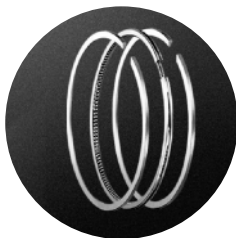


FEDERAL-MOGUL GOETZE (INDIA) LIMITED

**53rd Annual Report
2007**

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BOARD OF DIRECTORS as on 24th April 2008

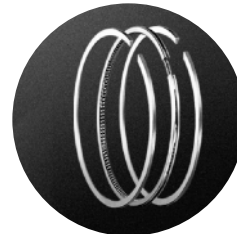
Chairman & Director

Mr. Rainer Jueckstock



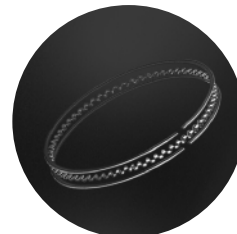
Managing Director & CFO

Mr. Rustin Murdock



Whole Time Director & President

Mr. Jean de Montlaur



Directors

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 AGENTS**

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

REGISTERED OFFICE

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

WORKS

1. Bahadurgarh, Patiala (Punjab)
2. Yelahanka, 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
Centurian Bank of Punjab
Deutsche Bank AG
HDFC Bank Ltd.
ING Vysya Bank Limited
State Bank of India
State Bank of Patiala
AXIS Bank Limited
Yes Bank Limited

TEN YEARS' FINANCIAL REVIEW

	2007	2006	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-2000	1998-99
		(9 months)				(9 months)	(15 months)			
Total Income	72,028.57	46,809.82	53,291.21	51,990.47	46,963.59	26,407.26	24,684.39	18,653.65	20,499.69	17,656.22
Depreciation	4,292.16	2,819.65	3,417.02	2,674.05	2,401.28	1,464.18	1,815.67	1,282.28	1,189.81	1,089.34
Profit before Tax	(1,782.69)	(561.05)	(4,244.81)	3,251.73	2,405.95	1,319.90	1,317.42	1,000.53	1,006.46	306.53
Taxation (adjmt for excess provision for prev yr written back if any)	79.74	70.30	810.74	1,048.44	852.55	301.17	178.88	-	-	-
Profit after Tax	(1,862.43)	(631.35)	(5,055.55)	2,203.29	1,553.40	1,018.73	1,138.54	1,000.53	1,006.46	306.53
Dividend	-	-	-	1,011.50	782.74	532.87	252.88	632.19	632.19	505.75
Dividend Tax	-	-	-	132.19	100.29	68.27	-	64.48	69.54	55.63
Retained Profit/(Loss)	(1,862.43)	(631.35)	(5,055.55)	1,059.60	670.37	417.59	885.66	303.86	304.73	(254.85)

Assets Liabilities & Net Worth

	2007	2006	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-2000	1998-99
Fixed Assets	38,038.79	35,436.36	32,873.58	33,833.21	31,389.59	30,809.13	18,792.29	18,852.30	16,937.42	17,640.85
Investments	2,093.90	2,135.18	2,243.40	2,925.26	3,547.75	3,594.43	3,613.65	2,653.96	4,462.16	4,542.24
Indebtedness	29,236.92	36,444.05	38,960.71	30,167.68	28,113.39	27,579.74	17,754.11	13,377.01	10,183.33	11,740.73
Share Capital	3,262.09	2,528.75	2,528.75	2,528.75	2,528.75	3,528.75	2,528.75	2,528.75	2,528.75	2,528.75
Reserves	13,402.60	6,497.10	7,592.65	13,328.14	12,393.68	11,867.08	11,528.19	13,108.78	13,955.20	13,818.65
Net Worth	16,664.69	9,025.85	9,657.20	15,856.89	14,922.43	15,395.83	14,056.94	15,637.53	16,483.95	16,347.40

Significant Ratios

	2007	2006	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-2000	1998-99
A. Measurement of Investment										
Percentage of Return on Investment (annualised)	(3.90)	(1.59)	(2.14)	13.28	12.92	12.99	10.77	10.70	9.96	6.27
Percentage of Return on Equity (annualised)	(13.88)	(8.00)	(33.27)	21.13	15.87	11.95	7.10	6.23	6.13	1.85
Dividend Cover (Ratio)	-	-	-	2.18	1.98	1.91	4.50	1.58	1.59	0.61
B. Measurement of Performance										
Percentage of Profit before Tax to Sales	(2.61)	(1.25)	(8.28)	6.49	5.33	5.23	5.56	5.58	5.06	1.81
Percentage of Profit after Tax to Sales	(2.72)	(1.40)	(9.87)	4.40	3.44	4.03	4.81	5.58	5.06	1.81
C. Measurement of Financial Status										
Percentage of Term Loans to Tangible Net Worth	58.72	219.29	206.63	160.85	122.41	102.16	56.92	39.53	27.58	34.34
Current Ratio	0.87	0.87	0.84	0.85	0.82	1.01	1.40	1.16	1.19	1.70
D. General										
Dividend per Equity Share (Rs.)	-	-	-	4.00	3.00	2.00	1.00	2.50	2.50	2.00
Earnings per Equity Share (Rs.) (annualised)	(7.22)	(3.33)	(19.99)	8.71	6.04	5.21	3.60	3.96	3.98	1.21
Book Value per Equity Share (Rs.)	51.09	35.69	38.19	62.71	59.01	56.93	55.59	61.84	65.19	64.65

DIRECTORS' REPORT

The Directors submit their 53rd Annual Report for the financial year ended 31st December, 2007.

FINANCIAL RESULTS

(Rs. in Million)

	For the year ended December 31, 2007	For the period ended December 31, 2006
Total Income:		
Gross Sales	6839.47	4500.24
Deduct: Excise Duty	<u>879.32</u>	<u>626.13</u>
	5960.15	3874.11
Business and other Income	<u>363.38</u>	<u>180.75</u>
	6323.53	4054.86
Profit before Depreciation, Amortisation, Financial expenses and Prior Period Items	662.99	487.19
Deduct:		
Depreciation and Amortisation	429.21	281.97
Finance Charges	405.73	261.33
Profit/(Loss) before Tax and Prior Period Items	(171.95)	(56.11)
Provision for tax		
- Current	—	—
- Deferred	—	—
- Fringe Benefit	10.57	6.10
Provision of Income tax for previous years	(2.60)	0.93
Net Profit/(Loss) after Tax	(179.92)	(63.14)
Prior Period Items	6.32	—
Surplus brought forward	(109.56)	(46.42)
	(295.80)	(109.56)
Appropriations :		
Proposed Dividend		
- Equity	—	—
Tax on Dividend	—	—
(Loss)/Surplus carried to balance sheet	(295.80)	(109.56)

Operations

During the financial year ending on 31.12.2007, the Gross Turnover of the company was Rs. 6839.47 million as against Rs. 4500.24 million for a period of nine months ending 31.12.06, showing a growth of 14% on an annualized basis. The Company, however, reported a loss after tax of Rs. 186.25 million in the year under review as against loss of Rs. 63.14 million in the nine months ending on 31.12.2006. 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 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. 180.14 millions 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 the Company as its office premises. Therefore, the Management is of the view that such loan is not prejudicial to the interests 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 performance of the Automobile industry, which is our primary market is dependent on various factors like economic and industrial activity, road

infrastructure, income levels, availability of vehicle finance & lending rates, oil and fuel prices impact the performance of the automobile industry along with various norms and regulations. Changes in these norms and regulations also have an impact on component manufacturers like us who have to modify their products to be line with the revised regulations.

(b) Opportunities

Competitive cost benefit for design and manufacture of auto components in India induces OEMs to source auto components from India for world markets. The growth of domestic market in line with economic growth and increased investment in infrastructure is an excellent sign for the auto industry in India.

The company is focusing on expanding exports market in close co-ordination of with its Promoter, Federal Mogul Corporation, and to increase its market share by providing wide range of cost competitive quality products. The company is committed to sustain its domestic market share by offering wide range of products at competitive prices.

Federal Mogul supports the Company in the new product development with manufacturing Technology and also supports manufacturing operations with its technical expertise.

(c) Threats

We have a limited set of customers for whose business, all pistons and piston ring manufacturers compete. As a result, we face intense competition and failure to retain our market share at profitable margins

DIRECTORS' REPORT (Contd.)

can result in further erosion of margins and impact the results of our operations.

(d) Segment wise or product wise performance

OEM business continues to form a significant portion of our business where as in aftermarket business; we face intense competition from the unorganized sector, including cheaper imports.

(e) Outlook

The trends show that the industry should remain buoyant for at least next few years. With the reduction of excise duty for two wheelers and small cars in the recent budget, we expect that the growth will again pick up which has slowed down during the previous year due to hardening of 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) Foreign Currency Risk: The volatility in global financial markets may have an adverse impact on our business since our business involves both the imports and exports of goods. Any increase in the exchange rate of the rupees vis-à-vis the foreign currency will impact the results of the company.

(ii) Raw Material Prices: Being in manufacturing industry, our profitability and cost competitiveness are directly linked to the cost of our raw materials and other inputs as well as our ability to manage procurement at the optimum prices.

(iii) Availability of capital for capital expenditure: Ours is a capital intensive business and we need to constantly upgrade our plants and equipment to continue to meet the demands of our customers. Thus investment in research and development and the ability to modify products to meet the changing needs of customers is essential for survival and growth in the industry.

(g) Adequacy of Internal Control System

Your company believes that internal control is principle of governance that freedom of management should be exercised within a framework of appropriate checks and balances. The company 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 system in all the plants and depots of the company in a phased manner.

Rights Issue

During the year under review, your company has raised Rs. 106.33 Million by allotment of 7333389 Equity Shares of Rs. 10/- each on right basis at a premium of Rs. 135/- per share to all the existing Equity Shareholders. These shares were listed on both Bombay Stock Exchange and National Stock Exchange of India Limited.

Subsidiary Companies

Federal- Mogul Goetze TPR [India] Limited

During the year ending on 31st December, 2007, the Gross Turnover of the company was Rs. 745.30 million as against Rs. 488.34 million for the period of nine months ending 31.12.2006 showing an increase of 14.40 % on an annualized basis.

Satara Rubbers and Chemicals Limited

The Company showed a total loss of Rs. 4.27 million for the year ending on 31.12.2007 as compared to Rs. 8.24 million for the period of nine months ending 31.12.2006. 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 2007 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 Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- The Directors have prepared the annual accounts of the Company on a going concern basis.

Directors

Presently your Board constitutes of six (6) Directors comprising of Mr. Charles B. Grant as Non-executive Chairman, Mr. Rainer Jueckstock, Non-Executive Director Mr. Jean de Montlaur as Whole Time Director & President, Mr. Rustin Murdock, as Managing Director & CFO, along with Mr. Vishvjeet Kanwarpal and Mr. Mukul Gupta being the Non-executive Independent Directors.

Mr. Arun Anand resigned from the position of Vice-Chairman, Managing Director and CEO of the company on 24th September, 2007. The Board took on record their deep appreciation and gratitude for the valuable services rendered by Mr. Arun Anand during their long association with the company.

Mr. Rustin Murdock was inducted on the Board as Managing Director and CFO of the Company on 24th September, 2007 due to the casual vacancy caused by the resignation of Mr. Arun Anand. Mr. Rustin Murdock holds a bachelors degree in accounting from McNeese State University and has done masters in business administration from Michigan State University. He has worked with Deloitte & Touche CPA, as a senior associate and subsequently, he became the controller for Olympia Arena Inc. and was then promoted to the position of Director, finance.

Mr. Jean de Montlaur is appointed as additional whole time Director and President w.e.f. 3rd March, 2008. Mr. Jean de Montlaur holds a bachelor's degree in engineering from the Ecole Centrale de Paris, France, and master degree in applied mathematics from University of Paris VII and has done masters in business administration from Institute Francais de Gestion in Paris.

Mr. Charles Polzin has resigned from the Board on 11th January, 2008. Mr. Charles Polzin was on the Board of the company as a Director since May 2006 and played a significant role in the company by providing his guidance and making use of his experience and knowledge in legal affairs.

In accordance with Article 109 of the Articles of Association of the company, Mr. Rainer Jueckstock and Mr. Vishvjeet Kanwarpal are retiring by rotation in the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

Public Deposits

As at 31st December, 2007 your company had unclaimed Fixed Deposits of Rupees 0.865 million. No fresh/ renewed deposits were accepted during the financial year. There was no failure to make repayments of Fixed Deposits on maturity and the interest due thereon in terms of the conditions of your Company's Schemes.

Auditors

M/s. S.R. Batliboi & Co., Chartered Accountants, retire as Auditors of the Company at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment for the year 2008. 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

Cordial industrial relations continued to prevail at all the three production facilities of the Company during the year under review.

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.

For and on behalf of the Board

Rustin Murdock
Managing Director & CFO

Jean de Montlaur
Whole Time
Director & President

Place : New Delhi
Date : March 3, 2008

ANNEXURE TO THE DIRECTORS' REPORT

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

A. CONSERVATION OF ENERGY

Continued efforts were made to effect improvement to production process resulting in reduced energy consumption.

Following are few among them:-

- 1) Implementation of auto lid mechanism.
- 2) Re-rating of motor horse power based on output requirements.
- 3) Capacitor bank & regulating their operation.
- 4) Redesigning of charge baskets & increasing weight of charge.

Additional investment and proposal for reduction in energy consumption

- 1) Optimisation of Air compressors.
- 2) Installation of additional capacitors & power factor controller

Impact of the above measures

The above proposals will result in conservation energy.

B. TECHNOLOGY ABSORPTION

Research & Development (R&D)

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

- Development of low cost piston assemblies.

- Low cost coatings.
- Reduction in oil consumption by improving piston assembly.

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

- Reduction in the product launch time
- Low cost engine piston assemblies will reduce the cost of automobiles.
- Cost reduction in the product development by using low cost material but ensuring satisfactory product performance

3. Future plan of action

- To continue development of new products at lower cost.

4. Expenditure on R & D

- Capital Rs. 0.36 million
- Recurring Rs. 9.29 million.

Total Rs. 9.65 million

Total R&D Expenditure as a percentage of total turnover 0.17%

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 development of low cost coating for gasoline and diesel engine pistons and for better machinability of products.

2. Import of Technology

Technology for: Technical support for the manu-facture 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 January, 2007 to 31st December, 2007

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. 496.54 Million for the year under review as compared to Rs. 154.75 million for the nine months ending on 31st December, 2006.
2. Foreign Exchange earned Rs. 496.54 million
Foreign Exchange utilised Rs. 1103.98 million

Information as per section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st December, 2007.

Sr. No.	Name of Employee	Age (Years)	Qualifications	Experience (Years)	Date of Employment	Designation/ Nature of Duties	Gross Remuneration (Rupees)	Last employment Held
A.	Employed throughout the year and in receipt of remuneration not less than Rs. 24,00,000 per annum.							
1.	Mr. Murdock Ray Rustin	48	Bachelor Degree in Accounting and Master Degree in Business Administration	16	01.07.2006	Managing Director* & CFO Overall management of the Company	1,86,76,377	Olympia Arena Inc
2.	Mr. Kolf Wilhelm Andreas	45	First Law Exam and Second Law Exam	12	12.06.2006	Executive Director- Operations	2,08,02,504	Federal Mogul GmbH, Germany
3.	Mr. Anand Rakesh	56	Bachelor of Technology in Mechanical Engineering	37	01.04.1975	Director- Projects	30,57,033	Punjab Anand Batteries Ltd.
4.	Mr. Ahuja Ashok	56	Mechanical Engineering	36	01.10.1992	Director-Procurement	35,33,286	Kone Elevators (I) Ltd.
5.	Mr. Luthra Rajan	46	Company Secretary, Cost & work Accountant & Post Graduate Diploma in Personnel Management	27	28.04.1997	Financial Controller & Company Secretary	37,15,088	Talbro's Automotive Components Ltd.
6.	Mr. Narayanan Mohan	57	BSc. & MBA	35	22.08.2006	Executive Director-Application Engineering & Sales***	75,35,634	Federal-Mogul TPR (India) Limited [Formerly known as Goetze TP (India) Limited]
B.	Employed for a part of the year and in receipt of remuneration not less than Rs. 200,000/- per month.							
1.	Mr. Anand Arun	51	B.A. Eco. (Hons) & Chartered Accountant	30	26.04.1982	Vice Chairman,** Managing Director & CEO	1,40,03,547	Escorts Limited Senior Divisional Manager
2.	Mr. Bhalla Avinash	44	Bachelor Degree in Mechanical Engineering	19	25.06.2007	Director-Manufacturing	18,39,020	Hindustan Lever Ltd.
3.	Mr. Kallol Chakraborty	44	LLB, Post Graduate Diploma in Personnel Management, BA	17	12.02.2007	Director - HR & IR	22,95,835	Hindustan Lever Ltd.

* Mr. Rustin Murdock designated as Managing director & CFO w.e.f. 24th September, 2007.

** Mr. Arun Anand voluntarily resigned from the position of Vice Chairman, Managing Director & CFO w.e.f. 24th September, 2007.

*** Mr. Mohan Narayanan and Mr. Kallol Chakraborty resigned w.e.f. 21st January, 2008 and 13th November, 2007 respectively.

Notes :

1. Remuneration including salary, leave pay, commission/performance bonus, actual expenditure on rent free accommodation and benefits and amenities, contribution to provident fund, gratuity fund and contribution to superannuation fund.
2. The Company will make application to the Central Government for the approval of the Managerial Remuneration paid to Mr. Arun Anand for the period from 1st January, 2007 to 24th September, 2007 and Mr. Rustin Murdock for the period from 24th September, 2007 to 30th June, 2011 under section 198, 309 and Schedule XIII of the Companies Act, 1956.
3. *** 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.
4. All appointments are contractual.

CORPORATE GOVERNANCE REPORT

1. PHILOSOPHY

Philosophy of Federal-Mogul Goetze continues to have an unwavering commitment to upholding sound Corporate Governance and sound business conduct. Corporate Governance aims the attainment of the high level of transparency, integrity, accountability and fairness through building trust with shareholders, employees, customers, suppliers and other stakeholders.

Your company has established system and procedure to ensure that its Board of Directors are well-informed and well-equipped to fulfill its overall responsibilities and to provide the management strategic direction. 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 4 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 year 1st January to 31st December, 2007

Date of Meeting	Board Strength	No. of Directors present	No. of Directors Present through conference call
22 nd January, 2007	6	2	3
22 nd January, 2007	6	3	3
23 rd March, 2007	6	4	2
30 th April, 2007	6	3	2
31 st July, 2007	6	6	Nil
14 th August, 2007	6	3	2
27 th August, 2007	6	3	2
24 th September, 2007	6	6	Nil
11 th October, 2007	6	3	3
26 th October, 2007	6	5	Nil
7 th December, 2007	6	3	Nil

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

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

Name of the Director	Category	For the year from 1st January 2007 to 31st December, 2007 Attendance at		(As on 03.03.2008)		
		Board Meeting	Last AGM 27th June 2007	Number of Directorships of other Indian Public Limited Companies (Note 1)	Committee Memberships (Note 2)	
					Member	Chairman
Mr. Jean Humbert Louis de VILLARDI de MONTLAUR \$ (From 03.03.08)	WTD & P	NA	NA	1	Nil	Nil
Mr. Rustin Murdock @ (From 24.09.07)	MD & CFO	3	NA	2	1	Nil
Mr. Arun Anand @ (upto 24.09.07)	VC, MD & CEO	8	Yes	NA	NA	NA
Mr. Rainer Jueckstock	NED	4	No	Nil	Nil	Nil
Mr. Charles Polzin (upto 11.01.08)	NED	2	No	NA	NA	NA
Mr. Charles B. Grant	CNED	3	No	Nil	1	1
Mr. Mukul Gupta	NEID	11	Yes	1	1	1
Mr. Vishvjeet Kanwarpal (From 22.01.07)	NEID	10	Yes	NA	2	Nil

\$ Mr. Jean Humbert Louis de VILLARDI de MONTLAUR has been appointed as Additional Director and Whole Time Director & President of the Company w.e.f. 3rd March 2008.

@ Mr. Arun Anand voluntary resigned from the position of Vice Chairman, MD & CEO and Director w.e.f 24th September, 2007 and Mr. Rustin Murdock has been appointed as Managing Director & CFO in the casual vacancy caused due to the resignation of Mr. Arun Anand.

CNED: Chairman and Non-Executive Director

NEID: Non Executive Independent Director

VC, MD & CEO : Vice Chairman, Managing Director & Chief Executive Officer

WTD & P: Whole Time Director & President

MD & CFO : Managing Director & Chief Financial Officer

NED: Non Executive Director

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

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

3. AUDIT COMMITTEE

a) Composition and Terms of Reference

The Audit Committee 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. Charles B. Grant is a Certified Public Accountant and is a member of the Michigan Association of Certified Public Accountants. He has expertise knowledge of financial and accounting, whereas the other members of the Audit Committee also have good exposure to finance as well as general management.

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 5 times during the year on 22nd January, 2007, 23rd March, 2007, 30th April, 2007, 31st July, 2007 and 26th October, 2007. Representatives of the Management, Finance Department, Company Secretary, Statutory Auditors and Internal Auditors were also present at all the five meetings.

Audit Committee Members Attendance during the year 2007

Total Meetings held	5	No. of meeting attended through Conference Call
Name	No. of meetings attended	
Mr. Mukul Gupta (Chairman)	5	Nil
Mr. Charles B. Grant	2	3
Mr. Vishvjeet Kanwarpal	5	Nil

The Audit Committee meeting was also held on 3rd March, 2008 for considering the reappointment of M/s. S R Batliboi & Co. as Statutory Auditors of the Company for the Year 2008 and reviewed the audited financial results and Annual Accounts for the year ended 31st December 2007 with the statutory auditors and recommended the same for the approval of the Board.

4. REMUNERATION COMMITTEE

The Remuneration Committee of the Company comprised of Mr. Vishvjeet Kanwarpal as Chairman, Mr. Rainer Jueckstock, Mr. Charles B. Grant and Mr. Mukul Gupta, all four being Non-Executive Directors.

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

During the year under review, the Remuneration Committee met on 23rd March, 2007 and 31st July, 2007, to recommend the Board to take approval from Central Government to make the payment of remuneration to our erstwhile Whole Time Directors, Mr. Anil Nanda and Mr. Arun Anand in excess of the limit prescribed under the Companies Act, 1956 and further revise the remuneration of Mr. Arun Anand, respectively.

Remuneration Committee Members Attendance during the year 2007

Total Meetings held	2	No. of meetings attended through Conference Call
Name	No. of meetings attended	
Mr. Vishvjeet Kanwarpal (Chairman)	2	Nil
Mr. Rainer Jueckstock	2	Nil
Mr. Charles B. Grant	1	1
Mr. Mukul Gupta	2	Nil

Details of Remuneration to Directors for the year ended 31st December, 2007

Name of Executive Directors	Remuneration for the year ended 2007 (Rs. in lacs)*	Service contract	Notice Period	Severance Fees, if any
Mr. Arun Anand	-Salaries 30.82 -Contribution to Provident & Other funds 9.80 -Other Perquisites 43.52 <u>84.14**</u>	01-07-2006 to 30-06-2011 (Refer to Note 1)	As per the Employment Agreement.	As per the Employment Agreement.
Mr. Rustin Murdock***	-Salaries 45.35 -Other Perquisites 0.09 <u>45.44**</u>	24-09-2007 to 30.06.2011	—	As per the Board Resolution dated 24th September, 2007

* In view of the losses incurred for the year ended 31st December, 2007, the Company will apply for obtaining approval of Central Government for the payment of the remuneration to Mr. Arun Anand and Mr. Rustin Murdock as the minimum remuneration to the Managerial Personnel in accordance with Schedule XIII of the Companies Act, 1956.

