile managing director. Further, there is another application for excess remuneration of Rs. 84.15 lakhs for the period January 1, 2007 to September 24, 2007 applied to the Central Government for its approval under Section 309 (3) of the Companies Act, 1956. The management has confirmed from the erstwhile managing director that he will refund this amount, to the extent of this being not approved by the Central Government. Pending above mentioned approvals by Central Govt, no adjustments have been made to these financial statements in this regard.

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. 5,467.09 lacs (Previous year Rs. 8,702.59 lacs) has been reduced from sales in profit & loss account and excise duty on (decrease) / increase in stock amounting to Rs. (220.78) lacs (Previous year Rs. (422.03) lacs) has been considered as (income) / expense in the financial 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, 2009:

(Amount in lacs)

Particulars	Currency	Year ended December 31, 2009 Amount Rs. (in lacs)	Year ended December 31, 2009 Amount (Foreign currency in lacs)	Year ended December 31, 2008 Amount Rs. (in lacs)	Year ended December 31, 2008 Amount (Foreign currency in lacs)
Borrowings	USD	-	-	1,292.11	26.74
Advance received	USD	-	-	3,300.29	67.63
Creditors	USD	688.34	14.65	174.41	3.57
Creditors	EURO	1,078.20	15.88	853.68	12.39
Creditors	GBP	14.44	0.19	34.03	0.48
Creditors	JPY	60.23	117.65	145.47	269.02
Creditors	CHF	3.95	0.09	-	-
Advance paid	EURO	326.87	4.82	-	-
Advance paid	USD	216.38	4.61	-	-
Advance paid	GBP	100.84	1.33	-	-
Advance paid	JPY	49.25	96.21	28.95	53.61
Advance paid	SEK	4.29	0.64	-	-
Debtors	USD	973.41	20.72	525.89	10.87
Debtors	EURO	76.13	1.12	105.07	1.56
Debtors	GBP	78.71	1.04	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 recognized in the profit and loss account and the funded status and amounts recognized in the balance sheet for the respective plans.

Profit and Loss account

Net employee benefit expense (recognised in Employee Cost)

Rs. in lacs

	Gratuity	
	2009	2008
Current service cost	279.12	241.39
Interest cost on benefit obligation	340.03	367.23
Expected return on plan assets	(201.72)	(239.91)
Net actuarial (gain) / loss recognized in the year	(175.11)	608.81
Past service cost	-	-
Net benefit expense	242.32	977.52
Actual Return on Plan Assets	135.67	241.24

Balance sheet

Details of Provision for gratuity

	Gratuity	
	2009	2008
Defined benefit obligation	5,560.97	5,415.42
Fair value of plan assets	3,471.23	3,352.83
	2,089.74	2,062.59
Less: Unrecognised past service cost	-	-
Plan asset / (liability)	(2,089.74)	(2,062.59)

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

Rs. in lacs

	Gratuity	
	2009	2008
Opening defined benefit obligation	5,415.42	4,429.71
Interest cost	340.03	367.23
Current service cost	279.12	241.39
Benefits paid	(232.44)	(233.05)
Actuarial (gains) / losses on obligation	(241.16)	610.14
Closing defined benefit obligation	5,560.97	5,415.42

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

	Gratuity	
	2009	2008
Opening fair value of plan assets	3,352.82	3,115.37
Expected return	201.72	239.91
Contributions by employer	215.18	229.27
Benefits paid	(232.44)	(233.05)
Actuarial gains / (losses)	(66.05)	1.33
Closing fair value of plan assets	3,471.23	3,352.83

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

	Gratuity	
	2009	2008
	(%)	(%)
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:

	2009	2008
	(%)	(%)
Discount rate	7.50	6.50
Expected rate of return on assets	8.00	8.00
Employee turnover	5.00	5.00

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.

Note:

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.

Amounts for the current and previous periods are as follows:

	Gratuity		
	2009	2008	2007
Defined benefit obligation	5,560.97	5,415.42	4,397.59
Plan assets	3,471.23	3,352.83	3,083.25
Surplus / (deficit)	(2,089.74)	(2,062.59)	(1,314.34)

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.

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

Particulars	Rs. in lacs	
	2009	2008
The principal amount remaining unpaid as at the end of year	98.42	119.38
Interest due on above principal and remaining unpaid as at the end of the year	0.63	1.62
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.	5.88	1.95
The amount of interest accrued and remaining unpaid at the end of each accounting year; and	6.51	3.57
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	11.99	5.48

- 13.** During the year ended December 31, 2008, the Company had issued 23,011,192 shares @ Rs 10 each at a premium of Rs 46 per share on right issue basis for cash. Pursuant to right issue offer, the Company received Rs 12,886.27 lacs, details of utilization of right issue proceeds are as follows:

