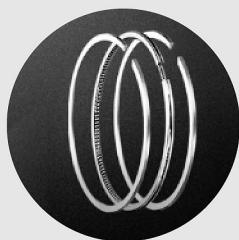


FEDERAL-MOGUL GOETZE (INDIA) LIMITED

**52nd Annual Report
2006**

Contents



Board of Directors	2
Ten Year's Financial Review	3
Directors' Report	4
Annexure to Directors' Report	8
Corporate Governance	10
Auditors' Report	18
Balance Sheet	21
Profit & Loss Account	22
Schedules 1 to 24 forming part of Balance Sheet and Profit & Loss Account	23
Statement regarding subsidiary companies pursuant to Section 212 of the Companies Act, 1956	43
Cash Flow Statement	44
SUBSIDIARIES	
Goetze TP (India) Limited	45
Satara Rubbers & Chemicals Limited	63
CONSOLIDATED FINANCIAL STATEMENTS	
	71

BOARD OF DIRECTORS

Chairman & Director

Mr. Charles B. Grant

Vice Chairman, Managing Director & CEO

Mr. Arun Anand

Directors

Mr. Rainer Jueckstock

Mr. Charles H. Polzin

Mr. Mukul Gupta

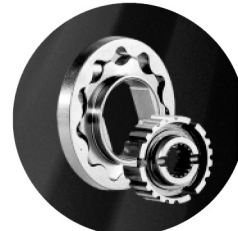
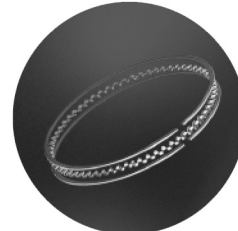
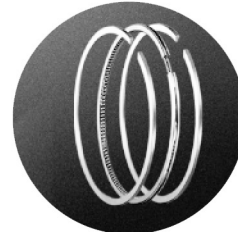
Mr. Vishvjeet Kanwarpal

Financial Controller and Company Secretary

Mr. Rajan Luthra

Auditors

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



REGISTRAR AND SHARE TRANSFER AGENT

Alankit Assignments Limited
Corporate Office, "Alankit House"
2E/21, Jhandewalan Extn.
New Delhi - 110 055
Ph. No. 011-23541234, 42541234
Fax No.: 011-23552001, 42541201
Email: rta@alankit.com

REGISTERED OFFICE

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

WORKS

1. Bahadurgarh, Patiala (Punjab)
2. Yelahanka, Bangalore (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
Centurion Bank of Punjab
Deutsche Bank AG
HDFC Bank Ltd.
ING Vysya Bank Ltd.
State Bank of India
State Bank of Patiala
UTI Bank
Yes Bank Ltd.

TEN YEARS' FINANCIAL REVIEW

	2006 (9 months)	2005-06	2004-05	2003-04	2002-03 (9 months)	2001-02 (15 months)	2000-01	1999-2000	1998-99	1997-98 (Rs. In Lacs)
Total Income	46809.82	53291.21	51990.47	46963.59	26407.26	24684.39	18653.65	20499.69	17656.22	18548.38
Depreciation	2819.65	3417.02	2674.05	2401.28	1464.18	1815.67	1282.28	1189.81	1089.34	882.00
Profit before Tax	(561.05)	(3787.81)	3251.73	2405.95	1319.90	1317.42	1000.53	1006.46	306.53	2103.00
Taxation (adjmt for excess provision for prev yr written back if any)	70.30	810.74	1048.44	852.55	301.17	178.88	-	-	-	230.00
Profit after Tax	(631.35)	(5055.55)	2203.29	1553.40	1018.73	1138.54	1000.53	1006.46	306.53	1873.00
Dividend	-	-	1011.50	782.74	532.87	252.88	632.19	632.19	505.75	1011.50
Dividend Tax	-	-	132.19	100.29	68.27	-	64.48	69.54	55.63	202.30
Retained Profit/(Loss)	(631.35)	(5055.55)	1059.60	670.37	417.59	885.66	303.86	304.73	(254.85)	659.20

Assets Liabilities & Net Worth

	2006	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-2000	1998-99	1997-98
Fixed Assets	35436.36	32873.58	33833.21	31389.59	30809.13	18792.29	18852.30	16937.42	17640.85	17542.59
Investments	2135.18	2243.40	2925.26	3547.75	3594.43	3613.65	2653.96	4462.16	4542.24	3672.16
Indebtedness	36444.05	38960.71	30167.68	28113.39	27579.74	17754.11	13377.01	10183.33	11740.73	10747.85
Share Capital	2528.75	2528.75	2528.75	2528.75	3528.75	2528.75	2528.75	2528.75	2528.75	2528.75
Reserves	7592.65	7592.65	13328.14	12393.68	11867.08	11528.19	13108.78	13955.20	13818.65	14256.39
Net Worth	9025.85	9657.20	15856.89	14922.43	15395.83	14056.94	15637.53	16483.95	16347.40	16785.14

Significant Ratios

	2006	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-2000	1998-99	1997-98
A. Measurement of Investment										
Percentage of Return on Investment (annualized)	(1.59)	(1.18)	13.28	12.92	12.99	10.77	10.70	9.96	6.27	13.46
Percentage of Return on Equity (annualized)	(8.00)	(29.16)	21.13	15.87	11.95	7.10	6.23	6.13	1.85	12.70
Dividend Cover (Ratio)	-	-	2.18	1.98	1.91	4.50	1.58	1.59	0.61	1.85
B. Measurement of Performance										
Percentage of Profit before Tax to Sales	(1.25)	(7.39)	6.49	5.33	5.23	5.56	5.58	5.06	1.81	12.41
Percentage of Profit after Tax to Sales	(1.40)	(9.87)	4.40	3.44	4.03	4.81	5.58	5.06	1.81	11.05
C. Measurement of Financial Status										
Percentage of Term Loans to Tangible Net Worth	219.29	260.63	160.85	122.41	102.16	56.92	39.53	27.58	34.34	28.46
Current Ratio	0.88	1.18	0.85	0.82	1.01	1.40	1.16	1.19	1.70	1.68
D. General										
Dividend per Equity Share (Rs.)	-	-	4.00	3.00	2.00	1.00	2.50	2.50	2.00	4.00
Earnings per Equity Share (Rs.) (annualized)	(3.33)	(19.99)	8.71	6.04	5.21	3.60	3.96	3.98	1.21	7.41
Book Value per Equity Share (Rs.)	35.69	38.19	62.71	59.01	56.93	55.59	61.84	65.19	64.65	66.38

DIRECTORS' REPORT

The Directors are pleased to present their 52nd Annual Report and the Audited Accounts of the Company for the period ended 31st December 2006.

Financial Results

(Rs. in Million)

	For the period ended 31.12.2006		For the year ended 31.03.2006
Total Income:			
Gross Sales	4500.24		5123.63
Deduct: Excise Duty	626.13		668.92
	3874.11		4454.71
Business and other Income	180.75	4054.86	205.49
Profit before Depreciation, Amortization, Financial expenses and Prior Period Items		487.19	293.18
Deduct:			
Depreciation and Amortization		281.97	341.70
Finance Charges		261.33	330.26
Profit /(Loss) before Tax and Prior Period Items		(56.11)	(378.78)
Provision for Tax			
- Current		-	-
- Deferred		-	43.08
- Fringe Benefit		6.10	15.00
Provision of Income tax for previous years		0.93	22.99
Net Profit/(Loss) after Tax		(63.14)	(459.85)
Prior Period Items		-	45.70
Surplus brought forward		(46.42)	253.16
Transfer from Debenture Redemption Reserve		-	-
		(109.56)	(252.39)
Appropriations:			
Proposed Dividend			
- Equity		-	-
- Preference		-	-
Tax on Dividend		-	-
General Reserve		-	-
Surplus/(Loss) carried to Balance Sheet		(109.56)	(252.39)
Adjusted Against General Reserve		-	205.97
(Loss)/ Surplus carried to balance sheet		(109.56)	(46.42)

Operations

During the nine months ending 31.12.06, the Gross Turnover of the Company was Rs. 4500.24 million as against Rs. 5123.63 million for the 12 months year ending 31.3.06, showing a growth of 17.10 % on an annualized basis. The Company however reported a loss after tax of Rs. 63.14 million in the period under review as against Rs. 505.55 million in the previous year. The company is taking necessary steps to reduce its cost, improve productivity and expects to achieve profits in future.

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

Auditors' Comments

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

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

Companies Act, 1956.

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

2. There are certain items of Plant and Machinery and certain items of furniture at

DIRECTORS' REPORT (Contd.)

one of the facilities of the Company where the records of fixed assets are maintained for group of similar assets and not for each individual asset.

The Company had acquired those assets from Escorts Limited around 20 years back and therefore no separate records are available for the same. However the cost record of the block of those assets is available and has already been seen by the auditors.

3. Interest free loan of Rs. 798.00 lacs 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 which is used by Goetze as its office premises. Therefore, the Management is of the view that such loan is not prejudicial to the interests of the Company.

4. The scope and coverage of the internal auditing can be enlarged to be commensurate with the size and nature of the Company's business.

The Management is taking initiatives to strengthen the Company's internal control procedures in concurrence with the Statutory and internal auditors of the Company.

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

MANAGEMENT DISCUSSION AND ANALYSIS:

(a) Industry structures and developments

The industry is maturing to global standards stemming out of customers need to address overseas markets with their products. Not only has the internal combustion engine undergone major change in terms of delivering products which meet emission norms for Euro-III, they are already being confronted with a demand to be ready to offer products waiting Euro-IV and Euro-V emission norms. There is major need for technology inputs and heavy investment in new equipment for participating in this business. The customer has also become very discerning in terms of quality and delivery performances and is expecting levels of services which are

witnessed in advanced countries.

The industry however is showing a robust growth capitalizing on the unprecedented growth in GDP. It is also heartening to note that vehicle manufacturers are finding greater acceptability of their products in the international market which augurs very well for the Indian Automotive Industry.

(b) Opportunities

The opportunities lie in the ability to meet the requirements of OEM's at the best cost and quality in par with the global standards.

(c) Threats

The Indian Government is entering into Free Trade Agreements with neighbouring countries under which tariffs are expected to progressively come down and this may also include products manufactured by us. This may result in increased competition which could result in a decrease in our turnover and/ or further pressure on our margins.

(d) Segment wise or product wise performance

The Company continues to increase its market share in the OEM segment where as in the after market the sales are stagnant due to sluggish demand because of lower overhauling of automobiles and the better engine quality of the new vehicles.

(e) Outlook

The trends show that the industry should continue to grow at double digit rates. However, their seems to be a tapering in demand in the bi-wheelers due to hardening of the interest rates.

(f) Risks and concern

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

(i) Technical Intensive Industry : Players in the automobile industry are faced with a constant demand for new designs, materials and new products at competitive prices. Knowledge of nascent technologies and the ability to implement them to meet market requirements provides a competitive

advantage. While we believe that our performance in the past has been influenced by our ability to anticipate and successfully respond to these challenges and with the support of Federal Mogul, we do not anticipate any such risk.

(ii) Automotive Industry : Our Company operates in one segment i.e. automotive components. Any adverse impact on the automobile industry, which is cyclical in nature, could adversely impact our business and results of operations.

(iii) Human Resources : Given the increasing wage levels in India there has been increase in the employee attrition rate and it is difficult to recruit experienced professionals to replace the professionals leaving. Furthermore, increase in compensation payable to employees in India may reduce some of the inherent cost competitiveness enjoyed by us through our operations in India. Employee compensation in India is increasing at a fast rate, which could result in increased costs relating to engineers, managers and other mid-level professionals. We may need to continue to increase the levels of our employee compensation to retain talent.

(g) Adequacy of Internal Control System

The Company's has well defined internal control system which aims at the protection of Company's resources, efficiency of operations, checking cost structure, compliance with the legal obligations and Company's policies and procedures. The internal audit is a comprehensive function, which covers the review of internal control systems in all the plants and depots of the Company in a phased manner. A report on the same is placed before the Audit Committee by the internal auditors on periodical basis. The Company is in the process of further strengthening its internal control procedures to be commensurate with the size and nature of its business.

Right Issue

Your Board of Directors has revised the size of the proposed Right Issue from Rs. 1000 Million upto Rs. 1100 Million. The Board has constituted Right Issue Committee in the Board Meeting held on 22nd January, 2007. The committee met on 2nd March, 2007 and approved the amendments made in the Draft Letter of Offer and fixed the price band

DIRECTORS' REPORT (Contd.)

between Rs. 180/- to Rs. 215/- of the Equity Share of the Company. Further the Merchant Bankers has filed the Draft Letter of Offer with Securities and Exchange Board of India on 9th March, 2007.

Solvent Oil Extraction Business

During the year, the Solvent Oil Extraction plant of the Company which has been non-operational since long was sold.

Subsidiary Companies

Goetze TP [India] Limited

During the nine months ending 31.12.06, the Gross turnover of the Company was Rs. 488.34 million as against Rs. 569.32 million for the 12 months year ending 31.3.06, showing an increase of 14.36 % on an annualized basis.

Satara Rubbers and Chemicals Limited

The Company showed a total loss of Rs. 8.24 million for nine months ending 31.12.06 as compared to Rs. 8.88 million in the previous 12 months. The losses are mainly due to high interest cost on the loan taken by the Company. Steps are being taken to reduce these losses.

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 2006 and of the loss of the Company for the year ended on that date;

- The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

- The Directors have prepared the annual accounts of the Company on a going concern basis.

Directors

One of our Director Dr. Brain L. Ruddy was suffering from an ailment since long and died on 20th December, 2006. This was a great shock and a big loss to the Company.

Mr. M.M. Sabharwal has resigned from the Board of the Company on 1st November, 2006. Mr. Sabharwal was on the Board from the last 28 years and was the chairman and member of various committees. Mr. Sabharwal has played a key role in the Company by providing his guidance, making use of his vast experience and knowledge and had been instrumental in a lot of decisions of the Company. The Directors place on record their appreciation towards Mr. Sabharwal for having steered the Company from a turbulent period to the present highly sophisticated and progressive enterprise.

Mr. Jochen Stechow who was an alternate director to Mr. Rainer Jueckstock vacated his office on w.e.f. 3rd November 2006.

Dr. Ramesh C. Vaish has resigned from the Board of Directors with effect from 19th January, 2007. Dr. Vaish was on the Board of the Company as a Director since September 2001 and was member of various committees of the Board. He played a key role in the Company by providing his guidance making use of his experience and

knowledge in international taxation and finance, tax planning and off-shore investments.

In the casual vacancy caused by the resignation of Dr. Ramesh C. Vaish, Mr. Vishvjeet Kanwarpal has been inducted on the Board with effect from 22nd January, 2007. Mr. Vishvjeet Kanwarpal has done International Baccalaureate from the United World College of the Atlantic; Wales Mr. Kanwarpal had completed a Bachelor of Science degree in political science from the Massachusetts Institute of Technology. He has worked with various international organizations of repute at senior positions and presently, he is the chief executive officer and the managing director of Global Infrasyms (P) Limited wherein he is directing the infrastructure practice in power, energy, transport and telecommunication sectors.

Mr. Anil Nanda has resigned from the position of Non-Executive Chairman and Director of the Company w.e.f. 22nd January, 2007. Mr. Nanda was associated with the Company for the last three decades and played a significant role as our Chairman & erstwhile Managing Director in the growth and diversification programmes of the Company. He successfully guided the Company to strengthen its market leadership in the auto components business and also played a key role in establishing distribution and marketing networks of the Company in India and abroad.

Mr. Charles B. Grant was appointed as non-executive Chairman and Mr. Arun Anand as Vice-Chairman of the Company w.e.f. 22nd January 2007.

In accordance with Article 109 of the Articles of Association of the Company Mr. Charles B. Grant and Mr. Charles H. Polzin, Directors, retire by rotation. All of them offer themselves for re-election.

Public Deposits

The Company has not invited any fresh deposits or renewed the existing ones in the period from 1st April 2006 to 31st December, 2006. The unpaid Deposits in the books of the Company as on 31st December 2006 stand at Rs.0.90 million and remains unpaid as on date.

DIRECTORS' REPORT (Contd.)

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 2007. They have furnished a certificate to the effect that the re-appointment, if made, will be in accordance with sub-section (1B) of Section 224 of the Companies Act, 1956.

Human Resources

In the month of Dec 06, the Company has signed long term settlement with the Patiala workers which will increase the productivity. The Company has always been inclined towards creating an environment which gives enormous opportunity to its employees for growth and sustenance and to provide a competitive edge to them to face challenges within and also externally. Your Company continued its efforts in this direction in the year under review as well.

Safety, Health and Environment Protection

The Company continues to maintain and

accelerate 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 main focus of the Company.

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 take this opportunity to

express their sincere appreciation for the assistance and co-operation received from the financial institutions, Banks, Government Authorities, Shareholders, Customers, Dealers, Vendors, Unions, Promoters 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

ARUN ANAND
Vice Chairman,
Managing Director
& CEO

MUKUL GUPTA
Director

Place : New Delhi
Date : 23rd March, 2007

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

Energy conservation measures

The Company has always been inclined towards conservation of energy for which the following major steps have been taken in the period of nine months ending 31st December, 2006.

1. Revamping of all exhaust and ducting systems.
2. Forming of clusters and cell formation.
3. Re-layout of the machines.
4. Installation of automatic power factors controllers.

Additional Investment and Proposals for reduction in Energy Consumption

1. Replacement of conventional machines with CNC Machines.
2. Faster off take of Molten Metal from Induction Furnaces.

Impact of the above measures

The above proposals will result in conservation of energy.

B. TECHNOLOGY ABSORPTION

Research & Development (R&D)

Specific areas in which the R & D was carried out by the Company

1. Development of New generation pistons to meet Euro IV complied requirement.
2. Moly coating process through screen printing.

Benefits derived as a result of the above R & D - The above R & D initiatives has resulted in following benefits to the Company.

1. Order for Customers for high strength piston assemblies received.
2. Steel nitrided oil rings introduced which has resulted in reducing the oil consumption benefiting end users.

Future plan of action

With the support of Federal Mogul, the Company is enhancing its R&D facilities to test and develop new products to support technical advancement in the industry.

Expenditure on R & D

Capital : Nil
Recurring : Rs. 4.50 million
Total : Rs. 4.50 million
Total R & D Expenditure as a percentage of total turnover : 0.12%

Technology absorption, adaptation and innovation

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

The Company has successfully absorbed the technology for the manufacture of piston assembly conforming to Euro II, III & IV standards for Gasoline/ Diesel/ CNG applications. Continuous up gradation of the technical capabilities of the existing manufacturing process has lead to the improvement in the

quality of the products, development of new products leading to growth of the Company.

2. Import of Technology

Technology for: Technical support for the manufacture of Pistons, Rings and Sintered Products.

Imported from: Teikoku Piston Ring Co. Ltd., Japan for Steel Piston Rings and Federal Mogul for all other products

Period: 1st April, 2006 to 31st December, 2006

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

C. FOREIGN EXCHANGE EARNING AND OUTGO

1. **Exports :** The Company made exports worth Rs. 154.75 million for the period under review as compared to Rs. 288.76 million for the previous year. The decline in the export sales is on account of discontinuing of the trading of leather products.
2. Foreign Exchange earned Rs. 154.75 million
Foreign Exchange utilised Rs. 629.11 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 period ended 31st December, 2006.

Sr. No.	Name of the Employee	Age (Years)	Qualifications	Experience (Years)	Date of Employment	Designation/ Nature of Duties	Gross Remuneration in (Rupees)	Last Employment Held
A. Employed throughout the year and in receipt of remuneration not less than Rs. 24,00,000/- per annum.								
1.	Mr. Anand Arun	50	B.A. Eco. (Hons) & Chartered Accountant	29	26.04.1982	Vice Chairman,* Managing Director & CEO Overall management of the Company	1,19,85,781	Escorts Limited Senior Divisional Manager
2.	Mr. Ahuja Ashok	55	Mechanical Engineer	35	01.10.1992	Director-Procurement	33,89,565	Kone Elevators (I) Ltd.
3.	Mr. Anand Rakesh	55	Bachelor of Technology in Mechanical Engineering	36	01.04.1975	Director- Projects	33,26,350	Punjab Anand Batteries Ltd.
4.	Mr. Luthra Rajan	45	Company Secretary, Cost & work Accountant & Post Graduate Diploma in Personnel Management	26	28.04.1997	Financial Controller & Company Secretary	28,92,970	Talbro's Automotive Components Ltd.
B. Employed for a part of the period and in receipt of remuneration not less than Rs. 200,000/- per month.								
1.	Mr. Nanda Anil	55	Sr. Cambridge	34	01.07.1981	Chairman & Managing Director**	14,63,364	Intercontinent (Travancore) Pvt. Ltd. Manager
2.	Mr. Kolf Wilhelm Andreas	44	First Law Exam and Second Law Exam	11	12.06.2006	Executive Director-Operations***	84,08,282	Federal-Mogul GmbH, Germany
3.	Mr. Murdock Ray Rustin	47	Bachelor Degree in Accounting and Master Degree in Business Administration	15	01.07.2006	Director-Plant Finance***	84,84,101	Olympia Arena Inc.
4.	Mr. Narayanan Mohan	56	BSc. & MBA	34	22.08.2006	Executive Director-Application Engineering & Sales#	17,19,920	Goetze TP (India) Limited

* Mr. Arun Anand designated as Vice Chairman w.e.f. 22nd January, 2007.

** Mr. Anil Nanda resigned from the position of Managing Director w.e.f. 12th May, 2006 and continued as Non-Executive Chairman & Director of the Company till 22nd January, 2007.

*** Mr. Andreas Wilhelm Kolf and Mr. Rustin Ray Murdock have been deputed to the Company on secondment basis and their remuneration includes the remuneration received by them from their respective overseas Companies.

Mr. Mohan Narayanan was deputed to Goetze TP (India) Limited on secondment basis and came back in the Company w.e.f. 22nd August, 2006.

- Notes :**
1. Remuneration including salary, leave pay, commission/performance bonus, actual expenditure on rent free accommodation and benefits and amenities, contribution to provident fund, gratuity fund and superannuation fund.
 2. The Company has made application to the Central Government for the approval of the Managerial Remuneration paid to Mr. Anil Nanda and Mr. Arun Anand in excess of Section 198, 309 and Schedule XIII of the Companies Act, 1956.
 3. All appointments are contractual.

CORPORATE GOVERNANCE REPORT

1. PHILOSOPHY

Your Company's philosophy of Corporate Governance aims the attainment of the high level of transparency, integrity, accountability and fairness in all facets of its operations and is truly dedicated towards the welfare of its all stakeholders. It has always been an endeavour for your Company to achieve excellence in the field of Corporate Governance.

The composition of the Board of the Company is an appropriate mix of executive and independent directors with a rich experience in related sectors for providing strategic guidance to the Company. The Board ensures good corporate governance in practice and spirit.

2. BOARD OF DIRECTORS

a) **Composition:** The Board of Directors of the Company presently comprises of 6 Directors, which consists of 5 Non Executive Directors. Moreover 2 of the Non Executive Directors are Independent Directors. The Chairman of the Company is Non - Executive and one third of the Board comprises of Independent Directors.

b) **Details of Board Meetings held during the period 1st April to 31st December, 2006**

Date of Meeting	Board Strength	No. of Directors present	No. of Directors present through conference call
12th May, 2006	9	4	Nil
12th May, 2006	7	5	Nil
30th June, 2006	9	5	Nil
31st July, 2006	9	4	Nil
31st October, 2006	9	3	3

Note: The Board Meeting which was scheduled to be held on 21st December, 2006 was postponed due to the sudden demise of Dr. Brain L. Ruddy.

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

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

Name of the Directors	Category	For the period from 01.04.2006 to 31.12.2006 Attendance at		(As on date)		
		Board Meeting	Last AGM 27th Sept. 2006	Number of Directorships of other Indian Public Limited Companies (Note1)	Committee Memberships (Note 2)	
					Member	Chairman
Mr. Anil Nanda @ (upto 22.01.07)	CNED	2	No	NA	NA	NA
Mr. Arun Anand \$	MD & CEO	5	Yes	3	2	1
Dr. Brian L. Ruddy ^ (upto 20.12.06)	NED	Nil	No	NA	NA	NA
Mr. M. M. Sabharwal (upto 01.11.06)	NEID	5	Yes	NA	NA	NA
Mr. Rainer Jueckstock	NED	3	No	Nil	Nil	Nil
Dr. Ramesh C. Vaish (upto 19.01.07)	NEID	2	Yes	NA	NA	NA
Mr. Charles Polzin (from 12.05.06)	NED	Nil	No	Nil	Nil	Nil
Mr. Charles B. Grant (from 12.05.06)	NED	Nil	Yes	Nil	2	1
Mr. Mukul Gupta (from 12.05.06)	NEID	4	Yes	1	2	1
Mr. Jochen Stechow (upto 03.11.06)*	AD	Nil	No	NA	NA	NA
Mr. Vishvjeet Kanwarpal (from 22.01.07)	NEID	NA	NA	NA	2	Nil

@ Mr. Anil Nanda resigned from the Managing Directorship w.e.f 12th May, 2006. Thereafter, he continued as a Chairman & Non-Executive Director and resigned from the Board on 22nd January, 2007.

\$ Mr. Arun Anand was appointed as Managing Director & CEO, w.e.f. 1st July, 2006 vide resolution passed by the shareholders in the EGM held on 16th June, 2006. He was further appointed as Vice-Chairman in the Board meeting held on 22nd January, 2007.

* The office of Mr. Jochen Stechow, who was an alternate director to Mr. Rainer Jueckstock vacated w.e.f. 3rd November, 2006.

^ Dr. Brian L. Ruddy was suffering from an ailment since long and died on 20th December, 2006.

CNED: Chairman and Non-Executive Director

NEID: Non Executive Independent Director

MD & CEO : Managing Director & Chief Executive Officer

AD: Alternate Director

NED: Non Executive Director

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

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

Secretarial Standards relating to Meetings

The Company has endeavored to meet and conform to most of the requirements of Secretarial Standards - SS-1 relating to Board and Board Committee Meetings and SS-2 relating to General Meetings prescribed by The Institute of Company Secretaries of India (ICSI). These Standards are so far only recommendatory.

3. AUDIT COMMITTEE

a) Composition and Terms of Reference

During the period 1st April 2006 to 31st December 2006, the Audit Committee was reconstituted and it comprised of three Non-Executive Independent Directors and one Non-Executive Director viz. Mr. M. M Sabharwal (Chairman), Dr. Ramesh C. Vaish, Mr. Mukul Gupta (Non-Executive Independent Directors) and Mr. Charles B. Grant (Non-Executive Director).

On 22nd January, 2007, the Audit Committee was again reconstituted and at present it comprises of two Non-Executive Independent Directors and one Non-Executive Director viz. Mr. Mukul Gupta (Chairman), Mr. Vishvjeet Kanwarpal (Non-Executive Independent Directors) and Mr. Charles B. Grant (Non-Executive Director). Mr. Mukul Gupta is a tax consultant and has financial and accounting knowledge, whereas the other members of the Audit Committee also have good exposure to finance as well as general management. Mr. Charles B. Grant is a Certified Public Accountant and is a member of the Michigan Association of Certified Public Accountants.

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

b) Meetings and Attendance

The Audit Committee meetings were held 4 times during the year on 12th May, 2006, 30th June, 2006, 31st July, 2006 and 31st October, 2006. Representatives of the Management, Finance Department, Company Secretary, Statutory Auditors and Internal Auditors were also present at all the four meetings.

Audit Committee Members Attendance during the Accounting year 2006

Name	No. of meetings attended	No. of meetings attended through Conference Call
Mr. M.M.Sabharwal (Chairman)	4	Nil
Dr. Ramesh C. Vaish	2	Nil
Mr. Rajen A. Kilachand	Nil	Nil
Mr. Ranier Jueckstock	1	Nil
Mr. Mukul Gupta	4	Nil
Mr. Charles B. Grant	Nil	3

The Audit Committee meetings were also held on 12th May, 2006 for considering the appointment of M/s. S R Batliboi & Co. as Statutory Auditors of the Company for the Financial Year 2005-06 to fill the casual vacancy caused due to the resignation of M/s. S N Dhawan & Co. and on 30th June, 2006 which reviewed the audited financial results and Annual Accounts for the year ended 31st March, 2006 with the statutory auditors and recommended the same for the approval of the Board.

The Audit Committee meeting was reconstituted on 12th May, 2006 and then on 22nd January, 2007 and now it consist of Mr. Mukul Gupta as the Chairman, Mr. Charles B. Grant and Mr. Vishvjeet Kanwarpal as members.