** For Mr. Arun Anand, remuneration relates to the period 1st January, 2007 to 24th September, 2007 and for Mr. Rustin Murdock, salary relates to the period 24th September, 2007 to 31st December, 2007.

*** The Company will apply for obtaining approval of Central Government for the payment of the remuneration to Mr. Rustin Murdock for his tenure from 24th September, 2007 to 30th June, 2011.

- Notes:
1. Mr. Arun Anand was appointed as Managing Director & CEO of the Company in EGM held on 16th June, 06 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. Further he voluntarily resigned from the position of Vice Chairman, MD & CEO and Director w.e.f 24th September, 2007 and Mr. Rustin Murdock has been appointed as Managing Director & CFO in the casual vacancy caused due to the resignation of Mr. Arun Anand.
 2. During the year 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. There are no other pecuniary relationships or transactions with the Company.
 3. The Company does not have a stock option scheme.

5. RIGHTS ISSUE COMMITTEE

The Rights Issue Committee of the Company during the period January 2007 to September 2007, comprised of Mr. Charles B. Grant as Chairman, Mr. Arun Anand, Mr. Mukul Gupta and Mr. Vishvjeet Kanwarpal as members. At present it comprises of Mr. Charles B. Grant as Chairman, Mr. Rustin Murdock, Mr. Mukul Gupta and Mr. Vishvjeet Kanwarpal as members.

After 2nd March, 2007, the committee met on 6th September, 2007 to fix record date for the purpose of issue of equity shares on rights basis to the existing shareholders of the Company.

During the year under review, your company has raised Rs. 106.33 Million by allotment of 7333389 Equity Shares of Rs. 10/- each on right basis at a premium of Rs. 135/- per share to all the existing Equity Shareholders. The company got these additional shares listed on both Bombay Stock Exchange and National Stock Exchange of India Limited during the year under review.

6. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

- The Shareholders'/Investors' Grievance committee of the Company during the period January 2007 to September 2007, comprised 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.
- At present, it comprises of Mr. Charles B. Grant (Chairman), Mr. Mukul Gupta and Mr. Vishvjeet Kanwarpal being the Non-Executive Directors and Mr. Rustin Murdock 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/investors 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 4 times during the year i. e. on 23rd March, 2007, 30th April, 2007, 31st July, 2007 and 26th October, 2007.
- The Company has amicably resolved ten (10) Investors' Complaints received from Stock Exchanges/SEBI in the year. Other than those complaints the Company has received few more complaints from Stock Exchanges/SEBI and a suitable reply has already been sent to the aforesaid authorities.
- 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 no requests pending for Share Transfer or Transmission as on 31st December, 2007. Further, there were 4 requests pending for 253 shares for demat as on 31st December, 2007, which were cleared on 8th January, 2008.
- 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 year under review the Company has credited a sum of Rs. 3,48,385/- to Investor Education and Protection Fund pursuant to the said provisions.

7. ANNUAL GENERAL MEETINGS

	Year	Location	Date & Time	Whether any special resolution passed
50 th AGM	(2004-2005)	FICCI Golden Jubilee Auditorium, Tansen Marg, New Delhi - 110 001	23 rd September 2005 11.30 A.M.	No
51 st AGM	(2005-2006)	—do—	27 th September 2006 11.30 A.M.	Yes
52 nd AGM	(2006)	—do—	27 th June 2007 10.00 A.M.	Yes

Postal Ballot: During the year ended 31st December 2007, 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
 - 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.
 - Whistle Blower Policy
 - Details of Compliance with mandatory requirements and adoption of the non-mandatory requirements
- None
 - 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 year ended 31st December, 2007.
 - 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 June 2007 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 year under review, these results were 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.federalmogulgoetze.com

No.

9. GENERAL SHAREHOLDERS INFORMATION

- a. 53rd Annual General Meeting
- Date and Time
 - Venue

13th June 2008, 10 A.M.

FICCI Golden Jubilee Auditorium, Tansen Marg, New Delhi - 110 001

b. **Financial Calender (Tentative)**

- Results for the quarter ending March 31, 2008
- Results for the quarter/half year ending June 30, 2008
- Results for the quarter/period ending September 30, 2008
- Results for the quarter/year ending December 31, 2008
- Annual General Meeting for the year ending December 31, 2008

Last week of April 2008

Last week of July 2008

Last week of October 2008

Second week of March 2009

Last week of June 2009

c. **Book Closure date**

30th May 2008 to 13th June 2008 (both days inclusive)

d. **Dividend Payment date**

N.A.

e. **Listing of Equity Shares**

- **Bombay Stock Exchange Limited**

Phiroze JeeJee Bhoy Towers, Dalal Street, Mumbai-400001

- **The National Stock Exchange of India Ltd.,**

Exchange Plaza, Bandra Kurla Complex, Bandra (East)

Mumbai- 400001 (**See Note**)

f. **Stock Code**

Mumbai Stock Exchange-505744

National Stock Exchange-FMGOETZE

ISIN No. - NSDL

INE 529A01010

- CDSL

INE 529A01010

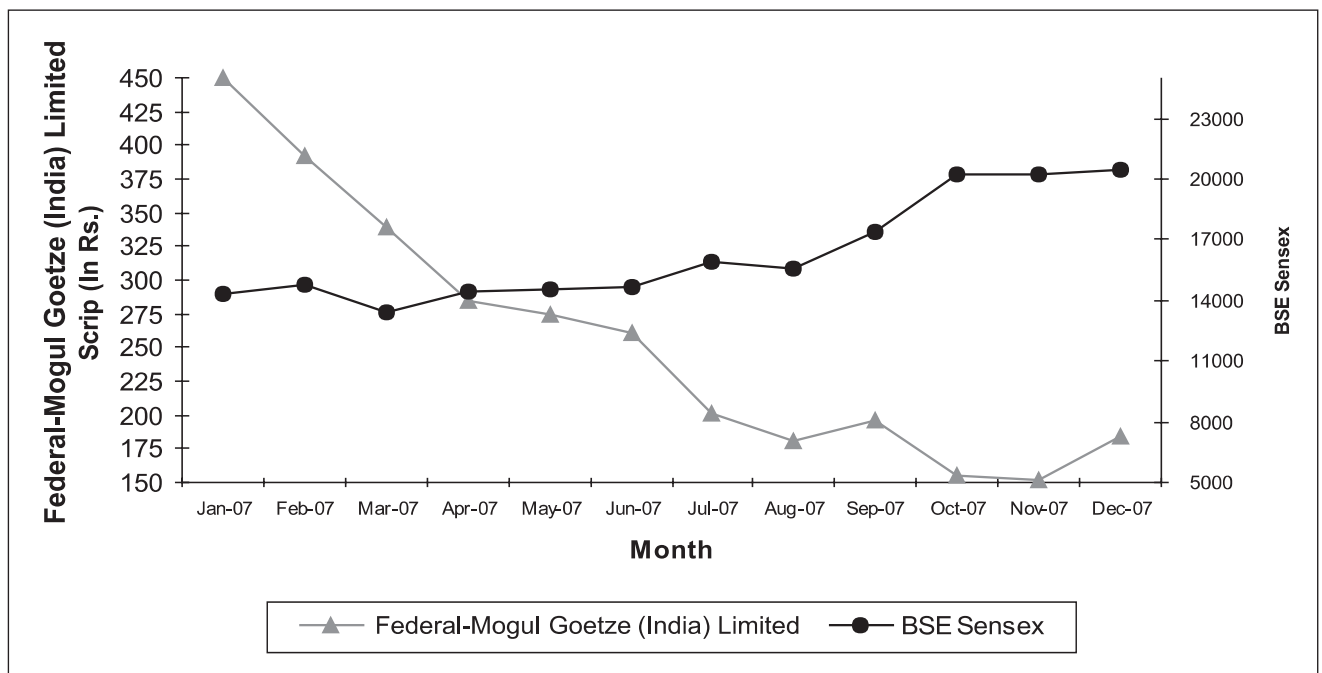
Note : Listing Fees for the year 2007-2008 has been paid to both, Bombay Stock Exchange Limited and National Stock Exchange. Annual custodian charges of Depository have also been paid to NSDL and CDSL.

g. **Stock Market Data***

Month	The Stock Exchange, Mumbai				National Stock Exchange			
	Federal-Mogul Share Price (Rs.)		Sensex		Federal-Mogul Share Price (Rs.)		S&P CNX Nifty	
	High	Low	High	Low	High	Low	High	Low
Jan 2007	449.40	371.05	14325.92	13303.22	459.90	373.60	4167.15	3833.60
Feb 2007	392.15	305.00	14723.88	12800.91	384.00	290.10	4245.30	3674.85
Mar 2007	340.00	253.00	13386.95	12316.10	347.00	257.45	3901.75	3554.50
April 2007	283.85	236.25	14383.72	12425.52	283.90	231.00	4217.90	3617.00
May 2007	275.00	225.05	14576.37	13554.34	285.00	224.00	4306.75	3981.15
June 2007	260.00	192.15	14683.36	13946.99	260.00	192.25	4362.95	4100.80
July 2007	201.00	173.25	15868.85	14638.88	205.00	197.50	4647.95	4304.00
Aug 2007	181.50	143.05	15542.40	13779.88	181.30	144.10	4532.90	4002.20
Sept 2007	196.80	145.05	17361.47	15323.05	199.00	140.00	5055.80	4445.55
Oct 2007	155.00	133.20	20238.16	17144.58	155.00	131.00	5976.00	5000.95
Nov 2007	151.00	134.05	20204.21	18182.83	146.80	134.55	6011.95	5394.35
Dec 2007	184.50	135.50	20498.11	18886.40	183.90	135.05	6185.40	5676.70

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

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



i. **Share Transfer System**

- Alankit Assignments Limited, RTA Division, 2E/21, Jhandewalan Extension, New Delhi 110055 is acting as the Registrar and Transfer Agent for the Equity Shares of the Company, w.e.f 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. Rustin Murdock, 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 27 times during the year 2007 for approving transfers, transmission etc.
- Pursuant to clause 47(c) of the Listing Agreement with the Stock Exchanges, certificates on half yearly basis, have been issued by the Company Secretary in practice for due compliance of share transfer formalities by the Company.
- Pursuant to SEBI (Depositories and Participants) Regulations, 1996, certificates have also been received from a Chartered Accountant in practice for timely dematerialisation of the shares of the Company and also a Secretarial Audit Report obtained from a Practicing Chartered Accountant on a quarterly basis for the reconciliation of the share capital of the Company.

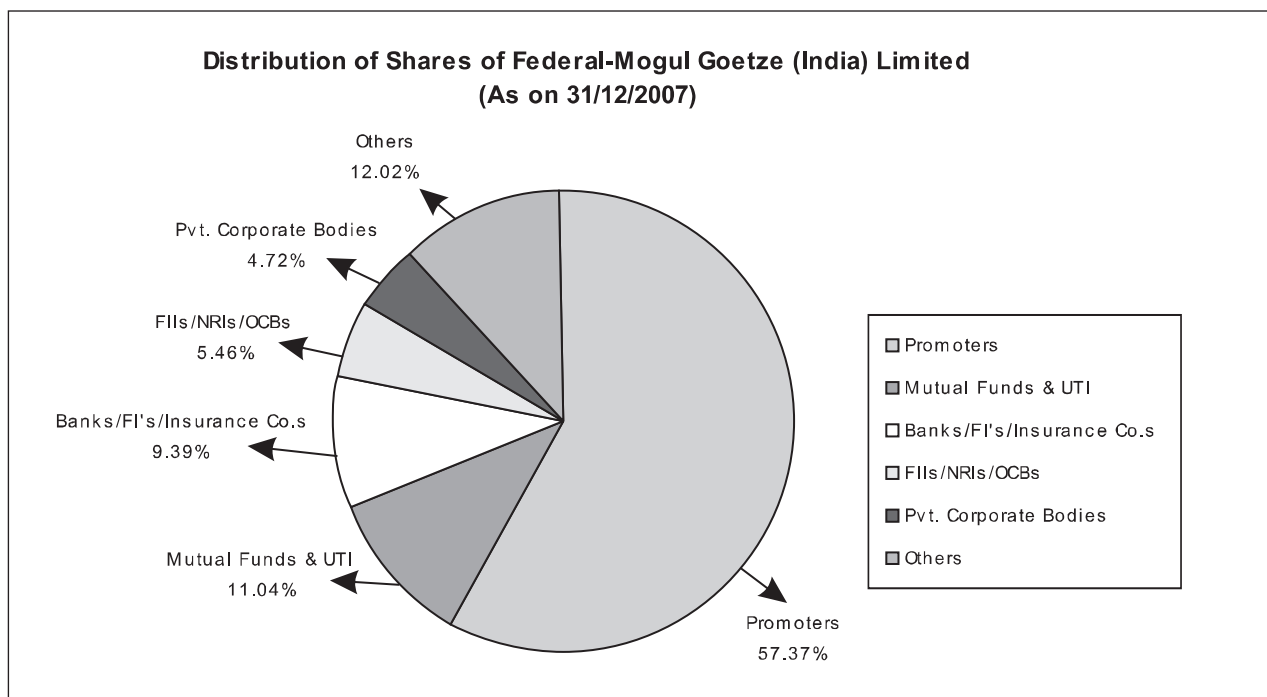
j. **Distribution Schedule as on 31.12.2007**

A) On the basis of shares held

No. of shares	No. of Shareholders	Percentage to total Shareholders	No. of shares held	Percentage to total shares held
UPTO 500	24355	94.01	2281752	6.99
501 – 1000	835	3.22	640322	1.96
1001 – 2000	366	1.42	535727	1.65
2001 – 3000	111	0.43	279604	0.86
3001 – 4000	61	0.23	223314	0.68
4001 – 5000	47	0.18	221936	0.68
5001 -10000	72	0.28	523463	1.61
ABOVE 10001	58	0.23	27914820	85.57
TOTAL	25905	100.00	32620938	100.00

B) On the basis of Category

Category	No. of Shareholders	Percentage to total Shareholders	No. of shares held	Percentage to total shares held
Individuals	24767	95.61	3914974	12.00
Corporate Bodies	899	3.47	1540629	4.72
Financial Institutions/ Mutual Funds/Banks	33	0.13	6664005	20.43
Non-resident Indians	187	0.72	136355	0.42
Foreign Institutional Investors/Overseas				
Corporate Bodies	12	0.05	1643417	5.04
Non-resident Company	2	0.01	18714588	57.37
Others	5	0.01	6970	0.02
Total	25905	100.00	32620938	100.00



k. **Dematerialization of shares and Liquidity**

As on 31st December 2007, 72.23% 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/None 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, Uttarakhand |
|---------------------------------------|--|---|--|

n. **Registered office:**

A-26/3 Mohan Co-operative Industrial Estate, New Delhi-110044
Tel No: 011-41497600 / Fax No. 011-41497601
email: investor.grievance@federalmogul.com
Website: www.federalmogulgoetze.com

o. **Registrar and Share Transfer Agent**

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

p. **Compliance Officer:**

Mr. Rajan Luthra, Financial Controller and Company Secretary

For and on behalf of the Board

Rustin Murdock
Managing Director & CFO

Jean De Montlaur
Whole Time Director & President

Date : March 3, 2008

Place : New Delhi

DECLARATION OF MD & CFO

This is to certify that the Company has laid down Code of Conduct for all Board Members and Senior Management of the Company and the copy of same is posted on the website of the Company viz. www.federalmogulgoetze.com. Further certified that the Members of the Board and Senior Management Personnel have affirmed their compliance with the Code for the year ended 31st December, 2007.

Date : March 3, 2008

Place : New Delhi

Rustin Murdock
Managing Director & CFO

CERTIFICATE ON CORPORATE GOVERNANCE

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 year ended 31st December, 2007, 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 year ended 31st December 2007, 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. The Company during the year received investor complaints through Stock Exchanges/SEBI, out of which 10 were resolved amicably and the remaining were suitably replied.

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.

BHAVANA KAUSHAL SINGH
Company Secretary
Certificate of Practice No. : 7400

Place : New Delhi
Date : March 3, 2008

AUDITORS' REPORT

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

1. We have audited the attached Balance Sheet of Federal-Mogul Goetze (India) Limited ('the Company') as at December 31, 2007 and also the Profit and Loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. As stated in note 8(b) of Schedule 23, remuneration of Rs. 66.15 lakh paid to the managing director and ex-managing director is in excess of permissible remuneration under Schedule XIII of the Companies Act, 1956. Management has confirmed from these directors that they shall refund these amounts, to the extent of these being not approved by the Central Government. The Company is in process of obtaining necessary approval from Central Government.
5. Further to our comments in the Annexure referred to above, we report that:

- i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
- iv. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
- v. On the basis of the written representations received from the directors, as on December 31, 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on December 31, 2007 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, the impact, if any, whereof is not ascertainable*, 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, 2007;
 - b) in the case of the profit and loss account, of the loss for the year ended on that date; and

- c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For S.R. Batliboi & Co.
Chartered Accountants

Per Pankaj Chadha
Partner

Place : Gurgaon

Dated: March 3, 2008

Membership
No. 91813

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

- i. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets, except for *certain items of plant and machinery and certain items of furniture at one of its facilities, where the records are maintained for group of similar assets and not for each individual asset.*
- (b) Fixed assets have been physically verified by the Company during the year and discrepancies which were not material have been properly dealt with in the books of accounts.
- (c) There was no substantial disposal of fixed assets during the year.
- ii. (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
- (b) The procedures of physical verification of inventory followed by the management are reasonable, and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- iii. (a) The Company has granted loan to one company covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the period was

- Rs. 1,801.38 lakh and the year- end balance of loans granted to such party was Rs. 1,801.38 lakh.
- (b) In our opinion and according to the information and explanations given to us, *interest free loan of Rs. 1,801.38 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) The loan granted is re-payable on demand. As informed, the company has not demanded repayment of any such loan during the year, thus, there has been no default on the part of the party to whom the money has been lent. *The loan is given interest free.*
- (d) There is no overdue amount of loans granted to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- (e) As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, clause 4(iii) (e), (f) and (g) are not applicable to the Company.
- iv. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
- v. (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act, that need to be entered into the register maintained under section 301 have been so entered.
- (b) In respect of transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lakh entered during the financial 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.
- vii. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- viii. We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determine whether they are accurate and complete.
- ix. a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it.
- 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. lakh)	Period to which the amount relates	Forum where dispute is pending
Central Excise Act	Excise Duty	6.97	1998-1999	Deputy Commissioner of Central Excise, Patiala, Punjab
Central Excise Act	Excise Duty	1.00	1997-1998	Deputy Commissioner of Central Excise, Patiala, Punjab
Central Excise Act	Excise Duty	1.85	1997-1998	Deputy Commissioner of Central Excise, Patiala, Punjab
Central Excise Act	Excise Duty	0.8	1998-1999	Deputy Commissioner of Central Excise, Patiala, Punjab
Central Excise Act	Excise Duty	3.33	2001-2002	Additional Commissioner of Central Excise,
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	Central Excise and Service Tax Appellant Tribunal
Central Excise Act	Service Tax	39.95	1999-2000 to 2004-2005	Joint Commissioner of Central Excise,
Central Excise Act	Excise Duty	1.18	1995-96	Additional Commissioner of Central Excise, Chandigarh
Central Excise Act	Excise Duty	1.36	2003-2004	Deputy Commissioner of Central Excise, Patiala, Punjab
Central Excise Act	Excise Duty on Turnover Discount	64.46	2004-2005 to 2005-2006	Central Excise and Service Tax Appellant Tribunal
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	Central Excise and Service Tax Appellant Tribunal
Central Excise Act	Excise Duty	0.35	1994-1995	Punjab & Haryana High Court
Central Excise Act	Excise Duty	8.82	2004-2005 to 2006-2007	Punjab & Haryana High Court
Central Excise Act	Excise Duty	5.51	2006-2007	Commissioner, Bangalore / Deputy Commissioner of Central Excise, Patiala
Central Excise Act	Excise Duty	34.11	2000-2001 to 2002-2003	Central Excise and Service Tax Appellant Tribunal
Central Excise Act	Excise Duty	19.08	2006-2007	Additional Commissioner of Central Excise
Central Excise Act	Service Tax			Joint Commissioner of Central Excise, Chandigarh

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	9.37	2000-2001	Joint Commissioner of Central Excise, Patiala
Central Excise Act	Excise Duty	9.34	1987-1990	Punjab & Haryana High Court
Central Excise Act	Excise Duty	2.60	2004-2005 & 2005-2006	Central Excise & Service Tax Appellate Tribunal
Central Excise Act	Excise Duty	15.14	2000-2001 & 2001-2002	Supreme Court
Central Excise Act	Excise Duty	6.12	2001-2002 to 2002-2003 & 2004-2005	Deputy Commissioner of Central Excise
Central Excise Act	Excise Duty	18.01	2004-2005	Joint Commissioner of Central Excise, Bangalore
Central Excise Act	Service Tax	5.50	2005-2006 to 2006-2007	Additional Commissioner, Chandigarh
Central Excise Act	Excise Duty	249.74	2005-2006	Commissioner of Central Excise, Bangalore
Central Excise Act	Excise Duty	27.86	2006-2007	Commissioner of Central Excise, Bangalore
Central Excise Act	Service Tax	16.94	1998-1999 to 2002-2003	Central Excise & Service Tax Appellate Tribunal
Central Excise Act	Service Tax	3.45	2006-2007	Additional Commissioner, Chandigarh
ESI Act	ESI	18.06	2001-2002	Civil Court
ESI Act	ESI	4.62	1988-1989	Supreme Court
Karnataka Sales Tax Act	Local Sales Tax	233.96	1996-1997 to 2001-2002	Karnataka High Court
Entry Tax	Sales Tax	20.65	2002-2003 to 2006-2007	Additional Commissioner Commercial taxes & Investigation-Entry Tax
Central Sales Tax	Sales Tax	38.39	1999-2000	Joint Chief Commissioner
Income Tax Act	Income tax	21.60	2004-2005	Commissioner Income Tax (Appeals)

- x. The Company's accumulated losses at the end of the financial year are less than fifty per cent of its net worth and it has not incurred cash losses in the current and immediately preceding financial period.
- 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 year.
- xx. We have verified that the end use of money raised by public issues is as disclosed in the notes to the financial statements.
- xxi. Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

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

**Per Pankaj Chadha
Partner**

Place : Gurgaon

Dated: March 3, 2008

Membership
No. 91813

BALANCE SHEET AS AT DECEMBER 31, 2007

	Schedule	As at December 31, 2007 Rs. in lacs	As at December 31, 2006 Rs. in lacs
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	3,262.09	2,528.75
Reserves and Surplus	2	17,320.19	7,592.65
		20,582.28	10,121.40
Loan Funds			
Secured Loans	3	21,167.27	25,555.27
Unsecured Loans	4	8,069.65	11,064.95
		29,236.92	36,620.22
TOTAL		49,819.20	46,741.62
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	57,876.89	53,387.52
Less: Accumulated Depreciation		22,590.16	19,748.47
Net Block		35,286.73	33,639.05
Capital Work-in-Progress including capital advances		2,752.06	1,797.31
		38,038.79	35,436.36
Investments	6	2,093.90	2,135.18
Current Assets, Loans and Advances			
Inventories	7	12,902.80	13,230.85
Sundry Debtors	8	8,951.53	7,319.80
Cash and Bank Balances	9	158.38	335.07
Other Current Assets	10	372.37	56.17
Loans and Advances	11	5,388.78	3,371.24
Less: Current Liabilities and Provisions			
Current Liabilities	12	19,840.06	15,426.59
Provisions	13	2,164.88	812.01
Total current liabilities and provisions		22,004.94	16,238.60
Net Current Assets		5,768.92	8,074.53
Miscellaneous Expenditure (to the extent not written off or adjusted)	14	959.61	-
Debit balance in profit and loss account		2,957.98	1,095.55
TOTAL		49,819.20	46,741.62
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