Particulars	Amount as per letter of offer dated November 5, 2008 (Rs. in lacs)	Amount utilized till December 31, 2009 (Rs. in lacs)	Amount utilized till December 31, 2008 (Rs. in lacs)
Repayment of existing debt on their respective due dates	3,040.67	3,040.67	375.00
Payment to suppliers for purchase of machineries (including interest)	9,296.61	8,158.19	7,024.11
General corporate purposes	431.30	431.30	431.30
Issue expenses	117.69	107.34	107.34
Total	12,886.27	11,737.50	7,937.75

The unutilized amount aggregating to Rs. 1,148.77 lacs (Previous year Rs 4,948.52 lacs) 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:

Particulars	Year ended Dec. 31, 2009 (Rs. in lacs)	Year ended Dec. 31, 2008 (Rs. in lacs)
Salaries, wages and bonus	147.21	211.88
Consumption of stores and spares	98.14	141.26
Total	245.35	353.14

15. Non fulfillment of export obligation under (Export promotion Capital Goods) EPCG Licenses

During the year, the Company has identified some of the licenses, obtained under Export Promotion Capital Goods scheme under which Company had imported certain fixed assets without payment of relevant custom duties, on which the Company has fulfilled the export obligation partially. The Company, based on opinions by legal experts, is of the view that they will be able to apply for the extension of the time period and will be exploring various possibilities for completing the export obligations.

However, considering that these licenses have already expired, the management has decided, on prudent basis, to make a provision for the potential interest payable to the Government aggregating to Rs. 532.20 lacs in these financial statements and has also capitalized the duty portion to be paid for Rs. 380.06 lacs with the relevant fixed assets and has depreciated the same as if these were capitalized on the date of respective assets being put to use. This has resulted in Company charging the additional depreciation and additional interest of Rs. 822.76 lacs during the year (including Rs. 351.25 lacs for earlier periods).

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

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 19, 2010

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

Jean de Montlaur
Managing Director & President

Khalid Khan
Company Secretary

Rustin Murdock
Whole Time Director & CFO

**Consolidated Balance sheet and profit and loss account
Cash flow statement for the year ended December 31, 2009**

	For the year ended December 31, 2009 Rs (in lacs)	For the year ended December 31, 2008 Rs (in lacs)
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit/ (loss) before tax and after prior period	7,214.32	842.12
Adjustments for:		
Depreciation and amortisation	5,507.17	5,048.57
Loss on sale / discard of fixed assets (net)	587.20	101.04
Provision for doubtful debts	58.94	39.44
Advances written off	1.65	0.56
Interest income	(13.39)	(19.55)
Interest expense	2,413.62	2,827.39
Excess provision written back	(236.74)	(273.00)
Unrealised forex (gain)/loss (net)	(123.50)	-
Miscellaneous expenditure written off	239.90	239.90
Share of profit in Associates	(3.81)	-
Operating profit before working capital changes	15,645.37	8,806.47
Movements in working capital:		
Decrease / (Increase) in sundry debtors	(999.51)	(396.45)
Decrease / (Increase) in other current assets	(39.07)	(96.05)
Decrease / (Increase) in inventories	905.90	2,883.62
Decrease / (Increase) in loans and advances	409.64	82.02
Increase / (Decrease) in current liabilities & provisions	264.78	(932.47)
Cash generated from operations	16,187.10	10,347.14
Direct taxes paid (net of refunds)	(1,571.60)	(396.03)
Net cash from operating activities	14,615.50	9,951.11
B. Cash flows from investing activities		
Purchase of fixed assets/intangibles	(3,701.80)	(7,163.18)
Proceeds from sale of fixed assets	105.53	200.96
Sale / maturity of investments	-	1.56
Interest received	35.41	8.13
Net cash used in investing activities	(3,560.86)	(6,952.53)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of borrowings (Long term)	(3,299.96)	(6,203.30)
Receipt of borrowings (Long term)	1,500.00	-
Movement in borrowings (Short term)	(7,277.22)	(6,593.69)
Proceeds from issuance of share capital	-	12,886.27
Share issue expenses	10.42	(107.34)
Interest paid	(1,840.34)	(2,969.23)
Dividends paid	(29.38)	(29.38)
Tax on dividend paid	(4.88)	(10.20)
Net cash used in financing activities	(10,941.36)	(3,026.87)
Net increase in cash and cash equivalents (A + B + C)	113.28	(28.29)
Cash and cash equivalents at the beginning of the year	116.77	145.06
Cash and cash equivalents at the end of the year	230.05	116.77
Components of cash and cash equivalents as at	December 31, 2009 Rs in lacs	December 31, 2008 Rs in lacs
Cash and cheques on hand	0.78	1.42
With banks - in current account	208.16	89.15
- on unpaid dividend account*	21.11	26.20
	230.05	116.77

* 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

Place: Gurgaon

Date: March 19, 2010

ANNUAL REPORT 2009

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

Jean de Montlaur
Managing Director & President

Khalid Khan
Company Secretary

Rustin Murdock
Whole Time Director & CFO

FEDERAL-MOGUL GOETZE (INDIA) LIMITED

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**Paras Twin Towers, Tower 'B' 10th Floor, Sector-54,
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