4. REMUNERATION COMMITTEE

During the period 1st April, 2006 to 31st December, 2006, the Remuneration Committee of the Company was reconstituted and comprised of Mr. M.M. Sabharwal as Chairman, Dr. Ramesh C. Vaish, Mr. Rainer Jueckstock and Mr. Mukul Gupta as members, all four being Non-Executive Directors.

On 22nd January, 2007, the remuneration Committee was reconstituted again and at present it comprises of Mr. Vishvjeet Kanwarpal as Chairman, Mr. Rainer Jueckstock, Mr. Charles B. Grant and Mr. Mukul Gupta. The Remuneration Committee has been constituted to determine and review the remuneration packages of the Managing Director and/or Executive Director. The remuneration policy is in consonance with the existing industry practice.

During the year under review, the Remuneration Committee met on 12th May, 2006 and 30th June, 2006, to revise the remuneration of Mr. Arun Anand, to approve the remuneration paid to the Non-Executive Directors and to make the payment of remuneration to Mr. Anil Nanda and Mr. Arun Anand in excess of the limit prescribed under the Companies Act, 1956. Mr. M M Sabharwal & Dr. Ramesh C. Vaish attended this meeting.

Remuneration Committee Members Attendance during the Accounting year 2006

Name	No. of meetings attended
Mr. M.M.Sabharwal (Chairman)	2
Dr. Ramesh C. Vaish	1
Mr. Ranier Jueckstock	1
Mr. Mukul Gupta	2

Details of Remuneration to Directors for the period ended 31st December, 2006

Name of Executive Directors	Remuneration for the period from 01.04.2006 to 31.12.2006 (Rs. in lacs)*	Service contract	Notice Period	Severance Fees, if any								
Mr. Anil Nanda	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">- Salaries</td> <td style="text-align: right;">11.10</td> </tr> <tr> <td>- Contribution to Provident & Other funds</td> <td style="text-align: right;">3.53</td> </tr> <tr> <td>- Other Perquisites</td> <td style="text-align: right;">0.00</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">14.63</td> </tr> </table>	- Salaries	11.10	- Contribution to Provident & Other funds	3.53	- Other Perquisites	0.00		14.63	(Refer to Note 1)	N.A.	N.A.
- Salaries	11.10											
- Contribution to Provident & Other funds	3.53											
- Other Perquisites	0.00											
	14.63											
Mr. Arun Anand	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">- Salaries</td> <td style="text-align: right;">25.80</td> </tr> <tr> <td>- Contribution to Provident & Other funds</td> <td style="text-align: right;">8.21</td> </tr> <tr> <td>- Other Perquisites</td> <td style="text-align: right;">85.85</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">119.86</td> </tr> </table>	- Salaries	25.80	- Contribution to Provident & Other funds	8.21	- Other Perquisites	85.85		119.86	01.07.2006 to 30.06.2011 (Refer to Note 2)	30 days notice in writing by either party	As per the Employment Agreement.
- Salaries	25.80											
- Contribution to Provident & Other funds	8.21											
- Other Perquisites	85.85											
	119.86											

* In view of the losses incurred for the period ended 31st December, 2006, the Company will apply for obtaining approval of Central Government for the payment of the above remuneration as the minimum remuneration to the Managerial Personnel in accordance with Schedule XIII of the Companies Act, 1956.

- Notes: 1. Mr. Anil Nanda resigned from the Managing Directorship w.e.f 12th May, 2006 & therefore, his earlier service contract was terminated. Thereafter, he continued as a Chairman & Non-Executive Director and resigned from the Board on 22nd January, 2007.
2. Mr. Arun Anand was appointed as Managing Director & CEO of the Company in EGM held on 16th June, 2006 and his Service Contract as MD & CEO become effective from 1st July, 2006 to 30th June, 2011. He was further appointed as Vice-Chairman in the Board meeting held on 22nd January, 2007.
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 and Rs.10,000/- each for Committee meetings attended by them except for Share Transfer Committee and Shareholders/ Investor Grievance Committee. There are no other pecuniary relationships or transactions with the Company.
4. The Company does not have a stock option scheme.

5. RIGHT ISSUE COMMITTEE

In view of the proposed Right Issue, the Company has constituted a committee under the name of "Right Issue Committee" in the Board Meeting held on 22nd January, 2007.

The committee comprises of Mr. Charles B. Grant as Chairman, Mr. Arun Anand, Mr. Mukul Gupta and Mr. Vishvjeet Kanwarpal as members. The committee met on 2nd March, 2007 to approve the amendments in the Draft Letter of Offer and to fix the price band for the proposed Right Issue.

6. SHAREHOLDERS/INVESTOR GRIEVANCE COMMITTEE

- The Shareholders/Investors Grievance committee of the Company during the period 1st April, 2006 to 31st December, 2006, comprised of Mr. M.M. Sabharwal (Chairman) & Dr. Ramesh C. Vaish being the Non-Executive Independent Directors and Mr. Arun Anand being the Executive Director.
- At present, it comprises of Mr. Charles B. Grant (Chairman), Mr. Mukul Gupta and Mr. Vishvjeet Kanwarpal being the Non-Executive Directors and Mr. Arun Anand being the Executive Director.
- Company Secretary of the Company is the compliance officer nominated for this purpose.
- The Committee looks into the redressal of shareholders/investor grievances, if any, like delay in transfer/ transmission/demat of share; loss of share certificates; non-receipt of Annual Report; Dividend Warrants etc. The Committee met 3 times during the year i. e. on 12th May, 2006, 30th June, 2006 and 31st July, 2006.
- No Investor Complaints were received from Stock Exchanges/SEBI. However, few correspondence was received from SEBI stating six (6) number of complaints/ grievances from Investors are pending. Neither the Company nor Alankit Assignments Limited, our Registrar & Share Transfer Agent (RTA), received any letter, correspondence or any other document from the investors in this regard. Our RTA have asked from SEBI, the copies of complaint letters of Investors and also made correspondence with the respective Investors regarding their grievances and reply is awaited received from SEBI and Investors.
- 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.
- Pending Share Transfer/ Demat Requests: There were 60 requests pending for 839 shares for Share Transfer or Transmission as on 31st December, 2006, which were cleared on 5th January, 2007. Further, there were 29 requests pending for 2980 shares for demat as on 31st December, 2006, which were cleared on 2nd January, 2007 & 5th January, 2007 respectively.
- As per the provisions of Section 205A, read with Section 205C of the Companies Act, 1956 the Company is required to transfer unpaid dividend, matured deposits, interest thereon remaining unclaimed and unpaid for a period of 7 years from the due date to the Investor Education and Protection Fund set up by the Central Government. During the period under review the Company has credited a sum of Rs.4,03,340/- to Investor Education and Protection Fund pursuant to the said provisions.

7. ANNUAL GENERAL MEETINGS

Year	Location	Date & Time	Whether any special resolution passed
49th AGM (2003-2004)	FICCI Golden Jubilee Auditorium, Tansen Marg, New Delhi - 110 001.	24th September, 2004 11.30 A.M.	Yes
50th AGM (2004-2005)	---do---	23rd September, 2005 11.30 A.M.	No
51st AGM (2005-2006)	---do---	27th September, 2006 11.30 A.M.	Yes

Postal Ballot: During the period ended 31st December 2006, there have been no resolutions passed by the Company's shareholders through postal ballot. At the ensuing Annual General Meeting, there is no resolution proposed to be passed by postal ballot.

8. DISCLOSURES

- Disclosure on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large - None of the transactions with any of the related parties were in conflict with the interest of the Company.
- Details of number of Shares & Convertible Instruments held by Non-Executive Directors - During the period under review, Mr. M M Sabharwal held 6037 shares of the Company. As on date, no Non-Executive Director hold any share in the Company.
- 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. - None
- Whistle Blower Policy - The Company does not have Whistle Blower Policy (constitution of which is a non-mandatory requirement). However, there is a transparent and effective mechanism within the organization in line with this policy. Further, no person has been denied access to the Audit Committee during the period ended 31st December, 2006.
- Details of Compliance with mandatory requirements and adoption of the non-mandatory requirements - 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 Office of Chairman is held by Non-executive Director.
 2. There is also a Remuneration Committee in accordance with the provisions of Clause 49.

9. MEANS OF COMMUNICATION

Whether the half yearly report for the six months ended 30th September, 2006 was sent to each household of the Shareholders

Quarterly Results

Whether presentations were made to Institutional Investors or to the analysts

- No, as the same was not mandatory.
- Quarterly/Half Yearly Financial Results of the Company were considered and approved by the Directors and the same were communicated to Stock Exchanges on the same day. During the period under review, these results were generally published in one English Daily i.e. Business Standard, Delhi and one Hindi Daily i.e Hindustan, Delhi.
The results are available on the Company's website at www.goetzeindia.net.
- The above results were discussed with the Institutional Investors/ analysts.

10. GENERAL SHAREHOLDERS INFORMATION

a. 52nd Annual General Meeting

- Date and Time
- Venue

27th June, 2007, 10.00 A.M.
FICCI Golden Jubilee Auditorium,
Tansen Marg, New Delhi- 110 001.

b. Financial Calendar (Tentative)

- Results for the quarter ending March 31, 2007
 - Results for the quarter/half year ending June 30, 2007
 - Results for the quarter/period ending September 30, 2007
 - Results for the quarter/year ending December 31, 2007
 - Annual General Meeting for the year ending December 31, 2007
- Last Week of April 2007
Last week of July 2007
Last week of October 2007
Last week of March 2008
Last week of June 2008

- c. Book Closure date
d. Dividend Payment date
e. Listing of Equity Shares

13th June 2007 to 27th June 2007 (both days inclusive)
N.A.

- **Bombay Stock Exchange Limited**
Phiroze JeeJee Bhoy Towers,
Dalal Street, Mumbai - 400 001
- **The National Stock Exchange of India Ltd.,**
Exchange Plaza, Bandra Kurla Complex,
Bandra (East) Mumbai - 400 001
(See Note)
Mumbai Stock Exchange-505744
National Stock Exchange-FMGOETZE
INE 529A01010
INE 529A01010

- f. Stock Code

ISIN No. - NSDL
- CDSL

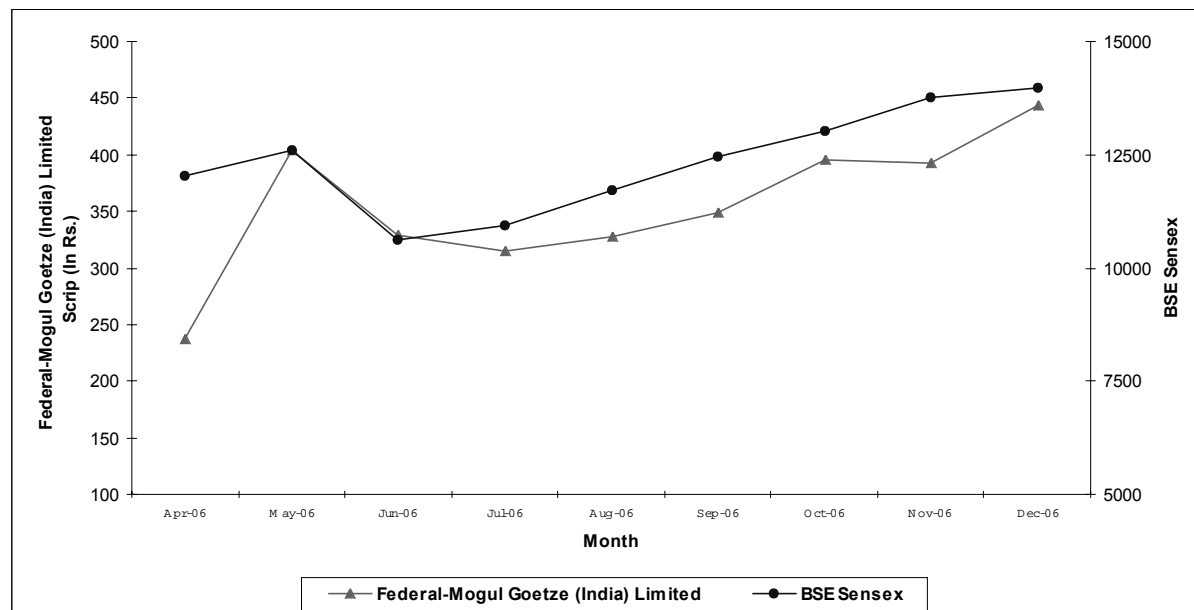
Note: Listing Fees for the year 2007-08 has been paid to both, Bombay Stock Exchange Limited and National Stock Exchange. Annual custodian charges of Depository have also been paid to NSDL and CDSL.

g. Stock Market Data*

Month	The Stock Exchange, Mumbai				National Stock Exchange			
	Goetze Share Price (Rs.)		Sensex		Goetze Share Price (Rs.)		S&P CNX Nifty	
	High	Low	High	Low	High	Low	High	Low
April 2006	236.70	201.00	12042.56	11237.23	235.00	187.50	3598.95	3290.35
May 2006	403.80	211.15	12612.38	10398.61	405.00	212.00	3774.15	2972.90
June 2006	329.50	216.00	10609.25	8929.44	339.00	214.60	3134.15	2595.65
July 2006	315.00	275.40	10930.09	10007.34	314.80	272.50	3208.85	2878.25
Aug. 2006	327.70	269.00	11723.92	10751.66	330.00	271.00	3452.30	3113.60
Sept. 2006	349.00	292.00	12454.42	11550.69	349.80	257.80	3603.70	3328.45
Oct. 2006	395.00	332.05	13024.26	12204.01	394.00	330.00	3782.85	3508.65
Nov. 2006	393.00	324.00	13773.59	13072.51	447.00	284.85	3976.80	3737.00
Dec. 2006	444.00	349.00	13972.03	12995.02	458.80	419.65	4046.85	3657.65

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

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



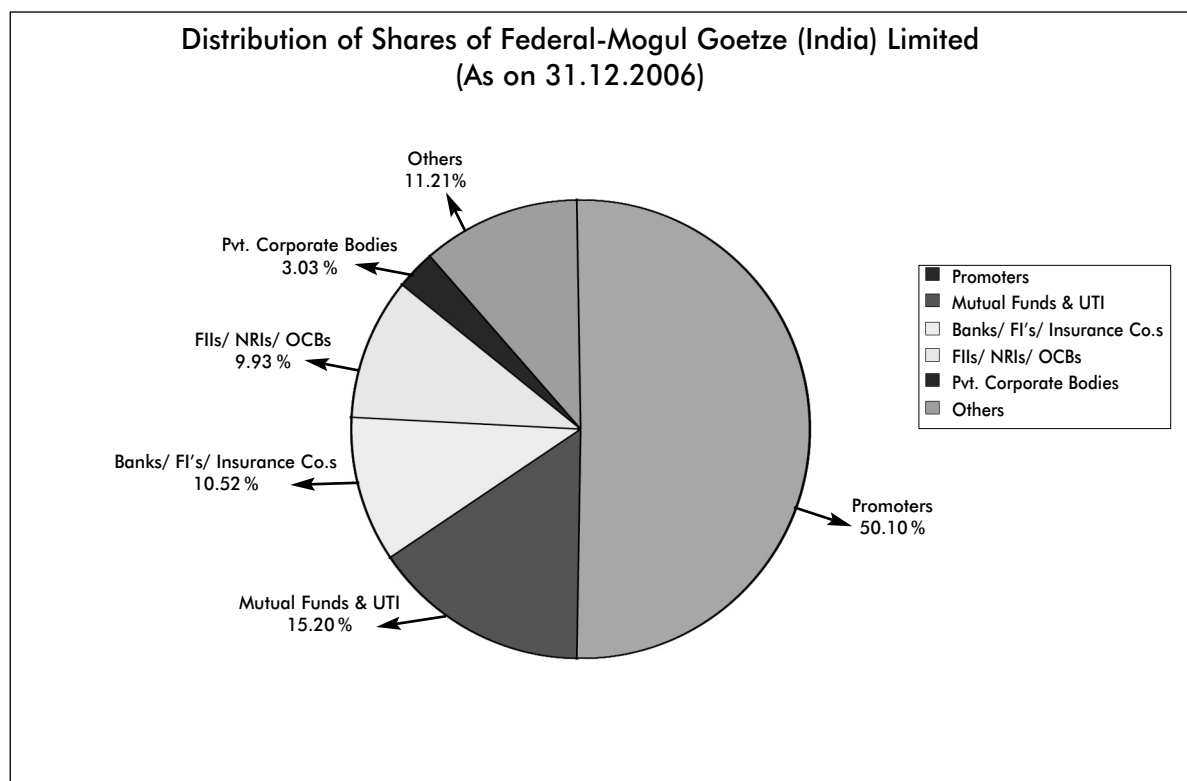
i. Share Transfer System

- Alankit Assignments Limited, RTA Division, "Alankit House", 2E/21, Jhandewalan Extension, New Delhi-110 055 is acting as the Registrar and Share 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. At present, the Share Transfer Committee comprises of Mr. Arun Anand, Chairman, Mr. Mukul Gupta and Mr. Vishvjeet Kanwarpal. 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 18 times during the period ended on 31st December, 2006 for approving transfers, transmission etc.
- Pursuant to clause 47(c) of the Listing Agreement with the Stock Exchanges, certificates for the period ended 30th September, 2006 & 31st December, 2006, have been issued by the Company Secretary in practice for due compliance of share transfer formalities by the Company.
- Pursuant to SEBI (Depositories and Participants) Regulations, 1996, certificates have also been received from a Chartered Accountant in practice for timely dematerialisation of the shares of the Company and also a Secretarial Audit Report obtained from a Practising Chartered Accountant on a quarterly basis for the reconciliation of the share capital of the Company.

j. Distribution Schedule as on 31.12.2006

A) On the basis of shares held

No. of shares	No. of share holders	Percentage (%) to total share holders	No. of shares held	Percentage (%) to total shares held
UPTO 500	19323	95.93	1756198	6.95
501 - 1000	465	2.31	344290	1.36
1001 - 2000	196	0.97	273801	1.08
2001 - 3000	46	0.23	111176	0.44
3001 - 4000	18	0.09	62806	0.25
4001 - 5000	19	0.09	87690	0.35
5001 - 10000	30	0.15	221070	0.87
ABOVE 10001	46	0.23	22430518	88.70
TOTAL	20143	100.00	25287549	100.00



B) On the basis of Category

Category	No. of share holders	Percentage (%) to total share holders	No. of shares held	Percentage (%) to total shares held
Individuals	19471	96.66	2829938	11.19
Corporate Bodies	436	2.17	766043	3.03
Financial Institutions / Mutual Funds/ Banks	25	0.13	3897916	15.41
Non-Resident Indians	178	0.88	100406	0.40
Foreign Institutional Investors/ Overseas				
Corporate Bodies	19	0.09	2411570	9.54
Non-Resident Company	2	0.01	12669437	50.10
Others	12	0.06	2612239	10.33
Total	20143	100.00	25287549	100.00

k. **Dematerialization of shares and Liquidity**

As on 31st December 2006, 71.35% of the Equity Capital of the Company has been dematerialized. The shares of the company are traded on Bombay Stock Exchange Limited Mumbai and The National Stock Exchange of India Limited and have good liquidity.

l. **Outstanding GDR's / ADR's / Warrants Or any convertible instruments, conversion date and likely impact on equity.**

None

m. **Plant Locations :**

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

n. **Registered office:**

A-26/3 Mohan Co-operative Industrial Estate, New Delhi-110 044
Tel No: 011-41497600 / Fax No.: 011-41497601
email: investor.grievance@federalmogul.com
Website: www.goetzeindia.net

o. **Registrar and Share Transfer Agent**

Alankit Assignments Limited
"ALANKIT HOUSE", 2E/21, Jhandewalan Extension, New Delhi-110 055
Tel. No: 011-23541234, 42541234/ Fax No.: 011-23552001, 42541201

p. **Compliance Officer:**

Mr. Rajan Luthra, Financial Controller and Company Secretary

For and on behalf of the Board

ARUN ANAND
Vice Chairman, Managing Director & CEO

MUKUL GUPTA
Director

Date : 23rd March, 2007
Place : New Delhi

DECLARATION OF CEO

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.goetzeindia.net. Further certified that the Members of the Board and Senior Management Personnel have affirmed their compliance with the Code for the period ended 31st December, 2006.

ARUN ANAND
Vice Chairman, Managing Director & CEO

Date : 23rd March, 2007
Place : New Delhi

CERTIFICATE ON CORPORATE GOVERNANCE

BHAVANA KAUSHAL SINGH
COMPANY SECRETARY

109, ASHOKA ENCLAVE
PART 1, FARIDABAD
HARYANA - 121003
Ph. No. 09370144463

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

For the purposes of this certification the compliance of conditions of Corporate Governance of Federal-Mogul Goetze (India) Limited for the period April to December, 2006, as stipulated in Clause 49 of the Listing Agreement of Company with the Stock Exchange in India, have been examined.

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 my 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.

I state that in respect of Investors grievances received during the period April to December 2006, no investor grievances are pending against the Company for the period exceeding one month as per the records maintained by the Company which are presented to the shareholders/Investor Grievance Committee. However, the Company received few correspondence from SEBI stating six (6) number of complaints/ grievances from Investors are pending. The Company has confirmed that neither the Company nor its Registrar and Share Transfer Agents have received any correspondence in this regard from investors. The Company has however taken requisite steps to redress those grievances with SEBI and the concerned investors

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

Sd/-
BHAVANA KAUSHAL SINGH
Company Secretary
Certificate of Practice No. 7400

Place : New Delhi
Date : 23rd March, 2007

AUDITORS' REPORT

To The Members of Federal-Mogul Goetze (India) Limited (formerly Goetze (India) Limited)

1. We have audited the attached Balance Sheet of Federal-Mogul Goetze (India) Limited (formerly Goetze (India) Limited) as at December 31, 2006 and also the Profit and Loss Account and the cash flow statement for the period 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 (Auditors 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. *Personnel costs and operating and other expenses under Schedule 19 and 20 include Rs.99.16 lakh and Rs.7.89 lakh respectively towards directors remuneration, which is in excess of permissible remuneration determined under Schedule XIII of the Companies Act, 1956. Management has confirmation from these directors that they shall refund these amounts, to the extent of these being not approved by the Central Government. The*

Company is preparing necessary application to the central government for obtaining the above mentioned approval.

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 written representations received from the directors as on 31st December, 2006 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st December, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
 - (vi) *Subject to our comments in paragraph 4 above relating to amounts recoverable from directors towards excess remuneration, 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, 2006;
- b) in the case of the profit and loss account, of the loss for the period ended on that date, and
- c) in the case of cash flow statement, of the cash flows for the period ended on that date.

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

Per Pankaj Chadha
Partner

Place : Gurgaon Membership No. 91813
Date : March 23, 2007

Annexure referred to in paragraph 3 of our report of even date.

Re: Federal-Mogul Goetze (India) Limited

- 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 have not been physically verified by the management during the period. There is a regular programme of verification under which the company selectively conducts physical verification of fixed assets to cover all its assets over a period of 3 years, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As per the above programme, part of the fixed assets have been physically verified by the management during the period and as informed, discrepancies which were not material have been properly dealt in the books of accounts.

- (c) During the year, the company has disposed off a substantial part of the plant and machinery. Based on the information and explanation given by the management and on the basis of audit procedures performed by us, we are of the opinion that the sale of the said part of plant and machinery has not affected the going concern status of the company.
- 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 carried out at the end of the period.
- iii. (a) The Company has granted loan to two companies covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the period was Rs 1,500 lakh and the year-end balance of loans granted to such parties was Rs.798 lakh.
- (b) In our opinion and according to the information and explanations given to us, *interest free loan of Rs.798 lakh granted to one company is prima facie prejudicial to the interest of the company*, other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.
- (c) In respect of loans granted, repayment of the principal amount is as stipulated and payment of interest have been regular.
- (d) Based on our audit procedures and the information and explanation made available to us, in case where overdue amount is more than rupees one lakh, reasonable steps have been taken by the Company for recovery of the principal.
- (e) The Company had taken loan from three companies covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the period was Rs. 3,165 Lakh and the year-end balance of loans taken from such parties was Rs. Nil.
- (f) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.
- (g) In respect of loans taken, repayment of the principal amount is as stipulated and payment of interest has been regular.
- 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 sale of goods/services and for the purchase of inventory and fixed assets. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
- v. (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act, that need to be entered into the register maintained under section 301 have been so entered.
- (b) In respect of transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lakh entered during the financial period, 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 during the period.
- vii. The company has employed an external internal auditing firm to carry its internal audit. In our opinion *the scope and coverage of such Internal Auditing can be further 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) Undisputed statutory dues 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 have been regularly deposited with the appropriate authorities.
- 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, 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	6.97	1998-1999	Deputy Commissioner of Central Excise, Patiala, Punjab
Central Excise Act	Excise Duty	1.00	1997-1998	Deputy Commissioner of Central Excise, Patiala, Punjab
Central Excise Act	Excise Duty	1.85	1997-1998	Deputy Commissioner of Central Excise, Patiala, Punjab
Central Excise Act	Excise Duty	0.80	1998-1999	Deputy Commissioner of Central Excise, Patiala, Punjab
Central Excise Act	Excise Duty	3.33	2001-2002	Additional Commissioner of Central Excise,
Central Excise Act	Excise Duty on Turnover Discount	26.08	2001-2002	Central Excise and Service Tax Appellant Tribunal
Central Excise Act	Excise Duty on Turnover Discount	23.96	2001-2002	Central Excise and Service Tax Appellant Tribunal
Central Excise Act	Excise Duty on Turnover Discount	18.36	2002-2003	Central Excise and Service Tax Appellant Tribunal
Central Excise Act	Excise Duty on Turnover Discount	17.76	2002-2003	Central Excise and Service Tax Appellant Tribunal
Central Excise Act	Excise Duty on Turnover Discount	43.43	2003-2004	Central Excise and Service Tax Appellant Tribunal
Central Excise Act	Excise Duty on Turnover Discount	44.12	2004-2005	Central Excise and Service Tax Appellant Tribunal
Central Excise Act	Excise Duty on Turnover Discount	49.55	2000-2001 to 2004-2005	Central Excise and Service Tax Appellant Tribunal
Central Excise Act	Excise Duty on Turnover Discount	33.74	2000-2001 to 2003-2004	Additional Commissioner of Central Excise,
Central Excise Act	Service Tax	39.95	1999-2000 to 2004-2005	Additional Commissioner of Central Excise, Chandigarh
Central Excise Act	Excise Duty	1.18	1995-1996	Deputy Commissioner of Central Excise, Patiala, Punjab
Central Excise Act	Excise Duty	1.36	2003-2004	Central Excise and Service Tax Appellant Tribunal
Central Excise Act	Excise Duty	1.32	2004-2005	Appeal to be filed
Central Excise Act	Excise Duty	40.79	2005-2006	Central Excise and Service Tax Appellant Tribunal
Central Excise Act	Excise Duty	30.67	1988-1994	Punjab & Haryana High Court
Central Excise Act	Excise Duty	0.35	1994-1995	Punjab & Haryana High Court
Central Excise Act	Excise Duty	7.20	2004-2006	Deputy Commissioner of Central Excise, Patiala, Punjab
Central Excise Act	Excise Duty	6.76	2005-2006	Commissioner Appeals, Chandigarh
Central Excise Act	Excise Duty	34.11	2000-2003	Additional Commissioner of Central Excise,
Central Excise Act	Excise Duty	5.59	1995-1996 to 2002-2003	Central Excise and Service Tax Appellant Tribunal
Central Excise Act	Excise Duty	9.37	2000-2001	Joint Commissioner of Central Excise,
Central Excise Act	Excise Duty	9.34	1987-1990	Punjab & Haryana High Court
Central Excise Act	Excise Duty	12.95	2001-2002	Punjab & Haryana High Court
Central Excise Act	Excise Duty	15.14	2000-2002	Supreme Court
Central Excise Act	Excise Duty	0.83	2004-2005	Deputy Commissioner of Central Excise
Central Excise Act	Excise Duty	18.01	2004-2005	Joint Commissioner of Central Excise
ESI Act	ESI	18.06	2001-2002	Civil Court
ESI Act	ESI	4.62	1988-1989	Supreme Court
ESI Act	ESI	15.55	1989-1990 to 2004-2005	ESI Court
ESI Act	ESI	59.71	1990-1991 to 2005-2006	Assessing officer
Karnataka Sales Tax Act	Local Sales Tax	233.96	1996-1997 to 2001-2002	Karnataka High Court
Central Sales Tax Act	Central Sales Tax	38.39	1999-2000	Karnataka High Court
Entry Tax	Sales Tax	20.85	2002-2007	Additional Commissioner Commercial taxes & Investigation-Entry Tax
Income Tax Act	Income tax	60.15	2003-2004	Commissioner Income Tax (Appeals)