For S.R.Batlboi & Co.
Chartered Accountants

per Pankaj Chadha
Partner
Membership No. 91813

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

Rustin Murdock
Managing Director & CFO

Rainer Jueckstock
Director

Rajan Luthra
Financial Controller & Company Secretary

Place: Gurgaon
Date: March 3, 2008

Place: New Delhi
Date: March 3, 2008

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2007

Schedule	For the year ended December 31, 2007 Rs. in lacs	For 9 Months period ended December 31, 2006 Rs. in lacs
INCOME		
Turnover (Gross)	68,394.74	45,002.36
Less : Excise duty	8,793.25	6,261.26
Turnover (Net)	59,601.49	38,741.10
Job work income	813.95	526.18
Other income	2,819.88	1,281.28
TOTAL	63,235.32	40,548.56
EXPENDITURE		
Raw materials and components consumed	16 22,066.74	12,396.67
Personnel expenses	17 13,426.31	9,165.08
Operating and other expenses	18 20,741.49	13,509.81
Decrease/(increase) in inventories	19 65.56	892.00
Depreciation and amortisation	5 4,292.16	2,819.65
Increase of excise duty on finished goods	65.38	(286.94)
Amortisation of miscellaneous expenses	14 239.90	-
Financial expenses	20 4,057.31	2,613.34
TOTAL	64,954.85	41,109.61
(Loss) before tax and prior period items	(1,719.53)	(561.05)
Provision for tax [includes Rs. (26.00) Lakh, Previous period Rs 9.30 lakh relating to earlier years]	(26.00)	9.30
Fringe benefit tax	105.74	61.00
Total tax expense	79.74	70.30
(Loss) after tax but before prior period item	(1,799.27)	(631.35)
Prior period items	21 63.16	-
Net (loss)	(1,862.43)	(631.35)
Balance brought forward from previous period	(1,095.55)	(464.20)
(Loss) carried to balance sheet	(2,957.98)	(1,095.55)
Earnings / (Loss) Per Share	22	(7.22)
Basic and diluted [Nominal value of shares Rs. 10 (Previous period Rs. 10)]	(7.22)	(2.50)
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

For S.R.Batliboi & Co.
Chartered Accountants

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

Place: Gurgaon
Date: March 3, 2008

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

Rustin Murdock
Managing Director & CFO

Rajan Luthra
Financial Controller & Company Secretary

Place: New Delhi
Date: March 3, 2008

Rainer Jueckstock
Director

SCHEDULES 1-23
Schedule 1 : Share Capital

	As at December 31, 2007 Rs. in Lacs	As at December 31, 2006 Rs. in Lacs
Authorised		
80,000,000 (Previous Year-80,000,000) Equity Shares of Rs. 10 each	8000.00	8000.00
	8000.00	8000.00
Issued		
32,620,938 (Previous Year-25,287,549) Equity Shares of Rs. 10 each	3,262.09	2,528.75
Total	3,262.09	2,528.75
Subscribed		
32,620,938 *(Previous Year-25,287,549) Equity Shares of Rs. 10 each fully paid	3,262.09	2,528.75
Total	3,262.09	2,528.75

* Of the above Equity Shares:

- 12,52,680 (Previous period -12,52,680) equity shares have been allotted as Bonus Shares by capitalisation of General Reserve.
- 84,29,183 (Previous period -84,29,183) equity shares have been allotted as Bonus Shares by capitalisation of Securities Premium Account.
- 84,207 (Previous period -84,207) equity shares have been issued for consideration other than cash.
- 7,333,389 (Previous period - Nil) equity shares have been issued on right issue basis during the year (refer note no. 14 of schedule 23)
- 8,306,873 (Previous period 6,439,437) and 10,407,715 (Previous period 6,230,000) equity shares are held by Federal-Mogul Vemogensuwerwaltungs GMBH and Federal Mogul Holding Limited respectively.)

Schedule 2: Reserves and Surplus

	As at December 31, 2007 Rs. in Lacs	As at December 31, 2006 Rs. in Lacs
Capital Reserve	56.55	56.55
Capital subsidy	1.12	1.12
Securities Premium Account		
Balance as per last Balance Sheet	6,534.98	6,534.98
Add: Additions in current year	9,900.07	-
Less: Utilisation for share issue expenses	(172.53)	-
Closing balance as at the year end	16,262.52	6,534.98
Capital Redemption Reserve	1,000.00	1,000.00
Total	17,320.19	7,592.65

SCHEDULES 1-23 (Contd.)

Schedule 3: Secured Loans

	As at December 31, 2007 Rs. in Lacs	As at December 31, 2006 Rs. in Lacs
Loans and advances from banks		
Term loans	9,784.89	19,792.66
Vehicle loans from banks	90.95	149.00
Working capital loans from banks	11,215.18	5,455.16
Customer bills discounted with banks	-	134.54
Interest accrued and due	76.25	23.91
Total	21,167.27	25,555.27

- (1) Term loans repayable within one year Rs. 5,868.22 lakh (Previous period Rs. 11,423.75 lakh)
- (2) Term loans from banks are secured by
- Rs. 1,500 lakh (Previous period Rs. Nil) are secured by first pari-passu charge on entire fixed assets of the Company.
 - Rs. 3,000 lakh (Previous period Rs. Nil) are secured by first pari-passu charge on entire fixed assets of the Company, along with other secured term lenders and second pari-passu charge on current assets of the Company along with other term lenders.
 - Rs. 139.05 lakh (Previous period Rs. 789.85 lakh) are secured by first pari-passu charge on all movable and immovable properties and lands situated at Patiala, Bangalore and Bhiwadi both present and future.
 - Rs. 187.50 lakh (Previous period Rs. 937.50 lakh) are secured by first pari-passu charge on the fixed assets of the Company consisting of immovable and movable fixed assets, with other lenders.
 - Rs. 1,458.34 lakh (Previous period Rs. 2,807.50 lakh) are secured by first pari-passu charge with all secured lenders on the entire current assets of the Company, both present and future.
 - Rs. 1,250 lakh (Previous period 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. 2,250 lakh (Previous period Rs. 3,000 lakh) are secured by first pari-passu charge on the gross block of the company i.e. fixed movable assets of the company in Bahadurgarh, Yelahanka, Bhiwadi and Alwar, subject to prior charges created and/ or to be created in favour of our Company's bankers on our stock of raw materials, semi-finished and finished goods, consumable stores, book debts.
 - Rs. Nil (Previous period Rs. 3,314.49 lakh) are secured by first pari-passu charge on all the movable and immovable assets (except stock and book debts), both present and future.
 - Rs. Nil (Previous period Rs. 443.32 lakh) are secured by first pari-passu charge on entire assets of the Company.
 - Rs. Nil (Previous period Rs. 3,750 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. Nil (Previous period Rs. 1,250 lakh) are secured by first pari-passu charge on current assets and second pari-passu charge on fixed assets.
 - Rs. Nil (Previous period Rs. 1,000 lakh) are secured against hypothecation of stocks of raw materials, stores, semi finished goods, finished goods and book debts both.
- (3) Vehicle loans of Rs. 90.95 lakh (Previous period Rs. 149.00 lakh) from banks are secured by way of hypothecation of the underlying vehicles.
- (4) Working capital loans from banks are secured against hypothecation of current assets of the Company, both present and future.

SCHEDULES 1-23 (Contd.)

Schedule 4: Unsecured Loans

	As at December 31, 2007 Rs. in Lacs	As at December 31, 2006 Rs. in Lacs
Unpaid Fixed Deposits	8.65	8.75
Short Term Loans and Advances :		
- From scheduled banks *	1,000.00	2,495.20
- From others**	7,061.00	8,561.00
Total	8,069.65	11,064.95

* Includes Rs. 1,000 lakh (Previous period -Rs Nil) commercial papers. Maximum amount outstanding during the year Rs. 4000 lakh (Previous period-Rs Nil).

** Includes Rs. 3,000 lakh (Previous period -Rs 6,000 lakh) commercial papers. Maximum amount outstanding during the year Rs. 7,000 lakh (Previous period-Rs. 9,000 lakh).

Schedule 5: Fixed Assets

	Rs. in Lacs								Previous Year
	Freehold Land	Leasehold Land	Buildings	Furniture & fittings and office equipments	Plant and machinery	Vehicles	Intangibles*	Total	
Gross block									
At Jan 1, 2007	1,485.16	184.25	7,344.06	1,857.48	41,233.21	789.35	494.01	53,387.52	49,462.08
Additions	-	23.02	401.47	65.61	6,116.29	118.69	218.10	6,943.18	4,852.86
Deductions	-	-	23.73	691.39	1,329.48	409.21	-	2,453.81	927.42
At Dec 31, 2007	1,485.16	207.27	7,721.80	1,231.70	46,020.02	498.83	712.11	57,876.89	53,387.52
Depreciation/Amortisation									
At Jan 1, 2007	-	3.55	1,690.25	863.66	16,628.33	344.03	218.65	19,748.47	17,238.83
For the year	-	2.23	247.05	70.74	3,707.86	147.56	116.72	4,292.16	2,819.65
Deletions / adjustments	-	-	1.58	332.84	896.92	219.13	-	1,450.47	310.01
At Dec 31, 2007	-	5.78	1,935.72	601.56	19,439.27	272.46	335.37	22,590.16	19,748.47
For previous year	-	1.55	191.19	104.44	2,282.17	181.57	58.73	2,819.65	
Net block									
At Dec 31, 2007	1,485.16	201.49	5,786.08	630.14	26,580.75	226.37	376.74	35,286.73	33,639.05
At Dec 31, 2006	1,485.16	180.70	5,653.81	993.82	24,604.88	445.32	275.36	33,639.05	
Capital work-in-progress including capital advances Rs. 604.41 lakh (Previous Year Rs. 442 lakh)								2,752.06	1,797.31

Notes:

- Land includes(at cost) Rs. 900.65 lakh (Previous period Rs. 900.65 lakh) pending registration in the name of the Company.
- Buildings include (at cost)
 - Rs 101.38 lakh (Previous period Rs. 101.38 lakh) Residential flats pending registration in the name of the Company.
 - Rs 1,261.39 lakh (Previous period Rs. 1,261.39 lakh), constructed on land pending registration in the name of the Company.
- * Includes Patents and Trade marks valued at Re.1.
- Addition includes foreign exchange capitalised Rs. Nil. (Previous period Rs. 8 lakh)

SCHEDULES 1-23 (Contd.)
Schedule 6 : Investments

	As at December 31, 2007 Rs. in Lacs	As at December 31, 2006 Rs. in Lacs
Non - tradeable Long Term (At Cost)		
A Subsidiary Companies		
Unquoted fully paid up		
(i) 51,00,000 (Previous period - 51,00,000) equity shares of Rs. 10 each in Federal-Mogul TPR (India) Ltd	510.00	510.00
(ii) 5,10,000 (Previous period - 5,10,000) 6% redeemable cumulative preference shares of Rs. 100 each in Federal-Mogul TPR (India) Ltd	510.00	510.00
(iii) 50,000 (Previous period -50,000) equity shares of Rs. 10 each in Satara Rubbers & Chemicals Ltd	201.00	201.00
Less : Provision for diminution in the value of investment	<u>(201.00)</u>	<u>(201.00)</u>
B Government Securities		
National Savings Certificates*	1.42	1.42
C Other investments		
(i) GI Power Corporation Limited		
a 38,89,600 (Previous period-38,89,600) equity shares of Rs. 5 each, fully paid	194.48	194.48
b Nil (Previous period-20,30,600) 10% redeemable cumulative preference shares of Rs. 5 each fully paid	-	33.78
c 17,528,800 (Previous period - 17,528,800) 8% cumulative convertible redeemable Preference Shares of Rs. 5 each fully paid	876.44	876.44
(ii) GTZ Securities Limited		
9,23,000 (Previous period-9,23,000) equity shares of Rs. 5 each fully paid	46.15	46.15
Less : Provision for diminution in the value of investment	<u>(46.15)</u>	<u>(46.15)</u>
(iii) Nanz Food Products Limited		
1,00,000 (Previous period-1,00,000) 6% redeemable cumulative preference shares of Rs. 10 each fully paid	10.00	10.00
Less : Provision for diminution in the value of investment	<u>(10.00)</u>	<u>(10.00)</u>
Current investments (quoted)		
Unit Trust of India **		
1,558 (Previous period 9,058) 6.75% Tax free US 64 Bonds of Rs. 100 each fully paid in Unit Trust of India	1.56	9.06
Total	2,093.90	2,135.18

* The investment is pledged with Sale Tax Authorities

** Aggregate value of quoted investments

Market value Rs. 1.56 lakh, Previous period Rs. 9.06 lakh

Company has received Rs. 33.78 lakhs during the year for redemption of redemable preference shares.

SCHEDULES 1-23 (Contd.)

Schedule 7: Inventories

	As at December 31, 2007 Rs. in Lacs	As at December 31, 2006 Rs. in Lacs
Raw materials and components [Including materials in transit Rs. 74.65 lakh (Previous period Rs. 229.99 lakh)]	1,786.51	1,437.09
Stores and spares	1,935.23	2,547.14
Work-in- progress	3,754.31	3,440.39
Reusable scrap	519.08	592.41
Finished goods	4,907.67	5,213.82
Total	12,902.80	13,230.85

Schedule 8: Sundry Debtors

Debts outstanding for a period exceeding six months

Unsecured, considered good	17.84	-
Unsecured, considered doubtful	59.03	24.69
Other debts		
Secured, considered good	182.86	178.41
Unsecured, considered good	8,750.83	7,141.39
	9,010.56	7,344.49
Less : Provision for doubtful debts	59.03	24.69
Total	8,951.53	7,319.80

Schedule 9: Cash and Bank Balances

Cash on hand	2.28	4.55
Balances with scheduled banks:		
- On current accounts	51.89	220.61
- On deposit accounts (pledged with Government authorities)	78.01	83.71
- On unpaid dividend accounts	26.20	26.20
Total	158.38	335.07

Schedule 10: Other Current Assets

Fixed assets held for disposal (at lower of net book value and estimated net realisable value)	29.62	3.21
Interest / Dividend accrued on deposits / investments	42.89	38.57
DEPB benefits receivable	148.63	10.63
Insurance claim receivable	151.23	3.76
Total	372.37	56.17

SCHEDULES 1-23 (Contd.)

Schedule 11: Loans and advances

	As at December 31, 2007 Rs. in Lacs	As at December 31, 2006 Rs. in Lacs
Unsecured considered good, except where stated otherwise		
Advances recoverable in cash or in kind or for value to be received	1,306.12	674.18
Advance to Satara Rubbers & Chemicals Limited	1,801.38	798.00
Security deposits	460.31	327.93
Balance with excise authorities	1,004.41	748.51
Advance payment of tax (net of provision)	816.56	822.62
Total	5,388.78	3,371.24

Schedule 12: Current liabilities

Sundry creditors		
a) total outstanding due to Micro, Medium and small enterprises (refer note no. 13 to schedule no. 23)	143.28	132.84
b) total outstanding to creditors other than Micro, Medium and small enterprises.	15,294.13	9,562.46
-Due to subsidiary company	2,523.17	1,578.77
Advance received against supplies	-	2,235.50
Other liabilities	1,441.39	1,516.35
Security deposit	213.17	178.41
Amounts due to Investors Education & Protection fund (as and when due) - unpaid dividends	26.20	26.20
Interest accrued but not due on loans	198.72	196.06
Total	19,840.06	15,426.59

Schedule 13: Provisions

Provision for leave encashment	857.40	508.63
Provision for gratuity	1,303.74	282.38
Provision for superannuation	-	-
Provision for Fringe benefit tax (net of advances)	3.74	21.00
Total	2,164.88	812.01

Schedule 14: Miscellaneous Expenditure (to the extent not written off or adjusted)

Balance as per last Balance Sheet	-	-
Add: Additions in current year (Refer note no 2c of schedule no. 23)	1,199.51	-
Less : Written off	239.90	-
Total	959.61	-

SCHEDULES 1-23 (Contd.)

Schedule 15 : Other income

	For the year ended December 31, 2007 Rs. in Lacs	For 9 Months Period ended December 31, 2006 Rs. in Lacs
Interest:		
Bank deposits (Tax deducted at source Rs. 1.54 lakhs, Previous period Rs. 0.92 lakhs)	7.19	4.15
Interest on Income tax refund	173.03	33.65
Others (Tax deducted at source Rs. 1.76 Lakhs, Previous period Rs. 0.28 lakhs)	8.93	23.25
Dividend on investment in subsidiary	30.60	30.60
Sale of scrap	1,358.68	628.65
Commission received from subsidiary	263.78	169.21
Duty drawback/ Exim Scrip realisation	138.00	7.95
Cash Discount	62.07	54.33
Excess provision written back	41.77	1.83
Profit on sale of Fixed Assets(net)	-	128.73
Management fees	41.90	29.23
Foreign exchange rate difference (net)	522.74	-
Miscellaneous income	171.19	169.70
Total	2,819.88	1,281.28

Schedule 16 : Raw materials and components consumed

Inventories - Opening	1,437.09	1,159.52
Add: Purchases	22,416.16	12,674.24
	23,853.25	13,833.76
Less: Inventories - Closing	1,786.51	1,437.09
Total	22,066.74	12,396.67

Schedule 17: Personnel expenses

Salaries, wages and bonus (Refer Note no.15 in Schedule no. 23)	10,902.83	7,258.81
Contribution to provident fund and other funds	697.27	584.19
Contribution to other funds	152.65	52.45
Contribution to gratuity	297.56	351.38
Workmen and staff welfare expenses	1,376.00	918.25
Total	13,426.31	9,165.08

SCHEDULES 1-23 (Contd.)

Schedule 18 : Operating and Other Expenses

	For the year ended December 31, 2007 Rs. in Lacs	For 9 Months Period ended December 31, 2006 Rs. in Lacs
Consumption of stores and spares (Refer Note no.15 in Schedule no. 23)	6,070.40	4,309.09
Sub-contracting expenses	1,329.48	1,018.93
Power and fuel	4,269.20	2,933.57
Freight and forwarding charges	1,327.51	914.94
Rent	171.61	116.10
Rates and taxes		
- Sale & Purchase tax	281.81	97.93
- Others	120.65	59.39
Insurance	144.40	99.33
Repairs and maintenance		
- Plant and machinery	180.95	51.71
- Buildings	108.97	29.01
- Others	89.30	26.50
Advertising and sales promotion	2,915.50	2,076.06
Royalty	712.24	422.49
Product rectification charges	72.11	65.85
Legal and professional expenses	826.49	92.13
Travelling and conveyance	824.88	508.98
Communication costs	156.36	99.05
Printing and stationery	124.19	75.75
Directors' sitting fees	10.00	3.70
Auditor's remuneration*		
- Audit fee	78.50	25.50
- Tax audit fee	30.65	4.35
- For certification and others matters	0.50	0.50
- For Limited reviews	4.00	2.33
- Out-of-pocket expenses	3.01	0.70
Charity & Donation	0.05	0.09
Provision for doubtful debts / bad debts	61.07	4.97
Loss on sale of trade investments	0.18	-
Foreign exchange rate difference (net)	-	8.61
Loss on sale / discard of fixed assets (net)	387.58	47.90
Advances written off	14.53	69.10
Provision for dimunition in the value of investments	-	74.30
Miscellaneous expenses	425.37	270.95
Total	20,741.49	13,509.81

* Refer Note no. 14(ii) of Schedule 23

SCHEDULES 1-23 (Contd.)

Schedule 19: Decrease/(increase) in Inventories

	For the year ended December 31, 2007 Rs. in Lacs	For 9 Months Period ended December 31, 2006 Rs. in Lacs
Inventories - Opening		
- Work-in-progress	3,440.39	2,721.66
- Finished goods	5,213.82	6,819.18
- Reusable Scrap	592.41	597.78
	9,246.62	10,138.62
Inventories - closing		
- Work-in-progress	3,754.31	3,440.39
- Finished goods	4,907.67	5,213.82
- Reusable Scrap	519.08	592.41
	9,181.06	9,246.62
Decrease/(increase) in Inventories	65.56	892.00

Schedule 20: Financial expenses

Interest		
- to banks	3,496.05	2,228.53
- others	447.73	328.16
Bank charges	113.53	56.65
Total	4,057.31	2,613.34

Schedule 21: Prior period expenses

Royalty	63.16	-
	63.16	-

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

Net profit/(Loss) as per profit and loss account	(1,862.43)	(631.35)
Weighted average number of equity shares in calculating basic and diluting Earning per share	25,789,836	25,287,549
Earning/ (Loss) per share	(7.22)	(2.50)

SCHEDULES 1-23 (Contd.)

Schedule 23 : Notes to Accounts

1. Background

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

2. Statement of Significant Accounting Policies

a) Basis of preparation

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

b) Use of Estimates

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

c) Changes in Accounting Policies

Adoption of Accounting Standard 15 (Revised) Employee Benefits

In the current year, the Company has adopted the Accounting Standard 15 (revised) (2005) ("AS 15") which is mandatory from accounting periods starting from December 7, 2006. Subsequently, as per announcement by the Institute of Chartered Accountants of India, where by AS - 15 has been revised to allow the Company to amortize additional liability on first application over a period of 5 years, the Company has chosen to amortize such additional liability for gratuity of Rs. 1,199.51 lakh (earlier charged to opening reserves) over a period of 5 years commencing January 1, 2007. Accordingly, Rs. 239.90 lakh has been amortized to the profit and loss account during the year and remaining Rs. 959.61 lakh is carried over in schedule 14 - Miscellaneous Expenditure (to the extent unamortized). The limited revision has not yet been incorporated in AS 15 notified under Companies (Accounting Standard) Rules, 2006. Company expects that limited revision will be incorporated in notified standards shortly.

d) 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	5.28
(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) 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.

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

SCHEDULES 1-23 (Contd.)

Schedule 23 : Notes to Accounts (Contd.)

e) Impairment

- i) The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.
- ii) After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.
- iii) A previously recognized impairment loss is increased or reversed depending on changes in circumstances. However the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

f) 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.

g) 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.

h) Investments

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

i) Inventories

Inventories are valued as follows:

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

j) Revenue Recognition

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

i) Sale of Goods:

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and are recorded net of excise duty, sales tax and other levies. For the purpose of these financial statements, sales are disclosed, both gross and net of excise duty.

ii) Job Work:

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

iii) Interest:

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

iv) Dividends:

Revenue is recognised when the shareholders' right to receive payment is established by the balance sheet date. Dividend from subsidiaries is recognised even if same are declared after the balance sheet date but pertains to period on or before the date of balance sheet as per the requirement of schedule VI of the Companies Act, 1956.

v) Commission:

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

vi) Export Benefits/Incentives:

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

vii) Management Fee:

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

k) Foreign Currency Transactions

(i) Initial recognition

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

SCHEDULES 1-23 (Contd.)

Schedule 23 : Notes to Accounts (Contd.)

(ii) Conversion

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

(iii) Exchange differences

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

(iv) Forward Exchange Contracts not intended for trading

The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

l) Retirement and other Employee Benefits

(i) Provident fund contributions are charged to profit and loss account, when contributions paid/payable are due to "Goetze India Limited Provident Fund Trust", administered by the trustees and to the Regional Provident Fund Commissioners. There are no other obligations other than the contribution payable to the respective trusts.

(ii) Gratuity liability under the Payment of Gratuity Act is accrued on the basis of an actuarial valuation made at the end of each financial year.

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

m) Income Taxes

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

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

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

n) Earnings per Share

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

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

o) Provisions

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

p) Cash and Cash Equivalents

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

q) Excise Duty

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

r) Miscellaneous Expenditure

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

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 following related parties.

Names of related parties:

- i) Ultimate Holding Company
 - Federal Mogul Corporation, USA
- ii) Subsidiaries

SCHEDULES 1-23 (Contd.)

Schedule 23 : Notes to Accounts (Contd.)

- Federal-Mogul TPR (India) Limited
- Satara Rubbers and Chemicals Limited
- iii) Common Control with Holding Company
 - Federal Mogul Burscheid GMBH, Germany
 - Federal Mogul Friedberg, GMBH
 - Federal Mogul Holding Ltd, Mauritius
 - Federal Mogul , Nurnberg, GMBH
 - Federal Mogul Sintered Products Ltd.
 - Federal Mogul Wiesbaden GMBH, Germany
 - Federal Mogul Power Train System
 - Federal Mogul Automative Products
 - Federal Mogul Bimet S.A.
 - Federal Mogul Holding Deutschland
 - Federal Mogul Gorzyce, S.A.
 - Federal Mogul Maysville
 - Federal Mogul Valves (PTY) Ltd
 - Federal Mogul Sealing Systems, GMBH
 - Federal Mogul Friction Products Ltd
 - Federal Mogul Corporation Powertrain Systems
 - Federal Mogul Plant Van Wert, USA
 - Federal Mogul Powertrain Systems Schofield
 - Federal Mogul K.K, Japan
 - Federal Mogul S.A.R.L.
 - Federal Mogul France, S.A.
 - Federal Mogul Corporation, Lake City
 - Federal Mogul Chivasso
 - Federal Mogul Corporation, Garennes
- 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 Wind Power Company Ltd. * (till May 12, 2006)
 - Joint Investments Pvt Ltd. * (till May 12, 2006)
 - Spade Financial Services Limited* (till September 24, 2007)
- v) Key managerial personnel and their relatives
 - Mr. Rustin Murdock (w.e.f. September 24, 2007)
 - Mr. Arun Anand (till September 24, 2007)
 - Mrs. Renu Anand (wife of Mr. Arun Anand) (till September 24, 2007)
 - Mr. Anil Nanda (till May 12, 2006)
- vi) Associates
 - GI Power Corporation Limited (w.e.f. October 13, 2005)
 - GTZ Securities Limited

* Transactions with these persons are considered upto May 12, 2006 as Mr. Anil Nanda stepped down as executive director and took a non-executive director position upto January 22, 2007.

Those transactions along with related balances as at December 31, 2007 and December 31, 2006 and for the years / period then ended are presented in the following table:

(Rs. in lacs)

	Fellow Subsidiary														Total		
	Federal Mogul Burscheid GMBH, Germany		Federal-Mogul Sintered Products Ltd		Federal-Mogul, Nurnberg, GMBH		Federal-Mogul Automotive Products.		Federal-Mogul Wiesbaden GMBH, Germany		Federal-Mogul Power Train System		Federal-Mogul Gorzyce S.A		Others		
	31.12.07	31.12.06	31.12.07	31.12.06	31.12.07	31.12.06	31.12.07	31.12.06	31.12.07	31.12.06	31.12.07	31.12.06	31.12.07	31.12.06	31.12.07	31.12.06	31.12.07
Sales	-	-	-	-	-	-	(10.21)	-	-	-	(24.32)	(565.18)	-	(148.59)	(17.19)	(51.72)	
Purchases of raw materials, stores & spares, intermediaries and finished goods	1,319.71	-	80.43	-	-	-	-	-	37.54	-	-	-	-	257.28	-	1,694.96	-
Purchase of fixed asset	709.13	1,408.94	1,382.41	73.62	-	-	-	-	191.06	40.60	5.46	-	-	4.75	19.11	2,469.51	1,547.73
Exchange Fluctuation	9.20	-	33.21	-	-	-	-	-	(0.15)	-	(0.12)	(4.89)	-	(0.61)	-	32.98	-
Other expenses	5.58	-	-	-	-	-	-	-	(0.95)	-	-	-	-	(0.68)	40.18	3.52	40.18
Royalty expense	280.29	175.69	260.31	124.30	-	-	-	-	-	-	-	-	-	-	-	684.05	399.64
Balance outstanding as at the end of the year (Receivable)	-	-	-	-	-	-	-	-	-	-	-	365.14	0.65	50.33	-	415.47	0.65
Balance outstanding as at the end of the year (Payable)	(2,107.25)	(912.35)	(1,745.61)	(48.37)	-	(1,745.61)	4.55	-	(218.03)	(31.59)	(0.93)	-	-	(190.56)	(25.75)	(4,583.45)	(1,018.97)

(Rs. in lacs)

	Ultimate Holding Company		Enterprises owned or significantly influenced by key management personnel and their relatives						Total		
	Federal Mogul Corporation		An-Enterprise Pvt. Ltd		Escorts Farm Ltd		Joint Investments Pvt. Ltd			Gossini Fashion Ltd/ AN-GIP Leather (India) Ltd.	
	31.12.07	31.12.06	31.12.07	31.12.06	31.12.07	31.12.06	31.12.07	31.12.06		31.12.07	31.12.06
Sales	(2,699.01)	(334.87)	-	-	-	-	-	-	-	-	-
Purchases of raw materials, stores & spares, intermediaries and finished goods	152.93	6.12	-	-	-	-	-	-	-	-	-
Purchase of fixed asset	1,672.22	571.39	-	-	-	-	-	-	-	-	-
Sale of fixed asset	(481.57)	-	-	-	-	-	-	-	-	-	-
Exchange Fluctuation	(290.02)	-	-	-	-	-	-	-	-	-	-
Interest expense	82.29	-	-	-	-	-	8.00	-	-	-	8.00
Rent Expense	-	-	-	-	-	-	-	-	-	-	-
Other Expenses	392.25	-	-	(0.23)	-	-	-	-	-	(1.50)	(1.73)
Loans taken	-	-	-	-	-	185.00	-	-	-	-	3,350.00
Loans given	-	-	-	-	-	(70.00)	-	-	-	-	(3,235.00)
Balance outstanding as at the end of the year (Receivable)	1,291.32	-	-	-	-	-	-	-	-	66.37	66.57
Balance outstanding as at the end of the year (Payable)	(2,595.06)	(2,614.22)	-	-	-	-	-	-	-	-	-

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

SCHEDULES 1-23 (Contd.)

Schedule 23 : Notes to Accounts

5. Leases

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

Leases	For the year ended December 31, 2007 (Rs. in lacs)	For the period ended December 31, 2006 (Rs. in lacs)
a) Lease payments for the period	130.88	92.35
<i>Minimum Lease Payments:</i>		
b) Not later than one year	115.86	118.98
c) Later than one year but not later than five years	246.30	274.26
d) Later than five years	20.00	80.00

6. Capital Commitment

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

Particulars	Year ended December 31, 2007 (Rs. in lacs)	Period ended December 31, 2006 (Rs. in lacs)
Capital commitment	1,172.81	3,288.10

7. Contingent liabilities not provided for:

Particulars	Year ended December 31, 2007 (Rs. in lacs)	Period ended December 31, 2006 (Rs. in lacs)
a) Bank Guarantees	900.43	193.18
b) <i>Claims/notices contested by the company</i>		
i) Excise duty	882.49	505.88
ii) Sales Tax	118.27	118.27
iii) ESI Cases	7.56	63.30
iv) Employee Related Cases	119.52	88.45
v) Electricity Demand	52.24	52.24
vi) Income Tax Demands	285.80	320.87
vii) Consumer Cases	64.98	60.91

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

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

- i) Show cause notice received in respect of excise duty benefit in relation to deduction of Trade Discounts for the period 2000-2001 to 2003-2004. The matter is pending for personal hearing with the Joint Commissioner. The Company has taken legal opinion and is advised that it has fair chance of a favorable decision. The amount involved is Rs. 33.74 lakh. (Previous period 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 the Company for the period 2004-2005 & 2005-2006. The amount involved is Rs. 2.60 lakh. (Previous period Rs. Nil)
- iii) Matter pending with Additional Commissioner of Central Excise (ADCCE) in respect of excise duty on scrap produced by the Company for the period 2000-2001 to 2002-2003. The amount involved is Rs.34.11 lakh. (Previous period Rs. 34.11 lakh)
- iv) Miscellaneous Excise Cases in respect of MODVAT credits being taken pending with Deputy Commissioner Central Excise Patiala (DCCE PTA)/ Additional Commissioner/Punjab and Haryana High Court/Assistant commissioner central excise for the period 1987-1988 to 2006-2007. Amount involved Rs. 58.02 lakh. (Previous period 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. Amount involved Rs. 39.95 lakh. (Previous period 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 Company is of the view that it has reasonable chances of success. Amount involved Rs. 18.01 lakh. (Previous period Rs. 18.01 lakh)
- vii) Matters pending with Additional Commissioner, Chandigarh in respect of Service Tax on Transport Services for the period 2005-06 & 2006-07. The Company is of the view that it has reasonable chances of success. Amount involved Rs. 5.50 lakh. (Previous period Rs. 6.77 lakh)
- viii) Matters pending with Additional Commissioner, Chandigarh in respect of Service Tax on Intellectual property services for the period 2006-07. Amount involved Rs. 3.45 Lakh. (Previous period Rs. Nil)
- ix) Matters pending with Joint Commissioner, Chandigarh in respect of Service Tax on business auxiliary services for the period 2006-07. Amount involved Rs. 19.08 lakh. (Previous period Rs. Nil)
- x) Matters pending with CESTAT in respect of excise cases in relation cenvat credit availed on imported goods for the period 2006-07. Amount involved is Rs. 27.86 lakh. (Previous period Rs. Nil)
- xi) Matters pending with CESTAT in respect of excise on non saleable piston relating to period 2005-06. Amount involved is Rs. 249.74 lakh. (Previous period Rs. Nil)
- xii) Matters pending with Commissioner Chandigarh/ Deputy Commissioner Central Excise (DCCE) Patiala in respect of clearance of reprocessed goods without payment of duty for the period 2004-2005 to 2006-2007. Amount involved Rs. 8.82 lakh. (Previous period Rs. 7.21 lakh)
- xiii) Matters pending with Commissioner Appeals/ Joint Commissioner in respect of interest on reversal of Special Additional Duty (SAD) for 2000-01. Amount involved Rs. 9.37 lakh. (Previous period Rs. 9.37lakh)
- xiv) Matters pending with Supreme Court in respect of conversion of Aluminum Scrap into Ingots from Colts for 2000-01 & 2001-02. Amount involved Rs. 15.14 lakh. (Previous period Rs. 15.14 lakh)

SCHEDULES 1-23 (Contd.)

Schedule 23 : Notes to Accounts

- xv) Matters pending with CESTAT in respect of excise cases in relation to provisional assessment of excise duty with respect to turnover discount for the period 2001-2002 to 2006-2007. The Company has taken legal opinion in this regard and is confident of success. Amount involved is Rs. 334.04 lakh. (Previous period Rs. 264.07 lakh)
- xvi) Matter pending with Central Excise & Service Tax Appellate Tribunal (CESTAT) in respect of valuation rates employed for certain products sold by the Company for the period 2001-2003 to 2004-2005. The amount involved is Rs.6.12 lakh. (Previous period Rs. 6.42 lakh)
- xvii) Matter pending with Central Excise & Service Tax Appellate Tribunal (CESTAT) in respect of non payment of service tax on management fee by the Company for the period 1998-1999 to 2002-2003. The Company has taken legal opinion in this regard and is confident of success. The amount involved is Rs. 16.94 lakh. (Previous period Rs. Nil)
- e) **In relation to 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. (Previous period 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. (Previous period 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. (Previous period Rs. 20.65 lakh)
- f) **In relation to 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, Amount involved is Rs.7.56 lakh. (Previous period Rs. 63.30 lakh)
- g) **In relation to 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.119.52 lakh. (Previous period Rs. 88.45 lakh)
- h) **In relation to b (vi) 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. Amount involved is Rs. 52.24 lakh. (Previous period Rs. 52.24 lakh)
- i) **In relation to b (vi) above Income Tax cases disputed by the company:**
- i) In respect of Assessment Year 2000-01, certain additions were made on normal income as well as on book profits. The matter is pending with ITAT and the Company is of the view that it has reasonable chance of success. The amount involved is Rs. 53.84 lakh. (Previous period Rs. Nil)
- ii) In respect of Assessment Year 2002-03, certain additions were made on normal income as well as on book profits. The matter is pending with Commissioner Income Tax (Appeals) and the Company is of the view that it has reasonable chance of success. The amount involved is Rs.16.37 Lakh. (Previous period 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 the Company is of the view that it has reasonable chance of success. The amount involved is Rs. 170.20 lakh. (Previous period 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 the Company is of the view that it has reasonable chance of success. The amount involved is Rs. 23.79 lakh. (Previous period Rs. 23.79 lakh)
- v) In respect of Assessment Year 2005-06, certain additions were made on normal income. The matter is pending with Commissioner Income Tax (Appeals) and the Company is of the view that it has reasonable chance of success. The amount involved is Rs. 21.60 lakh. (Previous period Rs. Nil)
- vi) In respect of Assessment Year 1997-98, demand was raised due to disallowance of previous year expense made in regular assessment and also certain penalty proceedings on the above issue. The amount involved is Rs. Nil. (Previous period Rs. 110.51 lakh)
- For all matters above, the Company has been advised by experts and based on such opinion/advise, company has fair chance of favorable decision.
- j) **In relation to b (vii) above Consumer cases filed against the company:**
- i) Matter pending with Delhi High Court relating to cases filed by Mr. Harkirat Singh a customer of the Company relating to defective goods for the period 2004-05. Amount involved is Rs. 4.07 lakh. (Previous period Rs. Nil)
- ii) Matter pending with Delhi High Court relating to cases filed by Space 2000 a customer of the Company relating to defective goods for the period 1995-1996. Amount involved is Rs. 60.91 lakh. (Previous period Rs. 60.91 lakh)
8. (a) (i) **Payments made to Directors :**

Particulars	Year ended	Period ended
	December 31, 2007	December 31, 2006
	(Rs. in lacs)	(Rs. in lacs)
(a) Salaries	65.60	36.90
(b) Contribution to Provident & Superannuation Fund	8.32	11.73
(c) Leave encashment paid	11.81	-
(d) Gratuity paid	57.60	-
(e) Other Perquisites	42.15	85.86
(ii) Directors Sitting Fees	10.00	3.70

- (b) Personnel expenses under Schedule 17 include Rs. 66.15 lakh 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.
9. (a) 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. 8,793.25 lakh (Previous Period 6,261.26 lakh) has been reduced from sales in profit & loss account and excise duty on decrease / (increase) in stock amounting to Rs. 65.38 lakh [Previous Period Rs. (286.94) lakh] has been considered as (income) / expense in the financials statements.

SCHEDULES 1-23 (Contd.)

Schedule 23 : Notes to Accounts

(b) During the year Company has not taken any foreign currency derivative instruments to hedge its foreign currency risk. The category-wise outstanding position of derivative instruments as on December 31, 2007 is as under:

	Year ended December 31, 2007 (Fig. in lacs)	Period ended December 31, 2006 (Fig. in lacs)
Outstanding Forward contracts		
Buy	—	USD 2.125

The amount of foreign currency exposure that are not hedged by a derivative instrument or otherwise as on December 31, 2007:

Particulars	Year ended December 31, 2007 Amount (INR)	Period ended December 31, 2006 Amount (Foreign currency)	Period ended December 31, 2006 Amount (INR)	Period ended December 31, 2006 Amount (Foreign currency)
Borrowings	13,905,680	356,613	7,89,84,874.45	USD 17,83,045.51
Borrowings	—		1,60,58,100.87	USD 3,62,500.00
Borrowings	—		3,47,74,094.85	USD 7,85,000.00
Debtors	36,596,008	928,392	4,93,57,968.55	USD 10,84,131.68
Debtors	3,864,576	67,026	88,48,705.20	EURO 1,50,516.95
Debtors	—		21,12,052.00	GBP 24,398.00

10. Gratuity and other post-employment benefit plans: (AS 15 120(b))

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

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

Profit and Loss account

Net employee benefit expense (recognised in Employee Cost)

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

Balance sheet

Details of Provision for gratuity

Defined benefit obligation	Gratuity 2007
Fair value of plan assets	4,419.12
	3,115.37
	1,303.75
Less: Unrecognised past service cost	-
Plan asset / (liability)	1303.75

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

	Gratuity 2007
Opening defined benefit obligation	4,117.15
Interest cost	328.75
Current service cost	412.79
Benefits paid	(273.74)
Actuarial (gains) / losses on obligation	(165.83)
Closing defined benefit obligation	4,419.12

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

	Gratuity 2007
Opening fair value of plan assets	2,953.30
Expected return	261.70
Contributions by employer	186.50
Benefits paid	(273.74)
Actuarial gains / (losses)	(12.39)
Closing fair value of plan assets	3,115.37

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

SCHEDULES 1-23 (Contd.)

Schedule 23 : Notes to Accounts

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

	Gratuity
	2007
	%
Investments with Insurer	100

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

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

	2007
	%
Discount rate	8
Expected rate of return on assets	8
Employee turnover	1% at each stage
The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.	
The current year being the first year of adoption of AS 15 (revised) by the Company, the previous year comparative information has not been furnished.	

11. Details of loans given to a Company in which directors are interested and which is a company under the same management is as follow:

- i) Satara Rubbers and Chemicals Limited (Subsidiary Company)
 - Balance as at December 31, 2007 Rs. 1,801.38 (PY Rs. 798 lakh)
 - Maximum amount outstanding during the year Rs. 1,801.38 (PY : Rs. 1,500 lakh)
 - There is no repayment schedule in respect of this loan.

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

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

	Licensed Capacity	*Installed Capacity	Actual Production
Piston Rings (Nos.)	Delicensed	54,960,000 (54,960,000)	43,705,318 (32,727,260)
Pistons (Nos.)	"	13,567,792 (13,567,792)	9,787,637 (6,55,0330)
Pins (Nos.)	"	13,478,250 (13,478,250)	10,356,767 (7,049,712)
Cylinder Liners (Nos.)	"	602,309 (602,309)	402,844 (272,372)
Light Alloy Cylinders (Nos.)	"	382,936 (382,936)	117,528 (197,423)
Valve Train Components (Nos.)	"	28,800,000 (27,000,000)	26,942,807 (18,461,997)
Structural Components (Nos.)	"	5,820,000 (2,800,000)	4,346,987 (2,855,721)

* 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 lakh	Quantity	Value Rs. in lakh	Quantity	Value Rs. in lakh
Piston Rings (Nos)	5,161,393	1,686.30	5,196,551	1,766.62	43,670,160	22,333.03
	(7,849,419)	(2,690.28)	(5,161,393)	(1,686.30)	(35,415,286)	(14,094.66)
Pistons (Nos)	1,029,804	2,431.87	879,925	2,254.79	9,937,516	36,205.74
	(967,497)	(3,363.08)	(1,029,804)	(2,431.87)	(6,488,023)	(22,554.36)
Pins (Nos)	1,161,532	465.98	879,592	452.17	10,638,707	3,966.34
	(989,645)	(392.17)	(1,161,532)	(465.98)	(6,877,825)	(2,760.71)
Cylinder Liners (Nos)	22,494	65.95	39,865	86.65	385,473	713.89
	(52,118)	(114.98)	(22,494)	(65.95)	(301,996)	(615.88)
Light Alloy Cylinders (Nos)	9,730	50.09	4,679	39.05	122,579	772.43
	(10,880)	(50.26)	(9,730)	(50.09)	(198,573)	(1,190.77)
Valve Train Components (Nos)	1,165,547	145.56	1,336,547	137.25	26,771,807	3,090.29
	(1,075,277)	(109.88)	(1,165,547)	(145.56)	(18,371,727)	(1,969.19)
Structural Components (Nos)	94,799	16.88	192,568	49.02	4,249,218	1,183.64
	(60,376)	(10.52)	(94,799)	(16.88)	(2,821,298)	(840.45)
Miscellaneous	-	349.60	-	122.12	-	129.38
	-	(20.46)	-	(349.60)	-	(887.03)

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

SCHEDULES 1-23 (Contd.)

Schedule 23 : Notes to Accounts (Contd.)

(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.)	-	-	-	-	-	-
Cylinder Liners (Nos)	(2,684)	(63.52)	-	-	(2,684)	(63.52)
	(2,400)	(4.03)	(1,025)	(1.59)	(6,628)	(25.79)

Note: Figures in brackets pertain to previous year.

	Unit	Year Ended December 31, 2007		Period Ended December 31, 2006	
		Quantity	Rs. in lacs	Quantity	Rs. in lacs
(iii) Details of Raw Materials Consumed:					
a) Pig Iron	M.Ton	3,183	592.62	2,197	378.53
b) Alloys	M.Ton	458	482.27	380	364.92
c) Chromic Acid	M.Ton	94	112.20	76	82.83
d) Aluminum	M.Ton	5,089	6,585.08	3,150	4,171.21
e) Steel Strips	M.Ton	18	136.75	6	47.50
f) Pin Steel	M.Ton	1,826	1,398.79	1,417	975.31
g) Silicon	M.Ton	793	693.07	448	401.14
h) Magnesium	M.Ton	91	106.47	55	54.17
i) Nickel	M.Ton	146	2,597.72	68	895.70
j) Iron Powder	M.Ton	685	316.16	379	178.79
k) Steel Powder	M.Ton	86	468.58	57	356.02
l) Copper Powder	M.Ton	84	306.51	51	204.72
m) Distalloys	M.Ton	143	176.67	77	79.72
n) Others		-	8093.85	-	4,206.11
Total		12,696	22,066.74	8,361	12,396.67
(iv) C.I.F. Value of Imported items:					
(a) Raw Materials			4,927.18		1,780.82
(b) Spare Parts & Components			1,429.82		915.92
(c) Capital Goods			4,130.47		3,541.06
(v) Expenditure in Foreign Currency (on payment basis):					
(a) Travelling Expenses			55.00		40.99
(b) Commission on Sales			4.88		4.28
(c) Royalty			449.88		7.83
(d) Others			42.60		-
(vi) Imported and Indigenous Raw Materials and Components Consumed:					
		Rs. in lacs	Percentage	Rs. in lacs	Percentage
(a) Indigenous		17,875.87	81.01	9,734.33	78.52
(b) Imported		4,190.87	18.99	2,662.34	21.48
Total		22,066.74	100.00	12,396.67	100.00
(vii) Imported & Indigenous Stores, Spares and Tools Consumed					
(a) Indigenous		5,427.50	89.41	3,827.01	88.81
(b) Imported		642.90	10.59	482.08	11.19
Total		6,070.40	100.00	4,309.09	100.00
(viii) Earnings in Foreign Currency (on accrual basis)					
Export on FOB basis			4,965.43		1,547.51

SCHEDULES 1-23 (Contd.)

Schedule 23 : Notes to Accounts (Contd.)