- x. The Company's accumulated losses at the end of the financial period are less than fifty per cent of its net worth and it has not incurred cash losses in the current and immediately preceding financial year.
- xi. Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- xii. According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- xiv. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- xv. According to the information and explanations given to us, the Company has 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 period.
- xx. The Company has not raised any money through a public issue during the period.
- 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

Place : Gurgaon
Date : March 23, 2007

Per Pankaj Chadha
Partner
Membership No. 91813

BALANCE SHEET as at December 31, 2006

	Schedules	As at 31.12. 2006 Rs. in Lacs	As at 31.03.2006 Rs. in Lacs
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	2528.75	2528.75
Reserves and Surplus	2	7592.65	7592.65
		10121.40	10121.40
Loan Funds			
Secured Loans	3	25379.10	32942.42
Unsecured Loans	4	11064.95	6018.29
		36444.05	38960.71
Total		46565.45	49082.11
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	53387.52	49462.07
Less : Accumulated Depreciation		19748.47	17238.83
Net Block		33639.05	32223.24
Capital Work-in-Progress including Capital Advances		1797.31	650.34
		35436.36	32873.58
Investments			
Deferred Tax Assets-(Net)	6	2135.18	2243.40
	7	-	-
Current Assets, Loans and Advances			
Inventories	8	13230.85	13484.75
Sundry Debtors	9	7319.80	6839.04
Cash and Bank Balances	10	48.99	105.15
Other Current Assets	11	56.17	103.28
Loans and Advances	12	3153.15	3065.46
Less: Current Liabilities and Provisions			
Current Liabilities	13	14778.15	8895.98
Provisions	14	1132.45	1200.77
		15910.60	10096.75
Net Current Assets		7898.36	13500.93
Miscellaneous Expenditure			
(to the extent not written off or adjusted)	15	-	-
Debit Balance in Profit and Loss Account		1095.55	464.20
Total		46565.45	49082.11
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 attached
For S.R. Batliboi & Co.
Chartered Accountants

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

Place : Gurgaon
 Date : March 23, 2007

For and on behalf of the Board of Directors

ARUN ANAND
 Vice Chairman, Managing Director & CEO

RAJAN LUTHRA
 Financial Controller & Company Secretary
 New Delhi

MUKUL GUPTA
 Director

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED DECEMBER 31, 2006

Schedules	For the period ended 31.12.2006 Rs. in Lacs	For the year ended 31.03.2006 Rs. in Lacs
Income		
Turnover (Gross)	45002.36	51236.30
Less : Excise Duty	6261.26	6689.17
Turnover (Net)	38741.10	44547.13
Job work Income	526.18	839.53
Other Income	1281.28	1215.38
16	40548.56	46602.04
TOTAL		
Expenditure		
Raw Materials and Components Consumed	17 11799.28	13453.81
Personnel Expenses	18 9314.40	11006.83
Operating and Other Expenses	19 14212.12	22693.01
Decrease/(Increase) in Inventories	20 886.63	(3603.48)
Depreciation and Amortisation	5 2819.65	3417.02
Provision for Impairment Losses on Assets held for Sale	-	258.07
Increase of Excise Duty on Finished Goods	(286.94)	466.83
Financial Expenses	21 2613.34	3302.68
Less: Expenditure Capitalised for Self Constructed Assets	248.87	604.92
	41109.61	50389.85
Profit before Tax and Prior Period Items		
	(561.05)	(3787.81)
Provision for Tax (includes Rs 9.30 lacs, Previous Year Rs 229.94 lacs relating to earlier years)	9.30	229.94
Fringe Benefit Tax	61.00	150.00
Deferred - Tax (Previous Year Rs 430.80 pertaining to earlier years)	-	430.80
Total Tax Expense	70.30	810.74
Profit / (Loss) After Tax But Before Prior Period Item		
Prior Period Items	22 -	(4598.55) 457.00
Net Profit / (Loss)		
	(631.35)	(5055.55)
Balance brought forward from previous year	(464.20)	2531.59
(Loss) / Surplus Carried to Balance Sheet		
	(1095.55)	(2523.96)
(Loss)/ Surplus Carried to Balance Sheet		
	(1095.55)	(2523.96)
Adjusted against General Reserve		
	-	(2059.76)
(Loss)/ Surplus Carried to Balance Sheet		
	(1095.55)	(464.20)
Earnings/(Loss) per share		
Basic and diluted [Nominal value of shares Rs.10 (Previous year Rs.10)]	23 (2.50)	(19.99)
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 attached
For **S.R. Batliboi & Co.**
Chartered Accountants

For and on behalf of the Board of Directors

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

ARUN ANAND
Vice Chairman, Managing Director & CEO

MUKUL GUPTA
Director

RAJAN LUTHRA
Financial Controller & Company Secretary
New Delhi

Place : Gurgaon
Date : March 23, 2007

SCHEDULES 1-24

Schedule 1 : Share Capital

	As at 31.12.2006 Rs. in Lacs	As at 31.03.2006 Rs. in Lacs
Authorised		
80,000,000 (Previous Year 80,000,000) equity shares of Rs.10 each	8000.00	8000.00
Issued		
25,287,549 (Previous Year 25,287,549) equity shares of Rs.10 each	2528.75	2528.75
Subscribed		
25,287,549 * (Previous Year 25,287,549) equity shares of Rs.10 each, fully paid	2528.75	2528.75
	2528.75	2528.75

* Of the above Equity Shares:

- 12,52,680 (Previous Year-12,52,680) equity shares have been allotted as Bonus Shares by capitalisation of General Reserve.
- 84,29,183 (Previous Year-84,29,183) 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.

Schedule 2 : Reserves and Surplus

	As at 31.12.2006 Rs. in Lacs	As at 31.03.2006 Rs. in Lacs
Capital Reserve	56.55	56.55
Capital Subsidy	1.12	1.12
Revaluation Reserve Account		
As per last Balance Sheet	-	1144.09
Less: Transferred to Profit and Loss account		
Depreciation	-	-
on Assets Sold/ Discarded	-	-
Other Adjustments	-	1144.09
Securities Premium Account	6534.98	6534.98
Capital Redemption Reserve	1000.00	1000.00
General Reserve		
Balance as per last account	-	2059.76
Add: Transfer from/ debit balance in Profit and Loss account	-	(2059.76)
	7592.65	7592.65
Profit and Loss Account	-	-
	7592.65	7592.65

SCHEDULES 1-24 (Contd.)

Schedule 3 : Secured Loans

Loans and Advances from Banks		
Term Loans	19792.66	25169.82
Vehicle Loans from Banks	149.00	179.33
Working Capital Loans from Banks	5278.99	3665.98
Customer Bills Discounted with Banks	134.54	3909.92
Interest Accrued and Due	23.91	17.37
	25379.10	32942.42

1. Term loans repayable within one year Rs.11423.75 lakh (Previous Year Rs 14,038.33 lakh)
2. Term loans from banks are secured by
 - Rs.5,668.16 lakh (Previous Year 8,134.38 lakh) are secured by a first charge ranking pari-passu inter-se on the immovable and movable fixed assets of the Company.
 - Rs.Nil (previous Year Rs.412.50 lakh) are secured / to be secured by a first charge on the movable fixed assets of the Company.
 - Rs.Nil (Previous Year Rs.229.82 lakh) are secured by a first pari-passu charge on the immovable and movable fixed assets consisting of plant and machinery, land and building, stores and spares of the Company's factories situated at Patiala (Punjab) and Bangalore (Karnataka).
 - Rs.Nil (Previous Year Rs.2,000 lakh) are secured by a second subservient charge on the movable fixed assets of the Company situated at Patiala (Punjab) Bangalore (Karnataka) and Bhiwadi (Rajasthan).
 - Rs.3,750 lakh (Previous Year Rs.5,000 lakh) are secured by first pari-passu charge on the entire block of fixed assets and second charge over current assets to cover the uncovered portion.
 - Rs.2,624.50 lakh (Previous Year Rs.3,208 lakh) are secured by first pari-passu charge with all secured lenders on the entire assets of the Company.
 - Rs.Nil (Previous Year Rs.1,497.62 lakh) are secured by first pari-passu charge on all fixed assets excluding land, buildings and vehicles, with other term lenders.
 - Rs.2,500 lakh (Previous Year Rs.2,500 lakh) are secured by first pari-passu mortgage and charge on the entire movable and immovable fixed assets excluding specific items of fixed assets having exclusive charge, if any.
 - Rs.1,250 lakh (Previous Year Rs.2,187.50 lakh) are secured by first pari-passu charge on current assets and second pari-passu charge on fixed assets.
 - Rs.1,000 lakh (Previous Year Rs.Nil) are secured against hypothecation of stocks of raw materials, stores, semi finished goods, finished goods and book debts both.
 - Rs.3,000 lakh (Previous Year Rs.Nil) 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.149 lakh (Previous Year Rs.179.33 lakh) from banks are secured by way of hypothecation of the underlying vehicles.
4. Working capital loans from banks are secured against hypothecation of stocks of raw materials, stores, semi finished goods, finished goods and book debts both present and future.

SCHEDULES 1-24 (Contd.)
Schedule 4 : Unsecured Loans

	As at 31.12.2006 Rs. in Lacs	As at 31.03.2006 Rs. in Lacs
Unpaid Fixed Deposits	8.75	18.29
Short Term Loans and Advances :		
- From Scheduled Banks *	8556.20	6000.00
- From Others	2500.00	-
	11064.95	6018.29

* Includes Rs.6000 lakh (Previous Year-Rs.4,000 lakh) Commercial Papers. Maximum amount outstanding during the year Rs.9,000 lakh (Previous Year-Rs.9,000 lakh).

Schedule 5 : Fixed Assets

	(Rs. in Lacs)								
	Free hold Land	Lease hold Land	Buildings	Furniture & fittings and office equipments	Plant and machinery	Vehicles	Intangibles*	Total	Previous Year
Gross block									
At April 1, 2006	1535.82	184.25	7923.19	1824.21	36887.36	744.94	362.31	49462.08	49698.23
Additions *	-	-	5.38	77.27	4554.40	84.11	131.70	4852.86	5458.93
Deductions	50.66	-	584.51	44.00	208.55	39.70	-	927.42	2074.67
Less Adjusted Against Revaluation Reserve									3620.42
At Dec. 31, 2006	1485.16	184.25	7344.06	1857.48	41233.21	789.35	494.01	53387.52	49462.07
Depreciation/Amortisation									
At April 1, 2006	-	2.00	1661.50	795.58	14439.72	180.11	159.92	17238.83	17431.80
For the year	-	1.55	191.19	104.44	2282.17	181.57	58.73	2819.65	3417.02
Deletions / Adjustments	-	-	162.44	36.36	93.56	17.65	-	310.01	1133.66
Less: Adjusted Against Revaluation Reserve									2476.33
At Dec. 31, 2006	-	3.55	1690.25	863.66	16628.33	344.03	218.65	19748.47	17238.83
For Previous Year	-	2.00	253.56	143.04	2850.65	95.31	72.46	3417.02	
Net Block									
At Dec. 31, 2006	1485.16	180.70	5653.81	993.82	24604.88	445.32	275.36	33639.05	
At March 31, 2006	1535.82	182.25	6261.69	1028.63	22447.64	564.83	202.39	32223.25	
Capital Work-in-Progress including Capital Advances Rs.442 lakh (Previous Year Rs.118.41 lakh)								1797.31	650.34

Notes:

- Additions includes foreign exchange capitalised Rs.8 lakh (Previous year Rs.5 lakh).
- Land includes(at cost) Rs.900.65 lakh (Previous Year Rs.900.65 lakh) pending registration in the name of the Company.
- Buildings include (at Cost)
 - Rs.101.38 lakh (Previous Year Rs.101.38 lakh) Residential flats pending registration in the name of the Company.
 - Rs.1261.39 lakh (Previous Year Rs.1261.39 lakh), Constructed on land pending registration in the name of the Company.
- * Includes Patents and Trade marks valued at Re.1.

SCHEDULES 1-24 (Contd.)

Schedule 6 : Investments

	As at 31.12.2006 Rs. in Lacs	As at 31.03.2006 Rs. in Lacs
Long Term (At Cost)		
A Subsidiary Companies		
Unquoted fully paid up		
(i) 51,00,000 (Previous Year-51,00,000) Equity Shares of Rs.10 each in Goetze TP (India) Ltd	510.00	510.00
(ii) 5,10,000 (Previous Year-5,10,000) 6% Redeemable Cumulative Preference Shares of Rs.100 each in Goetze TP (India) Ltd	510.00	510.00
(iii) 50,000 (Previous Year-50,000) Equity Shares of Rs.10 each in Satara Rubbers & Chemicals Ltd.	201.00	201.00
Less : Provision for diminution in the value of investment	(201.00)	(126.69)
	1.42	1.42
B Government Securities		
National Savings Certificates*	1.42	1.42
C Other Investments		
(i) GI Power Corporation Limited (Non trade unquoted)		
a 38,89,600 (Previous Year-38,89,600) Equity Shares of Rs.5 each, fully paid	194.48	194.48
b 2,030,600 (Previous Year-20,30,600) 10% Redeemable Cumulative Preference Shares of Rs.5 each fully paid	33.78	67.69
c 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 (Non trade unquoted)		
9,23,000 (Previous Year-9,23,000) Equity Shares of Rs.5 each fully paid	46.15	46.15
Less : Provision for diminution in the value of investment	(46.15)	(46.15)
(iii) Nanz Food Products Limited (Non trade unquoted)		
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)
Current Investments (quoted) (At lower of cost & market value)		
Unit Trust of India		
9,058 (Previous Year 9,058) 6.75% Tax free US 64 Bonds of Rs.100 each fully paid in Unit Trust of India	9.06	9.06
	2135.18	2243.40
* The investment is pledged with Sale Tax Authorities	9.06	9.06
Aggregate value of quoted investments		
Market value Rs.9.06, Previous Year Rs.9.06 lakh		
A Following Investments were purchased during the year		
(i) Nil, Previous Year (3,151,200) Equity Shares of Rs.5 each fully paid in GI Power Corporation Limited (cost Rs.157.56 lakh). Out of these, 2,471,200 Equity Shares of Rs.5 each fully paid were purchased on conversion of 8% Cumulative Convertible Redeemable Preference Shares of Rs.5 each, fully paid.)		
B Following Investments were sold/ converted during the year		
(i) Nil, Previous Year sold (529,486) equity shares of Rs.10 each, fully paid in Escorts Limited.		
(ii) Nil, Previous Year converted (2,471,200), 8% Cumulative Redeemable Preference Shares of Rs.5 each fully paid in GI Power Corporation Limited.		
C 10% Redeemable Cumulative Preference Shares of Rs.5 each fully paid are Redeemable on following terms:		
- on June 30, 2005		Rs.1.67 per share
- on June 30, 2006		Rs.1.67 per share
- on June 30, 2007		Rs.1.67 per share
Company has received Rs.1.67 per share on its 2,030,600 Preference Shares due on June 30, 2006		

SCHEDULES 1-24 (Contd.)
Schedule 7 : Deferred Tax Assets

	As at 31.12.2006 Rs. in Lacs	As at 31.03.2006 Rs. in Lacs
Deferred Tax Liabilities		
Differences in Depreciation in Block of Fixed Assets as per Tax Books and Financial Books	4361.77	5051.82
Gross Deferred Tax Liabilities	4361.77	5051.82
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	712.76	810.92
Carry forward of Losses	3649.01	4240.90
Gross Deferred Tax Assets	4361.77	5051.82
Net Deferred Tax Asset	-	-

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

Raw Materials and Components (Including materials in transit Rs 229.99 lakh (Previous Year Rs.176.03 lakh)	1437.09	1159.52
Stores and Spares	2547.14	2186.09
Work-in-Progress	3440.39	2721.66
Reusable Scrap	592.41	598.30
Finished Goods	5213.82	6819.18
	13230.85	13484.75

Schedule 9 : Sundry Debtors

Outstanding for Over Six Months		
Secured, Considered Good	-	218.02
Unsecured, Considered Doubtful	24.69	19.72
Others		
Secured, Considered Good	178.41	167.92
Unsecured, Considered Good	7141.39	6453.10
	7344.49	6858.76
Less : Provision for Doubtful Debts	24.69	19.72
	7319.80	6839.04

Schedule 10 : Cash and Bank Balances

Cash in hand	4.55	11.38
Balances with Scheduled Banks : on Current Accounts	44.44	93.77
	48.99	105.15

Schedule 11 : Other Current Assets

Fixed Assets held for disposal (at lower of net book value and estimated net realisable value)	3.21	38.55
Interest / Dividend accrued on Deposits / Investments	38.57	38.44
DEPB Benefits Receivable	10.63	18.05
Insurance Claim Receivable	3.76	8.24
	56.17	103.28

SCHEDULES 1-24 (Contd.)

Schedule 12 : Loans and Advances

	As at 31.12.2006 Rs. in Lacs	As at 31.03.2006 Rs. in Lacs
Unsecured Considered good, except where stated otherwise		
Advances Recoverable in Cash or in kind or for Value to be Received	338.45	369.93
Advance to Satara Rubbers & Chemicals Limited (Interest Free)*	798.00	470.95
Advance to Escorts Farms Limited	-	2.12
Advance to Gossini Fashion Ltd. (earlier AN-GIP Leather (India) Limited)	-	57.70
Advance to Vendor	28.73	28.50
Balances with Scheduled Banks:		
on Deposit Accounts (Pledged with Government Authorities)	83.71	80.63
on Unpaid Dividend Accounts	26.20	34.36
Security Deposits	327.93	336.29
Balance with Excise Authorities	748.51	1,040.68
Advance Payment of Tax (Net of Provision)	801.62	644.30
	3153.15	3065.46

* Maximum amount of loans outstanding Rs.798 Lakh (Previous Year Rs.470.95 Lakh).

Schedule 13 : Current Liabilities

Acceptances	-	1477.70
Sundry Creditors		
- Small Scale Industries *	132.84	141.33
- Others	8914.02	4213.85
- Due to GTP (Subsidiary) Company	1578.77	1867.28
Advance Received Against Supplies	2235.50	-
Other Liabilities	1516.35	974.14
Security Deposit	178.41	167.92
Unpaid Dividend	26.20	34.14
Interest Accrued but not Due on Loans	196.06	19.62
	14778.15	8895.98

* Amount represents amounts due to Small Scale Industries (SSI), to the extent such parties have been identified from available documents/information. Refer note 11 under schedule 24 for names of SSI which are outstanding for 30 days or more.

Schedule 14 : Provisions

Provision for Leave Encashment	508.63	345.69
Provision for Gratuity	282.38	480.47
Provision for Superannuation	341.44	374.61
	1132.45	1,200.77

Schedule 15 : Miscellaneous Expenditure

Voluntary Retirement Scheme Expenses			
Balance as per last Balance Sheet	-	1599.65	
Add: Additions in Current Year	-	590.60	
Less : Written Off	-	2190.25	-
Commission, Upfront Fee			
Balance as per last Balance Sheet	-	428.49	
Add: Additions in Current Year	-	264.82	
Less : Written Off	-	693.31	-
Development Expenses			
Balance as per last Balance Sheet	-	59.95	
Add: Additions in Current Year	-	33.20	
Less : Written Off	-	93.15	-
	-		-

SCHEDULES 1-24 (Contd.)
Schedule 16 : Other Income

	As at 31.12.2006 Rs. in Lacs	As at 31.03.2006 Rs. in Lacs
Interest:		
Bank Deposits (Tax deducted at source Rs.0.92 lakhs, Previous Year Rs.1.62 lakhs)	4.15	6.70
Interest on Income Tax Refund	33.65	-
Others (Tax Deducted at Source 0.28 lakhs, Previous Year Rs.13.88 lakhs)	23.25	68.48
Dividend on Investment in Subsidiary	30.60	-
Sale of Scrap	628.65	504.65
Commission Received from Subsidiary	169.21	202.43
Duty Drawback/ Exim Scrip Realisation	7.95	18.46
Cash Discount	54.33	84.47
Miscellaneous Income	169.70	178.22
Profit on Sale of Fixed Assets(net)	128.73	-
Excess Provision Written Back	1.83	116.54
Management Fees	29.23	35.43
	1281.28	1215.38

Schedule 17 : Raw Materials and Components Consumed

Inventories - Opening	1159.52	1498.08
Add: Purchases	12076.85	13115.25
	13236.37	14613.33
Less: Inventories - Closing	1437.09	1159.52
	11799.28	13453.81

Schedule 18 : Personnel Expenses

Salaries, Wages and Bonus	7408.13	8633.66
Contribution to Provident Fund and other Funds	584.19	660.28
Contribution to other Funds	52.45	43.39
Contribution to Gratuity	351.38	492.98
Workmen and Staff Welfare Expenses	918.25	1176.52
	9314.40	11006.83

Schedule 19 : Operating and Other Expenses

Consumption of Stores and Spares	5011.40	6613.66
Sub-contracting Expenses	1018.93	916.81
Power and Fuel	2933.57	3803.17
Freight and Forwarding Charges	914.94	774.96
Rent	116.10	165.90
Rates and Taxes		
- Sale & Purchase Tax	97.93	101.56
- Others	59.39	110.11
Insurance	99.33	145.74
Repairs and Maintenance		
- Plant and Machinery	51.71	143.97
- Buildings	29.01	184.58
- Others	26.50	249.34
Advertising and Sales Promotion	2076.06	2847.65
Royalty	422.49	469.64
Product Rectification Charges	65.85	105.87
Legal and Professional Expenses	92.13	302.16
Travelling and Conveyance	508.98	658.53
Communication Costs	99.05	144.29
Printing and Stationery	75.75	57.80
Directors' Sitting Fees	3.70	1.95

SCHEDULES 1-24 (Contd.)

Schedule 19 : Operating and Other Expenses (Contd.)

	As at 31.12.2006 Rs. in Lacs	As at 31.03.2006 Rs. in Lacs
Auditors' Remuneration		
- Audit Fee	25.50	34.00
- Tax Audit Fee	4.35	-
- For Certification and others Matters	0.50	-
- For Limited Reviews	2.33	21.90
- Out-of-Pocket Expenses	0.70	-
	33.38	55.90
Charity & Donation	0.09	10.62
Miscellaneous Expenditure Written Off	-	2976.70
Provision for Doubtful Debts	4.97	19.72
Loss on Sale of Trade Investments	-	2.40
Foreign Exchange Rate Difference (net)	8.61	91.16
Loss on Sale / Discard of Fixed Assets (net)	47.90	108.67
Provision for Obsolescence of Fixed Assets	-	875.91
Advances Written Off	69.10	19.27
Provision for Diminution in the Value of Investments	74.30	182.84
Miscellaneous Expenses	270.95	552.13
	14212.12	22693.01

Schedule 20 : Decrease/(Increase) in Inventories

Inventories - Opening		
- Work-in-Progress	2721.66	2254.05
- Finished Goods	6819.18	3683.31
	9540.84	5937.36
Inventories - Closing		
- Work-in-Progress	3440.39	2721.66
- Finished Goods	5213.82	6819.18
	8654.21	9540.84
	886.63	(3603.48)

Schedule 21 : Financial Expenses

Interest		
- to Banks	2228.53	3183.31
- Others	328.16	42.69
Bank Charges	56.65	76.68
	2613.34	3302.68

Schedule 22 : Prior Period Expenses

Superannuation	-	332
Advertising and Sales Promotion	-	125
	-	457

Schedule 23 : Earnings/(Loss) per share (EPS)

Net Profit as per Profit and Loss Account	(631.35)	(5055.55)
Weighted Average Number of Equity Shares in Calculating Basic and Diluting	25287549.00	25287549.00
Earning/ (Loss) Per Share	(2.50)	(19.99)

SCHEDULES 1-24 (Contd.)

Schedule 24 : Notes to Accounts (Contd.)

1. Background

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

In 2002, the company acquired 100% of the share capital of Escorts Pistons Limited (earlier Escorts Mahle Limited and incorporated in 1996), determined based on fair value of the business, approved by the statutory authorities.

Also, in 2001, the company acquired 100% of the share capital of Brico Goetze Limited (incorporated in 1996) for a mutually agreed consideration determined based on fair value of the business, approved by the statutory authorities.

The major facilities of the company are located at Patiala (Punjab), Bangalore (Karnataka) and Bhiwadi (Rajasthan), with its registered office in New Delhi.

The company is listed at National Stock Exchange and The Stock Exchange, Mumbai.

2. Statement of significant accounting policies

a) Basis of preparation

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India 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 followed by the Company are consistent with those used in the previous year.

b) Tangible assets and depreciation

- i) 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.

Depreciation

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

Asset Class	Rate prescribed in Schedule XIV of Companies Act, 1956 (%)	Rates used (%)
(i) Land-Leasehold	-	over the life of lease of asset
(ii) Buildings-Factory	3.34	3.34
- Other	1.63	1.63
(iii) Furniture, fittings & office equipment	6.33	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	10.34
(v) Vehicles - Employee	9.50	33.33
- Material Handling Vehicles	9.50	11.31
- Others	9.50	9.50
(vi) Office Equipment	4.75	4.75
(vii) Computers	16.21	16.21
(viii) Dies and Moulds	11.31	11.31

- iii) Assets above include those acquired from Escorts Mahle Limited.

- iv) Plant and Machinery also includes self constructed machinery.

- v) Amounts 'added to' / 'deducted from' fixed assets on account of foreign currency fluctuations are considered as additions / deductions of the year in which such fluctuations occur and depreciation thereon is provided /adjusted prospectively from the date the related assets have been put to use.

- vi) 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.

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

c) Impairment

Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the income statement for items of fixed assets carried at cost. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtained from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows discounted by using rate at weighted average cost of capital expected to arise from the continuing use of an asset, from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if not possible, for the cash generating unit.

Impairment loss recognized for an asset in earlier accounting periods is reversed, to the extent of its recoverable amount, if there has been a change in the estimates of used to determine the asset's recoverable amount since the last impairment loss was recognized.

d) Intangible assets

Intangible assets are stated at cost less impairment if any. Cost comprises the purchase price and other directly attributable costs.

Acquired design and drawings are valued at cost less accumulated amortization and any impairment losses. These are amortized equally over a period of 5 years.

Software is amortized over a period of 5 years.

e) 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.

f) 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.

SCHEDULES 1-24 (Contd.)

Schedule 24 : Notes to Accounts (Contd.)

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.

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.
Constructed 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.
Work-in-progress, finished and trading goods	-	At cost or net realisable value, whichever is lower. 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.
Reusable scrap	-	At net realizable value.

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

h) Revenue recognition

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

a) 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 other levies. For the purpose of these financial statements, sales are disclosed, both gross and net of excise duty.

b) Job work:

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

c) Interest:

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

d) Dividends:

Revenue is recognized when the shareholders' right to receive payment is established by the balance sheet date. Dividend from subsidiaries is recognized even if same are recognized 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.

e) Commission:

Commission income is accounted when the same is due as per the agreed terms.

f) 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.

g) Management fee:

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

i) Foreign currency transactions

(i) Initial recognition

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

(ii) Conversion

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

(iii) Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise except where they related to acquisition of fixed assets, from outside India, in which case they are adjusted to the cost of the fixed asset.

(iv) Forward exchange contracts

In respect of forward exchange contracts entered into by the Company, the difference between the contracted rate and the rate at the date of transaction is recognized as gain or loss over the period of the contract except for difference in respect of liabilities incurred for acquiring fixed assets from a country outside India, in which case such difference is adjusted in the carrying amount of the respective fixed assets. Exchange differences arising on forward contracts are recognized in the statement of profit and loss in the year in which the exchange rates change. Any gain or loss arising on cancellation or renewal of forward exchange contract is recognized as income or as expense for the year, except gain or loss on transactions relating to fixed assets acquired from a country outside India, which is adjusted to the carrying amount of respective fixed assets.

j) 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.

(iii) 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.

(iv) Superannuation Benefit

The company has superannuation obligations under two separate schemes, administered with Life Insurance Corporation of India (LIC). Liability towards the defined benefit scheme is determined by an independent actuary and shortfall when compared against the contributions made is provided. 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.

SCHEDULES 1-24 (Contd.)

Schedule 24 : Notes to Accounts (Contd.)

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.