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

Particulars	2007	(Rs. in lacs)
		2006
The principal amount remaining unpaid as at the end of year	143.28	132.84
Interest due on above principal and remaining unpaid as at the end of the year	0.32	-
The amount of interest paid by the buyer in terms of section 16, of the Micro Small and Medium Enterprise Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	-	-
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro Small and Medium Enterprise Development Act, 2006.	1.59	-
The amount of interest accrued and remaining unpaid at the end of each accounting year; and	1.91	-
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Micro Small and Medium Enterprise Development Act, 2006	-	-

14. During the current year:

- The Company had issued 7,333,389 shares @ Rs. 10 each at a premium of Rs. 135 per share on right issue basis for cash.
- Expenses of Rs. 172.53 lakh incurred in connection with the public issue of the Company had been adjusted against Securities Premium Account in terms of section 78 of the Companies Act, 1956. Above amount includes Rs. 71.50 lakh paid to statutory auditors
- Pursuant to initial public offer the Company gathered Rs. 10,633.41 lakh which was utilized for the payment of term loans and reduction in the working capital.

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

	Year Ended December 31, 2007 Rs. in lacs	Period Ended December 31, 2006 Rs. in lacs
Salaries, wages and bonus	229.65	149.32
Consumption of stores and spares	153.10	99.55
Total	382.75	248.87

16. The previous period, financial is for the period of 9 months as against current year financial statements of twelve months and thus is not strictly comparable. Previous period figures have been regrouped and rearranged wherever necessary to make these comparable.

As per our report of even date

For S.R.Batlboi & Co.
Chartered Accountants

per Pankaj Chadha
Partner
Membership No. 91813

Place: Gurgaon
Date: March 3, 2008

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

RUSTIN MURDOCK
Managing Director & CFO

RAJAN LUTHRA
Financial Controller & Company Secretary

Place: New Delhi
Date: March 3, 2008

RAINER JUECKSTOCK
Director

SCHEDULES 1-23 (Contd.)

Schedule 23 : Significant Accounting Policies and Notes on Accounts (Contd.)

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No. C - 2 4 5 2

State Code 5 5

Balance Sheet Date 3 1 1 2 2 0 0 7
Date Month Year

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

Public Issue	Rights Issue
Nil	7 3 3 3 3
Bonus Issue	Private Placement
Nil	Nil

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

Total Liabilities	Total Assets
4 9 8 1 9 2 0	4 9 8 1 9 2 0

Sources of Funds

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

Application of Funds

Net Fixed Assets	Investments
3 8 0 3 8 7 9	2 0 9 3 9 0
Net Current Assets	Deferred Tax Asset
5 7 6 8 9 2	Nil
Accumulated Losses	Misc. Expenditure
2 9 5 7 9 8	9 5 9 6 1

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

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

V. Generic Names of Three Principal Products of Company

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

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

1.	Name of the Subsidiary Companies	Federal-Mogul TPR (India) Limited (Formerly known as Goetze TP (India) Limited)	Satara Rubbers & Chemicals Limited
2.	Financial Year of the Subsidiary Companies ended on	31 st December 2007	31 st December 2007
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. 287.70 Lacs	Rs. (42.70) Lacs
	ii) for previous financial years of subsidiary since it became subsidiary of Federal-Mogul Goetze (India) Ltd.	Rs. 328.55 Lacs	Rs. (209.11) Lacs
	b] Dealt with the Accounts of Federal-Mogul Goetze (India) Ltd.		
	i) for the subsidiary's financial year above referred	Nil	Nil
	ii) for previous financial years of subsidiary since it became subsidiary of Federal-Mogul Goetze (India) Ltd.	Nil	Rs. (201.00) Lacs

RUSTIN MURDOCK
Managing Director & CFO

RAINER JUECKSTOCK
Director

RAJAN LUTHRA
Financial Controller & Company Secretary

Place: New Delhi
Date: March 3, 2008

CASHFLOW STATEMENT

	For the year ended December 31, 2007 Rs. in lacs	For 9 months period ended December 31, 2006 Rs. in lacs
A. CASH FLOW FROM OPERATING ACTIVITIES		
Loss before tax after prior period	(1,782.69)	(561.05)
Adjustments for:		
Depreciation and amortisation	4,292.16	2,819.65
Loss on sale / discard of fixed assets (net)	387.58	47.90
Profit on sale of fixed assets (net)	-	(128.73)
Loss on sale of trade investments	0.18	-
Provision for doubtful debts	61.07	4.97
Advances written off	14.53	69.10
Provision for diminution in the value of investments	-	74.30
Interest income	(7.19)	(4.15)
Dividend income	(30.60)	(30.60)
Interest expense	3,496.05	2,228.53
Excess provision written back	(41.77)	(1.83)
Unrealised forex gain and loss (net)	28.13	-
Miscellaneous expenditure written off	239.90	-
Operating profit before working capital changes	6,657.35	4,518.09
Movements in working capital :		
Decrease / (Increase) in sundry debtors	(1,692.80)	(485.73)
Decrease / (Increase) in current assets	(311.88)	47.24
Decrease / (Increase) in inventories	328.05	253.90
Decrease / (Increase) in loans and advances	(1,538.77)	(415.69)
Increase / (Decrease) in current liabilities and provisions	4,750.77	6,076.34
Cash generated from operations	8,192.75	9,994.15
Direct taxes paid (net of refunds)	(68.54)	(248.62)
Net cash from operating activities	8,124.21	9,745.53
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets/ Intangibles Assets	(7,897.93)	(5,999.83)
Proceeds from sale of fixed assets	134.19	698.35
Sale / maturity of investments	41.10	33.92
Interest received	2.87	4.02
Dividends received	30.60	30.60
Net cash used in investing activities	(7,689.17)	(5,232.94)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Miscellaneous expenses paid during the year	(239.90)	-
Payment of borrowings (Long term)	(14,507.77)	(14,038.33)
Receipt of borrowings (Long term)	4,500.00	8,661.17
Movement in borrowings (Short term)	2,624.47	3,036.67
Interest paid	(3,443.71)	(2,052.09)
Proceeds from Issuance of share capital	10,460.88	-
Net cash used in financing activities	(606.03)	(4,392.58)
Net increase in cash and cash equivalents (A + B + C)	(170.99)	120.01
Cash and cash equivalents at the beginning of the year	225.16	105.15
Cash and cash equivalents at the end of the year	54.17	225.16
Components of cash and cash equivalents as at	December 31, 2007	December 31, 2006
	Rs. in lacs	Rs. in lacs
Cash and cheques on hand	2.28	4.55
With banks - on current account	51.89	220.61
	54.17	225.16

As per our report of even date

For S.R.Battiboi & Co.
Chartered Accountants

per Pankaj Chadha
Partner
Membership No. 91813

Place: Gurgaon
Date: March 3, 2008

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

RUSTIN MURDOCK
Managing Director & CFO

RAJAN LUTHRA
Financial Controller & Company Secretary

Place: New Delhi
Date: March 3, 2008

RAINER JUECKSTOCK
Director



FEDERAL-MOGUL TPR (INDIA) LIMITED

[Formerly Known as Goetze TP (India) Limited]

DIRECTORS' REPORT

The Directors are pleased to present the Eleventh Annual Report and the Audited Statement of Accounts of the Company for the year ended 31st December 2007.

FINANCIAL RESULTS

(Rs. in Million)

	For the year ended December 31, 2007	For 9 months period ended December 31, 2006
Total Income		
Gross Sales	745.30	488.34
Deduct: Excise Duty	<u>112.32</u>	<u>72.18</u>
	632.98	416.16
Business and other Income	<u>2.63</u>	<u>4.59</u>
	635.61	420.75
Profit before Depreciation and Interest	142.75	104.48
Deduct:		
Depreciation	32.40	22.94
Interest & Finance Charges	22.05	13.13
Net Profit before Tax	88.30	68.41
Provision for Tax		
- Current	36.39	26.94
- Deferred	(4.98)	(1.43)
- Fringe Benefit	0.48	0.41
Profit after Tax	56.41	42.49
Profit brought forward	71.44	35.79
Net profit available for appropriation	127.85	78.28
Appropriations :	6.00	6.00
Dividend- Preference @6%	1.02	0.84
Tax on Dividend		
Surplus carried to Balance Sheet	120.83	71.44

Financial Performance

During the year 2007, the Gross Turnover of the Company was Rs. 745.30 million as against Rs. 488.34 million for nine months period ending 31st December 2006, showing an annualized growth of 14.46%. Profits of the company did not keep pace with the increase in the turnover due of high operation cost, which Company could not pass to its customers. Management is taking necessary steps to control its cost and bring more operational efficiencies.

Operations

The automobile industry especially two wheelers automobile segment is witnessing lower growth as compared to previous few years due to hardening of interest rate and credit squeeze. In spite of this recession in the market your Company is able to maintain steady growth of 14.46%.

Auditors' Comments

The Management is in the process of setting up an internal audit system in concurrence with the Statutory Auditors of the Company. However, management is of the opinion that the Company has adequate internal controls to protect the Company's resources and to bring efficiencies in all aspects of business.

Dividend

In view of profits your Directors are pleased to recommend dividend @6% on the Cumulative Redeemable Preference Shares for the year ended 31st December, 2007. The total outflow on account of

dividend, if approved, will be Rs. 7.02 million [including dividend tax of Rs. 1.02 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 Company has changed from "Goetze TP (India) Limited" to "Federal-Mogul TPR (India) Limited" with effect from 15th June 2007. A fresh Certificate of Incorporation consequent upon change of name has been issued by Registrar of Companies, National Capital Territory of Delhi and Haryana.

Personnel

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

Directors

Mr. Arun Anand, voluntary resigned from his position of Chairman & Director on 24th September, 2007. Mr. Rustin Murdock was inducted on the Board as Chairman & Director of the Company on 24th September, 2007 due to the casual vacancy caused by the resignation of Mr. Arun Anand. Mr. Rustin Murdock holds a bachelors degree in accounting from McNeese State University and has done masters in business administration from Michigan State University. He has worked with Deloitte & Touche CPA, as a senior associate and subsequently, he became the controller for Olympia Arena Inc. and was then promoted to the

position of Director, Finance.

Mr. Mohan Narayanan who has been associated with the Company since inception has resigned from the position of Director on 21st January, 2008. The Directors place on record their appreciation for his initiatives and guidance for the success of the Company.

In order to fill the casual vacancy caused due to the resignation of Mr. Mohan Narayanan, Mr. Jean De Montlaur has been inducted on the Board with effect from 21st February 2008. Mr. Jean de Montlaur holds a bachelors degree in engineering from the Ecole Centrale de Paris, France, master degree in applied mathematics from University of Paris VII and has done masters in business administration from Institute Francais de Gestion in Paris. Mr. Jean de Montlaur is appointed as President of Federal Mogul Group to take care of operations in the automotive parts industry in India.

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

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

Directors' Responsibility Statement

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



FEDERAL-MOGUL TPR (INDIA) LIMITED

[Formerly Known as 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

The Audit Committee comprised of Mr. Arun Anand (Chairman), Mr. John Derham, Mr. Hiroshi Takano and Mr. Andreas Kolf, Members. However after the resignation of Mr. Arun Anand from the position of Chairman & Director, the Committee was reconstituted on 24th September, 2007 and now the Committee comprises of Mr. Rustin Murdock (Chairman), Mr. John Derham, Mr. Hiroshi Takano and Mr. Andreas Kolf, Members. The Audit Committee met on 19th March, 2007 to consider and approve the annual accounts for the period ended December 2006 and to recommend Dividend and re-appointment of M/s S.R. Batliboi and Co. as the Statutory Auditors for the year 2007 and fix their remuneration for the period ended December 2006.

Auditors

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

Public Deposits

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

Safety, Health and Environment Protection

The Company continues to maintain and take

further initiatives 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

Rustin Murdock
Chairman & Director

Date : 21st February 2008

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 improvement to production process resulting in reduced energy consumption. Following are few among them:

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

Additional Investment and Proposals for reduction in Energy Consumption:

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

B. TECHNOLOGY ABSORPTION

Research & Development (R&D)

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

- Development of rings for low cost engines

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

- Better performance and durability

3. Future plan of action

Development of new technical advanced rings which met the requirements of new engines.

4. Expenditure on R&D

- Capital - Nil
- Recurring - Rs. 0.94 million
- Total - Rs. 0.94 million
- Total R & D Expenditure as a percentage of total turnover - 0.13 %

Technology absorption, adaptation and innovation

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

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

2. Import of Technology

Technology for	Imported from	Year	Status
Designs and technical know how for manufacturing steel compression and oil control piston rings	Teikoku Piston Ring Company Ltd. Japan	Jan 07- Dec-07-	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. 81.45 million



FEDERAL-MOGUL TPR (INDIA) LIMITED

[Formerly Known as Goetze TP (India) Limited]

AUDITORS' REPORT

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

1. We have audited the attached Balance Sheet of Federal-Mogul TPR (India) Limited (formerly Goetze TP (India) Limited) ('the Company') as at December 31, 2007 and also the Profit and Loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - iv. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - v. On the basis of the written representations received from the directors, as on December 31, 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on December 31, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - a) in the case of the balance sheet, of the state of affairs of the Company as at December 31, 2007;
 - b) in the case of the profit and loss account, of the profit for the year ended on that date; and
 - c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For S.R. BATLIBOI & CO.
Chartered Accountants
per Pankaj Chadha

Place : Gurgaon
Dated: February 21, 2008

Partner
Membership No. 91813

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR

REPORT OF EVEN DATE

RE: FEDERAL-MOGUL TPR (INDIA) LIMITED (FORMERLY GOETZE TP (INDIA) LIMITED) ('THE COMPANY')

- 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 year and no material discrepancies were identified on such verification.
- (c) There was no substantial disposal of fixed assets during the year.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) As informed, the Company has not granted/ taken any loans, secured or unsecured to/ from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Therefore, clause 4 (iii) (b), (c), (d), (e), (f) and (g) 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 an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
- (v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public.
- (vii) The Company does not have an internal audit system.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determine whether they are accurate and complete.
- (ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it. Investor education and protection fund is not applicable to the company.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, as at the year end, for a period of more than six months from the date they became payable. Investor education and protection fund is not applicable to the company.
- (c) According to the information and explanations given to us, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess which have not been deposited on account of

any dispute, are as follows:

Name of the Statute	Nature of the Dues	Amount (Rs.)	Period to which the amount relates	Forum where dispute is pending
Central Excise Act	Excise Duty on Trade Discount	2,42,426	2000-2004	Joint Commissioner of Central Excise
Central Excise Act	Excise Duty on Turnover Discount	8,02,505	2003-2007	Central Excise and Service Tax Appellant Tribunal
Central Excise Act	Cenvat Credit on Excise	3,39,201	2006-2007	Deputy Commissioner of Central Excise
Central Excise Act	Cenvat Credit on Service Tax	3,41,968	2006-2007	Deputy Commissioner of Central Excise

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

For S.R. BATLIBOI & CO.
Chartered Accountants
per Pankaj Chadha

Place : Gurgaon
Dated: February 21, 2008

Partner
Membership No. 91813



FEDERAL-MOGUL TPR (INDIA) LIMITED

[Formerly Known as Goetze TP (India) Limited]

BALANCE SHEET AS AT DECEMBER 31, 2007

	Schedule	As at December 31, 2007 Amount in Rs.	As at December 31, 2006 Amount in Rs.
SOURCES OF FUNDS			
Shareholders' Funds			
Share capital	1	200,000,000	200,000,000
Reserves and surplus	2	120,832,764	71,441,324
		320,832,764	271,441,324
Loan funds			
Secured loans	3	191,597,473	195,915,000
		191,597,473	195,915,000
Deferred tax liabilities (net)	4	31,163,080	36,143,375
TOTAL		543,593,317	503,499,699
APPLICATION OF FUNDS			
Fixed assets			
Gross block	5	357,824,436	354,048,496
Less : Depreciation		163,395,849	132,046,732
Net block		194,428,587	222,001,764
Capital work-in-progress including capital advances		25,050,921	11,350,597
		219,479,508	233,352,361
Current Assets, Loans and Advances			
Inventories	6	92,082,512	123,087,558
Sundry debtors	7	292,751,280	207,152,247
Cash and bank balances	8	6,350,666	3,236,991
Other current assets	9	56,281	30,877
Loans and advances	10	9,636,093	18,942,942
Less: Current liabilities and provisions			
Current liabilities	11	61,385,544	69,524,276
Provisions	12	15,377,479	12,779,001
Total Current liabilities and provisions		76,763,023	82,303,277
Net current assets		324,113,809	270,147,338
TOTAL		543,593,317	503,499,699
Notes to accounts	21		

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

As per our report of even date

For S.R. BATLIBOI & CO.
Chartered Accountants

per Pankaj Chadha
Partner
Membership No. 91813

Place: Gurgaon
Date: February 21, 2008

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

Rustin Murdock
Chairman & Director

Place: New Delhi
Date: February 21, 2008

Andreas Kolf
Director

Krishan Kumar
Company Secretary



FEDERAL-MOGUL TPR (INDIA) LIMITED

[Formerly Known as Goetze TP (India) Limited]

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2007

Schedule	For the year ended December 31, 2007 Amount in Rs.	For the period ended December 31, 2006 Amount in Rs.
Income		
Turnover (Gross)	745,298,389	488,346,089
Less : Excise duty	112,316,559	72,176,819
Turnover (Net)	632,981,830	416,169,270
Other income	13	4,594,093
TOTAL	635,613,978	420,763,363
EXPENDITURE		
Raw materials and components consumed	14	39,289,864
Purchase of Trading Goods	107,113,643	83,746,853
Personnel expenses	15	27,558,462
Other Manufacturing Expenses	16	82,113,440
Operating and other expenses	17	85,838,976
Decrease/(increase) in inventories	18	4,445,006
Depreciation and amortisation	5	22,944,490
Increase / (decrease) of excise duty on finished goods		(6,715,846)
Financial expenses	19	13,127,621
	547,314,907	352,348,866
Profit before tax	88,299,071	68,414,497
Provision for tax		
Current Tax (includes Rs 515,000 (Previous year Rs. 2,546,370) relating to earlier year.	36,393,226	26,946,000
Fringe Benefit Tax	475,000	408,725
Deferred -Tax	(4,980,295)	(1,427,056)
Total Tax expense	31,887,931	25,927,669
Profit after tax	56,411,140	42,486,828
Balance brought forward from previous year	71,441,324	35,795,996
Profit available for appropriation	127,852,464	78,282,824
Appropriations:		
Proposed final dividend	6,000,000	6,000,000
Tax and cess on dividend	1,019,700	841,500
Surplus carried to balance sheet	120,832,764	71,441,324
Earnings per share	20	3.56
Basic and diluted [Nominal value of shares Rs. 10 (Previous year Rs. 10)]	4.94	3.56
Notes to Accounts	21	

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

As per our report of even date

For S.R. BATLIBOI & CO.
Chartered Accountants

per Pankaj Chadha
Partner
Membership No. 91813

Place: Gurgaon
Date: February 21, 2008

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

Rustin Murdock
Chairman & Director

Place: New Delhi
Date: February 21, 2008

Andreas Kolf
Director

Krishan Kumar
Company Secretary



FEDERAL-MOGUL TPR (INDIA) LIMITED

[Formerly Known as Goetze TP (India) Limited]

Schedules 1-21

Schedule 1: Share Capital

	As at December 31, 2007 Amount in Rs.	As at December 31, 2006 Amount in Rs.
Authorised		
1,00,00,000 (Previous year 1,00,00,000) Equity shares of Rs.10 each	100,000,000	100,000,000
10,00,000 (Previous year 10,00,000) 6% Redeemable Cumulative Preference Shares of Rs.100 each	100,000,000	100,000,000
	200,000,000	200,000,000
Issued, Subscribed and Paid up		
1,00,00,000 (Previous year 1,00,00,000) Equity shares of Rs.10 each	100,000,000	100,000,000
10,00,000 (Previous year 10,00,000) 6% Redeemable Cumulative Preference Shares of Rs.100 each	100,000,000	100,000,000
	200,000,000	200,000,000

Of the above :

1. Out of the above 510,000 Equity Shares of Rs. 10 each & 510,000 Preference Shares of Rs. 10 each are held by Federal-Mogul Goetze (India) Limited, (formerly Goetze India Limited) 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	120,832,764	71,441,324
Total	120,832,764	71,441,324

Schedule 3: Secured Loans

Loans and advances from banks		
External Commercial Loan from Mizuho Corporate Bank Ltd	-	135,915,000
Term loans	90,917,209	-
Working Capital Loan from Banks	100,680,264	60,000,000
Total	191,597,473	195,915,000

The term loan is secured by exclusive charge on the entire fixed assets of the Company. Further secured by unconditional and irrevocable Corporate Guarantee of the holding Company. (Amount payable within one year is Rs. 36,703,552 Previous year Rs. 135,915,000.)

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	34,079,845	37,609,745
Gross deferred Tax Liabilities	34,079,845	37,609,745
Deferred tax assets		
Effect of expenditure debited to profit and loss account in the current year / earlier years but allowed for tax purposes in following years	2,758,520	1,452,958
Provision for doubtful debts	158,245	13,412
Gross deferred tax assets	2,916,765	1,466,370
Net deferred tax Liability	31,163,080	36,143,375



FEDERAL-MOGUL TPR (INDIA) LIMITED

[Formerly Known as Goetze TP (India) Limited]

Schedules 1-21 (Contd.)

Schedule 5: Fixed Assets

	Plant and machinery	Furniture & fixtures	Vehicles	Total	Amount in Rs. Previous Period
Gross block					
At January 1,2007	350,806,092	1,616,936	1,625,468	354,048,496	303,312,017
Additions	5,687,939	-	-	5,687,939	53,172,465
Deductions	1,911,999	-	-	1,911,999	2,435,986
At December 31, 2007	354,582,032	1,616,936	1,625,468	357,824,436	354,048,496
Depreciation					
At January 1,2007	129,772,653	1,061,769	1,212,310	132,046,732	110,165,555
For the period	32,119,742	32,143	245,751	32,397,636	22,944,490
Deletions / adjustments	1,048,519	-	-	1,048,519	1,063,313
At December 31, 2007	160,843,876	1,093,912	1,458,061	163,395,849	132,046,732
For Previous Period	21,879,318	35,329	1,029,843	22,944,490	
Net block					
At December 31, 2007	193,738,156	523,024	167,407	194,428,587	222,001,764
At January 1,2007	221,033,439	555,167	413,158	222,001,764	
Capital work in progress including Capital Advances of Rs. 254,379 (Previous Year Rs. 4,391,250)				25,050,921	11,350,597

Note: Addition during the period includes foreign exchange capitalised Rs. Nil (Previous Period Rs. 29,000)

Schedule 6: Inventories

	As at December 31, 2007 Amount in Rupees	As at December 31, 2006 Amount in Rupees
Raw materials and components (Including materials in transit Rs. 5,417,397(Previous Period Rs. 8,183,452 lakh))	40,175,755	42,537,892
Stores and Spares	15,076,543	25,685,505
Work-in- Progress	14,759,753	18,885,126
Finished Goods	22,070,461	35,979,035
Total	92,082,512	123,087,558

Schedule 7: Sundry Debtors

Debts outstanding for a period exceeding six months		
Unsecured, considered good*	104,320,846	443,512
Unsecured, considered doubtful	465,564	39,458
Other debts		
Unsecured, considered good**	188,430,434	206,708,735
	293,216,844	207,191,705
Less : Provision for doubtful debts	465,564	39,458
Total	292,751,280	207,152,247

*Balance due from Companies under the same Management, Federal-Mogul Goetze (India) Limited Rs. 103,974,901 (Previous Period Rs. Nil)

**Balance due from Companies under the same Management Federal-Mogul Goetze (India) Limited Rs. 148,342,018 (Previous Period Rs. 15,787,7041)

Schedule 8: Cash and Bank Balances

Cash on hand	1,538	12,148
Balances with scheduled banks: on current accounts	6,349,128	3,224,843
Total	6,350,666	3,236,991



FEDERAL-MOGUL TPR (INDIA) LIMITED

[Formerly Known as Goetze TP (India) Limited]

Schedules 1-21 (Contd.)

Schedule 9: Other Current Assets

	As at December 31, 2007 Amount in Rs.	As at December 31, 2006 Amount in Rs.
Interest / Dividend accrued on deposits / investments	56,281	30,877
Total	56,281	30,877

Schedule 10: Loans and advances

Unsecured considered good, except where stated otherwise		
Advances recoverable in cash or in kind or for value to be received	2,902,285	9,319,403
Security Deposits	56,000	56,000
Balance with schedule banks:		
On deposit accounts (pledge with government authority)	405,000	5,000
Balance with Excise Authorities	6,272,808	9,562,539
Total	9,636,093	18,942,942

Schedule 11: Current Liabilities

Sundry creditors	46,024,450	59,046,090
Other liabilities	15,252,106	8,886,569
Security Deposit	8,000	8,000
Interest Accrued but not due on loans	100,988	1,583,617
Total	61,385,544	69,524,276

Schedule 12: Provisions

Provision for Current Tax (Net of Advance Tax)	5,779,809	5,053,326
Provision for Fringe Benefit Tax (Net of Advance Tax)	29,000	25,000
Provision for leave encashment	1,102,855	321,332
Provision for gratuity	1,446,115	537,843
Proposed dividend	6,000,000	6,000,000
Tax on proposed dividend	1,019,700	841,500
Total	15,377,479	12,779,001

Schedule 13: Other Income

	For the year ended December 31, 2007 Amount in Rs.	For the Period ended December 31, 2006 Amount in Rs.
Interest:		
Bank deposits (Tax Deducted at source Rs. 1,500, Previous Period Rs. Nil)	70,902	-
Sale of scrap	1,041,185	298,090
Cash discount	244,269	153,682
Royalty waived by the vendor	-	3,239,976
Foreign exchange rate difference (net)	217,807	222,675
Miscellaneous income	1,057,985	679,670
Total	2,632,148	4,594,093



FEDERAL-MOGUL TPR (INDIA) LIMITED

[Formerly Known as Goetze TP (India) Limited]

Schedules 1-21 (Contd.)

Schedule 14: Raw Materials and Components Consumed

	For the Year ended December 31, 2007 Amount in Rs.	For the Period ended December 31, 2006 Amount in Rs.
Inventories - Opening	42,537,892	33,119,980
Add: Purchases	55,859,981	48,707,776
	98,397,873	81,827,756
Less: Inventories - Closing	40,175,755	42,537,892
Total	58,222,118	39,289,864

Schedule 15: Personnel Expenses

Salaries, Wages and Bonus	28,685,239	23,913,804
Contribution to Provident Fund and other Funds	2,468,904	1,346,811
Contribution to Gratuity	2,431,384	207,084
Workmen and Staff Welfare Expenses	2,813,665	2,090,763
Total	36,399,192	27,558,462

Schedule 16: Other Manufacturing Expenses

Consumption of stores and spares	51,199,681	21,266,527
Sub-contracting expenses	6,824,214	4,190,995
Chromeplating charges	81,395,258	52,618,451
Power and fuel	6,236,812	4,037,467
Total	145,655,965	82,113,440

Schedule 17: Operating and Other Expenses

Freight and forwarding charges	2,517,574	1,412,331
Rent	9,460,599	5,248,000
Rates and taxes		-
- Sale & Purchase tax	3,651,174	3,652,880
- Others	2,612,198	176,393
Insurance	849,352	777,333
Repairs and maintenance	1,206,281	237,714
Advertising and Sales promotion	71,723,936	51,386,535
Royalty	9,110,900	6,307,627
Product rectification charges	99,047	176,209
Legal and professional expenses	14,028,136	3,710,652
Travelling and conveyance	6,202,855	6,738,541
Communication costs	1,523,205	932,063
Printing and stationery	1,286,643	612,363
Auditor's remuneration		
- Audit fee	500,000	500,000
- Tax audit fee	200,000	200,000
- Out-of-pocket expenses	9,795	6,929
Fixed asset written off	863,481	1,372,673
Provision for doubtful debts	426,106	39,458
Miscellaneous expenses	3,102,942	2,351,275
Total	129,374,224	85,838,976



FEDERAL-MOGUL TPR (INDIA) LIMITED

[Formerly Known as Goetze TP (India) Limited]

Schedules 1-21 (Contd.)

Schedule 18: Decrease/(increase) in Inventories

	For the Year ended December 31, 2007 Amount in Rs.	For the Period ended December 31, 2006 Amount in Rs.
Inventories - Opening		
- Work-in-progress	18,885,126	2,080,568
- Finished goods	35,979,035	57,228,599
Total	54,864,161	59,309,167
Inventories - closing		
- Work-in-progress	14,759,753	18,885,126
- Finished goods	22,070,461	35,979,035
Total	36,830,214	54,864,161
Decrease / (Increase)	18,033,947	4,445,006

Schedule 19: Financial Expenses

Interest		
- to banks	19,901,012	12,248,171
- others	823,066	307,136
Bank charges	1,327,104	572,314
Total	22,051,182	13,127,621

Schedule 20: Earnings Per Share (EPS)

Net profit as per profit and loss account	56,411,140	42,486,828
Less: Preference Dividend (including Dividend Tax)	7,019,700	6,841,500
Profit available for equity share holder	49,391,440	35,645,328
Weighted average number of equity shares in calculating basic and diluting earning per share	10,000,000	10,000,000
Earning per share	4.94	3.56



FEDERAL-MOGUL TPR (INDIA) LIMITED

[Formerly Known as Goetze TP (India) Limited]

Schedules 1-21 (Contd.)

Schedule 21 : Significant Accounting Policies and Notes to Accounts

1. Background

During 1997-98, Goetze (India) Ltd. (now Federal-Mogul Goetze (India) Limited) promoted Federal- Mogul TPR (India) Limited (Formerly- Goetze TP (India) Limited) 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 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 Notified accounting standard by Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention and on an accrual basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous period.

b) Tangible Assets and Depreciation

Tangible Assets

Fixed assets are stated at cost less accumulated depreciation and impairment loss 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
- Triple Shift	10.34	10.34
(ii) Computers	16.21	16.21
(iii) Furniture, fittings & office equipment	6.33	6.33
(iv) Vehicles	9.50	33.33

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

c) Impairment

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

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 recognised as an expense in the Profit and Loss account on a straight line basis over the Lease Term.

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. However materials and other items held for use in production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined on weighted average cost basis.

Work-in-progress and manufactured finished 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.

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

Sale of Goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and are recorded net of trade discounts, excise duty, sales tax and other levies. For the purpose of these financial statements, sales are disclosed, both gross and net of excise duty.



FEDERAL-MOGUL TPR (INDIA) LIMITED

[Formerly Known as Goetze TP (India) Limited]

Schedules 1-21 (Contd.)

Schedule 21 : Significant Accounting Policies and Notes to Accounts

Interest

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

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, in the year in which they arise.

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 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.

j) Earnings per Share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period.

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

k) 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.

l) Cash and Cash Equivalents

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

3. Segmental Information

Based on the guiding principles given in Accounting Standard on 'Segmental Reporting' (AS-17), issued by the Institute of Chartered Accountants of India, the Company's primary business segment is manufacturing of auto components. The Company operates in one geographical segment and thus the disclosure requirement of Accounting Standard (AS-17) is not applicable.

4. Related Party Disclosure

Names of Related Parties:

i) Holding Company

-Federal-Mogul Goetze (India) Limited.

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



FEDERAL-MOGUL TPR (INDIA) LIMITED

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Particulars	Holding Company		Common Control with Holding Company				Key Managerial Person				Total (Rs)	
	Federal-Mogul Goetze (India) Ltd		T & N Investments		Teikoku Piston Rings		Mr Mohan Narayanan		Ms. S. Subvaneswari			
	For the Year ended December 31, 2007	For the period ended December 31, 2006	For the Year ended December 31, 2007	For the period ended December 31, 2006	For the Year ended December 31, 2007	For the period ended December 31, 2006	For the Year ended December 31, 2007	For the period ended December 31, 2006	For the Year ended December 31, 2007	For the period ended December 31, 2006	For the Year ended December 31, 2007	For the period ended December 31, 2006
Sales	339,292,632	(178,021,533)	-	-	-	-	-	-	-	-	(339,292,632)	(178,021,533)
Purchases of raw materials, intermediaries and finished goods	138,059,291	110,170,812	-	-	-	-	-	-	-	-	138,059,291	110,170,812
Dividend Paid	3,060,000	3,060,000	1,470,000	1,470,000	-	-	-	-	-	-	6,000,000	6,000,000
Management fee Paid	4,189,742	2,923,08	-	-	1,470,000	1,470,000	-	-	-	-	4,189,742	2,923,08
Job work Expense	81,395,258	52,618,451	-	-	-	-	-	-	-	-	81,395,258	52,618,451
Operating expenses shared	(37,366,905)	(24,344,000)	-	-	-	-	-	-	-	-	(37,366,905)	(24,344,000)
Sole selling commission Paid	26,377,835	16,920,574	-	-	-	-	-	-	-	-	26,377,835	16,920,574
Remuneration	-	-	-	-	-	-	-	-	1,235,854	994,110	1,235,854	4,616,910
Rent expense	7,800,000	3,950,000	-	-	-	-	-	-	-	-	7,800,000	3,950,000
Royalty expense	-	-	-	-	-	-	-	-	-	-	-	-
Shareholding by Holding company Companies with common control	-	-	-	-	9,110,900	9,110,900	6,307,627	-	-	-	9,110,900	6,307,627
Balance outstanding as at the end of the year (Receivable)	102,000,000	102,000,000	49,000,000	49,000,000	49,000,000	49,000,000	-	-	-	-	200,000,000	200,000,000
Balance outstanding as at the end of the year (Payable)	252,316,919	157,877,040	-	-	-	-	-	-	-	-	252,316,919	157,877,040
	-	-	-	-	(9,110,900)	(9,110,900)	(6,307,627)	-	-	-	(9,110,900)	(6,307,627)



FEDERAL-MOGUL TPR (INDIA) LIMITED

[Formerly Known as Goetze TP (India) Limited]

Schedules 1-21 (Contd.)

Schedule 21 : Significant Accounting Policies and Notes on Accounts

5. Capital Commitment

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

Particulars	As at December 31,2007 (Rs.)	As at December 31,2006 (Rs.)
Capital commitment	306,000	8,720,000

6. Contingent liabilities not provided for:

	Particulars	As at December 31,2007 (Rs.)	As at December 31,2006 (Rs.)
i)	Claims/notices contested by the company Excise duty	1,726,108	533,365

- 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 2003-2004 to 2006-2007. The company has taken legal opinion in this regard and is confident of success. Amount involved is Rs. 802,513. (Previous year 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 favourable decision. The amount involved is Rs.242,426. (Previous year Rs. 242,426)
- iii) Show Cause notice have been issued in respect of centvat credit on rejected goods received from customers for the period May 2006 to May 2007. The matter is pending with Deputy Commissioner of central Excise, Bangalore. The amount involved is Rs. 339,201 (Previous year Rs. Nil).
- iv) Show Cause notice has been issued in respect of availment of centvat credit on service tax paid on Royalty and Technical assistance for the period May 2006 to May 2007. The matter is pending with Deputy Commissioner of central excise, Bangalore. The company has taken a legal opinion and is advised that it has fair chance of favourable decision. The amount involved is Rs. 341,968 (Previous year Rs. Nil).

7. (i) Payments made to Director / Manager :

Particulars	For the Year ended December 31, 2007 (Rs.)	For the Period ended December 31, 2006 (Rs.)
(a) Salaries	1,132,250	4,402,800
(b) Contribution to Provident, Superannuation and Gratuity Funds	103,604	214,110
(c) Other Perquisites	-	-
Total	1,235,854	4,616,910

Note: 1) Payments above does not include provision for leave encashment.

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

Particulars	For the Year ended December 31,2007 (Rs.)	For the Period ended December 31,2006 (Rs.)
Profit as per profit and loss account (after prior period items)	88,299,071	68,414,497
Add: Director's / Manager remuneration including perquisites	1,235,894	4,616,910
Add: Depreciation charged in accounts Profit as per profit and loss account:	32,397,636	22,944,490
Less: depreciation as per section 350 of the Companies Act, 1956	32,397,636	22,944,490
Profit calculated u/s 198 of companies Act 1956	89,534,965	73,031,407
Maximum Remuneration payable to Director's / Manager	4,476,748	7,303,141

9. 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	31,520,700	26,108,243
		(24,888,000)	(16,611,534)

* Annualised Installed Capacity as certified by Director.

Note: Figures in brackets pertains to previous year



FEDERAL-MOGUL TPR (INDIA) LIMITED

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Schedules 1-21 (Contd.)

Schedule 12 : Significant Accounting Policies and Notes to Accounts (Contd.)

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

	OPENING STOCK		CLOSING STOCK		TURNOVER	
	Quantity Nos.	Value Rs.	Quantity Nos.	Value Rs.	Quantity Nos.	Value Rs.
Piston Rings	1,439,875	17,186,391	922,685	9,047,602	26,625,433	615,697,097
	(3,344,324)	(38,185,505)	(1,439,875)	(17,186,391)	(18,515,983)	(378,175,277)

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

2. Figures in Brackets pertain to previous year.

(ii). Trading Operations:

	Opening Balances		Purchases		Closing Balances		Sales	
	Quantity Nos.	Value Rs.	Quantity Nos.	Value Rs.	Quantity Nos.	Value Rs.	Quantity Nos.	Value Rs.
Piston Rings	458,586	18,792,644	3,305,907	107,113,643	374,733	13,022,859	3,389,760	129,601,292
	(532,903)	(19,043,094)	(2,314,922)	(83,746,843)	(458,586)	(18,792,644)	(2,389,239)	(110,170,812)

Note: Figures in brackets pertain to previous year.

(iii). Details of Raw Materials Consumed:

Particulars	Unit	For the Year ended December 31,2007		For the Period ended December 31,2006	
		Quantity	Rs.	Quantity	Rs.
a) Steel Wire	Kg	43,682	48,658,078	32,499	35,024,449
b) Others			9,564,040		4,265,415
Total			58,222,118		39,289,864

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

(a) Raw Materials	48,820,798	36,539,795
(b) Spare Parts & Components	11,939,569	6,627,349
(c) Capital Goods	8,306,230	45,460,824
Total	69,066,597	88,627,968

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

(a) Traveling Expenses	817,251	1,877,586
(b) Interest	2,428,656	7,612,260
(c) Royalty	8,306,230	1,665,931
Total	115,52,137	11,155,777

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

	For the Year ended December 31,2007 (Rs.)		For the Period ended December 31,2006 (Rs.)	For the Period ended December 31,2006 (Rs.)
	(%)	(%)		
(a) Indigenous	9,564,040	16.43	4,265,415	10.85
(b) Imported	48,658,078	83.57	35,024,449	89.15
Total	58,222,118	100.00	39,289,864	100.00



FEDERAL-MOGUL TPR (INDIA) LIMITED

[Formerly Known as Goetze TP (India) Limited]

Schedules 1-21 (Contd.)

Schedule 12 : Significant Accounting Policies and Notes to Accounts

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

	For the Year ended December 31,2007 (Rs.)		For the Period ended December 31,2006 (Rs.)	
		(%)		(%)
(a) Indigenous	46,776,710	91.36	17,487,695	82.23
(b) Imported	4,422,971	8.64	3,778,832	17.77
Total	51,199,681	100.00	21,266,527	100.00

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

Year	No. of shares held	No. of non resident share holders	Amount
December 2006 – Preference Share	490,000	(2)	2,940,000
	(net of tax) (490,000)	(2)	*(2,940,000)

* Payment made in 2007 pertains to Period December 31,2006

Note: Figures in brackets pertains to previous period

- During the previous year, Government of India has promulgated an Act namely The Micro, Small and Medium Enterprises Development Act, 2006 which come into force with effect from October 2, 2006. As per the Act, the Company is required to identify the Micro, Small and Medium Suppliers and pay them interest on overdue beyond the specified period irrespective of terms agreed with the suppliers. The company has issued the confirmation letter to all its suppliers at the year end, to identify the supplier registered with the above act. Management has informed us that none of the supplier has confirmed that they have registered with the Act. In view of this, the liability of interest has not been provided nor is required disclosure done.
- The company has taken manufacturing facilities under cancellable lease. Rental expenses towards operating lease charges are Rs. 7,800,000 (previous period Rs. 3,950,000).
- The previous period, financial is for a period of 9 months as against current year financial statements of 12 months and thus is not strictly comparable. Previous period figures have been regrouped and rearranged wherever necessary to make these comparable.

For S.R. BATLIBOI & CO.
Chartered Accountants

For and on behalf of Board of Directors of Federal Mogul TPR (India) Limited .
(Formerly Known Goetze TP (India) Limited).

Per Pankaj Chadha
Partner
Membership No. 91813

Rustin Mudrock
Chairman & Director

Andreas Kolf
Director

Krishan Kumar
Company Secretary

Place: Gurgaon
Date: February 21, 2008

Place: New Delhi
Date: February 21, 2008



FEDERAL-MOGUL TPR (INDIA) LIMITED

[Formerly Known as Goetze TP (India) Limited]

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2007

	For the Year ended December 31, 2007 Amount in Rs.	For the Period ended December 31, 2006 Amount in Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit Before Tax	88,299,071	68,414,497
Adjustments for:		
Depreciation and amortisation	32,397,636	22,944,490
Provision for doubtful debts and advances	426,106	39,458
Interest Expense	20,724,078	12,555,307
Interest Income	(70,902)	-
Fixed Assets written off	863,481	1,372,673
Operating profit before working capital changes	142,639,470	105,326,425
Movements in working capital :		
Decrease / (Increase) in sundry debtors	(86,025,139)	33,491,933
Decrease / (Increase) in current assets	-	(20,480)
Decrease / (Increase) in inventories	31,005,046	(11,353,674)
Decrease / (Increase) in loans and advances	9,306,849	3,570,921
Increase / (Decrease) in current liabilities	(6,656,103)	(4,119,228)
Increase / (Decrease) in Provisions	1,689,792	207,084
Cash generated from operations	91,959,915	127,102,981
Direct taxes paid (net of refunds)	(36,137,743)	(21,528,880)
Net cash from operating activities	55,822,172	105,574,101
B. Cash flows from investing activities		
Purchase of fixed assets/ Intangibles Assets	(19,388,263)	(59,816,792)
Net cash used in investing activities	(19,388,263)	(59,816,792)
C. Cash flows from financing activities		
Repayment of Loan	(135,915,000)	(30,984,770)
Proceeds from Loan	131,597,475	-
Interest paid	(22,206,707)	(12,555,307)
Interest Income	45,498	-
Dividends paid	(6,000,000)	(6,000,000)
Tax on dividend paid	(841,500)	(841,500)
Net cash used in financing activities	(33,320,234)	(50,381,577)
Net increase in cash and cash equivalents (A + B + C)	3,113,675	(4,624,268)
Cash and cash equivalents at the beginning of the year	3,236,991	7,861,259
Cash and cash equivalents at the end of the year	6,350,666	3,236,991
Components of cash and cash equivalents as at	As at	As at
	December	December
	31, 2007	31, 2006
Cash and cheques on hand	1,538	12,148
With banks - on current account	6,349,128	3,224,843
Total	6,350,666	3,236,991

As per our report of even date

For S.R. BATLIBOI & CO.
Chartered Accountants

For and on behalf of Board of Directors of Federal Mogul TPR (India) Limited .
(Formerly Known Goetze TP (India) Limited).

Per Pankaj Chadha
Partner
Membership No. 91813

Rustin Mudrock
Chairman & Director

Andreas Kolf
Director

Krishan Kumar
Company Secretary

Place: Gurgaon
Date: February 21, 2008

Place: New Delhi
Date: February 21, 2008



FEDERAL-MOGUL TPR (INDIA) LIMITED

[Formerly Known as Goetze TP (India) Limited]

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.

5	5	-	8	7	4	1	0	of	1	9	9	7	-	9	8
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State Code

5	5
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Balance Sheet Date

3	1
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1	2
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2	0	0	7
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Date Month Year

II. Capital Raised during the year (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>4</td><td>3</td><td>5</td><td>9</td><td>3</td></tr></table>		5	4	3	5	9	3	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td>5</td><td>4</td><td>3</td><td>5</td><td>9</td><td>3</td></tr></table>		5	4	3	5	9	3
	5	4	3	5	9	3									
	5	4	3	5	9	3									

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>1</td><td>2</td><td>0</td><td>8</td><td>3</td><td>2</td></tr></table>		1	2	0	8	3	2
	2	0	0	0	0	0									
	1	2	0	8	3	2									
Secured Loans	Unsecured Loans														
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td>1</td><td>9</td><td>1</td><td>5</td><td>9</td><td>7</td></tr></table>		1	9	1	5	9	7	<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	1	5	9	7									
		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>1</td><td>9</td><td>4</td><td>7</td><td>9</td></tr></table>		2	1	9	4	7	9	<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	1	9	4	7	9									
		N	I	L											
Net Current Assets	Deffered Tax Liabilities														
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td>3</td><td>2</td><td>4</td><td>1</td><td>1</td><td>4</td></tr></table>		3	2	4	1	1	4	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>3</td><td>1</td><td>1</td><td>6</td><td>3</td></tr></table>			3	1	1	6	3
	3	2	4	1	1	4									
		3	1	1	6	3									
Accumulated Losses	Misc. Expenditure														
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>					N	I	L	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>					N	I	L
				N	I	L									
				N	I	L									

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>6</td><td>3</td><td>5</td><td>6</td><td>1</td><td>4</td></tr></table>		6	3	5	6	1	4	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td>5</td><td>4</td><td>7</td><td>3</td><td>1</td><td>5</td></tr></table>		5	4	7	3	1	5
	6	3	5	6	1	4									
	5	4	7	3	1	5									
Profit/Loss before Tax	Profit/Loss after Tax														
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>8</td><td>8</td><td>2</td><td>9</td><td>9</td></tr></table>			8	8	2	9	9	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>5</td><td>6</td><td>4</td><td>1</td><td>1</td></tr></table>			5	6	4	1	1
		8	8	2	9	9									
		5	6	4	1	1									
Earning per Share in Rs.	Preference Dividend Rate (%)														
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>4</td><td>.</td><td>9</td><td>4</td></tr></table>			4	.	9	4	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td></td><td>6</td></tr></table>				6				
		4	.	9	4										
			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 year ended 31st December 2007.

Financial Results

[Rs. in Million]

	For the year ended December 31, 2007	For 9 Months Period ended December 31, 2006
Total Income	6.00	4.50
Profit/(Loss) before Depreciation and Tax	1.05	(4.15)
Depreciation	5.32	4.09
Profit/(Loss) after Depreciation before tax	(4.27)	(8.24)
Less: Provision for Tax	—	-
Net Profit/(Loss) transferred to Profit & Loss Account	(4.27)	(8.24)

Operations

During the year ending on 31st December 2007, the total income of the Company was Rs. 6.00 million. This was rental income received from its holding Company, M/s Federal-Mogul Goetze (India) Limited for the use of the building of the Company as office premises. The Company did not have any other operation during the year under review. The Company incurred a net loss of Rs. 4.27 million for the year under review.