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 recognized 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. Virtual certainty tests are applied to entire deferred tax assets in case of unabsorbed losses and depreciation, to the extent that there is virtual certainty supported by convincing evidence.

l) 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.

m) Provisions

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

n) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand.

o) Excise Duty

The excise duty related to the difference between closing and opening stock has been separately disclosed in the profit and loss account.

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 in one geographical segment and no further disclosures as per AS-17 need to be made.

4. Related party disclosure

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

Names of related parties:

- i) Ultimate Holding Company
 - Federal Mogul Corporation, USA
- ii) Subsidiaries
 - Goetze TP (India) Limited
 - Satara Rubbers and Chemicals Limited
- iii) Common Control with Holding Company
 - Federal Mogul Burschied GmbH, Germany
 - Federal Mogul Holding Ltd., Mauritius
 - Federal Mogul, Nuremberg, GmbH
 - Federal Mogul Sintered Products Ltd.
 - Federal Mogul Wiesbaden GmbH, Germany
 - Federal Mogul Power Train System
 - Federal Mogul Automotive Products
 - Federal Mogul, Burschied, U.K.
 - Federal Mogul Bimet S.A.
 - Federal Mogul Operation S.R.L.
 - Federal Mogul Holding Deutschland
 - Federal Mogul Gorzyce, S.A.
- iv) Enterprises owned or significantly influenced by key management personnel or their relatives
 - AN Enterprises Pvt. Ltd. (till May 12, 2006)
 - An-Net Infotech Ltd. (till May 12, 2006)
 - Escorts Farms Ltd. (till May 12, 2006)
 - Hari Raj Investments & Consultants Pvt. Ltd. (till May 12, 2006)
 - GI Insurance Services Limited (till May 12, 2006)
 - Gossini Fashion Limited (earlier AN-GIP Leather (India) Limited) (till May 12, 2006)
 - Akme Projects Limited (till May 12, 2006)
 - GI Power Corporation Limited
 - GTZ Securities Limited
 - GI Wind Power Company Limited (till May 12, 2006)
 - Joint Investment Pvt. Ltd. (till May 12, 2006)
 - Spade Financial Services Limited (till May 12, 2006)
- v) Key managerial personnel and their relatives
 - Mr. Anil Nanda
 - Mr. Arun Anand
 - Mrs. Renu Anand (wife of Mr. Arun Anand)
- vi) Associates
 - GI Power Corporation Limited (w.e.f. October 13, 2005)
 - GTZ Securities Limited

Those transactions along with related balances as at December 31, 2006 and March 31, 2006 and for the years then ended are presented in the following table:

	Subsidiaries						Associates					
	Goetze TP (India) Ltd.		Safara Rubbers and Chemicals Ltd.		Total		G.I Power Corporation Ltd.		GTZ Securities Ltd.		Total	
	31.12.06	31.03.06	31.12.06	31.03.06	31.12.06	31.03.06	31.12.06	31.03.06	31.12.06	31.03.06	31.12.06	31.03.06
Sales	(1101.71)	(1469.65)	-	-	(1101.71)	(1469.65)	-	-	-	-	-	-
Purchases of raw materials, intermediaries and finished goods	1780.21	1902.50	-	-	1780.21	1902.50	-	-	-	-	-	-
Dividend received	30.60	-	-	-	30.60	-	-	-	-	-	-	-
Purchase of fixed asset	(29.23)	(36.85)	-	-	(29.23)	(36.85)	-	-	-	-	-	-
Management fee received	(526.18)	(767.20)	-	-	(526.18)	(767.20)	-	-	-	-	-	-
Job work income	(3742.69)	(4358.79)	-	-	(3742.69)	(4358.79)	(486.77)	(677.00)	(0.70)	-	(486.77)	(677.00)
Purchase of power	4053.07	3453.79	-	-	4053.07	3453.79	(419.94)	(678.63)	-	-	(420.64)	(678.63)
Fund paid	-	-	-	-	-	-	-	-	-	-	-	-
Fund received	-	-	-	-	-	-	-	-	-	-	-	-
Operating expenses (shared) recovered	243.44	276.36	-	-	243.44	276.36	-	-	-	-	-	-
Sole selling commission received	(169.21)	(201.40)	-	-	(169.21)	(201.40)	-	-	-	-	-	-
Expense incurred on behalf of Other	-	-	86.96	3.51	86.96	3.51	-	9.37	-	-	-	9.37
Loans taken	-	-	1225.00	1500.00	1225.00	1500.00	-	-	-	-	-	-
Loans given	-	-	(1500.00)	(1982.64)	(1500.00)	(1982.64)	-	-	(40.00)	(123.56)	(40.00)	(123.56)
Sale of investment	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of investment	-	-	-	-	-	-	-	-	-	-	-	-
Sale of fixed assets	-	-	-	-	-	-	-	-	-	-	-	-
Rent expense	-	-	45.00	30.00	45.00	30.00	-	-	-	-	-	-
Rent income	(39.50)	(32.40)	-	-	(39.50)	(32.40)	-	-	-	-	-	-
Interest expense	-	-	-	3.06	-	3.06	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	-	-	-	-	-	-
Guarantees given / (obtained)	-	-	1500.00	1500.00	1500.00	1500.00	-	1170.00	-	-	-	1170.00
Royalty expense	-	-	-	-	-	-	-	-	-	-	-	-
Investment	1020.00	1020.00	201.00	201.00	201.00	1221.00	1138.61	1138.61	46.15	46.15	1184.76	1184.76
Balance outstanding as at the year end	(1578.77)	(1867.28)	798.00	470.95	(781.00)	(1396.33)	(67.87)	0.01	-	0.70	(67.87)	0.71

(Rs. in Lacs)

	Key managerial personnel and their relatives* (see note below)		Enterprises owned or significantly influenced by key management personnel and their relatives					
	Mrs Renu Anand	Total	AN -Enterprise Pvt. Ltd.	Escorts Farms Ltd.	Hari Raj Investments & Consultants Pvt. Ltd.	Joint Investment Pvt. Ltd.	Gossini Fashion Ltd./AN-GIP Leather (India) Ltd.	Total
	31.03.06	31.12.06	31.03.06	31.12.06	31.03.06	31.12.06	31.03.06	31.12.06
Sales	-	-	-	-	-	-	-	-
Purchases of raw materials, intermediaries and finished goods	-	-	-	-	-	-	45.13	988.09
Dividend received	-	-	-	-	-	-	-	45.13
Purchase of fixed asset	-	-	-	-	-	-	-	-
Management fee received	-	-	-	-	-	-	-	-
Job work income	-	-	-	-	-	-	-	-
Purchase of power	-	-	-	-	-	-	-	-
Fund paid	-	-	-	-	-	-	-	-
Fund received	-	-	-	-	-	-	1075.96	-
Operating expenses (shared) recovered	-	-	-	-	-	-	-	-
Sole selling commission received	-	-	-	-	-	-	-	-
Expense incurred on behalf of Other	-	-	(0.23)	0.23	-	-	(1.50)	5.61
Loans taken	-	-	-	185.00	1846.17	-	-	(1.73)
Loans given	-	-	-	(70.00)	(1957.17)	467.00	215.90	3350.00
Sale of investment	-	-	-	-	-	(467.00)	(215.00)	(3235.00)
Purchase of investment	-	-	-	-	-	-	-	(2639.17)
Sale of fixed assets	-	-	-	-	(2.12)	-	-	(2.12)
Rent expense	10.80	25.44	10.80	25.44	-	-	8.00	48.00
Rent income	-	-	-	-	-	-	-	-
Interest expense	-	-	-	-	13.85	-	-	-
Interest income	-	-	-	-	-	-	-	-
Guarantees given / (obtained)	-	-	-	-	-	-	-	(59.18)
Royalty expense	-	-	-	-	-	-	-	-
Investment	-	-	-	2.12	-	-	66.37	2.90
							0.23	57.70
								2.55
								60.06

(Rs. in Lacs)

	Holding Company		Fellow Subsidiary							Total									
	Federal Mogul Corporation	31.03.06	Federal Mogul Vermögensver-waltungs GmbH, Germany	31.03.06	Federal Mogul Burschfield, U.K	31.03.06	Federal Mogul Nurnberg, GmbH	31.03.06	Federal Mogul Automotive product.		31.03.06	Federal Mogul Wiesbaden GmbH, Germany	31.03.06	Federal Mogul Power Train System	31.03.06	Others	31.03.06	31.03.06	31.03.06
Sales																			
Purchases of raw materials, intermediaries and finished goods																			
Dividend received																			
Purchase of fixed asset																			
Management fee received																			
Job work income																			
Purchase of power																			
Fund paid																			
Fund received																			
Operating expenses (shared) recovered																			
Sole selling commission received																			
Rendering of Services																			
Loans taken																			
Loans given																			
Sale of investment																			
Purchase of investment																			
Sale of fixed assets																			
Rent expense																			
Rent income																			
Interest expense																			
Interest income																			
Guarantees given/(obtained)																			
Royalty expense																			
Royalty income																			
Investment																			
Balance outstanding as at the year end																			

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

SCHEDULES 1-24 (Contd.)

Schedule 24 : Notes to Accounts (Contd.)

5. Leases

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

Leases	Period ended December 31, 2006 (Rs. in lacs)	Year ended March 31, 2006 (Rs. in lacs)
a) Lease payments for the period	45.00	30.00
Minimum Lease Payments:		
b) Not later than one year	60.00	30.00
c) Later than one year but not later than five years	240.00	150.00
d) Later than five years	-	33.00

6. Capital Commitment

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

Particulars	Period ended December 31, 2006 (Rs. in lacs)	Year ended March 31, 2006 (Rs. in lacs)
Capital commitment	3288.10	2919.24

7. Contingent liabilities not provided for:

Particulars	Period ended December 31, 2006 (Rs. in lacs)	Year ended March 31, 2006 (Rs. in lacs)
a) Bank Guarantees	193.18	133.17
b) Claims/notices contested by the company		
i) Excise Duty	505.88	433.54
ii) Sales Tax	118.87	97.62
iii) ESI Cases	63.30	75.25
iv) Employee Related Cases	88.45	61.23
v) Electricity Demand	52.24	52.24
vi) Income Tax Demands	320.87	361.09
vii) Consumer Cases	60.91	60.91
c) The company has given corporate guarantees as follows :		
- On behalf of Satara Rubbers & Chemicals Limited to Yes Bank Ltd. for the term loan of Rs.1,000 Lakh (Previous Year Rs.1,500 Lakh) granted by Yes Bank Ltd.		
d) - The company has executed surety bonds in favour of sales tax authorities on behalf of Gossini Fashion Limited (earlier AN-GIP Leather (India) Limited) for Rs.1.5 lakh.		
e) In relation to b (i) above Excise Duty cases contested by the company comprise of:		
i) Show cause notice received in respect of excise duty benefit in relation to deduction of Trade Discounts for the period 2000-2001 to 2003-2004. The matter is pending for personal hearing with the Joint Commissioner. The company has taken legal opinion and is advised that it has fair chance of a favorable decision. The amount involved is Rs.33.74 lakh.		
ii) Matter pending with Central Excise & Service Tax Appellate Tribunal (CESTAT) in respect of valuation rates employed for certain products sold by company for the period 1995-1996 to 2004-2005. The amount involved is Rs.6.42 lakh.		
iii) Matter pending with Additional Commissioner of Central Excise (ADCCE) in respect of excise duty on scrap produced by company for the period 2000-2001 to 2002-2003. The amount involved is Rs.34.11 Lakh.		
iv) Miscellaneous Excise Cases in respect of MODVAT credits being taken pending with Deputy Commissioner Central Excise Patiala (DCCE PTA)/ Addl. Commissioner/Punjab and Haryana Court for the period 1987-1988 to 2001-2002. The Company is of the view that it has reasonable chances of success. The amount involved is Rs.71.09 lakh.		
v) Matters pending with Additional Commissioner, Chandigarh in respect of Service Tax on Royalty & Technical Know how from 1999-00 to 2004-05. The amount involved is Rs.39.95 Lakh.		
vi) Matters pending with Joint Commissioner, Bangalore in respect of Service Tax on Job Work for the period 2004-05. The amount involved is Rs. 18.01 Lakh.		
vii) Matters pending with Additional Commissioner, Chandigarh in respect of Service Tax on Transport Services for the period 2005-06 and other Services. The amount involved is Rs.6.76 Lakh.		
viii) 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 2005-2006. The amount involved is Rs.7.20 Lakh.		
ix) Matters pending with Commissioner Appeals/ Joint Commissioner in respect of interest on reversal of Special Additional Duty (SAD) for 2000-01. The amount involved is Rs.9.37 Lakh.		
x) Matters pending with Supreme Court in respect of conversion of Aluminum Scrap into Ingots from Colts for 2000-01 & 2001-02. The amount involved is Rs.15.14 Lakh.		
xi) Matters pending with CESTAT in respect of excise cases in relation to provisional assessment of excise duty with respect to turnover discount for the period 2001-2002 to 2005-2006. The company has taken legal opinion in this regard and is confident of success. The amount involved is Rs.264.05 Lakh.		
f) 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		

SCHEDULES 1-24 (Contd.)

Schedule 24 : Notes to Accounts (Contd.)

amount involved is Rs.59.23 Lakh.

- ii) In respect of Assessment Year 1999-00, on account of non-submission of C- Forms and F- Forms, the matter is pending with JCCT. The amount involved is Rs.38.39 Lakh.
- iii) In respect of Assessment Year 2002-03 to 2006-07, on account of Entry tax, the matter is pending with Additional Commissioner. The amount involved is Rs.20.65 Lakh.
- g) **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 amount involved is Rs.63.30 lakh.
- h) **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 at amount involved is Rs.88.45 Lakh.
- i) **In relation to b (v) above Electricity demand relates to:**
- l) In respect of a demand raised by Punjab Electricity Board (PSEB) for various years in relation to availment of additional load. The amount involved is Rs.52.24 Lakh.
- j) **In relation to b (vi) above Income Tax cases disputed by the company:**
- l) 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 matter is pending with ITAT and company is of the view that it has reasonable chance of success. The amount involved is Rs.110.51 lakh.
- ll) 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) and company is of the view that it has reasonable chance of success. The amount involved is Rs.16.37 Lakh.
- lll) 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) and company is of the view that it has reasonable chance of success. The amount involved is Rs.170.20 Lakh.
- lV) In respect of Assessment Year 2004-05 certain additions were made on normal income. The matter is pending with Commissioner Income Tax (Appeals) and company is of the view that it has reasonable chance of success. The amount involved is Rs.23.79 Lakh.
- For all matters above, company has been advised by experts and based on such opinion/advise, company has fair chance of favourable decision.
- k) **In relation to b (vii) above Consumer cases filed against the company:**
- l) 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 amount involved is Rs.60.91 Lakh.

8 . (i) Payments made to Directors :

	Period ended, December 31, 2006 (Rs. in lacs)	Year ended, March 31, 2006 (Rs. in lacs)
(a) Salaries	36.90	120.00
(b) Commission	-	-
(c) Contribution to Provident & Superannuation Fund	11.73	44.65
(d) Other Perquisites	85.86	29.41
(ii) Directors Sitting Fees	3.70	1.95

Note :

- a) Personnel expenses and Operating and other expenses under Schedule 18 and 19 include Rs.99.16 lakh and Rs.7.89 lakh respectively towards director remuneration. This amount is in excess of permissible remuneration determined under Schedule XIII of the Companies Act, 1956. Management is preparing necessary application to obtain necessary approval by the Central Government and has confirmation from the directors that they shall refund the amounts in the event of such approvals being refused.
- 9a. The company takes various types of foreign currency derivative instruments to hedge its foreign currency risk. The category-wise outstanding position of derivative instruments as on December 31, 2006 is as under:

Particulars of Derivatives	Purpose	
Outstanding Forward contracts		
Buy		
USD 2.125Lakh	Hedge of repayment of borrowings.	
The amount of foreign currency exposure that are not hedged by a derivative instrument or otherwise as on December 31, 2006:		
Particulars	Amount (INR)	Foreign Currency
Borrowings	78984874.45	USD 1783045.51
Borrowings	16058100.87	USD 362500.00
Borrowings	34774094.85	USD 785000.00
Debtors	49357968.55	USD 1084131.68
Debtors	8848705.20	EURO 150516.95
Debtors	2112052.00	GBP 24398.00

- 9b. In accordance with ASI 14(Revised) on "Disclosure of Revenue from Sales Transactions" issued by Institute of Chartered Accountants of India, excise duty on sales amounting to Rs.6,261.26 lakh (Previous Year Rs.6,689.17 lakh) has been reduced from sales in profit & loss account and excise duty on decrease/ (increase) in stock amounting to Rs.(286.94) lakh (Previous Year Rs.466.83 lakh) has been considered as (income)/ expense in the financial statements.

SCHEDULES 1-24 (Contd.)

Schedule 24 : Notes to Accounts (Contd.)

10. 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 :

	Licensed Capacity	*Installed Capacity	Actual Production
Piston Rings (Nos)	Delicensed	54960000 (54960000)	32727260 (43350875)
Pistons (Nos)	"	13567792 (12912000)	6550330 (7926944)
Pins (Nos)	"	13478250 (10764000)	7049712 (8669676)
Cylinder Liners (Nos)	"	602309 (360000)	272372 (459373)
Light Alloy Cylinders (Nos)	"	382936 (207250)	197423 (212500)
Valve Train Components (Nos.)	"	27000000 (27000000)	18461997 (19183259)
Structural Components (Nos.)	"	2800000 (2800000)	2855721 (3318874)

* Installed Capacity as certified by Managing Director.

Note: Figures in brackets pertains to previous year

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

	OPENING STOCK		CLOSING STOCK		TURNOVER	
	Quantity	Value Rs. in Lacs	Quantity	Value Rs. in Lacs	Quantity	Value Rs. in Lacs
Piston Rings (Nos)	7849419 (5957754)	2690.28 (1692.30)	5161393 (7849419)	1686.30 (2690.28)	35415286 (41459210)	14094.66 (17501.69)
Pistons (Nos)	967497 (693106)	3363.08 (1517.18)	1029804 (967497)	2431.87 (3363.08)	6488023 (7652553)	22554.36 (24630.50)
Pins (Nos)	989645 (817564)	392.17 (266.11)	1161532 (989645)	465.98 (392.17)	6877825 (8497595)	2760.71 (2423.28)
Cylinder Liners (Nos)	52118 (31949)	114.98 (123.70)	22494 (52118)	65.95 (114.98)	301996 (439204)	615.88 (826.86)
Light Alloy Cylinders (Nos)	10880 (2976)	50.26 (15.81)	9730 (10880)	50.09 (50.26)	198573 (204596)	1190.77 (1127.49)
Valve Train Components (Nos)	1075277 (461046)	109.88 (27.37)	1165547 (1075277)	145.56 (109.88)	18371727 (18569028)	1969.19 (2045.21)
Structural Components (Nos)	60376 (28464)	10.52 (7.07)	94799 (60376)	16.88 (10.52)	2821298 (3286962)	840.45 (969.16)
Miscellaneous	-	20.46 (33.77)	-	349.60 (78.30)	-	887.03 (594.19)

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

2. Figures in Brackets pertains to previous year.

(ii) Trading Operations:

	Purchases		Closing Balances		Sales	
	Quantity	Value Rs. in Lacs	Quantity	Value Rs. in Lacs	Quantity	Value Rs. in Lacs
Leather Products (Nos.)	2684 (57279)	63.52 (985.59)	-	-	2684 (57279)	63.52 (985.59)
Leather (Sq.Ft.)	-	-	-	-	-	-
	(198)	(0.13)	-	-	(198)	(0.13)
Cylinder Liners (Nos)	2400 (35567)	4.03 (73.02)	1025 (5253)	1.59 (9.71)	6628 (36376)	25.79 (116.54)
Engineering Goods	-	-	-	-	-	-
	(11365)	(13.29)	-	-	(11365)	(13.29)
Misc Goods	-	-	-	-	-	-
	(3307)	(2.37)	-	-	(3307)	(2.37)

Note: Figures in brackets pertains to previous year.

SCHEDULES 1-24 (Contd.)
Schedule 24 : Notes to Accounts (Contd.)
(iii) Details of Raw Materials Consumed:

	Unit	Period ended December 31, 2006		Year ended March 31, 2006	
		Quantity	Rs. in Lacs	Quantity	Rs. in Lacs
a) Pig Iron	M.Ton	2197	379	3095	536
b) Alloys	M.Ton	380	365	269	411
c) Chromic Acid	M.Ton	76	83	84	81
d) Aluminum	M.Ton	3150	4171	3901	4105
e) Steel Strips	M.Ton	6	47	94	176
f) Pin Steel	M.Ton	1417	975	3107	1944
g) Silicon	M.Ton	448	401	632	561
h) Magnesium	M.Ton	55	54	72	62
i) Nickel	M.Ton	68	896	104	748
j) Iron Powder	M.Ton	379	179	375	195
k) Steel Powder	M.Ton	57	356	50	310
l) Copper Powder	M.Ton	51	205	57	141
m) Distalloys	M.Ton	77	80	107	123
n) Others		-	3609	-	4061
Total		8362	11799	11947	13454

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

	Period ended December 31, 2006 Rs. in Lacs	Year ended March 31, 2006 Rs. in Lacs
(a) Raw Materials	1781	1779.72
(b) Spare Parts & Components	916	665.28
(c) Capital Goods	3541	2187.64

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

(a) Travelling Expenses	40.99	55.65
(b) Commission on Sales	4.28	14.17
(c) Royalty	7.83	421.07
(d) Technical Know-how	-	85.90

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

	Rs. in Lacs	(%)	Rs. in Lacs	(%)
(a) Indigenous	9734.33	82.90	11010.00	81.84
(b) Imported	2064.95	17.10	2443.81v	18.16
	11799.28	100.00	13453.81	100.00

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

(a) Indigenous	4529.32	90.38	6145.86	92.93
(b) Imported	482.08	9.62	467.80	7.07
	5011.40	100.00	6613.66	100.00

(viii) Earnings in Foreign currency (on accrual basis)

	Period ended December 31, 2006 Rs. in Lacs	Year ended March 31, 2006 Rs. in Lacs
Export on FOB basis	1547.51	2887.64

Schedules 1-24 (Contd.)

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

11. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No. C - 2 4 5 2

State Code 5 5

Balance Sheet Date 3 1 1 2 2 0 0 6
Date Month Year

II. Capital Raised during the period (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 6 5 6 5 4 5

Total Assets
4 6 5 6 5 4 5

Sources of Funds

Paid-up-Capital
2 5 2 8 7 5

Reserves & Surplus
7 5 9 2 6 5

Secured Loans
2 5 3 7 9 1 0

Unsecured Loans
1 1 0 6 4 9 5

Application of Funds

Net Fixed Assets
3 5 4 3 6 3 6

Investments
2 1 3 5 1 8

Net Current Assets
7 8 9 8 3 6

Deferred Tax Asset
N I L

Accumulated Losses
1 0 9 5 5 5

Misc. Expenditure
N I L

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

Turnover including other Income
4 0 5 4 8 5 6

Total Expenditure
4 1 1 0 9 6 1

Loss before Tax
5 6 1 0 5

Loss after Tax
6 3 1 3 5

Earning Per Share (in Rs.)
- 2 . 5 0

Dividend Rate (%)
- -

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

SCHEDULES 1-24 (Contd.)

Schedule 24 : Notes to Accounts (Contd.)

12. (a) The list of Small Scale Industrial Undertakings to whom the Company owes for more than 30 days is as under:

Name of the SSI Undertaking	Name of the SSI Undertaking
Sumuka Packaging Industries	Indome Appliance Co.
Shree Pla Private Limited	Perfect Springs Private Limited
Devaki Reinforced Plastics	Indian Industrial Clutche
Halidon Industries	Giliyal Industries
In-Com	R.V.S. Machine Tools
Vaishnavi Packaging Pvt. Ltd.	Shilpa Latex Products
V.R.S. Graphite Electronics	International Crafford
Perfect Industries (Automats)	Sunikh Precision (P) Ltd.
Sujatha Hydraulics	Lotus Polymers Industries
Balaji Industries	Subbiah Enterprises
Maruthi Machine Tools Pvt. Ltd.	Precision Engg. Accessories
Miniature Electronic & Allied	Arun Gases Ltd.
Jai Suprabha Protective Products (P) Ltd.	Dhawan Enterprise
S.V. Packaging	Gurmeet Furniture House
Arun & Co.	Mahajan Packing Industries
Patiala Packaging Industries	Tinchem Enterprises
Rajpal Industries	

(b) Other disclosure in respect of SSI as required under "Micro, Small and Medium Enterprises Development Act, 2006"

SI.No	Description	Amount	Amount
1	Principal Amount remaining unpaid as at the end of the year	132.84	141.33
2	Interest Due on above principal and remaining unpaid as at the end of the year	-	N/A
3	Amount of Interest Paid	-	N/A
4	Total amount of payments made beyond the appointed date during the year	-	N/A
5	Total interest accrued and unpaid in respect of SSI Units	-	N/A
6	Total interest due & payable for the period of delay in making payment without adding the interest	-	N/A
7	The amount of further interest	-	N/A

13. Financial Statement is for the 9 months period ending December 31, 2006, as the company has changed its statutory year end from March 31 year end to December 31, 2006. Previous Year figures have been regrouped and rearranged wherever necessary to make these comparable.

For S.R. Batliboi & Co.
Chartered Accountants

Per Pankaj Chadha
Partner
Membership No.91813

Place : Gurgaon
Date : March 23, 2007

For and on behalf of the Board of Directors

ARUN ANAND
Vice Chairman, Managing Director & CEO

RAJAN LUTHRA
Financial Controller & Company Secretary
New Delhi

MUKUL GUPTA
Director

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

1. Name of the Subsidiary Companies	Goetze TP (India) Limited	Satara Rubbers & Chemicals Limited
2. Financial Year of the Subsidiary Companies ended on	31st December, 2006	31st December, 2006
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.216.68 Lacs	Rs.(8.11) Lacs
ii) for previous financial years of subsidiary since it became subsidiary of Federal-Mogul Goetze (India) Ltd.	Rs.182.56 Lacs	Nil
b) Dealt with the Accounts of Federal-Mogul Goetze (India) Ltd.		
i) for the subsidiary's financial year above referred	Nil	Rs.(74.31) Lacs
ii) for previous financial years of subsidiary since it became subsidiary of Federal-Mogul Goetze (India) Ltd.	Nil	Nil

ARUN ANAND
Vice Chairman, Managing Director & CEO

MUKUL GUPTA
Director

RAJAN LUTHRA
Financial Controller & Company Secretary

Place : New Delhi
Date : 23rd March, 2007

CASH FLOW STATEMENT

	For the Period ended 31.12.2006 Rs. in Lacs	For the year ended 31.03.2006 Rs. in Lacs
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit after Exceptional Item but Before Tax	(561.05)	(4244.81)
Adjustments for:		
Depreciation and Amortisation	2819.65	3417.02
Loss on Sale/ Discard of Fixed Assets (net)	47.90	108.67
Profit on Sale of Fixed Assets (net)	(128.73)	-
Provision for Obsolescence of Fixed Assets	-	875.91
Loss on Sale of Trade Investments	-	2.40
Provision for Doubtful Debts	4.97	19.72
Advances Written Off	69.10	19.27
Provision for Diminution in the Value of Investments	74.30	182.84
Interest Income	(61.05)	(75.18)
Dividend Income	(30.60)	-
Interest Expense	2556.69	3226.00
Provision for Impairment of Assets held for Sale	-	258.07
Excess Provision Written Back	(1.83)	(116.54)
Miscellaneous Expenditure Written Off	-	2976.70
Operating Profit Before Working Capital Changes	4789.35	6650.07
Movements in Working Capital :		
Decrease / (Increase) in Sundry Debtors	(485.73)	2114.64
Decrease / (Increase) in Current Assets	47.24	41.44
Decrease / (Increase) in Inventories	253.90	(3784.58)
Decrease / (Increase) Loans and Advances	(87.69)	(51.29)
Increase / (Decrease) in Current Liabilities	5727.34	1423.82
Cash Generated from Operations	10244.41	6394.10
Direct Taxes paid (Net of Refunds)	(227.62)	(409.09)
Net Cash from Operating Activities	10016.79	5985.01
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets/ Intangibles Assets	(5999.83)	(4542.49)
Proceeds from Sale of Fixed Assets	698.35	(43.57)
Purchase of Investments	-	(157.56)
Sale/ Maturity of Investments	33.92	654.18
Interest Received	60.92	67.77
Dividends Received	30.60	-
Net Cash from Investing Activities	(5176.04)	(4021.67)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Miscellaneous Expenditure Paid during the Year	-	(888.62)
Movement in Borrowings(Long Term)	(7563.32)	2781.99
Movement in Borrowings(Short Term)	5046.66	479.24
Interest Paid	(2380.25)	(3233.23)
Dividends Paid	-	(1011.50)
Tax on Dividend Paid	-	(132.19)
Net Cash used in Financing Activities	(4896.91)	(2004.31)
Net Increase in Cash and Cash Equivalents (A + B + C)	(56.16)	(40.97)
Cash and Cash Equivalents at the Beginning of the Year	105.15	146.12
Cash and Cash Equivalents at the end of the Year	48.99	105.15
Components of Cash and Cash Equivalents as at	December 31, 2006	March 31, 2006
	Rs. in Lacs	Rs. in Lacs
Cash and Cheques in hand	4.55	11.38
With Banks - on Current Account	44.44	93.77
	48.99	105.15

For S.R. Batliboi & Co.
Chartered Accountants

per Pankaj Chadha
Partner
Membership No. 91813

Place : Gurgaon
Date : March 23, 2007

For and on behalf of the Board of Directors

ARUN ANAND
Vice Chairman, Managing Director & CEO

RAJAN LUTHRA
Financial Controller & Company Secretary
New Delhi

MUKUL GUPTA
Director

**DIRECTORS' REPORT**

The Directors are pleased to present the Tenth Annual Report and the Audited Statement of Accounts of the Company for the period ended 31st December 2006.