DIRECTORS

Mr. Arun Anand, the Chairman and Director who had been associated with the Company resigned from the Board with effect from 24th September, 2007.

The casual vacancy caused by the resignation of Mr. Arun Anand was filled up by Mr. Rustin Murdock, Chairman & Director with effect from 24th September, 2007. Mr. Rustin Murdock holds a bachelors degree in accounting from McNeese State University and has done masters in business administration from Michigan State University. He has worked with Deloitte & Touche CPA, as a senior associate and subsequently, he became the controller for Olympia Arena Inc. and was then promoted to the position of Director, finance.

In accordance with Articles of Association of the Company, Mr. Rajan Luthra, 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

Place : New Delhi
Date : January 30, 2008

RUSTIN MURDOCK
Chairman

SATARA RUBBERS AND CHEMICALS LIMITED

AUDITORS' REPORT

To The Members of Satara Rubbers and Chemicals Limited

1. We have audited the attached Balance Sheet of Satara Rubbers & Chemicals Limited as at 31st December 2007, the Profit & Loss Account and also the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with Auditing Standards generally accepted in India. Those Standards 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 2007 exceeded its share capital and considering reorganising plans and strategy prepared by the Company, the accounts for the year have been drawn on the assumption that the Company will continue as a going concern.
4. As required by the Companies (Auditor's Report) Order, 2003, as amended, issued by the Central Government of India, in 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 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 & 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 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st December 2007 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 2007,
 - ii) in the case of the Profit & Loss Account, of the Loss for the year ended on that date and
 - iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For S. N. Dhawan & Co.
Chartered Accountants

(Suresh Seth)

Partner

Membership

No. 10577

Place: New Delhi

Dated: January 30, 2008

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE ON THE ACCOUNTS OF SATARA RUBBERS AND CHEMICALS LIMITED FOR THE YEAR ENDED 31st DECEMBER, 2007.

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

the Order are not applicable to the Company.

- iii) (a) As informed, the Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Therefore, the provisions of clause (iii) (b) to (iii) (d) of Paragraph 4 of the Order are not applicable to the Company.
- (b) The Company has taken interest free loan from Federal-Mogul Goetze (India) Limited (The Holding Company). The maximum amount involved during the year was Rs. 18,01,38,014 and the balance of loan taken was Rs. 18,01,38,014 as at 31st December 2007.
- (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. However, during the year there was no purchase of fixed asset, inventory or sale of goods and services. We have neither come across nor have been informed of any continuing failure to correct major weaknesses in the internal control systems during the course of our audit.
- v) According to the information and explanations given to us, we are of the opinion that there are no contracts or arrangements that need to be entered in the register maintained under Section 301 of the Companies Act, 1956.
- vi) According to the information and explanations given to us, the Company has not accepted any deposits from the public to which provisions of Section 58A and 58AA of the Companies Act, 1956, and Companies (Acceptance of Deposits) Rules, 1975 apply. Accordingly, the provisions of clause (vi) of Paragraph 4 of the Order are not applicable to the Company.
- vii) The Company did not have a formal Internal Audit System during the year under review. However, the Company has explained that 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,

SATARA RUBBERS AND CHEMICALS LIMITED

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 2007 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 2007. The Company has not incurred cash losses during the financial year covered by our audit. In the immediately preceding

financial year, however, there were cash losses.

- 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 Company has not availed term loans during the year. Accordingly, the provisions of clause (xvi) of Paragraph 4 of the Order are not applicable to the Company.

- 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 year. Therefore, the provisions of clause (xix) of Paragraph 4 of the Order are not applicable to the Company.

- xx) The Company has not raised any money through public issue during the year under review.

- xxi) To the best of our knowledge and 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 Seth)
Partner**

Place : New Delhi

Dated : January 30, 2008 Membership No. 10577

SATARA RUBBERS AND CHEMICALS LIMITED

BALANCE SHEET AS AT DECEMBER 31, 2007

	Schedule	As at December 31, 2007 (Rs.)	As at December 31, 2006 (Rs.)
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	500,000	500,000
Loan Funds			
Secured Loans	2	—	100,000,000
Unsecured Loans	3	180,307,299	79,969,654
Total		180,807,299	180,469,654
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	4	169,975,274	169,975,274
Less: Depreciation		17,575,212	12,251,608
Net Block		152,400,062	157,723,666
Current Assets, Loans and Advances			
Cash & Bank Balances	5	117,858	117,858
Loans and Advances	6	3,183,592	1,758,563
		3,301,450	1,876,421
Less: Current Liabilities & Provisions			
Current Liabilities	7	75,283	41,529
Net Current Assets		3,226,166	1,834,892
Profit & Loss Account		25,181,071	20,911,096
Total		180,807,299	180,469,654
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 Board

(SURESH SETH)
Partner
 Membership No. 10577

ANDREAS KOLF
Director

RAJAN LUTHRA
Director

RUSTIN MURDOCK
Chairman & Director

Place : New Delhi
 Dated: January 30, 2008

SATARA RUBBERS AND CHEMICALS LIMITED

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2007

	For the year ended December 31, 2007 (Rs.)	For 9 Months period ended December 31, 2006 (Rs.)
INCOME		
Rental Income	6,000,000	4,500,000
TDS deducted at source Rs. 14,28,751/- (Previous Year Rs. 6,73,200/-)		
Profit on Sale of Fixed Assets	-	2,017
	6,000,000	4,502,017
EXPENSES		
Rates & Taxes	260,453	200,993
Auditors Remuneration:		
-Audit Fees	24,000	22,000
-Service Tax	2,966	2,693
Professional Charges	13,061	-
Interest	4,645,890	8,426,712
Depreciation	5,323,605	4,091,766
	10,269,975	12,744,164
Net Profit /(Loss) before tax	(4,269,975)	(8,242,147)
Add: Brought Forward losses from Last year	(20,911,096)	(12,668,949)
Net Profit/(Loss) Carried to the Balance Sheet	(25,181,071)	(20,911,096)
Basic & Diluted Earnings Per Share	(85.40)	(164.84)
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 Board

(SURESH SETH)
Partner
 Membership No. 10577

ANDREAS KOLF
Director

RAJAN LUTHRA
Director

RUSTIN MURDOCK
Chairman & Director

Place : New Delhi
 Dated: January 30, 2008

SATARA RUBBERS AND CHEMICALS LIMITED

Schedules 1-8

Schedule 1: Share Capital

	As at December 31, 2007 (Rs.)	As at December 31, 2006 (Rs.)
Authorised		
1,20,000 (Previous Year 1,20,000) Equity Shares of Rs. 10/- each	1,200,000	1,200,000
Issued, Subscribed and Paid up		
50,000 (Previous Year 50,000) Equity Shares of Rs. 10/- each fully paid-up	500,000	500,000
Total	500,000	500,000

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

Schedule- 2: Secured Loans

Term Loan from Bank	-	100,000,000
Total	-	100,000,000

Schedule- 3: Unsecured Loans

Federal-Mogul Goetze (India) Ltd.	180,138,014	79,800,369
GTZ Securities Limited	169,285	169,285
Total	180,307,299	79,969,654

Schedule- 4: Fixed Assets

(In Rupees)

	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	As at 01.01.07	Additions	Deletions	As at 31.12.2007	Depreciation upto 31.12.2006	For the year	Deletion	As at 31.12.2007	As at 31.12.2007	As at 31.12.2006
Lease Hold Land	102,341	-	-	102,341	-	-	-	102,341	102,341	102,341
Building	96,030,255	-	-	96,030,255	3,529,414	1,565,293	-	5,094,707	90,935,548	92,500,841
Plant & Machinery	56,976,468	-	-	56,976,468	6,102,336	2,706,382	-	8,808,718	48,167,750	50,874,132
Furniture & Fixtures	16,866,210	-	-	16,866,210	2,619,857	1,051,930	-	3,671,787	13,194,423	14,246,353
	169,975,274	-	-	169,975,274	12,251,607	5,323,605	-	17,575,212	152,400,062	157,723,666
Previous year	193,476,900	-	-	193,476,900	3,225,232	5,938,253	-	9,163,485	-	-

Schedule- 5: Current Assets

	As at December 31, 2007 (Rs.)	As at December 31, 2006 (Rs.)
Cash and Bank Balance		
Balance with Scheduled Bank in Current Account	117,858	117,858
Total	117,858	117,858

Schedule- 6: Loans and Advances

Unsecured - Considered Good		
Advance recoverable in cash or in kind or for value to be received	63,276	66,998
Advance Tax (Net of Provision)	3,114,496	1,685,745
Security Deposits	5,820	5,820
Total	3,183,592	1,758,563

SATARA RUBBERS AND CHEMICALS LIMITED

Schedules 1-8 (Contd.)

	As at December 31, 2007 (Rs.)	As at December 31, 2006 (Rs.)
Schedule- 7: Current Liabilities & Provisions		
Audit fee payable	11,956	41,529
TDS payable	1,527	—
Service tax payable	61,800	—
Total	75,283	41,529

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.

(ii) Impairment of Assets

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

2. NOTES TO ACCOUNTS

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

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

a) Holding Company:

Federal-Mogul Goetze (India) Limited

b) Key Management Personnel:

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

c) Related Party transactions:

Particulars

Holding Company Federal-Mogul Goetze (India) Ltd

	For the year ended December 31, 2007 (Rs.)	For the period ended December 31, 2006 (Rs.)
Rent Income	60,00,000	45,00,000
Loan taken		
Balance as on 1 st January, 2007	7,98,00,369	4,70,95,039
Availed during the period	10,53,41,494	15,75,32,130
Repaid during the period	50,03,849	12,48,26,800
Balance as at 31 st December, 2007	18,01,38,014	7,98,00,369
Guarantees obtained	—	10,00,00,000

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

a) Net Profit/(Loss) after tax	(42,69,975)	(82,42,147)
b) Total number of Equity Shares	50,000	50,000
c) Basic and Diluted Earning per Share	(85.40)	(164.84)

SATARA RUBBERS AND CHEMICALS LIMITED

- iii) The accumulated losses of the Company as at 31st December, 2007 exceeded its share capital. Steps are being taken by the Management to revive the Company by reorganizing the whole set up. Considering reorganizing plans and strategy prepared by the Company, the accounts for the year have been drawn on the assumption that the Company will continue as a going concern.
- iv) Balance Sheet abstract and companies general business profile is attached.
- v) Previous period figures are for a period of nine months and not comparable with current 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 attached
For S.N. Dhawan & Company
Chartered Accountants

(SURESH SETH)
Partner
Membership No. 10577

Place : New Delhi
Dated: January 30, 2008

On behalf of Board

ANDREAS KOLF
Director

RAJAN LUTHRA
Director

RUSTIN MURDOCK
Chairman & Director

SATARA RUBBERS AND CHEMICALS LIMITED

CASH FLOW STATEMENT

	As At December 31, 2007 (Rs.)	As At December 31, 2006 (Rs.)
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit/(Loss) Before Tax	(4,269,975)	(8,242,147)
Adjustment for Depreciation	5,323,605	4,091,766
Profit on sale of Fixed Assets	-	(2,017)
Interest Paid	4,645,890	8,424,712
Operating profits before working capital changes	5,699,520	4,272,314
Adjustment for Trade and other receivables	(1,425,029)	(1,076,798)
Trade and other payables	33,754	24,693
Net Cash generated from operations	4,308,245	3,220,209
B. CASH FLOW FROM INVESTING ACTIVITIES		
Sale of Fixed Assets	-	22,500,000
Net Cash used in Investing Activities	-	22,500,000
C. CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of Long Term Borrowings	(100,000,000)	(50,000,000)
Proceeds from Short Term Borrowings	100,337,645	32,705,330
Interest paid	(4,645,890)	(8,426,712)
Net Cash Flow from Financing Activities	(4,308,245)	(25,721,382)
Net Increase/(Decrease) in Cash & Cash Equivalents	-	827
Cash & Cash Equivalents at the Beginning of the period	117,858	117,031
Cash & Cash Equivalents at the end of the period	117,858	117,858

as per our report of even date attached

For SN DHAWAN & CO
Chartered Accountants

(SURESH SETH)
Partner

Membership No.10577

ANDREAS KOLF
Director

RAJAN LUTHRA
Director

RUSTIN MURDOCK
Chairman & Director

Place: New Delhi

Date: January 30, 2008

On behalf of Board

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	
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 State Code

5	5
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Balance Sheet Date

3	1
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1	2
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2	0	0	7
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Date Month Year

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

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

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>1</td><td>8</td><td>0</td><td>8</td><td>0</td><td>7</td></tr></table>		1	8	0	8	0	7	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td>1</td><td>8</td><td>0</td><td>8</td><td>0</td><td>7</td></tr></table>		1	8	0	8	0	7
	1	8	0	8	0	7									
	1	8	0	8	0	7									

Sources of Funds

Paid-up Capital	Reserves & Surplus														
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td></td><td></td><td>5</td><td>0</td><td>0</td></tr></table>					5	0	0	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>					N	I	L
				5	0	0									
				N	I	L									
Secured Loans	Unsecured Loans														
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>					N	I	L	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td>1</td><td>8</td><td>0</td><td>3</td><td>0</td><td>7</td></tr></table>		1	8	0	3	0	7
				N	I	L									
	1	8	0	3	0	7									

Application of Funds

Net Fixed Assets	Investments														
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td>1</td><td>5</td><td>2</td><td>4</td><td>0</td><td>0</td></tr></table>		1	5	2	4	0	0	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>					N	I	L
	1	5	2	4	0	0									
				N	I	L									
Net Current Assets	Misc. Expenditure														
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td></td><td>3</td><td>2</td><td>2</td><td>6</td></tr></table>				3	2	2	6	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>					N	I	L
			3	2	2	6									
				N	I	L									
Deferred Tax Asset/(Liabilities)	Accumulated Losses														
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>					N	I	L	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>2</td><td>5</td><td>1</td><td>8</td><td>1</td></tr></table>			2	5	1	8	1
				N	I	L									
		2	5	1	8	1									

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></td><td></td><td>6</td><td>0</td><td>0</td><td>0</td></tr></table>				6	0	0	0	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>1</td><td>0</td><td>2</td><td>7</td><td>0</td></tr></table>			1	0	2	7	0
			6	0	0	0									
		1	0	2	7	0									
+/- Profit/Loss before Tax	+/- Profit/Loss after Tax														
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>-</td><td>4</td><td>2</td><td>7</td><td>0</td></tr></table>			-	4	2	7	0	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>-</td><td>4</td><td>2</td><td>7</td><td>0</td></tr></table>			-	4	2	7	0
		-	4	2	7	0									
		-	4	2	7	0									
Earning per Share in Rs.	Dividend Rate %														
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td>-</td><td>8</td><td>5</td><td>.</td><td>4</td><td>0</td></tr></table>		-	8	5	.	4	0	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>			N	I	L		
	-	8	5	.	4	0									
		N	I	L											

V. Generic Names of Three Principal Products of Company

Item Code No.

						N	I	L
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Product Description

N	O	T		A	P	P	L	I	C	A	B	L	E
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AUDITORS' REPORT

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

1. We have audited the attached consolidated Balance Sheet of Federal-Mogul Goetze (India) Limited, its subsidiaries and associates (the "group") as at December 31, 2007, and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the group management and have been prepared by the management on the basis of separate financial statement and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As stated in note 8(b) of Schedule 24, remuneration of Rs. 66.15 lakh paid to the managing director and ex-managing

director is in excess of permissible remuneration under Schedule XIII of the Companies Act, 1956. Management has confirmed from these directors that they shall refund these amounts, to the extent of these being not approved by the Central Government. The Company is in process of obtaining necessary approval from Central Government.

4. We did not audit the financial statements of certain subsidiaries and associates, whose financial statements reflect
 - (i) In relation to subsidiary Satara Rubbers and Chemicals Limited, total assets (net) of Rs. 1,556 lakh as at December 31, 2007, total revenue of Rs. 60 lakh.
 - (ii) In relation to an associate GI Power Corporation Limited, total assets (net) of Rs. 6,548 lakh as at December 31, 2007, total revenue of Rs. 840 lakh.
 - (iii) In relation to an associate GTZ Securities Limited, total assets (net) of Rs. 386 lakh as at December 31, 2007, total revenue of Rs. 12 lakh.

These financial statements and other financial information at December 31, 2007, except for financial statements and other financial information for GTZ Securities Limited and GI Power Corporation Limited which are consolidated based on unaudited accounts, have been audited by other auditors whose report(s) has (have) been furnished to us, and our opinion is based solely the report of other auditors.

5. We report that the consolidated financial statements have been prepared by the 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, we are of the opinion that the attached consolidated financial statement give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the consolidated balance sheet, of the state of affairs of the Federal-Mogul Goetze (India) Limited as at December 31, 2007;
- (b) in the case of the consolidated profit and loss account, of the loss for the year ended on that date; and
- (c) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

FOR S. R. BATLIBOI & CO.
Chartered Accountants

per
Pankaj Chadha
Partner

Membership No.: 91813

Place: Gurgaon

Date: March 3, 2008

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2007

	Schedule	As at December 31, 2007 Rs. in Lacs	As at December 31, 2006 Rs. in Lacs
SOURCES OF FUNDS			
Shareholders' Funds			
Share capital	1	3,262.09	2,528.75
Reserves and surplus	2	17,320.19	7,592.64
		20,582.28	10,121.39
Minority Interest		1,572.09	1,330.07
Loan Funds			
Secured loans	3	23,083.24	28,514.42
Unsecured loans	4	8,071.34	11,066.65
		31,154.58	39,581.07
Deferred tax liabilities (net)	5	311.63	361.44
TOTAL		53,620.58	51,393.97
APPLICATION OF FUNDS			
Fixed assets			
Gross block	6	63,373.08	58,845.96
Less : Accumulated Depreciation		24,481.71	21,251.47
Net block		38,891.37	37,594.49
Capital work-in-progress including capital advances		3,002.57	1,910.80
		41,893.94	39,505.29
Investments	7	1,090.11	1,136.34
Current assets, loans and advances			
Inventories	8	13,637.20	14,337.12
Sundry debtors	9	9,355.87	7,551.17
Cash and bank balances	10	227.12	368.67
Other current assets	11	372.93	56.48
Loans and advances	12	3,653.75	2,729.68
Less: Current liabilities and provisions			
Current liabilities	13	17,931.49	14,282.04
Provisions	14	2,260.86	889.32
Total current liabilities and provisions		20,192.35	15,171.36
Net current assets		7,054.52	9,871.76
Miscellaneous Expenditure (to the extent not written off or adjusted)	15	959.61	-
Debit balance in profit and loss account		2,622.40	880.58
TOTAL		53,620.58	51,393.97
Notes to Accounts	24		

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

As per our report of even date

For S.R.BATLIBOI & CO.
Chartered Accountants

per Pankaj Chadha
Partner
Membership No. 91813

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

Rustin Murdock
Managing Director & CFO

Rajan Luthra
Financial Controller & Company Secretary

Rainer Jueckstock
Director

Place: Gurgaon
Date: March 3, 2008

Place: New Delhi
Date: March 3, 2008

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2007**

Schedule	For the year ended December 31, 2007 Rs. in Lacs	For 9 Months Period ended December 31, 2006 Rs. in Lacs
INCOME:		
Turnover (Gross)	71,604.60	52,446.71
Less : Excise duty	9,321.10	7,342.33
Turnover (Net)	62,283.50	45,104.38
Other income	2,462.52	1,147.50
TOTAL	64,746.02	46,251.88
EXPENDITURE		
Raw materials and components consumed	20,072.30	14,973.16
Personnel expenses	13,790.30	9,440.67
Operating and other expenses	22,242.11	15,161.41
Decrease/(increase) in inventories	307.72	1,031.56
Depreciation and amortisation	4,691.19	3,106.38
Amortisation of miscellaneous expenses	239.90	-
Increase of excise duty on finished goods	46.05	(354.10)
Financial expenses	4,324.28	2,828.88
TOTAL	65,713.85	46,187.96
Profit/ (loss) before tax and prior period items	(967.83)	63.92
Provision for tax [includes Rs (20.85) Lakh, Previous period Rs 34.76 lakh relating to earlier years]	337.93	278.76
Deferred -tax	(49.80)	(14.27)
Fringe benefit tax	110.49	65.09
Total tax expense	398.62	329.58
(loss) after tax but before prior period item	(1,366.45)	(265.66)
Prior period items	63.16	-
(loss) before minority interest	(1,429.61)	(265.66)
Minority Interest	(242.01)	(174.67)
(loss) after minority interest	(1,671.62)	(440.33)
Balance brought forward from previous period	(880.58)	(371.83)
(loss) available for appropriation	(2,552.20)	(812.16)
Appropriations:		
Proposed final dividend	60.00	60.00
Tax and cess on dividend	10.20	8.42
(Loss) carried to balance sheet	(2,622.40)	(880.58)
Earnings / (Loss) Per Share	(6.75)	(2.01)
Basic and diluted [Nominal value of shares Rs 10 (Previous Period Rs 10)]		
Notes to Accounts	24	

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

As per our report of even date

For S.R.BATLIBOI & CO.
Chartered Accountants

per Pankaj Chadha
Partner
Membership No. 91813

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

Rustin Murdock
Managing Director & CFO

Rajan Luthra
Financial Controller & Company Secretary

Rainer Jueckstock
Director

Place: Gurgaon
Date: March 3, 2008

Place: New Delhi
Date: March 3, 2008

SCHEDULES 1-24 TO THE CONSOLIDATED ACCOUNTS
Schedule 1 : Share Capital

	As at December 31, 2007 Rs. in Lacs	As at December 31, 2006 Rs. in Lacs
Authorised		
8,00,00,000 Equity Shares of Rs.10 each	8,000.00	8,000.00
Issued		
32,620,938 (Previous Year-25,287,549) Equity Shares of Rs.10 each	3,262.09	2,528.75
Subscribed		
32,620,938* (Previous Year-25,287,549) Equity Shares of Rs.10 each fully paid	3,262.09	2,528.75
Total	3,262.09	2,528.75

* Of the above Equity Shares:

- 12,52,680 (Previous period-12,52,680) equity shares have been allotted as Bonus Shares by capitalisation of General Reserve.
- 84,29,183 (Previous period-84,29,183) equity shares have been allotted as Bonus Shares by capitalisation of Securities Premium Account.
- 84,207 (Previous period-84,207) equity shares have been issued for consideration other than cash.
- 7,333,389 (Previous period - Nil) equity shares have been issued on right issue basis during the year (refer note no. 12 of schedule 24)
- 8,306,873 (Previous period 6,439,437) and 10,407,715 (Previous period 6,230,000) equity shares are held by Federal Mogul Vermögensverwaltungs GmbH and Federal Mogul Holding Limited respectively.

Schedule 2 : Reserves and Surplus

	As at December 31, 2007 Rs. in Lacs	As at December 31, 2006 Rs. in Lacs
Capital Reserve	56.55	56.55
Capital subsidy	1.12	1.12
Securities Premium Account		
Balance as per last Balance Sheet	6,534.98	6,534.97
Add: Additions in current year	9,900.07	-
Less: Utilisation for share issue expenses	(172.53)	-
Capital Redemption Reserve	1,000.00	1,000.00
Total	17,320.19	7,592.64

Schedule 3 : Secured Loans

	As at December 31, 2007 Rs. in Lacs	As at December 31, 2006 Rs. in Lacs
Loans and advances from banks		
External Commercial Loan from Mizuho Corporate Bank Ltd	-	1,359.15
Term Loans	10,694.06	20,792.66
Vehicle Loans from Banks	90.95	149.00
Working Capital Loans from Banks	12,221.98	6,055.16
Customer bills discounted with banks	-	134.54
Interest accrued and due	76.25	23.91
Total	23,083.24	28,514.42

SCHEDULES 1-24 TO THE CONSOLIDATED ACCOUNTS (Contd.)