FINANCIAL RESULTS

(Rs. in million)

	For the period ended 31.12.2006	For the year ended 31.03.2006
Total Income		
Gross Sales	488.34	569.32
Deduct: Excise Duty	72.18	78.61
	416.16	490.71
Business and other Income	4.59	0.54
	420.75	491.25
Profit before Depreciation and Interest	104.48	91.80
Deduct:		
Depreciation	22.94	22.41
Interest & Finance Charges	13.13	13.52
Net Profit before Tax	68.41	55.87
Provision for Tax		
- Current	26.94	5.30
- Deferred	(1.43)	13.48
- Fringe Benefit	0.41	2.45
Profit after Tax	42.49	34.64
Profit brought forward	35.79	7.99
Net profit available for appropriation	78.28	42.63
Appropriations :	6.00	-
Dividend - Preference @ 6%	0.84	6.00
Tax on Dividend	-	0.84
Surplus carried to Balance Sheet	71.44	35.79

Change of Accounting Year

In order to align the accounting year of the Company with the Holding company Federal-Mogul Goetze (India) Limited, the Board has changed the accounting year of the Company from 31st March ending to 31st December ending. Therefore the current accounting year of the Company was for nine months.

Financial Performance

During the nine months ending 31.12.06, the Gross Turnover of the Company was Rs. 488.34 million as against Rs. 569.32 million for the 12 months year ending 31.3.06, showing a growth of 14.36% on an annualized basis. Profit before Tax also showed a significant growth of 63% on an annualized basis due to significant cost effective measures.

Operations

The motorcycle segment showed robust growth in double digits for number of years but due to hardening of the interest rates, the demand is slowing down in 2007. Your company has strengthened its position in the gasoline 4- wheeler segment and with the validation of Company's product with new customers, it will continue to grow in near future.

Auditors' Comments

The Management is taking initiatives to have an internal audit system in concurrence with the Statutory Auditors of the Company.

Dividend

In view of profits your Directors are pleased to recommend dividend @6% on the Cumulative

Redeemable Preference Shares for the period ended 31st December, 2006. The total outflow on account of final dividend, if approved, will be Rs. 6.842 million [including dividend tax of Rs. 0.842 million]. In order to conserve the resources of the Company for business expansion your Directors do not recommend any dividend on the Equity Shares.

Change in the Name of the Company

The name of the holding Company of our Company has changed from Goetze (India) Limited to Federal-Mogul Goetze (India) Limited. In order to truly represent the Company, as a subsidiary of Federal-Mogul Goetze (India) Limited and to reflect Teikoku Piston Ring Co., Ltd. Japan as technical collaborator of the Company, it is proposed to amend the name of the Company from "Goetze TP (India) Limited" to "Federal-Mogul TPR (India) Limited".

The procedure of change in the name of the Company is in process.

Personnel

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

Directors

Mr. Mukul Gupta has been appointed as an Independent Director on 21st August, 2006 who is also acting as an Independent Director of the Holding Company, Federal-Mogul Goetze (India) Limited. Mr. Mukul Gupta is a Tax consultant and has been practicing in Indirect Taxation since long and has a rich experience in Sales Tax, VAT, Work

Contracts Tax, Service Tax and other allied fields. He is also a member of the National Tax Advocates Forum and an Adviser to All India Manufacturers Organization U.P Chapter.

Mr. Mohan Narayanan who has been associated with the Company since inception has resigned from the position of Executive Director on 21st August, 2006 and continues to act as a Non-Executive Director.

One of our Director Dr. Brain L. Ruddy was suffering from an ailment since long and died on 20th December, 2006. This was a great shock and a big loss to the Company.

In order to fill the casual vacancy arises due to the sad demise of Dr. Brain L. Ruddy, Mr. John Derham has been respectively inducted on the Board with effect from 19th March 2007.

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

Mr. Mohan Narayanan, Director is liable to retire by rotation and, being eligible, offers himself for re-appointment.

Mr. Mukul Gupta, Additional Director will vacate his office in the next Annual General meeting, being eligible, offers himself for appointment as a Director liable to retire by rotation.

Directors' Responsibility Statement

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



GOETZE TP (INDIA) LIMITED

- In preparing the Annual Accounts, all applicable accounting standards have been followed and that there have been no material departures;
- The accounting policies are adopted and consistently followed and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at the end of financial year and of the Profit & Loss Account of the Company for the Financial Year;
- The Directors have taken proper and sufficient care for the maintenance of adequate accounting records, in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- The Annual Accounts have been prepared on a going concern basis.

Audit Committee

Mr. Andreas Kolf had been inducted as a member of the Audit Committee with effect from 29th June 2006 in place of Mr. Mohan Narayanan and Mr. John Derham had been inducted as a member of the Audit Committee with effect from 19th March, 2007 in place of Dr. Brian L. Ruddy. The Committee now comprises of Mr. Arun Anand (Chairman), Mr. John Derham, Mr. Hiroshi Takano and Mr. Andreas Kolf, Members. The Audit Committee met on 29th June, 2006 to consider and approve the annual accounts for the financial year 2005-06 and on 11th December 2006 to review the half yearly performance of the Company for the period ended 30th September, 2006.

Auditors

M/s. S. N. Dhawan & Co., Chartered Accountants, resigned as Statutory Auditors of the Company on 21st August, 2006. M/s. S. R. Batliboi & Co., Chartered Accountants were appointed as a Statutory Auditors of the Company in the Extra Ordinary General Meeting held on 27th September, 2006.

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 our employees and those associated with us. We strive to be environmentally responsible Company by developing safe, efficient and environmentally conscious products and manufacturing processes. The Company ensures the due compliance of all environmental laws, emission norms etc., recycling of effluents and timely removal of wastes and residues.

Industrial Relations

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

Conservation of Energy & Technology Absorption

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

Acknowledgement

Your Directors would like to express their appreciation for the support and cooperation of its promoters Teikoku Piston Ring Company Ltd., Federal-Mogul Corporation and Federal-Mogul Goetze (India) Ltd and in particular wish to place their deep sense of appreciation for the commitment and enthusiasm of its employees and the support of Banks, customers, dealers, suppliers and other business associates.

For and on behalf of the Board

Arun Anand
Chairman & Director

Date : 19th March, 2007
Place : New Delhi

Annexure to the Directors' Report

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

A. CONSERVATION OF ENERGY

Continued efforts were made to effect improvements to production processes resulting in reduced energy consumption. Following are a few among them.

1. Use of variable speed reduction gear motor

2. Use of Solar water heater
3. Use of centralized control switches.

This has resulted in the reduction of energy consumption.

Additional Investment and Proposals for reduction in Energy Consumption:

Replacement of 3.5 KW Lamp powered laser marking machine with 65 watts fiber laser marking system.

B. TECHNOLOGY ABSORPTION

Research & Development (R&D)

1. **Specific areas in which the Company carried out the R&D**
3 Piece oil ring design and I Section oil ring.
2. **Benefits derived as a result of the above R&D**
Will help in getting new business from other customers.
3. **Future plan of action**
Development of similar design 3 piece oil rings for other customers.
Development of 2.0 mm (thin axial) I-Section oil ring
4. **Expenditure on R&D**

- Capital	-	Nil
- Recurring	-	Rs. 3.50 lacs
- Total	-	Rs. 3.50 lacs

-Total R&D Expenditure as a percentage of total turnover - 0.72 %

Technology absorption, adaptation and innovation

1. Technology absorption measures taken by the Company and benefits there from:
The Company has successfully absorbed the technology for the manufacture of piston rings conforming to Euro I, II & III standards for Gasoline/Diesel/CNG applications.

2. Import of Technology

Technology for	Imported from	Year	Status
Designs and technical know how for manufacturing steel compression and oil control piston rings	Teikoku Piston Ring Company Ltd. Japan	April 06- Dec 06	Continuous flow of technology in the form of technology upgrades and processes for new products

C. FOREIGN EXCHANGE EARNING AND OUTGO

There were no exports during the year.
Foreign exchange earnings - Nil
Foreign exchange outgo - Rs.102.55 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 period ended 31st December 2006.

S. 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. 24,00,000/- per annum							Nil	
B. Employed for a part of the year and in receipt of remuneration not less than Rs. 2,00,000/- per month								
1	Narayanan Mohan	56	B.Sc, MBA	34	21/05/1997	Executive Director, Overall management of the Company	36,49,200/-	Federal-Mogul Goetze (India) Limited

- Notes :**
1. Mr. Mohan Narayanan resigned from the position of Executive Director on 21st August, 2006 and continues to act as a Non-Executive Director.
 2. Remuneration includes salary, performance award, actual expenditure on rent free accommodation and benefits and amenities, contribution to provident fund, gratuity fund and contribution to superannuation fund.
 3. The appointment was contractual.



AUDITORS' REPORT

To The Members of Goetze TP (India) Limited

1. We have audited the attached Balance Sheet of Goetze TP (India) Limited ('the company') as at December 31, 2006, the Profit and Loss account and also the Cash Flow Statement for the period 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 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:
 - 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 so far as appears from our examination of those books.
 - c) The balance sheet, profit and 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 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.
 - e) On the basis of the written representations received from the directors, as on December 31, 2006, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on December 31, 2006 from being appointed as a director in terms of clause (g) of sub-section (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 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, 2006;
 - b) In the case of the profit and loss account, of the profit for the period ended on that date.
 - c) In the case of the cash flow statement, of the cash flows for the period ended on that date.

For S.R. Batliboi & Co.
Chartered Accountants

per Pankaj Chadha
Partner

Place : Gurgaon Membership No.91813
Date : March 19, 2007

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE

RE : GOETZE TP (INDIA) LIMITED

- i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets have been physically verified by the management during the period and no material discrepancies were identified on such verification.
- (c) There was no substantial disposal of fixed assets during the period.
- ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the period.
- (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 carried at the end of the period.
- iii) As informed to us, the Company has not granted any loans, secured or unsecured companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Therefore, clause 4 (iii) (b) (c) and (d) of the order are not applicable to the company.
- iv) In our opinion and according to the information and explanations given to us, there is 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) As informed to us, there is no party covered under Section 301 of the Companies Act, 1956. Accordingly, clause 4 (iii) (a), (b), (c), (d), (e), (f) and (g) of the order is not applicable to the company.
- vi) The Company has not accepted any deposits from the public.
- vii) *The Company does not have an internal audit system.*
- viii) We have broadly reviewed the books of accounts maintained by the Company pursuant to the rules made by the Central Government for 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) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, wealth-tax, sales-tax, service-tax, custom duty, excise duty, cess have generally been regularly deposited with the appropriate authorities. 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, sales-tax, service-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, as at December 31, 2006, 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 information and explanation given to us, 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. Lac)	Period to which the amount relates	Forum where dispute is pending
Central Excise Act	Excise Duty on Trade Discount	2.42	2000-2004	Joint Commissioner of Central Excise
Central Excise Act	Excise Duty on Turnover Discount	2.91	2003-2006	Central Excise and Service Tax Appellant Tribunal

- x) The Company has no accumulated losses at the end of the financial period and it has not incurred cash losses in the current period and immediately preceding financial year.
- xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) In our opinion, the Company is not a *chit fund* or a *nidhi / mutual benefit fund / society*. Therefore, the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 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 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 loan were applied for the purpose for which these were obtained.
- xvii) According to the information and explanations given to us and on an overall examination of the balance sheet 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 during the period.
- xix) The Company did not have any outstanding debentures during the period.
- xx) The Company has not raised any money through a public issue during the period.
- 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 Membership No.91813
Date : March 19, 2007



GOETZE TP (INDIA) LIMITED

BALANCE SHEET AS AT DECEMBER 31, 2006

	Schedules	As at 31.12.2006 (Rs.)	As at 31.03. 2006 (Rs.)
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	200000000	200000000
Reserves and Surplus	2	71441324	35795996
		271441324	235795996
Loan Funds			
Secured Loans	3	195915000	226899770
Deferred Tax Liabilities (Net)	4	36143375	37570431
Total		503499699	500266197
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	354048496	303312017
Less : Depreciation		132046732	110165555
Net Block		222001764	193146462
Capital Work-in-Progress including Capital Advances		11350597	4706270
		233352361	197852732
Current Assets, Loans and Advances			
Inventories	6	123087558	111733884
Sundry Debtors	7	207152247	240683638
Cash and Bank Balances	8	3241991	7861259
Other Current Assets	9	30877	10397
Loans and Advances	10	18937942	23261382
Less: Current Liabilities and Provisions			
Current Liabilities	11	69524276	73643504
Provisions	12	12779001	7493591
Total Current Liabilities and Provisions		82303277	81137095
Net Current Assets		270147338	302413465
Total		503499699	500266197
Notes to Accounts	23		

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

As per our report of even date attached

For S.R. Batliboi & Company
Chartered Accountants

For and on behalf of the Board of Directors

per Pankaj Chadha
Partner
Membership No.91813

ARUN ANAND
Chairman & Director

ANDREAS KOLF
Director

MOHAN NARAYANAN
Director
New Delhi

KSHITIJ KUMAR
Company Secretary

Place : Gurgaon
Date : March 19, 2007

**GOETZE TP (INDIA) LIMITED****PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED DECEMBER 31st, 2006**

	Schedules	For the period ended 31.12.2006 (Rs.)	For the Year ended 31.03.2006 (Rs.)
Income			
Turnover (Gross)		488346089	569324834
Less : Excise Duty		72176819	78606365
Net Sales		416169270	490718469
Other Income	14	4594093	538656
Total		420763363	491257125
Expenditure			
Raw materials and components consumed	15	39289864	35629483
Purchase of trading goods		83746853	112431733
Personnel expenses	16	27558462	19788069
Other Manufacturing expenses	17	82113440	121917141
Operating and other expenses	18	85838976	137548813
Decrease/(increase) in inventories	19	4445006	(35870629)
Depreciation and amortisation	5	22944490	22408300
Increase of excise duty on finished goods		(6715846)	4286512
Financial expenses	20	13127621	13519082
Total		352348866	431658504
Profit before tax and prior period items		68414497	59598621
Provision for tax (includes Rs 25.46 lacs relating to earlier year)		26946000	5300000
Fringe Benefit Tax		408725	2450000
Deferred Tax		(1427056)	13475613
Total Tax Expense		25927669	21225613
Profit / (Loss) after tax but before prior period item		42486828	38373008
Prior period items	21	-	3728492
Net Profit / (Loss)		42486828	34644516
Balance brought forward from previous year		35795996	7992980
Transferred from debenture redemption reserve		-	-
Profit / (Loss) available for appropriation		78282824	42637496
Appropriations:			
Proposed final dividend		6000000	6000000
Tax and cess on dividend		841500	841500
Transfer to general reserve		-	-
Surplus carried to Balance Sheet		71441324	35795996
Adjusted against General Reserve		-	-
Surplus carried to Balance Sheet		71441324	35795996
Earnings per Share	22		
Basic and Diluted [Nominal value of shares Rs 10 (Previous year Rs 10)], (Not Annualised)		3.56	2.78
Notes to Accounts	23		

The schedules referred to above and the notes to accounts form an integral part of the profit and loss account

As per our report of even date attached
For S.R. Batliboi & Company
Chartered Accountants

For and on behalf of the Board of Directors

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

ARUN ANAND
Chairman & Director

ANDREAS KOLF
Director

MOHAN NARAYANAN
Director
New Delhi

KSHITIJ KUMAR
Company Secretary

Place : Gurgaon
Date : March 19, 2007



GOETZE TP (INDIA) LIMITED

Schedules 1-23

Schedules 1 : Share Capital

	As at 31.12.2006 (Rs.)	As at 31.03.2006 (Rs.)
Authorised		
10,000,000 (Previous Year 10,000,000) equity shares of Rs 10 each	100000000	100000000
1,000,000(Previous Year 1,000,000) 6% Redeemable Cumulative Preference Shares of Rs 100 each.	100000000	100000000
Total	200000000	200000000
Issued, Subscribed & Paid up		
10,000,000 (Previous Year 10,000,000) equity shares of Rs 10 each	100000000	100000000
1,000,000(Previous Year 1,000,000) 6% Redeemable Cumulative Preference Shares of Rs 100 each.	100000000	100000000
	200000000	200000000

Of the above :

1. Out of the above 510,000 Equity Shares of Rs. 10 each & 510,000 Preference Shares of Rs. 100 each are held by Federal-Mogul Goetze(India) Ltd, (formerly Goetze India Ltd) the Holding Company.
2. The Redeemable Cumulative Preference Shares are redeemable at par after 5 years from the date of allotment (20 th January 2000) ,at the option of the Company.

Schedule 2 : Reserves and Surplus

Profit and Loss Account	71441324	35795996
	71441324	35795996

Schedule 3 : Secured Loans

Loans and advances from Bank		
Term Loan	135915000	135915000
Working Capital Loan	60000000	90984770
Total	195915000	226899770

Notes :

- 1 The term loan is secured by first pari-passu hypothecation charge on stock, book debts and other movable assets , of the company. (Amount payable within one year is Rs. 1,359.15 lakh Previous year Nil.)
- 2 Working capital loan is secured by First pari-passu hypothecation charge on stock, book debts of the company ranking pari passu with other term loan as above.

Schedule 4 : Deferred Tax Asset

Deferred Tax Liabilities		
Differences in depreciation in block of fixed assets as per tax books and financial books	37609745	39641899
Gross Deferred Tax Liabilities	37609745	39641899
Deferred Tax Assets		
Effect of expenditure debited to profit and loss account in the current period / earlier year but allowed for tax purposes in following years	1452958	2071468
Provision for doubtful debts	13412	-
Gross Deferred Tax Assets	1466370	2071468
Net Deferred Tax Liability	36143375	37570431



Schedules 1-23 (Contd.)

Schedule 5 : Fixed Assets

					(Rs.)
	Plant and Machinery	Furniture & Fixtures	Vehicles	Total	Previous Year
Gross Block					
At April 1, 2006	299839677	1846872	1625468	303312017	294706298
Additions	53172465	-	-	53172465	8605719
Deductions	2206050	229936	-	2435986	-
At December 31, 2006	350806092	1616936	1625468	354048496	303312017
Depreciation					
At April 1, 2006	108858862	1124226	182467	110165555	87757255
For the period	21879318	35329	1029843	22944490	22408300
Deletions / Adjustments	965527	97786	-	1063313	-
At December 31, 2006	129772653	1061769	1212310	132046732	110165555
For previous year	22206817	47064	154419	22408300	
Net Block					
At December 31, 2006	221033439	555167	413158	222001764	193146462
At March 31, 2006	190980815	722646	1443001	193146462	
Capital Work-in-Progress				11350597	4706270

Note :

1. Additions during the period includes foreign exchange capitalised Rs 0.29 lakh (Previous year Rs. Nil)

Schedule 6 : Inventories

	As at 31.12.2006 (Rs.)	As at 31.03.2006 (Rs.)
Raw materials and components (Includes material in transit Rs. 81.83 Lakh (previous year Rs. 48.19 Lakh)	42537892	33119980
Stores and Spares	25685505	19304737
Work-in-Progress	18885126	2080568
Finished Goods	35979035	57228599
Total	123087558	111733884

Schedule 7 : Sundry Debtors (considered good unless otherwise stated)

Debts outstanding for a period exceeding six months		
Unsecured, considered good	443512	17400048
Unsecured, considered doubtful	39458	-
Other debts*		
Unsecured, considered good	206708735	223283590
	207191705	240683638
Less : Provision for doubtful debts	39458	-
	207152247	240683638

* Balance due from Companies under the same Management Federal-Mogul Geotze (India) Ltd. Rs.1578.77 Lakh.
(Previous Year Rs.1867.28 Lakh)

Schedule 8 : Cash and Bank Balances

Cash in hand	12148	225
Balances with Scheduled Banks:		
-on Current Accounts	3224843	7656034
-on Deposit Accounts (pledged with Government authorities)	5000	205000
Total	3241991	7861259



GOETZE TP (INDIA) LIMITED

Schedules 1-23 (Contd.)

Schedule 9 : Other Current Assets

	As at 30.12.2006 (Rs.)	As at 31.03.2006 (Rs.)
Interest / Dividend accrued on Deposits / Investments	30877	10397
Total	30877	10397

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	9319403	5969711
Security Deposits	56000	76000
Balance with Excise Authorities	9562539	16468152
Advance Payment of Tax (Net of Provision)	-	747519
Total	18937942	23261382

Schedule 11 : Current Liabilities

Sundry Creditors		
- Small Scale Industries *	982256	752577
- others	58063834	20110175
Other Liabilities	8886569	8933719
Bank Overdraft	-	42453541
Security Deposit	8000	8000
Interest Accrued but not due on Loans	1583617	1385492
Total	69524276	73643504

* Amount represents amounts due to Small Scale Industries (SSI), to the extent such parties have been identified from available documents/information. Refer note 11 under schedule 23 for names of SSI which are outstanding for 30 days or more.

Schedule 12 : Provisions

Provision for taxation (Net of Advance Tax)	5078326	-
Provision for leave encashment	321332	321332
Provision for gratuity	537843	330759
Proposed dividend	6000000	6000000
Tax on proposed dividend	841500	841500
Total	12779001	7493591

Schedule 13 : Miscellaneous Expenditure

Commission, upfront fee		
Balance as per last Balance Sheet	-	3341010
Less : Written off	-	3341010
Total	-	-

Schedule 14 : Other Income

Interest:		
Bank Deposits	-	10397
Sale of Scrap	298090	318880
Cash Discount	153682	152148
Royalty Waived by the Vendor (See Note 7 Under Shedule 23)	3239976	-
Foreign Exchange Rate Difference (Net)	222675	-
Miscellaneous Income	679670	57231
Total	4594093	538656

**Schedules 1-23 (Contd.)****Schedule 15 : Raw Materials and Components Consumed**

	As at 31.12.2006 (Rs.)	As at 31.03.2006 (Rs.)
Inventories - Opening	33119980	26908901
Add: Purchases	48707776	41840562
	81827756	68749463
Less: Inventories - Closing	42537892	33119980
Consumed	39289864	35629483

Schedule 16 : Personnel Expenses

Salaries, Wages and Bonus	23913804	15614038
Contribution to Provident Fund and Other Funds	1346811	1548207
Contribution to Gratuity	207084	330759
Workmen and Staff Welfare Expenses	2090763	2295065
Total	27558462	19788069

Schedule 17 : Other Manufacturing Expenses

Consumption of Stores and Spares	21266527	35943410
Sub-Contracting Expenses	4190995	5074027
Chrome Plating Charges	52618451	76719985
Power and Fuel	4037467	4179719
Total	82113440	121917141

Schedule 18 : Operating and Other Expenses

Freight and Forwarding Charges	1412331	1819024
Rent	5248000	5698559
Rates and Taxes		
- Sale & Purchase Tax	3652880	3793966
- Others	176393	257163
Insurance	777333	845454
Repairs and Maintenance	237714	1528264
Advertising and Sales Promotion	51386535	62433846
Royalty	6307627	10678222
Product Rectification Charges	176209	107136
Legal and Professional Expenses	3710652	4152989
Travelling and Conveyance	6738541	29742513
Communication Costs	932063	1244181
Printing and Stationery	612363	458121
Auditor's Remuneration		
- Audit Fee	500000	150000
- Tax Audit Fee	200000	30000
- out of Pocket Expenses	6929	84500
Miscellaneous Expenditure Written Off	-	3341010
Fixed Asset Written Off	1372673	-
Provision for Doubtful Debts	39458	-
Foreign Exchange Rate Difference (Net)	-	6201432
Miscellaneous Expenses	2351275	4982433
Total	85838976	137548813



GOETZE TP (INDIA) LIMITED

Schedules 1-23 (Contd.)

Schedule 19 : Decrease/(Increase) in Inventories

	As at 31.12.2006 (Rs.)	As at 31.03.2006 (Rs.)
Inventories - Opening		
- Work-in-Progress	2080568	2826490
- Finished Goods	57228599	20612048
Total	59309167	23438538
Inventories - Closing		
- Work-in-Progress	18885126	2080568
- Finished Goods	35979035	57228599
Total	54864161	59309167
Decrease / (Increase)	4445006	(35870629)

Schedule 20 : Financial Expenses

Interest		
- To Banks	12248171	13137818
- Others	307136	463
Bank Charges	572314	380801
Total	13127621	13519082

Schedule 21 : Prior Period Expenses

Contribution to Superannuation Fund	-	3728492
Total	-	3728492

Schedule 22 : Earnings Per Share (EPS)

Net Profit as per Profit and Loss Account	42486828	34644516
Less : Preference Dividend (including Dividend Tax)	6841500	6841500
Profit Available for Equity Share Holder	35645328	27803016
Weighted Average Number of Equity Shares in Calculating Basic and diluting		
Earning per Share	1000000	1000000
Earning per Share(Not Annualised)	3.56	2.78

**Schedules 1-23 (Contd.)****Schedule 23 : Significant Accounting Policies & Notes to Accounts****1. Background**

During 1997-98, Goetze(India)Ltd (now Federal-Mogul Goetze (India) Limited) promoted Goetze TP(India)Ltd for manufacture of steel rings used in two, three and four wheeler automobiles, in technical collaboration with Teikoku Piston Ring Co. Ltd, Japan and T&N Investments Ltd, a group company of Federal Mogul Corporation.

The Shareholding pattern is such that 51% of the shares are held by Goetze(India) Ltd (now Federal-Mogul Goetze (India) Limited) and 24.5% each are held by Teikoku Piston Ring Co. Ltd and T&N Investment Ltd, a group company of Federal Mogul Corporation. The production plant is located at Bangalore (Karnataka) and the Registered office is at New Delhi.

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

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India 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 followed by the Company are consistent with those used in the previous year.

b) Tangible Assets and Depreciation**Tangible Assets**

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

Depreciation

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

Asset Class	Rate prescribed in Schedule XIV of Companies Act, 1956 (%)	Rates used (%)
(i) Plant & Machinery - Single Shift	4.75	4.75
- Double Shift	7.42	7.42
(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.

c) Impairment

Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the income statement for items of fixed assets carried at cost. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtained from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset, from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if not possible, for the cash generating unit.

Impairment loss recognized for an asset in earlier accounting periods is reversed, to the extent of its recoverable amount, if there has been a change in the estimates of used to determine the asset's recoverable amount since the last impairment loss was recognized.

d) 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.

e) 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.
Work-in-progress and manufactured finished goods.	At cost or net realizable value, whichever is lower. 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.

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

f) Revenue Recognition

Revenue is recognized 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 recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and are recorded net



GOETZE TP (INDIA) LIMITED

Schedules 1-23 (Contd.)

Schedule 23 : Significant Accounting Policies & Notes to Accounts

of trade discounts, excise duty, sales tax and other levies. For the purpose of these financial statements, sales are disclosed, both gross and net of excise duty.

g) Foreign Currency Transactions

(i) Initial Recognition

Transactions denominated in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction.

(ii) Conversion

At the year-end, monetary items denominated in foreign currencies are converted into rupee equivalents at the year-end exchange rates.

(iii) Exchange Differences

All exchange differences arising on settlement/conversion of foreign currency transactions/balances are included in the profit and loss account, except in cases where they relate to the acquisition of fixed assets, in which case they are adjusted in the cost of the corresponding asset.

h) 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 also to the Regional Provident Fund Commissioners, as per the present employment scheme of the company.

(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.

(iii) 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.

(iv) Superannuation Benefit

The Company has superannuation obligations under two separate schemes, administered with Life Insurance Corporation of India (LIC). Liability towards the defined benefit scheme is determined by an independent actuary and shortfall when compared against the contributions made is provided. Contributions to the defined contribution scheme are charged to profit and loss account when contributions paid/ payable are due to such fund.

i) 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.

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 recognized 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.

j) 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.

k) Provisions

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

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 in one geographical segment and thus the disclosure requirement of Accounting Standard (AS-17) is not applicable.

4. Related Party Disclosure

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

Names of related parties:

i) Holding Company

- Federal-Mogul Goetze (India) Ltd. (earlier Goetze (India) Ltd.)

ii) Common Control with Holding Company

- Federal Mogul Corporation, USA

- T & N Investments Limited, U.K

- Teikoku Piston Ring Co. Ltd., Japan

iii) Key managerial personnel and their relatives

- Ms. S. Bhuvaneshwari, Deputy General Manager, Projects

- Mr. Mohan Narayanan, Director

Those transactions along with related balances as at 31st December 2006 and 31st March 2006 and for the periods then ended are presented in Annexure-1

**Schedules 1-23 (Contd.)****Schedule 23 : Significant Accounting Policies & Notes to Accounts****5. Capital Commitment**

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

Particulars	As at 31st December, 2006 (Rs in '000)	As at 31 March, 2006 (Rs in '000)
Capital Commitment	8720.00	43545.29

6. Contingent liabilities not provided for

Particulars	As at 31st December, 2006 (Rs in '000)	As at 31 March, 2006 (Rs in '000)
Claims/notices contested by the company		
i) Excise Duty	533.36	1424.13

- i) Matters pending with CESTAT in respect of excise cases in relation to provisional assessment of excise duty with respect to turnover discount for the period 2003-04 to 2005-2006. The company has taken legal opinion in this regard and is confident of success. Amount involved is Rs 290,939/-.
- ii) Show cause notice received in respect of excise duty benefit in relation to deduction of Trade Discounts for the period 2000-2002 to 2003-2004. The matter is pending for personal hearing with the Joint Commissioner. The company has taken legal opinion and is advised that it has fair chance of a favorable decision. The amount involved is Rs.242,426/-.
7. The Company during the period has revised the royalty agreement with its foreign collaborator with retrospective effect from 10 June, 2005. As a result of the same, Rs. 3,239,976/- pertaining to period before March 31, 2006 already provided in books has been written back to 'Other Income' as appearing in schedule 14.

8. (i) Payments made to Director / Manager

Particulars	Period ended 31st December, 2006 (Rs in '000)	Period ended 31 March, 2006 (Rs in '000)
(a) Salaries	4402.80	2197.60
(b) Contribution to Provident and Superannuation Fund	214.11	384.82
(c) Other Perquisites	-	595.32
Total	4616.91	3177.74

- Notes : 1) Payments above does not include provision for gratuity and leave encashment.
2) Director salary is up to August 21, 2006.

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

Particulars	Period ended 31st December, 2006 (Rs in '000)	Year ended 31 March, 2006 (Rs in '000)
Profit as per profit and loss account (after prior period items)	68414.49	55870.13
Add: Director's / Manager remuneration including perquisites	4616.91	3177.44
Add: Depreciation charged in accounts Profit as per profit and loss account:	22944.49	22408.30
Less: Depreciation as per section 350 of the Companies Act, 1956	22944.49	22408.30
Maximum Remuneration payable to Director's / Manager	7303.14	5904.76

10. 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 :

	Licensed Capacity	*Installed Capacity	Actual Production
Piston Rings (Nos)	Delicensed	24888000	16611534
		(22600000)	(23472029)

* Annualised Installed Capacity as certified by Director.

Note: Figures in brackets pertains to previous year



GOETZE TP (INDIA) LIMITED

Schedules 1-23 (Contd.)

Schedule 23 : Significant Accounting Policies & Notes to Accounts

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

	OPENING STOCK		CLOSING STOCK		TURNOVER	
	Quantity	Value Rs.'000	Quantity	Value Rs'000	Quantity	Value Rs'000
Piston Rings (Nos)	3344324	38185.5	1439875	17186.39	18515983	378175.27
	(1432280)	(14590.84)	(3344324)	(38185.50)	(21559985)	(465617.72)

- Notes:** 1. Sales value excludes scraps, samples and quantity discount.
2. Figures in brackets pertains to previous year.

(ii) Trading Operations

	Purchases		Closing Balances		Sales	
	Quantity	Value Rs.'000	Quantity	Value Rs'000	Quantity	Value Rs.'000
Piston Rings	2314922	83746.85	458586	18792.64	2389239	110170.81
	(3559933)	(112431.73)	(532903)	(19043.09)	(3200837)	(103707.11)

Note: Figures in brackets pertains to previous year.

(iii) Details of Raw Materials Consumed

Particulars	Unit	Quantity	Period Ended	Quantity	Year Ended
			31.12.2006		31.03.2006
			Rs.'000		Rs.'000
a) Steel Wire	Kg	32499.43	35024.45	32047.48	34052.38
b) Others			4265.41		1577.10
Total			39289.86		35629.48

(iv) C.I.F. value of Imported items

Particulars	Period Ended	Year Ended
	31.12.2006	31.03.2006
	Rs.'000	Rs'000
(a) Raw Materials	36539.79	38152.95
(b) Spare Parts & Components	6627.35	11457.06
(c) Capital Goods	45460.82	4604.88

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

Particulars	Period Ended	Year Ended
	31.12.2006	31.03.2006
	Rs.'000	Rs'000
(a) Travelling Expenses	1877.58	17505.02
(b) Interest	7612.26	5872.72
(c) Royalty	1665.93	7441.19

(vi) Imported and Indigenous Raw Materials and Components Consumed

	Period Ended	%	Year Ended	%
	31.12.2006		31.03.2006	
	Rs.'000		Rs.'000	
(a) Indigenous	4265.41	10.85	1577.10	4.43
(b) Imported	35024.45	89.15	34052.38	95.57
Total	39289.86	100.00	35629.48	100.00

**Schedules 1-23 (Contd.)****Schedule 23 : Significant Accounting Policies & Notes to Accounts**

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

	Period Ended 31.12.2006		Year Ended 31.03.2006	
	Rs.'000	(%)	Rs.'000	(%)
(a) Indigenous	17487.70	82.23	29862.07	83.08
(b) Imported	3778.83	17.77	6081.34	16.92
Total	21266.53	100.00	35943.41	100.00

(viii) Remittance in Foreign Currency on Account of Dividend

Year		No. of shares held	No. of non resident share holders	Amount (Rs'000)
2006 - Preference Share		490000	2	2940.00
	(net of tax)	(490000)	(2)	*(5880.00)

* Payment made in 2005-06 pertains to year ended March 31,2004 and March 31,2005.

Note : Figures in brackets pertains to previous year

11. (a) The list of Small Scale Industrial Undertakings to whom the Company owes for more than 30 days is as under

- Perfect Springs Pvt. Limited
- Indome Appliance Company

(b) Other disclosure in respect of SSI as required under "**Micro, Small and Medium Enterprises Development Act, 2006**"

Sl.No	Description	Amount Rs'000
1	Principal Amount remaining unpaid as at the end of the year	982.26

12. Current financial statement are for a period of 9 months ending December 31, 2006, as the company has changed its statutory year end from March 31 year end to December 31. Previous Year figures have been regrouped and rearranged wherever necessary to make these comparable.

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

For and on behalf of the Board of Directors

Per Pankaj Chadha
Partner
Membership No. 91813ARUN ANAND
Chairman & DirectorANDREAS KOLF
DirectorMOHAN NARAYANAN
Director
New DelhiKSHITIJ KUMAR
Company SecretaryPlace : Gurgaon
Date : March 19, 2007



GOETZE TP (INDIA) LIMITED

	Holding Company		Common Control with Holding Company		Key Managerial Person		Total		
	Federal-Mogul Goetze (India) Ltd.		T&N Investments		Mr. Mohan Narayanan			Ms. S. Bubvaneswari	
	For the period ended 31.12.2006	For the year ended 31.03.2006	For the period ended 31.12.2006	For the year ended 31.03.2006	For the period ended 31.12.2006	For the year ended 31.03.2006		For the period ended 31.12.2006	For the year ended 31.03.2006
Sales	(178021.53)	(190250.28)	-	-	-	-	(178021.53)	(190250.28)	
Purchases of raw materials, intermediaries & finished goods	110170.81	146964.92	-	-	-	-	110170.81	146964.92	
Dividend Paid	3060.00	6120.00	1470.00	2940.00	-	-	6000.00	12000.00	
Management fee Paid	2923.08	3685.48	-	-	-	-	2923.08	3685.48	
Job work Expense	52618.45	76719.98	-	-	-	-	52618.45	76719.98	
Fund Paid	(405307.45)	(345378.61)	-	-	-	-	(405307.45)	(345378.61)	
Fund Received	374268.71	435878.88	-	-	-	-	374268.71	435878.88	
Operating Expenses	(24344.00)	(27636.35)	-	-	-	-	(24344.00)	(27636.35)	
Sole Selling Commission Paid	16920.57	20139.69	-	-	-	-	16920.57	20139.69	
Remuneration	3950.00	3240.00	3622.80	2767.71	994.11	410.03	4616.91	3177.74	
Rent Expense	-	-	6307.63	7438.24	-	-	6307.63	7438.24	
Royalty Expense	-	-	-	-	-	-	-	-	
Shareholding by Holding co/ Companies with common control	102000.00	102000.00	49000.00	49000.00	-	-	200000.00	200000.00	
Balance outstanding as at the end	157877.05	186728.47	-	-	-	-	157877.05	186728.47	

Annexure-1

**CASH FLOW STATEMENT**

	For the period ended 31.12.,2006 (Rs.)	For the year ended 31.03.2006 (Rs.)
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit Before Tax	68414497	55870128
Adjustments for:		
Depreciation and Amortisation	22944490	22408300
Provision for Doubtful Debts and Advances	39458	-
Provision for Leave Encashment	-	161248
Interest Expense	12555307	13138280
Interest Received	-	(10397)
Miscellaneous Expenditure Written Off	-	3341010
Loss on Amortisation	1372673	-
Operating Profit before Working Capital Changes	105326425	94908569
Movements in working capital :		
Decrease / (Increase) in Sundry Debtors	33491933	(20782980)
Decrease / (Increase) in Current Assets	(20480)	-
Decrease / (Increase) in Inventories	(11353674)	(48966964)
Decrease / (Increase) Loans and Advances	3575921	(13383068)
Increase / (Decrease) in Current Liabilities	(4119228)	4451671
Increase / (Decrease) in Provisions	207084	-
Cash Generated from Operations	127107981	16227228
Direct Tax Paid (Net of Refunds)	(21528880)	(8100000)
Net Cash From Operating Activities	105579101	8127228
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets/ Intangible Assets	(59816792)	(11212207)
Net cash from investing activities	(59816792)	(11212207)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of Loan	(30984770)	-
Proceeds from Loan	-	37474982
Interest Paid	(12555307)	(13138280)
Dividend Paid	(6000000)	(12000000)
Tax on Dividend Paid	(841500)	(1568250)
Net Cash Used in Financing Activities	(50381577)	10768452
Net Increase in Cash and Cash Equivalents (A + B + C)	(4619268)	7683473
Cash and Cash Equivalents at the Beginning of the Year	7861259	177786
Cash and Cash Equivalents at the end of the Year	3241991	7861259
Components of Cash and Cash Equivalents		
	As at December 31, 2006	As at March 31, 2006
Cash and Cheques in Hand	12148	225
With Banks - in Current Account	3229843	7861034
Total	3241991	7861259

As per our report of even date attached
For S.R. Batliboi & Company
Chartered Accountants

For and on behalf of the Board of Directors

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

ARUN ANAND
Chairman & Director

ANDREAS KOLF
Director

MOHAN NARAYANAN
Director
New Delhi

KSHITIJ KUMAR
Company Secretary

Place : Gurgaon
Date : March 19, 2007



GOETZE TP (INDIA) LIMITED

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.

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 State Code

5	5
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Balance Sheet Date

3	1
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2	0	0	6
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Date Month Year

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

Public Issue	Rights Issue														
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td>N</td><td>I</td><td>L</td><td> </td><td> </td></tr></table>			N	I	L			<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td>N</td><td>I</td><td>L</td><td> </td><td> </td></tr></table>			N	I	L		
		N	I	L											
		N	I	L											
Bonus Issue	Private Placement														
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td>N</td><td>I</td><td>L</td><td> </td><td> </td></tr></table>			N	I	L			<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td>N</td><td>I</td><td>L</td><td> </td><td> </td></tr></table>			N	I	L		
		N	I	L											
		N	I	L											

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

Total Liabilities	Total Assets														
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>5</td><td>0</td><td>3</td><td>4</td><td>9</td><td>9</td></tr></table>		5	0	3	4	9	9	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>5</td><td>0</td><td>3</td><td>4</td><td>9</td><td>9</td></tr></table>		5	0	3	4	9	9
	5	0	3	4	9	9									
	5	0	3	4	9	9									

Sources of Funds

Paid-up-Capital	Reserves & Surplus														
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>2</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td></tr></table>		2	0	0	0	0	0	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td>7</td><td>1</td><td>4</td><td>4</td><td>1</td></tr></table>			7	1	4	4	1
	2	0	0	0	0	0									
		7	1	4	4	1									
Secured Loans	Unsecured Loans														
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>1</td><td>9</td><td>5</td><td>9</td><td>1</td><td>5</td></tr></table>		1	9	5	9	1	5	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td>N</td><td>I</td><td>L</td><td> </td><td> </td></tr></table>			N	I	L		
	1	9	5	9	1	5									
		N	I	L											

Application of Funds

Net Fixed Assets	Investments														
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>2</td><td>3</td><td>3</td><td>3</td><td>5</td><td>2</td></tr></table>		2	3	3	3	5	2	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td>N</td><td>I</td><td>L</td><td> </td><td> </td></tr></table>			N	I	L		
	2	3	3	3	5	2									
		N	I	L											
Net Current Assets	Deferred Tax Liabilities														
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>2</td><td>7</td><td>0</td><td>1</td><td>4</td><td>7</td></tr></table>		2	7	0	1	4	7	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td>3</td><td>6</td><td>1</td><td>4</td><td>3</td></tr></table>			3	6	1	4	3
	2	7	0	1	4	7									
		3	6	1	4	3									
Accumulated Losses	Misc. Expenditure														
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td>N</td><td>I</td><td>L</td><td> </td><td> </td></tr></table>			N	I	L			<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td>N</td><td>I</td><td>L</td><td> </td><td> </td></tr></table>			N	I	L		
		N	I	L											
		N	I	L											

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

Turnover including other Income	Total Expenditure														
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>4</td><td>2</td><td>0</td><td>7</td><td>6</td><td>3</td></tr></table>		4	2	0	7	6	3	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>3</td><td>5</td><td>2</td><td>3</td><td>4</td><td>8</td></tr></table>		3	5	2	3	4	8
	4	2	0	7	6	3									
	3	5	2	3	4	8									
Profit before Tax	Profit after Tax														
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td>6</td><td>8</td><td>4</td><td>1</td><td>4</td></tr></table>			6	8	4	1	4	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td>4</td><td>2</td><td>4</td><td>8</td><td>6</td></tr></table>			4	2	4	8	6
		6	8	4	1	4									
		4	2	4	8	6									
Earning Per Share (in Rs.)	Preference Dividend Rate (%)														
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>3</td><td>.</td><td>5</td><td>6</td></tr></table>		3	.	5	6	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>6</td></tr></table>		6							
	3	.	5	6											
	6														

V. Generic Names of Three Principal Products of Company

Item Code No.

8	4	0	9	9	1	.	0	5			
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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

DIRECTORS' REPORT

Your Directors are pleased to present the Annual Report together with the Audited Accounts for the period ended 31st December 2006.

Financial Results

	For the period ended 31.12.2006	[Rs. in Million] For the year ended 31.03.2006
Total Income	4.50	3.00
Profit / (Loss) before Depreciation and Tax	(4.15)	(2.93)
Depreciation	4.09	5.94
Profit / (Loss) after Depreciation before Tax	(8.24)	(8.87)
Less : Provision for tax	-	-
Net Profit / (Loss) transferred to Profit & Loss Account	(8.24)	(8.87)

Operations

During the period of nine months ended 31st December 2006, the total income of the Company was Rs.4.50 million. This was rental income received from its holding Company, Federal-Mogul Goetze (India) Limited for the use of the building of the Company as Goetze's office premises. The Company did not have any other operation during the period under review. The Company incurred a net loss of Rs. 8.87 million in the period under review.

Change of Accounting Year

In order to align, the accounting year of the Company with the Holding Company reporting system, the Board changed the accounting year of the Company from 31st March ending to 31st December ending. Therefore the current accounting year of the Company was for nine months.

Directors

Mr. Anil Nanda, the Chairman and Director who had been associated with the Company resigned from the Board with effect from 20th June 2006.

The casual vacancy caused by the resignation of Mr. Anil Nanda was filled up by Mr. Andreas Kolf, Executive Director-Operations, Federal-Mogul Goetze (India) Limited with effect from 29th June 2006. Mr. Andreas Kolf worked as the Global Sales Director, Engine Bearings in Federal-Mogul GmbH, Germany before being appointed in Federal-Mogul Goetze (India) Limited.

In view of the resignation of Mr. Anil Nanda as the Chairman and Director, Mr. Arun Anand has been appointed as the Chairman of the Board with effect from 29th June 2006.

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

In terms of provisions of Section 217 (2AA) of the Companies Act 1956, your Directors confirm as under:

- i) that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- ii) that the Directors have selected appropriate accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of that year;
- iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- iv) that the Directors have prepared the annual accounts on a going concern basis.

Fixed Deposits

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

Particulars of Employees

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

Particulars of Conservation of Energy, Technology, Absorption and Foreign Exchange Earning and Outgo

The Company did not have any activity during the period 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. S.N. Dhawan & Co., 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

ARUN ANAND
Chairman

Place : New Delhi
Date : 10th January, 2007

SATARA RUBBERS AND CHEMICALS LIMITED

AUDITORS' REPORT

To The Members of Satara Rubbers & Chemicals Limited

1. We have audited the attached Balance Sheet of Satara Rubber & Chemicals Limited as at 31st December 2006, the Profit & Loss Account and also the Cash Flow Statement for the nine months period 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. Attention is drawn to Note 2(iii) of Schedule 8. As indicated in the said note the accumulated losses of the Company as at 31st December 2006 exceeded its share capital and considering reorganising plans and strategy prepared by the Company, the accounts for the period 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 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.
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 accounts as required by law have been kept by the Company so 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 2006 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st December 2006 from being appointed as a director in terms of clause (g) of sub-section (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 2006,
 - ii) in the case of the Profit & Loss Account, of the Loss for the period ended on that date and
 - iii) in the case of the Cash Flow Statement, of the cash flows for the period ended on that date.

For S.N. Dhawan & Co.
Chartered Accountants

(Suresh Sethi)
Partner

Place : New Delhi
Date : January 10, 2007

Membership No.10577

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE ON THE ACCOUNTS OF SATARA RUBBERS & CHEMICALS LIMITED, FOR THE PERIOD ENDED 31ST DECEMBER 2006.

- 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 period.
- (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 period.
- 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 Goetze (India) Limited (The Holding Company). The maximum amount involved during the year was Rs. 19,70,95,039 and the balance of loan taken was Rs. 7,98,00,369 as at 31st December 2006.
- (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) The Company has been regular in repaying the principal amounts, as stipulated.
- iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets. During the period 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 period under review. However, the Company has explained that its internal control procedures involve reasonable internal checking which, in our opinion, is considered adequate under the circumstances.
- viii) According to information and explanations given to us, the Central Government has not prescribed maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956. Therefore, provisions of clause (viii) of Paragraph 4 of the Order are not applicable to the Company.
- ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory, dues, if any, including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax,

service-tax, custom duty, excise duty, cess and other material statutory dues applicable to it.

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service-tax, custom duty, excise duty, cess were in arrears, as at 31st December 2006 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, there were no dues of income-tax, sales-tax, wealth-tax, service-tax, custom duty, excise duty, cess which have not been deposited on account of any dispute.
- x) In our opinion, the accumulated losses of the Company are more than fifty percent of its net worth as at 31st December 2006. The Company has incurred cash losses during the financial period covered by our audit and in the immediately preceding financial year.
- xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution or bank.
- xii) According to the information and explanations 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, debentures 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) To the best of our knowledge and belief and according to the information and explanations given to us, the term loans availed by the Company were applied for the purposes 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 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 period. 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 period under review.
- xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For S.N. Dhawan & Co.
Chartered Accountants

(Suresh Sethi)

Partner

Place : New Delhi
Dated: January 10, 2007

Membership No.10577

SATARA RUBBERS AND CHEMICALS LIMITED

BALANCE SHEET AS AT 31 DECEMBER, 2006

	Schedule	As at 31.12.2006 (Rs.)		As at 31.03.2006 (Rs.)
SOURCES OF FUNDS				
Shareholders' Funds				
Share Capital	1	500000		500000
Loan Funds				
Secured Loans	2	10000000		15000000
Unsecured Loans	3	79969654		47264324
Total		180469654		197764324
APPLICATION OF FUNDS				
Fixed Assets				
Gross Block	4	169975274	193476900	
Less: Depreciation		<u>12251608</u>	<u>9163485</u>	
Net Block		157723666		184313415
Current Assets, Loans and Advances				
Cash & Bank Balances	5	117858	117031	
Loans & Advances	6	1758563	681765	
		1876421	798796	
Less: Current Liabilities & Provisions				
Current Liabilities	7	41529	16836	
Net Current Assets		1834892		781960
Profit & Loss Account		20911096		12668949
Total		180469654		197764324

Significant Accounting Policies & Notes to Accounts

8

As per our report of even date attached
For S.N. Dhawan & Company
Chartered Accountants

On behalf of the Board

(SURESH SETH)
Partner
Membership No.10577

ARUN ANAND
Chairman & Director

ANDREAS KOLF
Director

RAJAN LUTHRA
Director

Place : New Delhi
Date : 10th January, 2007

SATARA RUBBERS AND CHEMICALS LIMITED

PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED DECEMBER 31, 2006

Schedule	For the period ended 31.12.2006 (Rs.)	For the year ended 31.03.2006 (Rs.)
Income		
Rental Income	4500000	3000000
TDS deducted Rs.6,73,200/-(Previous Year Rs.6,73,200/-)		
Profit on Sale of Fixed Assets	2017	-
	4502017	3000000
Expenses		
Rates & Taxes	200993	275716
Repairs & Maintenance	-	22624
Audit Fees	22000	15000
Service Tax	2693	1836
Bank & Finance Charges	-	524021
Interest	8426712	5094931
Depreciation	4091766	5938253
	12744164	11872381
Net Profit /(Loss) before tax	(8242147)	(8872380)
Add: Brought Forward losses from Last year	(12668949)	(3796569)
Net Profit/(Loss) Carried to the Balance Sheet	(20911096)	(12668949)
Basic & Diluted Earnings Per Share	(164.84)	(177.45)
Refer note no. 2(ii) Notes to the Accounts		

Significant Accounting Policies & Notes to Accounts 8

As per our report of even date attached
For S.N. Dhawan & Company
Chartered Accountants

On behalf of the Board

(SURESH SETH)
Partner
Membership No.10577

ARUN ANAND
Chairman & Director

ANDREAS KOLF
Director

RAJAN LUTHRA
Director

Place : New Delhi
Date : 10th January, 2007

SATARA RUBBERS AND CHEMICALS LIMITED

Schedules 1-8

Schedule 1 : Share Capital

	As at 31.12.2006 (Rs.)	As at 31.03.2006 (Rs.)
Authorised		
120,000 (Previous Year 120,000) Equity Shares of Rs. 10/- each	1200000	1200000
Issued, Subscribed and Paid up		
50,000 (Previous Year 50,000) Equity Shares of Rs. 10/-each fully paid-up	500000	500000
Total	500000	500000

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

Schedule 2 : Secured Loans

Term Loan from Bank	100000000	150000000
Total	100000000	150000000

Note: Secured by Corporate Gaurantee of Federal-Mogul Goetze (India) Ltd. Holding Company and Deposit of Title Deeds of the Property owned by the Company.

Schedule 3 : Unsecured Loans

Federal-Mogul Goetze (India) Ltd.	79800369	47095039
GTZ Securities Ltd.	169285	169285
Total	79969654	47264324

Schedule 4 : Fixed Assets

	GROSS BLOCK				DEPRECIATION			NET BLOCK		
	As at 01.04.2006	Additions	Deletions	As at 31.12.2006	Depreciation upto 31.03.2006	For the period	Deletions	As at 31.12.2006	As at 31.12.2006	As at 31.03.2006
LEASE HOLD LAND	102341	-	-	102341	-	-	-	-	102341	102341
BUILDING	112109739	-	16079484	96030255	2743587	1213798	427970	3529415	92500840	109366152
PLANT & MACHINERY	64398610	-	7422142	56976468	4592591	2085418	575673	6102336	50874132	59806019
FURNITURE & FIXTURES	16866210	-	-	16866210	1827307	792551	-	2619858	14246352	15038903
	193476900	-	23501626	169975274	9163485	4091767	1003643	12251609	157723665	184313415
Previous year	193476900	-	-	193476900	3225232	5938253	-	9163485		

Schedule 5 : Current Assets

Cash & Bank Balance		
Balance with Scheduled Bank in Current Account	117858	117031
Total	117858	117031

Schedule 6 : Loans and Advances

Unsecured - Considered Good		
Advance recoverable in cash or in kind or for value to be received	66998	-
Advance Tax (Net of Provision)	1685745	675945
Security Deposits	5820	5820
Total	1758563	681765

SCHEDULE- 7: CURRENT LIABILITIES & PROVISIONS

Sundry Creditors	41529	16836
Total	41529	16836

SATARA RUBBERS AND CHEMICALS LIMITED

Schedules 1-8 (Contd.)

Schedule 8 : 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 THE 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. Arun Anand ii) Mr. Andreas Kolf iii) Mr. Rajan Luthra

c) Related Party Transactions :

Particulars	Holding Company Federal-Mogul Goetze (India) Ltd	
	Period ended 31.12.2006 (In Rupees)	Year ended 31.03.2006 (In Rupees)
Rent Income	4500000	3000000
Loan taken		
Balance as on 1st April,2006	47095039	-
Availed during the period	157532129	197095039
Repaid during the period	124826800	150000000
Balance as at 31st December, 2006	79800368	47095039
Guarantees obtained	100000000	150000000

ii) Earnings per Share (Face value of Rs.10)

	Period ended 31.12.2006	Year ended 31.03.2006
a) Net Profit/(Loss) after tax	(8234290)	(8872381)
b) Total number of Equity Shares	50000	50000
c) Basic and Diluted Earning per Share	(164.84)	(177.45)

iii) The accumulated losses of the Company as at 31st December, 2006 exceeded its share capital. Steps are being taken by the Management to revive the Company by reorganizing the whole set up and during the period the Company has increased lease rent. Considering reorganizing plans and strategy prepared by the Company, the accounts for the year have been drawn on the assumption that the Company will continue as a going concern.

iv) Balance Sheet abstract and companies general business profile is attached.

v) Current period figures are for a period of nine months and not comparable with the previous year figures. Previous year figures have been regrouped / rearranged, wherever necessary.

vi) Schedules 1 to 8 form an integral part of the Balance Sheet and have been duly authenticated.

As per our report of even date attached
For S.N. Dhawan & Company
Chartered Accountants

On behalf of the Board

(SURESH SETH)
Partner
Membership No.10577
Place : New Delhi
Date : 10th January, 2007

ARUN ANAND
Chairman & Director

ANDREAS KOLF
Director

RAJAN LUTHRA
Director

SATARA RUBBERS AND CHEMICALS LIMITED

CASH FLOW STATEMENT

	For the period ended 31.12.2006 (Rs.)	For the year ended 31.03.2006 (Rs.)
A CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit/(Loss) Before Tax	(8242147)	(8872381)
Adjustment for		
Depreciation	4091766	5938253
Profit on sale of Fixed Assets	(2017)	-
Interest Paid	8426712	5094931
Operating profits before working capital changes	4274314	2160803
Adjustment for		
Trade and other receivables	(1076798)	(650575)
Trade and other payables	24693	(43631911)
Net Cash generated from operations	3222209	(42121683)
B CASH FLOW FROM INVESTING ACTIVITIES		
Sale of Fixed Assets	22500000	-
Net Cash used in Investing Activities	22500000	-
C CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of Long Term Borrowings	(50000000)	-
Proceeds from Short Term Borrowings	32705330	47264324
Interest paid	(8426712)	(5094931)
Net Cash Flow from Financing Activities	(25721382)	42169393
Net Increase/(Decrease) in Cash & Cash Equivalents	827	47710
Cash & Cash Equivalents at the Beginning of the period	117031	69321
Cash & Cash Equivalents at the end of the period	117858	117031

As per our report of even date attached
For S.N. Dhawan & Company
Chartered Accountants

(SURESH SETH)
Partner
Membership No. 10577

ARUN ANAND
Chairman & Director

On behalf of the Board

ANDREAS KOLF
Director

RAJAN LUTHRA
Director

Place : New Delhi
Date : 10th January, 2007

SATARA RUBBERS AND CHEMICALS LIMITED

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No. 0 2 3 7 8 9 o f 1 9 8 6 - 8 7

State Code 5 5

Balance Sheet Date 3 1 1 2 2 0 0 6
Date Month Year

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

Public Issue
N I L

Rights Issue
N I L

Bonus Issue
N I L

Private Placement
N I L

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

Total Liabilities
1 8 0 4 6 9

Total Assets
1 8 0 4 6 9

Sources of Funds

Paid-up-Capital
5 0 0

Reserves & Surplus
N I L

Secured Loans
1 0 0 0 0 0

Unsecured Loans
7 9 9 6 9

Application of Funds

Net Fixed Assets
1 5 7 7 2 3

Investments
N I L

Net Current Assets
1 8 3 5

Deferred Tax Asset
N I L

Misc. Expenditure
N I L

Accumulated Losses
2 0 9 1 1

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

Turnover including other Income
4 5 0 2

Total Expenditure
1 2 7 4 4

Loss before Tax
8 2 4 2

Loss after Tax
8 2 4 2

Earning Per Share (in Rs.)
- 1 6 4 . 8 4

Dividend Rate (%)
- - -

V. Generic Names of Three Principal Products of Company

Item Code No. N I L

Product Description N O T A P P L I C A B L E

AUDITORS' REPORT

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

1. We have audited the attached consolidated balance sheet of Federal-Mogul Goetze (India) Limited (formerly Goetze (India) Limited), its subsidiaries and associates (the "group") as at 31st December 2006, and also the consolidated profit and loss account and the consolidated cash flow statement for the period ended on that date annexed thereto. These financial statements are the responsibility of the group management. 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. *Personnel costs and operating and other expenses under Schedule 19 and 20 include Rs.99.16 lakh and Rs.7.89 lakh respectively towards directors remuneration,*

which is in excess of permissible remuneration determined under Schedule XIII of The Companies Act, 1956. Management has confirmation from these directors that they shall refund these amounts, to the extent of these being not approved by the Central Government. The Company is preparing necessary application to the central government for obtaining the above mentioned approval.

4. We did not audit the financial statements of certain subsidiaries and associates, whose financial statements reflect
 - (i) In relation to subsidiary Satara Rubbers and Chemicals Limited, total assets (net) of Rs.1,577 lakh as at December 31, 2006, total revenue of Rs.45.02 lakh.
 - (ii) In relation to an associate GI Power, total assets (net) of Rs.6,992 lakh as at December 31, 2006, total revenue of Rs.857.27 lakh.
 - (iii) In relation to an associate GTZ Securities Limited, total assets (net) of Rs.5.30 lakh as at December 31, 2006, total revenue of Rs.21.30 lakh.

These financial statements and other financial information at December 31, 2006, except for financial statements and other financial information for GTZ Securities Limited and GI Power Limited which are consolidated based on unaudited accounts, have been audited by other auditors whose report(s) has (have) been furnished to us, and our opinion is based solely the report of other auditors.

5. We report that the consolidated financial statements have been prepared by the Federal-Mogul Goetze (India) Limited

management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated financial statements, Accounting Standards (AS) 23, Accounting for Investments in Associates in Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.

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, subject to our comments in paragraph 3 above relating to amounts recoverable from directors towards excess remuneration, 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 (India) Limited as at December 31, 2006;
- (b) in the case of the consolidated profit and loss account, of the loss for the period ended on that date; and
- (c) in the case of the consolidated cash flow statement, of the cash flows for the period ended on that date.

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

**per Pankaj Chadha
Partner**

Membership No. 91813

Place : Gurgaon

Date : March 23, 2007

CONSOLIDATED BALANCE SHEET OF FEDERAL-MOGUL GOETZE (INDIA) LIMITED AS AT DECEMBER 31, 2006

	Schedules	As at 31.12.2006 Rs. in Lacs	As at 31.03.2006 Rs. in Lacs
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	2528.75	2528.75
Reserves and Surplus	2	7957.80	7957.80
		10486.55	10486.55
Minority Interest	3	1330.07	1155.40
Loan Funds			
Secured Loans	4	28338.25	36711.42
Unsecured Loans	5	11066.65	6442.83
		39404.90	43154.25
Deferred Tax Liabilities (Net)	6	361.44	375.70
Total		51582.96	55171.90
APPLICATION OF FUNDS			
Fixed Assets			
Gross block	7	58845.96	54648.20
Less : Accumulated Depreciation		21251.47	18475.78
Net Block		37594.49	36172.42
Capital Work-in-Progress including capital advances		1910.80	697.40
		39505.29	36869.82
Investments	8	1501.50	1474.99
Current Assets, Loans and Advances			
Inventories	9	14337.12	14572.59
Sundry Debtors	10	7551.17	7375.29
Cash and Bank Balances	11	82.54	180.88
Other Current Assets	12	56.48	103.28
Loans and Advances	13	2511.39	2844.04
Less: Current Liabilities and Provisions			
Current Liabilities	14	13633.65	7348.41
Provisions	15	1209.46	1272.40
		14843.11	8620.81
Net Current Assets		9695.59	16455.27
Miscellaneous Expenditure (to the extent not written off or adjusted)	16	-	-
Debit balance in profit and loss account		880.58	371.82
Total		51582.96	55171.90
Notes to Accounts	25		

For S.R. Batliboi & Co.
Chartered Accountants

per Pankaj Chadha
Partner
Membership No. 91813

Place : Gurgaon
Date : March 23, 2007

For and on behalf of the Board of Directors

ARUN ANAND
Vice Chairman, Managing Director & CEO

RAJAN LUTHRA
Financial Controller & Company Secretary
New Delhi

MUKUL GUPTA
Director

**CONSOLIDATED PROFIT & LOSS ACCOUNT OF FEDERAL-MOGUL GOETZE (INDIA) LIMITED
FOR THE PERIOD ENDED DEC 31, 2006**

	Schedules	For the Period ended 31.12.2006 Rs. in Lacs	For the year ended 31.03.2006 Rs. in Lacs
Income			
Turnover (Gross)		52446.71	53932.08
Less : Excise duty		7342.33	7054.68
Turnover (Net)		45104.38	46877.40
Other Income	17	1147.50	950.50
TOTAL		46251.88	47827.90
Expenditure			
Raw materials and components consumed	18	14393.77	12170.56
Personnel expenses	19	9589.99	11226.81
Operating and other expenses	20	15845.72	24265.74
Decrease/(increase) in inventories	21	1026.19	(3996.52)
Depreciation and amortisation	5	3106.38	3722.33
Provision for Impairment losses		-	258.07
Increase of excise duty on finished goods		(354.10)	509.70
Financial expenses	22	2828.88	3494.06
Less: Capitalised		248.87	604.92
		46187.96	51045.83
Profit/ (loss) before tax and prior period items			
		63.92	(3217.93)
Provision for tax		278.76	282.94
Fringe benefit tax		65.09	174.50
Deferred -tax		(14.27)	565.56
Total tax expense		329.58	1023.00
Profit / (loss) after tax but before prior period item		(265.66)	(4240.93)
Prior period items	23		457.00
Net profit / (loss) before minority interest		(265.66)	(4697.93)
Minority Interest		(174.67)	136.23
Net profit / (loss) after minority interest		(440.33)	(4834.16)
Balance brought forward from previous year		(371.83)	2471.00
Profit available for appropriation		(812.16)	(2363.16)
Appropriations:			
Proposed final dividend		60.00	60.00
Tax and cess on dividend		8.42	8.42
(Loss)/ Surplus carried to balance sheet		(880.58)	(2431.58)
Adjusted against General Reserve			(2059.76)
(Loss)/ Surplus carried to balance sheet		(880.58)	(371.82)
Earnings / (Loss) per share			
Basic and diluted	24		
[Nominal value of shares Rs 10 (Previous year Rs 10)]		(2.01)	(19.39)
Notes to Accounts	25		

The schedules referred to above and the notes to accounts form an integral part of the profit and loss account

For S.R. Batliboi & Co.
Chartered Accountants

For and on behalf of the Board of Directors

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

ARUN ANAND
Vice Chairman, Managing Director & CEO

MUKUL GUPTA
Director

RAJAN LUTHRA
Financial Controller & Company Secretary
New Delhi

Place : Gurgaon
Date : March 23, 2007

SCHEDULES 1-25 TO THE CONSOLIDATED ACCOUNTS

Schedule 1 : Share Capital

		As at 31.12.2006 Rs. in Lacs	As at 31.03.2006 Rs. in Lacs
Authorised 80,000,000	equity shares of Rs 10 each	8000.00	8000.00
Issued, 25,287,549	(Previous Year 25,287,549) equity shares of Rs 10 each	2528.75	2528.75
Subscribed 25,287,549	(Previous Year 25,287,549) equity shares of Rs 10 each, fully paid	2528.75	2528.75
1,00,00,000	Equity shares of Rs.10 each fully paid up (Previous year 1,00,00,000)	-	-
10,00,000	6% Redeemable Cumulative Preference Shares of Rs.100 each fully paid (Previous year 10,00,000)	-	-
50,000	(Previous Year 50,000) Equity Shares of Rs.10/-each fully paid-up	-	-
		2528.75	2528.75

* Of the above Equity Shares:

- 12,52,680 (Previous Year-12,52,680) equity shares have been allotted as Bonus Shares by capitalisation of General Reserve.
- 84,29,183 (Previous Year-84,29,183) 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.

Schedule 2 : Reserves and Surplus

Capital Reserve	56.55	56.55
Capital reserve on investment in associates	365.16	365.16
	-	-
Capital subsidy	1.12	1.12
	-	-
Securities Premium Account	6534.97	6534.97
Capital Redemption Reserve	1000.00	1000.00
	-	-
General reserve	-	-
Balance as per last account	-	-
Add: Transfer from/ debit balance in profit and loss account	-	-
	7957.80	7957.80

Schedule 3: Minority Interest

Opening minority interest as per last balance sheet	1155.40	1019.17
Add: current year minority interest	174.67	136.23
	1330.07	1155.40

Schedule 4 : Secured Loans

Loans and advances from banks		
Term Loans	22151.81	28028.97
Vehicle Loans from Banks	149.00	179.33
Working Capital Loans from Banks	5878.99	4575.83
Customer bills discounted with banks	134.54	3909.92
Interest accrued and due	23.91	17.37
	28338.25	36711.42

- Term loans repayable within one year Rs.12,782.90 lakh (Previous Year Rs.14,038.33 lakh)
- Term loans from banks are secured by
 - Rs.5,668.19 lakh (Previous Year 8,134.38 lakh) are secured by a first charge ranking pari-passu inter-se on the immovable and movable fixed assets of the Company
 - Rs. Nil (previous Year Rs.412.50 lakh) are secured / to be secured by a first charge on the movable fixed assets of the Company
 - Rs. Nil (Previous Year Rs.229.82) are secured by a first pari-passu charge on the immovable and movable fixed assets consisting of plant and machinery, land and building, stores and spares of the Company's factories situated at Patiala (Punjab), Bangalore (Karnataka) and Bhiwadi (Rajasthan).

SCHEDULES 1-25 TO THE CONSOLIDATED ACCOUNTS (Contd.)

Schedule 4 : Secured Loans (Contd.)

- Rs. Nil (Previous Year Rs.2,000 lakh) are secured by a second subservient charge on the movable fixed assets of the Company situated at Patiala (Punjab) Bangalore (Karnataka) and Bhiwadi (Rajasthan).
 - Rs.3,750 lakh (Previous Year Rs.5,000 lakh) are secured by first pari-passu charge on the entire block of fixed assets and second charge over current assets to cover the uncovered portion.
 - Rs.2,624.50 lakh (Previous Year Rs.3,208.00 lakh) are secured by first pari-passu charge with all secured lenders on the entire assets of the Company.
 - Rs. Nil (Previous Year Rs.1,497.62 lakh) are secured by first pari-passu charge on all fixed assets excluding land, buildings and vehicles, with other term lenders.
 - Rs.2,500 lakh (Previous Year Rs.2,500 lakh) are secured by first pari-passu mortgage and charge on the entire movable and immovable fixed assets excluding specific items of fixed assets having exclusive charge, if any.
 - Rs.1,250 lakh (Previous Year Rs.2,187.50 lakh) are secured by first pari-passu charge on current assets and second pari-passu charge on fixed assets.
 - Rs.1,000 lakh (Previous Year Rs. Nil) are secured against hypothecation of stocks of raw materials, stores, semi finished goods, finished goods and book debts both.
 - Rs.3,000 lakh (Previous Year Rs. Nil) are secured by first pari-passu charge on the gross block of the company i.e., fixed movable assets of the company in Bahadurgarh, Yehahanka, Bhiwadi and Alwar, subject to prior charges created and / or to be created in favour of our Company's bankers on our stock of raw materials, semi-finished and finished goods, consumable stores, book debts.
 - Rs.1,359.15 lakh (Previous Year Rs.1,359.15 lakh) are secured by a charge on Inventories, BookDebts and other movable assets both present and future of Goetze TP (India) Limited.
 - Rs.1,000 lakh (Previous Year Rs.1,500 lakh) are secured by irrevocable corporate guarantee of Goetze (India) Limited and first charge on land at New Delhi.
3. Vehicle loans of Rs.149 lakh (Previous Year Rs.179.33 lakh) from banks are secured by way of hypothecation of the underlying vehicles.
4. Working capital loans from banks are secured against hypothecation of stocks of raw materials, stores, semi finished goods, finished goods and book debts both present and future.

Schedule 5: Unsecured Loans

	As at 31.12.2006 Rs. in Lacs	As at 31.03.2006 Rs. in Lacs
Unpaid Fixed Deposits	8.75	18.29
Short Term Loans & advances		
- From Banks	8556.20	6424.54
- Foreign Currency Loan	2500.00	-
- Others *	1.70	-
	11066.65	6442.83

Schedule 6 : Deferred Tax Liabilities (Net)

Deferred Tax Liabilities

Differences in depreciation in block of fixed assets as per tax books and financial books	4737.87	5457.58
Gross deferred tax liabilities	4737.87	5457.58

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	727.42	840.97
Carry forward of losses	3649.01	4240.90
Gross Deferred Tax Assets	4376.43	5,081.87
Net Deferred Tax Liabilities	361.44	375.71

SCHEDULES 1-25 TO THE CONSOLIDATED ACCOUNTS (Contd.)

Schedule 7 : Fixed Assets

	Free hold Land	Lease hold Land	Buildings	Furniture & fittings and office equipments	Plant and machinery	Vehicles	Intangibles*	Goodwill	Total	Rs. in Lacs Previous Year
Gross block										
At April 1, 2006	1536.85	184.25	9044.30	2011.33	40529.75	761.20	362.31	218.21	54648.20	54798.28
Additions *	-	-	5.39	77.27	5086.12	84.11	131.70	-	5384.59	5545.01
Deductions	50.66	-	745.30	46.30	304.83	39.24	-	-	1186.83	2074.67
Less adjusted against revaluation reserve										3620.42
At Dec 31, 2006	1486.19	184.25	8304.39	2042.30	45311.04	806.07	494.01	218.21	58845.96	54648.20
Depreciation/Amortisation										
At April 1, 2006	-	2.00	1688.94	825.09	15574.25	181.94	159.92	43.64	18475.78	18363.44
For the year	-	1.55	203.33	112.72	2521.81	191.87	58.73	16.37	3106.38	3722.33
Deletions / adjustments	-	-	166.72	37.34	108.98	17.65	-	-	330.69	1133.66
Less adjusted against revaluation reserve										2476.33
At Dec 31, 2006	-	3.55	1725.55	900.47	17987.08	356.16	218.65	60.01	21251.47	18475.78
For previous year	-	2.00	271.84	154.03	3103.32	96.86	72.46	21.82	3722.33	
Net block										
At Dec 31, 2006	1486.19	180.70	6578.84	1141.83	27323.96	449.91	275.36	158.20	37594.49	
At March 31, 2006	1536.85	182.25	7355.36	1186.24	24955.50	579.26	202.39	174.57	36172.42	
Capital Work-in-Progress including Capital Advances Rs.485.91 lakh (Previous Year Rs. 118.41 lakh)									1910.80	697.40

Note :

- Additions includes foreign exchange capitalised Rs.8 lakh (Previous year Rs.5 lakh)
- Land includes(at cost) Rs.900.65 lakh (Previous Year Rs.900.65 lakh) pending registration in the name of the Company.
- Buildings include (at Cost)
 - Rs.101.38 lakh (Previous Year Rs.101.38 lakh) Residential flats pending registration in the name of the Company.
 - Rs.1261.39 lakh (Previous Year Rs.1261.39 lakh), constructed on land pending registration in the name of the Company.
- * includes Patents and Trade marks valued at Re.1.

Schedule 8 : Investments - Unquoted

	As at 31.12.2006 Rs. in Lacs	As at 31.03.2006 Rs. in Lacs
Long Term Investments (At cost)		
A Government Securities		
National Savings Certificates* (cost Rs.1.42 lakh)	1.42	1.42
B Investments in Associates		
(i) GI Power Corporation Ltd.(Non trade unquoted)		
a 38,89,600 (Previous Year-7,38,400) equity shares of Rs.5 each, fully paid	194.48	194.48
Add: Capital reserve on purchase of investment	365.16	365.16
Add: Share of Profit/ (losses) in associate	21.16	(39.26)
Carrying amount of investment	580.80	520.38
b 2,030,600 (Previous Year-20,30,600) 10% redeemable cumulative preference shares of Rs.5 each fully paid	33.78	67.69
c 17,528,800 (Previous Year - 20,000,000) 8% cumulative convertible redeemable Preference Shares of Rs.5 each fully paid in GI Power Corporation Ltd	876.44	876.44
(ii) GTZ Securities (Non trade unquoted)		
9,23,000 (Previous Year-9,23,000) equity shares of Rs.5 each fully paid in GTZ Securities Ltd		46.15
Less: Share of losses in associate	-	(46.15)
Carrying value of investment		-

SCHEDULES 1-25 TO THE CONSOLIDATED ACCOUNTS (Contd.)

Schedule 8 : Investments - Unquoted (Contd.)

D Other investments

(i) Nanz Food Products Limited (Non trade unquoted) 1,00,000 (Previous Year-1,00,000) 6% redeemable cumulative preference shares of Rs.10 each fully paid	10.00	-
Less : Provision for diminution in the value of investment	(10.00)	-
Current investments (quoted) (lower of cost or market value) Unit Trust of India	9.06	9.06
9,058 (Previous Year 9,058) 6.75% Taxfree US 64 Bonds of 100 each fully paid in Unit Trust of India		
	1501.50	1474.99
* The investment is pledged with Sale Tax Authorities Aggregate value of quoted investments	9.06	9.06
A Following investments were purchased during the year		
(i) Nil, Previous year (3,151,200) equity shares of Rs.5 each fully paid in GI Power Corporation Limited (cost Rs.157.56 lacs). Out of these, 2,471,200 equity shares of Rs. 5 each fully paid were purchased on conversion of 8% cumulative convertible redeemable preference shares of Rs.5 each, fully paid.		
(ii) Nil (Previous Year 50,000) equity shares of Rs. 10 each, fully paid in Satara Rubbers and Chemicals Limited.		
(iii) Nil (Previous Year 20,000,000) 8% cumulative preference shares of Rs.5 each, fully paid in GI Power Corporation Limited.		
B Following investments were sold/ converted during the year		
(i) sold Nil equity shares (Previous Year 529,486) of Rs.10 each, fully paid in Escorts Limited.		
(ii) Nil, Previous Year converted 2,474,333, 8% cumulative redeemable preference shares of Rs.5 each fully paid in GI Power Corporation Limited.		
(iii) sold Nil (Previous Year 10,020,000) equity shares of Rs.10 each, fully paid in GI Wind Farm Limited		
C 10% redeemable cumulative preference shares of Rs.5 each fully paid are redeemable on following terms:		
- on June 30, 2005		
- on June 30, 2006		
- on June 30, 2007		
Company has received Rs.1.67 per share on its 2,030,600 preference shares due on June 30, 2006		

Schedule 9: Inventories (at lower of cost and net realisable value)

	As at 31.12.2006 Rs. in Lacs	As at 31.03.2006 Rs. in Lacs
Raw materials and components (Including materials in transit Rs.176.03 lakh (Previous Year Rs.258.79 lakh)	1862.47	1490.72
Stores and Spares	2804.00	2379.14
Work-in-Progress	3629.24	2742.47
Reusable Scrap	592.41	598.30
Finished Goods	5449.00	7361.96
	14337.12	14572.59

Schedule 10: Sundry debtors

Debts outstanding for a period exceeding six months		
Unsecured, considered good	4.44	218.02
Unsecured, considered doubtful	25.08	19.72
Other		
Secured, considered good	178.41	168.00
Unsecured, considered good	7368.32	6989.27
	7576.25	7395.01
Less : Provision for doubtful debts	25.08	19.72
	7551.17	7375.29

SCHEDULES 1-25 TO THE CONSOLIDATED ACCOUNTS (Contd.)

Schedule 11 : Cash and Bank Balances

	As at 31.12.2006 Rs. in Lacs	As at 31.03.2006 Rs. in Lacs
Cash in hand	4.67	11.38
Balances with Scheduled Banks: On Current Accounts	77.87	169.50
	82.54	180.88

Schedule 12: Other Current Assets

Fixed Assets held for disposal (at lower of net book value and estimated net realisable value)	3.21	38.55
Interest / Dividend accrued on Deposits / Investments	38.88	38.44
DEPB Benefits Receivable	10.63	18.05
Other Claim Receivable	3.76	8.24
	56.48	103.28

Schedule 13: Loans and Advances

Unsecured considered good, except where stated otherwise		
Advances recoverable in cash or in kind or for value to be received	432.31	602.40
Advance to Escorts Firm Ltd.	-	2.12
Advance to Gossini Fashion Ltd (earlier AN-GIP Leather (India) Limited)	-	57.70
Advance to vendor	28.73	28.50
Security Deposits	328.55	337.11
Balances with scheduled banks:		
On deposit accounts	83.76	82.63
On unpaid dividend accounts	26.20	34.36
Balance with Excise Authorities	844.14	1040.68
Advance Payment of Tax (Net of provision)	767.70	658.54
	2511.39	2844.04

Schedule 14: Current Liabilities

Acceptances	-	1477.70
Sundry creditors	-	-
- Small scale industries *	142.66	148.86
- others	9233.68	4450.44
-Advance received against supplies from Subsidiary Company	2235.50	-
-Other liabilities	1605.22	1049.64
-Security Deposit	178.49	168.00
- Unclaim dividend	26.20	34.14
-Interest Accrued but not Due	211.90	19.63
	13633.65	7348.41

*Amount represents amounts due to small scale industries, to the extent such parties have been identified from available documents/information. Refer note 9 under schedule 25 for names of SSI which are outstanding for 30 days or more.

Schedule 15: Provisions

Provision for leave encashment	511.84	348.90
Provision for gratuity	287.76	480.47
Provision for superannuation	341.44	374.61
Proposed Dividend-Preference	60.00	60.00
Tax on proposed dividend	8.42	8.42
	1209.46	1272.40

SCHEDULES 1-25 TO THE CONSOLIDATED ACCOUNTS (Contd.)

Schedule 16 : Miscellaneous Expenditure

	As at 31.12.2006 Rs. in Lacs	As at 31.03.2006 Rs. in Lacs
Voluntary retirement scheme expenses		
Balance as per last Balance Sheet	-	1599.65
Add: Additions in current year	-	590.6
Less : Written off	-	2190.25
Commission, upfront fee		
Balance as per last Balance Sheet	-	495.31
Add: Additions in current year	-	264.82
Less : Written off	-	760.13
Development expenses		
Balance as per last Balance Sheet	-	59.95
Add: Additions in current year	-	33.2
Less : Written off	-	93.15
	-	-

Schedule 17 : Other Income

Interest:		
Bank deposits (Tax deducted at source Rs.Nil, previous year Rs.1.62 lakh)	4.15	6.80
Interest on income-tax refund	33.65	-
Others (Tax deducted at source Rs.Nil , Previous Year Rs.13.88 lakh)	23.25	68.48
Dividend on investment in subsidiary	30.60	-
Sale of scrap	631.63	507.84
Duty drawback/ Exim Scrip realisation	7.95	18.46
Cash Discount	55.87	85.99
Share of Profit in Associated Companies	60.42	-
Excess provision written back	34.23	116.54
Miscellaneous income	137.02	146.39
Profit on sale of Fixed Assets(net)	128.73	-
	1147.50	950.50

Schedule 18: Raw Materials and Components Consumed

Inventories - Opening	1490.72	1767.17
Add: Purchases	14765.52	11894.11
	16256.24	13661.28
Less: Inventories - Closing	1862.47	1490.72
	14393.77	12170.56

Schedule 19: Personnel Expenses

Salaries, wages and bonus	7647.27	8775.55
Contribution to provident fund and other Funds	597.66	713.19
Contribution to other funds	52.45	43.39
Contribution to gratuity	353.45	496.15
Workmen and staff welfare expenses	939.16	1198.53
	9589.99	11226.81

SCHEDULES 1-25 TO THE CONSOLIDATED ACCOUNTS (Contd.)

Schedule 20 : Operating and Other Expenses

	As at 31.12.2006 Rs. in Lacs	As at 31.03.2006 Rs. in Lacs
Consumption of Stores and Spares	6061.53	7160.85
Sub-contracting Expenses	1060.84	916.81
Power and Fuel	2973.94	3844.97
Freight and Forwarding Charges	929.06	830.18
Rent	84.08	160.49
Rates and Taxes		
- Sale & Purchase Tax	134.46	139.50
- Others	63.16	121.21
Insurance	107.10	154.19
Repairs and Maintenance		
- Plant and Machinery	51.71	145.67
- Buildings	29.01	184.58
- Others	28.88	264.85
Advertising and Sales Promotion	2420.72	3233.41
Royalty	485.57	576.42
Product Rectification Charges	67.61	106.94
Legal and Professional Expenses	100.04	306.99
Travelling and Conveyance	576.37	952.80
Communication Costs	108.37	156.12
Printing and Stationery	81.87	62.61
Directors Fees & Travelling	3.70	1.95
Auditor's Remuneration		
- Audit Fee	30.72	34.00
- Tax Audit Fee	6.35	-
- For Certification and Others Matters	0.50	-
- For Limited Reviews	2.33	21.90
- Out-of-Pocket Expenses	0.77	-
Charity & Donation	0.09	10.62
Miscellaneous Expenditure Written Off	-	3,010.11
Provision for Doubtful Debts and Advances	5.36	19.72
Loss on Sale of Trade Investments	-	2.40
Foreign Exchange Rate Difference (net)	6.38	153.31
Loss on Sale / Discard of Fixed Assets (net)	61.63	108.67
Provision for Obsolescence of Fixed Assets	-	875.91
Advances Written Off	69.10	19.27
Provision for Diminution in the Value of Investments	-	10.00
Share of (profit)/ Losses in Associate Companies	-	85.41
Miscellaneous Expenses	294.47	593.88
	15845.72	24265.74

Schedule 21 : Decrease/(increase) in Inventories

Inventories - Opening		
- Work-in-progress	2742.47	2282.31
- Finished goods	7361.96	3825.60
	10104.43	6107.91
Inventories - closing		
- Work-in-progress	3629.24	2742.47
- Finished goods	5449.00	7361.96
	9078.24	10104.43
	1026.19	(3996.52)

SCHEDULES 1-25 TO THE CONSOLIDATED ACCOUNTS (Contd.)

Schedule 22 : Financial Expenses

	As at 31.12.2006 Rs. in Lacs	As at 31.03.2006 Rs. in Lacs
Interest		
- to banks	2435.28	3365.64
- others	331.23	42.69
Bank charges	62.37	85.73
	2828.88	3494.06

Schedule 23: Prior Period Expenses

Superannuation	-	332.00
Advertising and sales promotion	-	125.00
	-	457.00

Schedule 24: Earnings/(Loss) per share (EPS)

Net profit as per profit and loss account	(508.75)	(4902.58)
Weighted average number of equity shares in calculating basic and diluting Earning/ (Loss) per share	25287549.00	25287549.00
Earning per share	(2.01)	(19.39)

SCHEDULES 1-25 TO THE CONSOLIDATED ACCOUNTS (Contd.)
Schedule 25 : Notes to Consolidated financial statements
1. Background

Federal-Mogul Goetze (India) Limited (FMGIL) (formerly Goetze (India) Limited) ('FMGIL' or 'company'), was incorporated at New Delhi on November 26, 1954, for manufacture, supply and distribution of 'automotive components' i.e. rings used in two/three/four wheeler automobiles. In 2002, the company acquired 100% of the share capital of Escorts Pistons Limited (earlier Escorts Mahle Limited and incorporated in 1996), determined based on fair value of the business, approved by the statutory authorities. Also, in 2001, the company acquired 100% of the share capital of Brico Goetze Limited (incorporated in 1996) for a mutually agreed consideration determined based on fair value of the business, approved by the statutory authorities. The major facilities of the company are located at Patiala (Punjab), Bangalore (Karnataka) and Bhiwadi (Rajasthan), with its registered office in New Delhi. The company is listed at National Stock Exchange and The Stock Exchange, Mumbai.

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

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

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

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

Name	Percentage of Ownership Interest as at December 31, 2006	Percentage of Ownership Interest as at March 31, 2006
Goetze TP (India) Limited	51 %	51 %
Satara Rubbers and Chemicals Limited	100 %	100 %

The audited financial statements of subsidiaries, considered in the consolidated accounts, are drawn upto December 31, 2006.

Investments in Associates:

The Group's Associates are:

Name	Percentage of Ownership interest as at December 31, 2006	Percentage of Ownership interest as at March 31, 2006
GI Power Corporation Limited	26 %	4.96 %
GTZ Securities Limited	23.67 %	23.67 %

The un-audited financial statements of group associates as at December 31, 2006 are considered in consolidated account.

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

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

The accounting policies followed by the Company are consistent with those used in the previous year.

b) Tangible Assets and Depreciation

(i) 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.

Depreciation

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

Asset Class	Rate prescribed in Schedule XIV of Companies Act, 1956 (%)	Rates used (%)
(i) Land-Leasehold	-	over the life of lease of asset
(ii) Buildings - Factory	3.34	3.34
- Other	1.63	1.64
(iii) Furniture, Fittings & Office Equipment	6.33	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	10.34
(v) Vehicles - Employee	9.50	33.33
- Material Handling Vehicles	9.50	11.31
- Others	9.50	9.50
(vi) Office Equipment	4.75	4.75
(vii) Computers	16.21	16.21
(viii) Dies and Moulds	11.31	11.31

(iii) Assets above include those acquired from Escorts Mahle Limited.

(iv) Plant and Machinery also includes self constructed machinery.

(v) Amounts 'added to' / 'deducted from' fixed assets on account of foreign currency fluctuations are considered as additions / deductions of the year in which

SCHEDULES 1-25 TO THE CONSOLIDATED ACCOUNTS (Contd.)

Schedule 25 : Notes to Consolidated financial statements

- such fluctuations occur and depreciation thereon is provided /adjusted prospectively from the date the related assets have been put to use.
- vi) 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.
- vii) All assets costing upto Rs 5,000 are fully depreciated in the year of purchase.
- c) Impairment**
Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the income statement for items of fixed assets carried at cost. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtained from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows discounted by using rate at weighted average cost of capital expected to arise from the continuing use of an asset, from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if not possible, for the cash generating unit. Impairment loss recognized for an asset in earlier accounting periods is reversed, to the extent of its recoverable amount, if there has been a change in the estimates of used to determine the asset's recoverable amount since the last impairment loss was recognized.
- d) Intangible Assets**
Intangible assets are stated at cost less impairment if any. Cost comprises the purchase price and other direct attributable costs. Acquired design and drawings are valued at cost less accumulated amortization and any impairment losses. These are amortized equally over a period of 5 years. Software are amortised over a period of 5 years.
- e) 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.
- f) 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.
- 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. |
| Constructed 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. |
| Work-in-progress, finished and trading goods | - At cost or net realisable value, whichever is low. 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. |
| Reusable scrap | - At net realizable value. |
- Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs, of completion. Provision for obsolescence is determined based on management's assessment and is charged to profit and loss account.
- 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.
- a) 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 other levies. For the purpose of these financial statements, sales are disclosed, both gross and net of excise duty.
- b) Interest:
Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.
- c) Dividends:
Revenue is recognised when the shareholders' right to receive payment is established by the balance sheet date.
- d) 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.
- i) Foreign Currency Transactions**
- (i) Initial Recognition
Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.
- (ii) Conversion
Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.
- (iii) Exchange Differences
Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise except where they related to acquisition of fixed assets, from outside India, in which case they are adjusted to the cost of the fixed asset.
- (iv) Forward Exchange Contracts
In respect of forward exchange contracts entered into by the Company, the difference between the contracted rate and the rate at the date of transaction is recognized as gain or loss over the period of the contract except for difference in respect of liabilities incurred for acquiring fixed assets from a country outside India, in which case such difference is adjusted in the carrying amount of the respective fixed assets. Exchange differences arising on forward contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any gain or loss arising on cancellation or renewal of forward exchange contract is recognized as income or as expense for the year, except gain or loss on transactions relating to fixed assets acquired from a country outside India, which is adjusted to the carrying amount of respective fixed assets.
- j) 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" trust, administered by the trustees and to the Regional Provident Fund Commissioners. There are no other obligations other than the contribution

SCHEDULES 1-25 TO THE CONSOLIDATED ACCOUNTS (Contd.)

Schedule 25 : Notes to Consolidated financial statements

- 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.
- (iii) 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.
- (iv) Superannuation Benefit
The Group has superannuation obligations under two separate schemes, administered with Life Insurance Corporation of India (LIC). Liability towards the defined benefit scheme is determined by an independent actuary and shortfall when confirmed against the contributions made is provided. Contributions to the defined contribution scheme are charged to profit and loss account when contributions paid/ payable are due to such funds. There are no other obligations other than the contribution payable to the respective trusts.
- k) Income Taxes**
Tax expense comprises of current, deferred and fringe benefit tax.
Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act.
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. Virtual certainty tests are applied to entire deferred tax assets in case of unabsorbed losses and depreciation, to the extent that there is virtual certainty supported by convincing evidence.
- l) 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.
- 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 in the balance sheet comprise cash at bank and in hand.
- o) Excise Duty**
The excise duty related to the difference between closing and opening stock has been separately disclosed in the profit and loss account.

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 in one geographical segment and no further disclosures as per AS-17 need to be made.

4. Related Party Disclosure

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

Names of related parties:

- i) Enterprises owned or significantly influenced by key management personnel or their relatives
- | | |
|--|-------------------------|
| - An-Net Infotech Limited | (till May 12, 2006) |
| - Escorts Farms Limited | (till May 12, 2006) |
| - Hari Raj Investments & Consultants Pvt. Ltd. | (till May 12, 2006) |
| - GI Insurance Services Limited | (till May 12, 2006) |
| - Gossini Fashion Limited (earlier AN-GIP Leather (India) Limited) | (till May 12, 2006) |
| - Akme Projects Limited | (till May 12, 2006) |
| - GI Power Corporation Limited | (upto October 12, 2005) |
| - GTZ Securities Limited | (till May 12, 2006) |
| - GI Wind Power Company Limited | (till May 12, 2006) |
| - Joint Investment Pvt. Ltd. | (till May 12, 2006) |
| - Spade Financial Services Limited | (till May 12, 2006) |
- ii) Key managerial personnel and their relatives
- Mr. Anil Nanda
 - Mr. Arun Anand
 - Mrs. Renu Anand (wife of Mr. Arun Anand)
- iii) Common Control with Holding Company
- Federal Mogul Burschied GmbH, Germany
 - Federal Mogul holding Ltd., Mauritius
 - Federal Mogul Nuremberg, GmbH
 - Federal Mogul Sintered Products Ltd.
 - Federal Mogul Wiesbaden GmbH, Germany
 - Federal Mogul Power Train System
 - Federal Mogul Automotive Products
 - Federal Mogul Burschied, U.K.
 - Federal Mogul Bimet, S.A.
 - Federal Mogul Operation S.R.L.
 - Federal Mogul Holding Deutschland
 - Federal Mogul Gorzyce, S.A.
 - Federal Mogul Vermögensverwaltungs GmbH, Germany
 - Joint Investments Private Limited
- iv) Associates
- GI Power Corporation Limited (w.e.f October 13, 2005)
 - GTZ Securities Limited

Those transactions along with related balances as at December 31, 2006 and March 31, 2006 and for the period/ year then ended are presented in the following table:

(Rs. in Lacs)

	Associates				Coventurers			
	G.I Power Corporation Ltd.		GTZ Securities Ltd.		T&N Investment		Teikoku Piston Ring Company Ltd.	
	31.12.06	31.03.06	31.12.06	31.03.06	31.12.06	31.03.06	31.12.06	31.03.06
Sales	-	-	-	-	-	-	-	-
Purchases of raw materials, intermediaries and finished goods	-	-	-	-	-	-	-	-
Dividend Paid	-	-	-	-	14.70	29.40	14.70	29.40
Purchase of fixed asset	-	-	-	-	-	-	-	-
Management fee received	-	-	-	-	-	-	-	-
Job work income	-	-	-	-	-	-	-	-
Purchase of power	(486.77)	(677.00)	(486.77)	(677.00)	-	-	-	-
Fund paid	(419.94)	(678.63)	(420.64)	(678.63)	-	-	-	-
Fund received	-	-	-	-	-	-	-	-
Operating expenses (shared) recovered	-	-	-	-	-	-	-	-
Sole selling commission received	-	-	-	-	-	-	-	-
Expense incurred on behalf of Other	-	9.37	-	9.37	-	-	-	-
Loans taken	-	-	-	-	-	-	-	-
Loans given	-	-	-	(40.00)	-	-	-	-
Sale of investment	-	-	-	(123.56)	-	-	-	-
Purchase of investment	-	-	-	123.56	-	-	-	-
Sale of fixed assets	-	-	-	-	-	-	-	-
Rent expense	-	-	-	-	-	-	-	-
Rent income	-	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	-	-
Guarantees given / (obtained)	-	1170.00	-	1170.00	-	-	-	-
Royalty expense	-	-	-	-	-	-	-	-
Investment	1138.61	1138.61	46.15	46.15	1184.76	1184.76	63.07	106.78
Balance outstanding as at the year end	(67.87)	0.01	(67.87)	0.70	(67.87)	0.71	-	-
Total	31.12.06	31.03.06	31.12.06	31.03.06	31.12.06	31.03.06	31.12.06	31.03.06

	Key managerial personnel and their relatives* (see note below)		Enterprises owned or significantly influenced by key management personnel and their relatives				Total
	Mrs Renu Anand		Escorts Farms Ltd.		Gossini Fashion Ltd./AN-GIP Leather (India) Ltd.		
	31.03.06	31.12.06	AN -Enterprise Pvt. Ltd.	31.03.06	31.12.06	31.03.06	
Sales	-	-	-	-	-	-	-
Purchases of raw materials, intermediaries and finished goods	-	-	-	-	-	45.13	988.09
Dividend received	-	-	-	-	-	-	-
Purchase of fixed asset	-	-	-	-	-	-	-
Management fee received	-	-	-	-	-	-	-
Job work income	-	-	-	-	-	-	-
Purchase of power	-	-	-	-	-	-	-
Fund paid	-	-	-	-	-	-	-
Fund received	-	-	-	-	-	1075.96	1075.96
Operating expenses (shared) recovered	-	-	-	-	-	-	-
Sole selling commission received	-	-	-	-	-	-	-
Expense incurred on behalf of Other	-	-	(0.23)	0.23	-	(1.50)	5.61
Loans taken	-	-	-	185.00	1846.17	-	(1.73)
Loans given	-	-	-	(70.00)	(1957.17)	-	3350.00
Sale of investment	-	-	-	-	-	-	2529.07
Purchase of investment	-	-	-	-	-	-	(3235.00)
Sale of fixed assets	-	-	-	-	-	-	-
Rent expense	10.80	25.44	-	(2.12)	-	8.00	(2.12)
Rent income	-	-	-	-	48.00	-	8.00
Interest expense	-	-	-	-	-	-	-
Interest income	-	-	-	13.85	-	-	13.85
Guarantees given / (obtained)	-	-	-	-	-	-	(59.18)
Royalty expense	-	-	-	-	-	-	-
Investment	-	-	-	-	-	-	-
Investment	-	-	-	2.12	-	66.37	57.70
			0.23		2.90	0.20	2.55
							60.06

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

(Rs. in Lacs)

	Holding Company		Fellow Subsidiary							Total			
	Federal Mogul Corporation	Federal Mogul Vermögensver-waltungs GmbH, Germany	Federal Mogul Burschfield, U.K	Federal Mogul Nurnberg, GmbH	Federal Mogul Automotive product	Federal Mogul Wiesbaden GmbH, Germany	Federal Mogul Power Train System	Others					
	31.12.06	31.03.06	31.12.06	31.03.06	31.12.06	31.03.06	31.12.06	31.03.06	31.12.06	31.03.06	31.12.06	31.03.06	31.12.06
Sales	(334.87)	-	-	-	-	-	-	-	-	-	-	-	-
Purchases of raw materials, intermediaries and finished goods	6.12	-	-	-	-	-	-	-	-	-	-	-	6.12
Dividend received	-	200.12	-	-	-	-	-	-	-	-	-	-	200.12
Purchase of fixed asset	571.39	1408.94	-	73.62	-	-	40.60	-	-	-	5.46	-	2119.12
Management fee received	-	-	-	-	-	-	-	-	-	-	-	-	-
Job work income	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of power	-	-	-	-	-	-	-	-	-	-	-	-	-
Fund paid	-	(829.40)	-	(27.40)	-	-	(9.01)	-	-	-	-	(5.51)	(871.32)
Fund received	2371.03	-	-	-	-	-	5.66	-	-	-	49.19	-	2425.89
Operating expenses (shared) recovered	-	-	-	-	-	-	-	-	-	-	-	-	-
Sole selling commission received	-	-	-	-	-	-	-	-	-	-	-	-	-
Rendring of Services	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans taken	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans given	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of investment	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of investment	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of fixed assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Rent expense	-	-	-	-	-	-	-	-	-	-	-	-	-
Rent income	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	-	-	-	-	-	-	-
Guarantees given / (obtained)	-	-	-	-	-	-	-	-	-	-	-	-	-
Royalty expense	-	73.32	-	96.24	-	-	-	-	-	-	-	-	169.56
Investment	-	-	-	-	-	-	-	-	-	-	-	-	429.93
Balance outstanding as at the year end	(2614.22)	(896.52)	(318.69)	(48.37)	(2.15)	4.55	(31.59)	(5.46)	24.87	(37.12)	(3628.73)	(296.80)	

SCHEDULES 1-25 TO THE CONSOLIDATED ACCOUNTS (Contd.)

Schedule 25 : Notes to Consolidated financial statements

5. Capital Commitment

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

Particulars	Period ended	Year ended
	December 31, 2006 (Rs in Lacs)	March 31, 2006 (Rs in Lacs)
Capital Commitment	3375.30	3354.69

6. Contingent Liabilities not provided for:

Particulars	Period ended	Year ended
	December 31, 2006 (Rs in Lacs)	March 31, 2006 (Rs in Lacs)
a) Bank Guarantees	193.18	133.17
b) Claims/notices contested by the company		
i) Excise Duty	505.88	433.54
ii) Sales Tax	118.87	97.62
iii) ESI Cases	63.30	75.25
iv) Employee Related Cases	88.45	61.23
v) Electricity Demand	52.24	52.24
vi) Income Tax Demands	320.87	361.09
vii) Consumer Cases	60.91	60.91
viii) Other Excise Duty Liabilities of Subsidiary	5.34	14.24

- c) - On behalf of Satara Rubbers & Chemicals Limited to Yes Bank Ltd. for the term loan of Rs.1,000 Lakh (Previous Year Rs.1,500 Lakh) granted by Yes Bank Ltd.
d) - The company has executed surety bonds in favour of sales tax authorities on behalf of Gossini Fashion Limited (earlier AN-GIP Leather (India) Limited) for Rs.1.5 lakh.

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

- i) Show cause notice received in respect of excise duty benefit in relation to deduction of Trade Discounts for the period 2000-2001 to 2003-2004. The matter is pending for personal hearing with the Joint Commissioner. The company has taken legal opinion and is advised that it has fair chance of a favorable decision. The amount involved is Rs.36.16 lakh.
ii) Matter pending with Central Excise & Service Tax Appellate Tribunal (CESTAT) in respect of valuation rates employed for certain products sold by company for the period 1995-1996 to 2004-2005. The amount involved is Rs.6.42 lakh.
iii) Matter pending with Additional Commissioner of Central Excise (ADCCE) in respect of excise duty on scrap produced by company for the period 2000-2001 to 2002-2003. The amount involved is Rs.34.11 Lakh.
iv) Miscellaneous Excise Cases in respect of MODVAT credits being taken pending with Deputy Commissioner Central Excise Patiala (DCCE PTA)/ Addl. Commissioner/Punjab and Haryana Court for the period 1987-1988 to 2001-2002. The Company is of the view that it has reasonable chances of success. The amount involved is Rs.71.09 lakh.
v) Matters pending with Additional Commissioner, Chandigarh in respect of Service Tax on Royalty & Technical Know how from 1999-00 to 2004-05. The amount involved is Rs.39.95 Lakh.
vi) Matters pending with Joint Commissioner, Bangalore in respect of Service Tax on Job Work for the period 2004-05. The amount involved is Rs.18.01 Lakh.
vii) Matters pending with Additional Commissioner, Chandigarh in respect of Service Tax on Transport Services for the period 2005-06 and other Services. The amount involved is Rs.6.76 Lakh.
viii) 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 2005-2006. The amount involved is Rs.7.20 Lakh.
ix) Matters pending with Commissioner Appeals/ Joint Commissioner in respect of interest on reversal of Special Additional Duty (SAD) for 2000-01. The amount involved is Rs.9.37 Lakh.
x) Matters pending with Supreme Court in respect of conversion of Aluminum Scrap into Ingots from Colts for 2000-01 & 2001-02. The amount involved is Rs.15.14 Lakh.
xi) Matters pending with CESTAT in respect of excise cases in relation to provisional assessment of excise duty with respect to turnover discount for the period 2001-2002 to 2005-2006. The company has taken legal opinion in this regard and is confident of success. The amount involved is Rs.267.00 Lakh.

f) 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 amount involved is Rs.59.23 Lakh.
ii) In respect of Assessment Year 1999-00, on account of non-submission of C- Forms and F- Forms, the matter is pending with JCCT. The amount involved is Rs.38.39 Lakh.
iii) In respect of Assessment Year 2002-03 to 2006-07, on account of Entry tax, the matter is pending with Additional Commissioner. The amount involved is Rs.20.65 Lakh.

g) 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 amount involved is Rs.63.30 lakh.

h) 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 amount involved is Rs.88.45 Lakh.

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

- i) In respect of a demand raised by Punjab Electricity Board (PSEB) for various years in relation to avilment of additional load. The amount involved is Rs.52.24 Lakh.

j) In relation to b (vi) above Income Tax cases disputed by the company:

SCHEDULES 1-25 TO THE CONSOLIDATED ACCOUNTS (Contd.)

Schedule 25 : Notes to Consolidated financial statements

- i) 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 matter is pending with ITAT and company is of the view that it has reasonable chance of success. The amount involved is Rs.110.51 lakh.
- 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 and company is of the view that it has reasonable chance of success. The amount involved is Rs.16.37 Lakh.
- 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 and company is of the view that it has reasonable chance of success. The amount involved is Rs.170.20 Lakh.
- iv) In respect of Assessment Year 2004-05 certain additions were made on normal income. The matter is pending with Commissioner Income Tax Appeals and company is of the view that it has reasonable chance of success. The amount involved is Rs.23.79 Lakh.
- For all matters above, company has been advised by experts and based on such opinion/advise, company has fair chance of favorable decision.
- k) **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 amount involved is Rs.60.91 Lakh.

7. (i) Payments made to Directors :

	Period ended December 31, 2006 (Rs. in Lacs)	Year ended March 31, 2006 (Rs. in Lacs)
(a) Salaries	36.90	120.00
(b) Commission	-	-
(c) Contribution to Provident & Superannuation Fund	11.73	44.65
(d) Other Perquisites	85.86	29.41
(ii) Directors Sitting Fees	3.70	1.95

Note:

- a) Personnel expenses and Operating and other expenses under Schedule 18 and 19 include Rs.99.16 lakh and Rs.7.89 lakh respectively towards director remuneration. This amount is in excess of permissible remuneration determined under Schedule XIII of the Companies Act, 1956. Management is preparing necessary application to obtain necessary approval by the Central Government and has confirmation from the directors that they shall refund the amounts in the event of such approvals being refused.

8a. The company takes various types of foreign currency derivative instruments to hedge its foreign currency risk. The category-wise outstanding position of derivative instruments as on December 31, 2006 is as under:

Particulars of Derivatives	Purpose	
Outstanding Forward contracts Buy		
USD 2.125Lakh	Hedge of repayment of borrowings.	
The amount of foreign currency exposure that are not hedged by a derivative instrument or otherwise as on December 31, 2006:		
Particulars	Amount (INR)	Foreign Currency
Borrowings	78984874.45	USD 1783045.51
Borrowings	16058100.87	USD 362500.00
Borrowings	34774094.85	USD 785000.00
Debtors	49357968.55	USD 1084131.68
Debtors	8848705.20	EURO 150516.95
Debtors	2112052.00	GBP 24398.00

8b. In accordance with ASI 14(Revised) on "Disclosure of Revenue from Sales Transactions" issued by Institute of Chartered Accountants of India, excise duty on sales amounting to Rs.7,342.33 lakh (Previous Year Rs.7,054.68 lakh) has been reduced from sales in profit & loss account and excise duty on decrease/ (increase) in stock amounting to Rs.(354.10) lakh (Previous Year Rs.509.70 lakh) has been considered as (income)/ expense in the financial statements.

9. (a) The list of Small Scale Industrial Undertakings to whom the Company owes for more than 30 days is as under:

Name of the SSI Undertaking	Name of the SSI Undertaking
Sumuka Packaging Industries	Indome Appliance Company
Shree Pla Private Limited	Perfect Springs Private Limited
Devki Reinforced Plastics	Indian Industrial Clutche
Halidon Industries	Giliyal Industries
In-Com	R.V.S. Machine Tools
Vaishnavi Packaging Private Limited	Shilpa Latex Products
V.R.S. Graphite Electronics	International Crafford
Perfect Industries (Automats)	Sunikh Precision (P) Limited
Sujatha Hydraulics	Lotus Polymers Industries
Balaji Industries	Subbiah Enterprises
Maruthi Machine Tools Private Limited	Precision Engg. Accessories
Miniature Electronic & Allied	Arun Gases Limited
Jai Suprabha Protective P Ltd.	Dhawan Enterprise
S.V. Packaging	Gurmeef Furniture House
Arun & Company	Mahajan Packing Industries
Patiala Packaging Industries	Tinchem Enterprises

SCHEDULES 1-25 TO THE CONSOLIDATED ACCOUNTS (Contd.)

Schedule 25 : Notes to Consolidated financial statements

Rajpal Industries Perfect Spring Private Company Indome Appliance Company	Halidon Industries Perfect Industries
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(b) Other disclosure in respect of SSI as required under "Micro, Small and Medium Enterprises Development Act, 2006"

SI.No	Description	Amount	Amount
1	Principal Amount remaining unpaid as at the end of the year	142.66	148.86
2	Interest Due on above principal and remaining unpaid as at the end of the year	-	N/A
3	Amount of Interest Paid	-	N/A
4	Total amount of payments made beyond the appointed date during the year	-	N/A
5	Total interest accrued and unpaid in respect of SSI Units	-	N/A
6	Total interest due & payable for the period of delay in making payment without adding the interest	-	N/A
7	The amount of further interest	-	N/A

10) Financial Statement is for the 9 months period ending December 31, 2006, as the company has changed its statutory year end from March 31 year end to December 31, 2006. Previous Year figures have been regrouped and rearranged wherever necessary to make these comparable.

For S.R. Batliboi & Co.
Chartered Accountants

For and on behalf of the Board of Directors

Per Pankaj Chadha
Partner
Membership No. 91813

ARUN ANAND
Vice Chairman, Managing Director & CEO

MUKUL GUPTA
Director

RAJAN LUTHRA
Financial Controller & Company Secretary
New Delhi

Place : Gurgaon
Date : March 23, 2007

CONSOLIDATED CASH FLOW STATEMENT

	For the period ended 31.12.2006 Rs. in Lacs	For the year ended 31.03.2006 Rs. in Lacs
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit after Exceptional Item but Before Tax	63.92	(3674.93)
Adjustments for :		
Depreciation and amortisation	3106.38	3722.33
Loss on Sale / Discard of Fixed Assets (net)	61.63	108.67
Profit on Sale of Fixed Assets (net)	(128.73)	-
Provision for Obsolescence of Fixed Assets	-	875.91
Loss on Sale of Trade Investments	-	2.40
Provision for Doubtful Debts	5.36	19.72
Advances Written Off	69.10	19.27
Provision for Diminution in the value of Investments	-	10.00
Interest Income	(61.05)	(75.28)
Share of (Profit) / Losses in Associate Companies	-	85.41
Dividend Income	(30.60)	-
Interest Expense	2766.51	3408.33
Excess Provision Written Back	(34.23)	(116.54)
Provision for Impairment of Asset	-	258.07
Miscellaneous Expenditure Written Off	-	3010.11
Operating Profit before Working Capital Changes	5818.29	7653.47
Movements in Working Capital :		
Decrease / (Increase) in Sundry Debtors	(181.24)	2133.38
Decrease / (Increase) in Current Assets	47.24	(21.62)
Decrease / (Increase) in Inventories	235.47	(4308.59)
Decrease / (Increase) Loans and Advances	448.35	281.90
Increase / (Decrease) in Current Liabilities	6187.42	808.02
Cash Generated from Operations	12555.53	6546.56
Direct Taxes paid (Net of Refunds)	(453.01)	(496.83)
Net Cash from Operating Activities	12102.52	6049.73
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets/ Intangibles Assets	(6597.99)	(4654.63)
Proceeds from Sale of Fixed Assets	923.24	(43.57)
Purchase of Investments	-	(157.56)
Sale / Maturity of Investments	(26.51)	654.18
Interest Received	60.61	69.73
Dividends Received	30.60	-
Net Cash from Investing Activities	(5610.05)	(4131.85)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Misc Exp. Paid	-	(888.62)
Movement in borrowings (Long term)	(8373.17)	3638.62
Movement in borrowings (Short term)	4623.82	(2.64)
Interest paid	(2773.05)	(3414.78)
Dividends paid	(60.00)	(1070.30)
Tax on Dividend paid	(8.42)	(147.87)
Net Cash used in Financing Activities	(6590.82)	(1885.59)
Net Increase in Cash and Cash Equivalents (A + B + C)	(98.35)	32.29
Cash and Cash Equivalents at the beginning of the year	180.88	148.59
Cash and Cash Equivalents at the end of the year	82.54	180.88
Components of Cash and Cash Equivalents as at	December 31, 2006	March 31, 2006
	Rs. in Lacs	Rs. in Lacs
Cash and Cheques in hand	4.67	11.38
With Banks - in Current Account	77.87	169.50
	82.54	180.88

For S.R. Batliboi & Co.
Chartered Accountants

For and on behalf of the Board of Directors

Per Pankaj Chadha
Partner
Membership No. 91813

ARUN ANAND
Vice Chairman, Managing Director & CEO

MUKUL GUPTA
Director

RAJAN LUTHRA
Financial Controller & Company Secretary
New Delhi

Place : Gurgaon
Date : March 23, 2007

FEDERAL-MOGUL GOETZE (INDIA) LIMITED

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