Schedule 3 : Secured Loans (Contd.)

- 1 Term loans repayable within one year Rs 6,235.25 lakh (Previous period Rs 12,782.90 lakh)
- 2 Term loans from banks are secured by
 - Rs. 1,500 lakh (Previous period Rs Nil) are secured by first pari-passu charge on entire fixed assets of the Company.
 - Rs. 3,000 lakh (Previous period Rs Nil) are secured by first pari-passu charge on entire fixed assets of the Company, along with other secured term lenders and second pari-passu charge on current assets of the Company along with other term lenders.
 - Rs 139.05 lakh (Previous period Rs 789.85 lakh) are secured by first pari-passu charge on all movable and immovable properties and lands situated at Patiala, Bangalore and Bhiwadi both present and future.
 - Rs 187.50 lakh (Previous period Rs 937.50 lakh) are secured by first pari-passu charge on the fixed assets of the Company consisting of immovable and movable fixed assets, with other lenders.
 - Rs 1,458.34 lakh (Previous period Rs 2,807.50 lakh) are secured by first pari-passu charge with all secured lenders on the entire current assets of the Company, both present and future.
 - Rs 1,250 lakh (Previous period 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 2,250 lakh (Previous period Rs 3,000 lakh) 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.
 - Rs Nil (Previous period Rs 3,314.49 lakh) are secured by first pari-passu charge on all the movable and immovable assets (except stock and book debts), both present and future.
 - Rs Nil (Previous period Rs 443.32 lakh) are secured by first pari-passu charge on entire assets of the Company.
 - Rs Nil (Previous period Rs 3,750 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.
 - Rs Nil (Previous period Rs 1,250 lakh) are secured by first pari-passu charge on current assets and second pari-passu charge on fixed assets.
 - Rs. Nil (Previous period Rs 1,000 lakh) are secured against hypothecation of stocks of raw materials, stores, semi-finished goods, finished goods and book debts both.
 - Rs. 909.17 lakh (Previous period Rs Nil) are secured by exclusive charge on the entire fixed assets of the Company.
 - Rs. Nil (Previous period Rs 1,000 lakh) are secured by irrevocable corporate guarantee of Federal-Mogul Goetze (India) Limited.
- 3 Vehicle loans of Rs 90.95 lakh (Previous period Rs 149.00 lakh) from banks are secured by way of hypothecation of the underlying vehicles.
- 4 Working capital loan from banks are secured by
 - Rs. 11,215.18 lakh (Previous period Rs 5,455.16 lakh) are secured against hypothecation of current assets of the Company, both present and future.
 - Rs. 1,006.80 lakh (Previous period Rs 600 lakh) are secured by First pari-passu hypothecation charge on stock, book debts of the company ranking pari-passu with other term loan.

Schedule 4 : Unsecured Loans

	As at December 31, 2007 Rs. in Lacs	As at December 31, 2006 Rs. in Lacs
Unpaid Fixed Deposits	8.65	8.75
Short Term Loans & advances		
- From Banks *	1,000.00	2,495.20
- Others **	7,061.00	8,562.70
- GTZ Securities Ltd	1.69	-
Total	8,071.34	11,066.65

* Includes Rs 1000 lakh (Previous period -Rs Nil) commercial papers. Maximum amount outstanding during the year Rs. 400 lakh (Previous period -Rs Nil).

** Includes Rs 3,000 lakh (Previous period -Rs 6,000 lakh) commercial papers. Maximum amount outstanding during the year Rs. 7,000 lakh (Previous period -Rs 9,000 lakh).

SCHEDULES 1-24 TO THE CONSOLIDATED ACCOUNTS (Contd.)

Schedule 5 : Deferred Tax Liabilities (net) :

	As at December 31, 2007 Rs. in Lacs	As at December 31, 2006 Rs. in Lacs
Deferred tax liabilities		
Differences in depreciation in block of fixed assets as per tax books and financial books	340.80	376.10
Gross deferred tax liabilities	340.80	376.10
Deferred tax assets		
Effect of expenditure debited to profit and loss account in the current/ earlier year but allowed for tax purposes	27.59	14.66
Carry forward of losses	-	-
Provision for Doubtful Debt	1.58	-
Gross deferred tax assets	29.17	14.66
Net deferred tax liabilities	311.63	361.44

Schedule 6 : Fixed Assets

	Rs. in Lacs									
	Freehold Land	Leasehold Land	Buildings	Furniture & fittings and office equipments	Plant and machinery	Vehicles	Intangibles*	Goodwill	Total	Previous Year
Gross block										
At Jan 1, 2007	1,486.18	184.25	8,304.36	2,042.31	45,311.04	805.60	494.01	218.21	58,845.96	54,648.20
Additions	-	23.02	401.47	65.61	6,173.16	118.69	218.10	-	7,000.05	5,384.59
Deductions	-	-	23.73	691.39	1,348.60	409.21	-	-	2,472.93	1,186.83
At Dec 31, 2007	1,486.18	207.27	8,682.10	1,416.53	50,135.60	515.08	712.11	218.21	63,373.08	58,845.96
Depreciation/Amortisation										
At Jan 1, 2007	-	3.55	1,725.55	900.48	17,987.08	356.15	218.65	60.01	21,251.47	18,475.78
For the year	-	2.23	262.70	81.58	4,056.12	150.02	116.72	21.82	4,691.19	3,106.38
Deletions / adjustments	-	-	1.58	332.84	907.40	219.13	-	-	1,460.95	330.69
At Dec 31, 2007	-	5.78	1,986.67	649.22	21,135.80	287.04	335.37	81.83	24,481.71	21,251.47
For previous year	-	1.55	203.33	112.72	2,521.81	191.87	58.73	16.37	3,106.38	
Net block										
At Dec 31, 2007	1,486.18	201.49	6,695.43	767.31	28,999.80	228.04	376.74	136.38	38,891.37	37,594.49
At Dec 31, 2006	1,486.19	180.70	6,578.84	1,141.83	27,323.46	449.91	275.36	158.20	37,594.49	
Capital work-in-progress including capital advances Rs 606.95 lakh (Previous Year Rs 485.91 lakh)									3,002.57	1,910.80

Note:

- Land includes (at cost) Rs.900.65 lakh (Previous period Rs.900.65 lakh) pending registration in the name of the Company.
- Buildings include (at cost)
 - Rs 101.38 lakh (Previous period Rs 101.38 lakh) Residential flats pending registration in the name of the Company
 - Rs 1,261.39 lakh (Previous period Rs 1,261.39 lakh), constructed on land pending registration in the name of the Company.
- * Includes Patents and Trade marks valued at Re.1.
- Addition includes foreign exchange capitalised Rs. Nil. (Previous period Rs. 8.29 lakh)

SCHEDULES 1-24 TO THE CONSOLIDATED ACCOUNTS (Contd.)

Schedule 7 : Non - Tradeable Investments - Unquoted

	As at December 31, 2007 Rs. in Lacs	As at December 31, 2006 Rs. in Lacs
A Government Securities		
National Savings Certificates* (cost Rs 1.42 lakh)	1.42	1.42
B Investments in Associates		
(i) GI Power Corporation Ltd.		
a 38,89,600 (Previous period-38,89,600) equity shares of Rs 5 each, fully paid	194.48	194.48
Add: Share of Profit/ (losses) in associate	16.21	21.16
Carrying amount of investment	210.69	215.64
b Nil (Previous period-20,30,600) 10% redeemable cumulative preference shares of Rs.5 each fully paid	-	33.78
c 17,528,800 (Previous period - 17,528,800) 8% cumulative convertible redeemable Preference Shares of Rs.5 each fully paid in GI Power Corporation Ltd	876.44	876.44
(ii) GTZ Securities		
9,23,000 (Previous period-9,23,000) equity shares of Rs 5 each fully paid in GTZ Securities Ltd	46.15	46.15
Less: Share of losses in associate	(46.15)	(46.15)
Carrying value of investment	-	-
C Other investments		
(i) Unit Trust of India**	1.56	9.06
1,558 (Previous period 9,058) 6.75% Taxfree US 64 Bonds of 100 each fully paid in Unit Trust of India		
(ii) Nanz Food Products Limited		
1,00,000 (Previous period-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)
Total	1,090.11	1,136.34

* The investment is pledged with Sales Tax Authorities

** Aggregate value of quoted investments

Market value Rs 1.56 lakh , Previous period Rs 9.06 lakh

Company has received Rs 33.78 lakhs during the year for redemption of redeemable preference shares.

Schedule 8: Inventories

Raw materials and components	2,188.27	1,862.47
(Including materials in transit Rs 128.82 lakh (Previous period Rs 311.82 lakh)		
Stores and spares	2,086.00	2,804.00
Work-in- progress	3,901.91	3,629.24
Reusable scrap	519.08	592.41
Finished goods	4,941.94	5,449.00
Total	13,637.20	14,337.12

SCHEDULES 1-24 TO THE CONSOLIDATED ACCOUNTS (Contd.)

Schedule 9 : Sundry Debtors

	As at December 31, 2007 Rs. in Lacs	As at December 31, 2006 Rs. in Lacs
Debts outstanding for a period exceeding six months		
Secured, considered good	17.84	-
Unsecured, considered good	3.46	4.44
Unsecured, considered doubtful	63.69	25.08
Other		
Secured, considered good	182.86	178.41
Unsecured, considered good	9,151.71	7,368.32
	9,419.56	7,576.25
Less : Provision for doubtful debts	63.69	25.08
Total	9,355.87	7,551.17

Schedule 10: Cash and Bank Balances

Cash in hand	2.30	4.67
Balances with scheduled banks:		
- On current accounts	116.56	254.04
- On deposit accounts (pledged with Government authorities)	82.06	83.76
- On unpaid dividend accounts	26.20	26.20
Total	227.12	368.67

Schedule 11: Other Current Assets

Fixed Assets held for disposal (at lower of net book value and estimated net realisable value)	29.62	3.21
Interest / Dividend accrued on Deposits / Investments	43.45	38.88
DEPB Benefits Receivable	148.63	10.63
Other Claim Receivable	151.23	3.76
Total	372.93	56.48

Schedule 12: Loans and Advances

Unsecured considered good, except where stated otherwise		
Advances recoverable in cash or in kind or for value to be received	1,335.78	768.04
Security Deposits	460.93	328.55
Balance with Excise Authorities	1,067.14	844.14
Advance Payment of Tax (Net of provision)	789.90	788.95
Total	3,653.75	2,729.68

Schedule 13: Current Liabilities

Sundry creditors		
a) total outstanding due to Micro, Medium and small enterprises (refer note no. 11 to schedule no. 24)	143.28	142.66
b) total outstanding to creditors other than Micro, Medium and small enterprises.	15,754.49	9,882.07
- Advance received against supplies from Subsidiary Company	-	2,235.50
- Other liabilities	1,594.54	1,605.22
- Security Deposit	213.25	178.49
- Amounts due to Investors Education & Protection fund (as and when due) - unpaid dividends	26.20	26.20
- Interest Accrued but not Due	199.73	211.90
Total	17,931.49	14,282.04

SCHEDULES 1-24 TO THE CONSOLIDATED ACCOUNTS (Contd.)

Schedule 14 : Provisions

	As at December 31, 2007 Rs. in Lacs	As at December 31, 2006 Rs. in Lacs
Provision for leave encashment	868.43	511.84
Provision for gratuity	1,318.20	287.76
Provision for Fringe Benefit Tax (net of advances)	4.03	21.30
Provision for Current Tax (Net of Advance Tax)	-	-
Proposed Dividend-Preference	60.00	60.00
Tax on proposed dividend	10.20	8.42
Total	2,260.86	889.32

Schedule 15: Miscellaneous Expenditure (Right Issue Expenses)

Balance as per last Balance Sheet	-	-
Add: Additions in current year (Refer note no 2c of schedule no. 24)	1,199.51	-
Less : Written off	239.90	-
Total	959.61	-

Schedule 16 : Other Income

	for the year ended December 31, 2007 Rs. in Lacs	for 9 Months Period ended December 31, 2006 Rs. in Lacs
Interest:		
Bank deposits (Tax deducted at source Rs 1.54 lakh, Previous period Rs 0.92 lakh)	7.90	4.15
Interest on income-tax refund	173.03	33.65
Others (Tax deducted at source Rs 1.76 , Previous period Rs 0.28 lakh)	8.93	23.25
Dividend on investment in subsidiary	30.60	30.60
Sale of scrap	1,369.09	631.63
Duty drawback/ Exim Scrip realisation	138.00	7.95
Cash Discount	64.51	55.87
Share of profit in Associates	-	60.42
Excess provision written back	41.77	34.23
Profit on sale of Fixed assets(net)	-	128.73
Miscellaneous income	103.77	137.02
Foreign Exchange Rate Difference(net)	524.92	-
Total	2,462.52	1,147.50

Schedule 17 : Raw Materials and Components Consumed

Inventories - Opening	1,862.47	1,490.72
Add: Purchases	20,398.10	15,344.91
	22,260.57	16,835.63
Less: Inventories - Closing	2,188.27	1,862.47
Total	20,072.30	14,973.16

SCHEDULES 1-24 TO THE CONSOLIDATED ACCOUNTS (Contd.)

Schedule 18 : Personnel Expenses

	For the year ended December 31, 2007 Rs. in Lacs	For 9 Months Period ended December 31, 2006 Rs. in Lacs
Salaries, wages and bonus (Refer Note no.13 in Schedule no. 24)	11,189.68	7,497.95
Contribution to provident fund and other Funds	721.96	597.66
Contribution to other funds	152.65	52.45
Contribution to gratuity	321.87	353.45
Workmen and staff welfare expenses	1,404.14	939.16
Total	13,790.30	9,440.67

Schedule 19: Operating and Other Expenses

Consumption of stores and spares (Refer Note no.13 in Schedule no. 24)	6,582.40	5,377.22
Sub-contracting expenses	1,397.72	1,060.84
Power and fuel	4,331.57	2,973.94
Freight and forwarding charges	1,352.69	929.06
Rent	128.22	84.08
Rates and taxes		
- Sale & Purchase tax	318.32	134.46
- Others	149.40	63.16
Insurance	152.89	107.10
Repairs and maintenance		
- Plant and machinery	180.95	51.71
- Buildings	108.97	29.01
- Others	101.36	28.88
Advertising and sales promotion	3,368.96	2,420.72
Royalty	803.35	485.57
Product rectification charges	73.10	67.61
Legal and professional expenses	925.00	100.04
Travelling and conveyance	886.91	576.37
Communication costs	171.59	108.37
Printing and stationery	137.06	81.87
Directors fees & Travelling	10.00	3.70
Auditor's remuneration*		
- Audit fee	83.74	30.72
- Tax audit fee	32.65	6.35
- For certification and others matters	0.50	0.50
- For Limited reviews	4.00	2.33
- Out-of-pocket expenses	3.11	0.77
Charity & Donation	0.05	0.09
Provision for doubtful debts and advances	65.33	5.36
Loss on sale of trade investments	0.18	6.38
Loss on sale / discard of fixed assets (net)	396.21	61.63
Share of loss in Associates Companies	4.95	-
Advances written off	14.53	69.10
Miscellaneous expenses	456.40	294.47
Total	22,242.11	15,161.41

* Refer Note no. 12(ii) of Schedule 24

SCHEDULES 1-24 TO THE CONSOLIDATED ACCOUNTS (Contd.)

Schedule 20 : Decrease/(increase) in Inventories

	For the year ended December 31, 2007 Rs. in Lacs	For 9 Months Period ended December 31, 2006 Rs. in Lacs
Inventories - Opening		
- Work-in-progress	3,629.24	2,742.47
- Finished goods	5,449.00	7,361.96
- Reusable Scrap	592.41	597.78
	9,670.65	10,702.21
Inventories - closing		
- Work-in-progress	3,901.91	3,629.24
- Finished goods	4,941.94	5,449.00
- Reusable Scrap	519.08	592.41
	9,362.93	9,670.65
Decrease / (Increase)	307.72	1,031.56

Schedule 21 : Financial Expenses

Interest		
- to banks	3,741.52	2,435.28
- others	455.96	331.23
Bank charges	126.80	62.37
Total	4,324.28	2,828.88

Schedule 22: Prior Period Expenses

Royalty	63.16	-
Total	63.16	-

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

Net profit as per profit and loss account	(1,741.82)	(508.75)
Weighted average number of equity shares in calculating basic and diluting		
Earning per share	25,789,836	25,287,549
Earning/ (Loss) per share	(6.75)	(2.01)

SCHEDULES 1-24 TO THE CONSOLIDATED ACCOUNTS (Contd.)

Schedule 24 : Notes to Consolidated financial statements

1. Background

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

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

2. Statement of Significant Accounting Policies

a) Basis of Preparation and Consolidation

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

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

The subsidiaries (which along with 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, 2007	Percentage of Ownership interest as at December 31, 2006
Federal-Mogul TPR (India) Limited (formerly 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, 2007.

Investments in Associates:

The Group's Associates are:-

Name	Percentage of Ownership interest as at December 31, 2007	Percentage of Ownership interest as at December 31, 2006
GTZ Securities Limited	23.67%	23.67%
GI Power Corporation Limited	26%	26%

The un-audited financial statements of group associates as at December 31, 2007 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.

- These Consolidated Financial Statements are based on audited accounts in so far as they relate to amounts included in respect of subsidiaries and on basis of un-audited accounts in so far as they relate to amounts included in respect of associates.
- The accounting policies have been consistently applied by the Company and its subsidiaries and except for the changes in the accounting policy discussed more fully below, are consistent with those used in the previous period.

b) Use of estimates

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

c) Changes in Accounting Policies

Adoption of Accounting Standard 15 (Revised) Employee Benefits

In the current year, the Company has adopted the Accounting Standard 15 (revised) (2005) ("AS 15") which is mandatory from accounting periods starting from December 7, 2006. Subsequently, as per announcement by the Institute of Chartered Accountants of India, where by AS-15 has been revised to allow the Company to amortize additional liability on first application over a period of 5 years, the Company has chosen to amortize such additional liability for gratuity of Rs. 1,199.51 lakh (earlier charged to opening reserves) over a period of 5 years commencing January 1, 2007. Accordingly, Rs. 239.90 lakh has been amortized in the profit and loss account during the year and remaining Rs. 959.61 lakh is carried over in Schedule 15 - Miscellaneous Expenditure (to the extent unamortized). The limited revision has not yet been incorporated in AS-15 notified under Companies (Accounting Standard) Rules, 2006. Company expects that limited revision will be incorporated in notified standards shortly.

d) Tangible Assets and Depreciation

- 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 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.

SCHEDULES 1-24 TO THE CONSOLIDATED ACCOUNTS (Contd.)

Schedule 24 : Notes to Consolidated financial statements

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	5.28
(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) 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.

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

e) Impairment

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

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

iii) A previously recognised impairment loss is increased or reversed depending on changes in circumstances. However the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

f) 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.

g) 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 recognised as an expense in the Profit and Loss account on a straight-line basis over the lease term.

h) Investments

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

i) Inventories

Inventories are valued as follows:

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

Constructed Tools - Lower of cost and net realizable value. Cost represents 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.

j) Revenue recognition

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

i) Sale of Goods:

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and are recorded net of excise duty, sales tax and other levies. For the purpose of these financial statements, sales are disclosed, both gross and net of excise duty.

ii) Interest:

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

iii) Dividends:

Revenue is recognised when the shareholders' right to receive payment is established by the balance sheet date. Dividend from subsidiaries is recognised even if same are declared after the balance sheet date but pertains to period on or before the date of balance sheet as per the requirement of schedule VI of the Companies Act, 1956.

SCHEDULES 1-24 TO THE CONSOLIDATED ACCOUNTS (Contd.)

Schedule 24 : Notes to Consolidated financial Statements

- iv) **Export Benefits/Incentives:**
Export entitlements under the Duty Entitlement Pass Book (DEPB) Scheme are recognised in the profit and loss account when the right to receive credit as per the terms of the scheme is established in respect of exports made.
- k) **Foreign Currency Transactions**
- (i) **Initial Recognition**
Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.
- (ii) **Conversion**
Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.
- (iii) **Exchange Differences**
Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.
- (iv) **Forward Exchange Contracts not intended for trading**
The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.
- l) **Retirement and Other Employee Benefits**
- (i) Provident fund contributions are charged to profit and loss account, when contributions paid/payable are due to "Goetze India Limited Provident Fund Trust", administered by the trustees and to the Regional Provident Fund Commissioners. There are no other obligations other than the contribution payable to the respective trusts.
- (ii) Gratuity liability under the Payment of Gratuity Act is accrued on the basis of an actuarial valuation made at the end of each financial year.
- (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 obligation administered with Life Insurance Corporation of India (LIC). Contributions to the defined contribution scheme are charged to profit and loss account when contributions paid/ payable are due to such fund. There are no other obligations other than the contribution payable to the respective trusts.
- m) **Income taxes**
Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.
Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.
At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.
- n) **Earnings per Share**
Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.
For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.
- o) **Provisions**
A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.
- p) **Cash and Cash Equivalents**
Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.
- q) **Excise Duty**
The excise duty related to the difference between closing and opening stock has been separately disclosed in the profit and loss account.
- r) **Miscellaneous Expenditure**
Miscellaneous expenditure is written off over a period of 5 years.
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 and its subsidiaries have entered into transactions with following related parties.
Names of related parties:
- i) Ultimate Holding Company
- Federal Mogul Corporation, USA
- ii) Common Control with Holding Company (Fellow Subsidiary)
- Federal Mogul Burscheid GMBH, Germany
- Federal Mogul Friedberg, GMBH
- Federal Mogul Holding Ltd, Mauritius
- Federal Mogul, Nurnberg, GMBH

SCHEDULES 1-24 TO THE CONSOLIDATED ACCOUNTS (Contd.)

Schedule 24 : Notes to Consolidated financial Statements

- Federal Mogul Sintered Products Ltd.
- Federal Mogul Wiesbaden GMBH, Germany
- Federal Mogul Power Train System
- Federal Mogul Automotive Products
- Federal Mogul Bimet S.A.
- Federal Mogul Holding Deutschland
- Federal Mogul Gorzyce, S.A.
- Federal Mogul Maysville
- Federal MogulValves (PTY) Ltd
- Federal MogulSealing Systems, GMBH
- Federal Mogul Friction Products Ltd
- Federal Mogul Corporation Powertrain Systems
- Federal Mogul Plant Van Wert, USA
- Federal Mogul Powertrain Systems Schofield
- Federal MogulK.K, Japan
- Federal Mogul S.A.R.L.
- Federal Mogul France, S.A.
- Federal Mogul Corporation, Lake City
- Federal-Mogul Chivasso
- Federal Mogul Corporation, Garennes
- iii) Coventurers
 - T & N Investments
 - Teikoku Piston Rings
- 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 Wind Power Company Ltd.* (till May 12, 2006)
 - Joint Investment Pvt Ltd.* (till May 12, 2006)
 - Spade Financial Services Limited* (till September 24, 2007)
- V) Key managerial personnel and their relatives
 - Mr. Rustin Murdock (w.e.f. September 24, 2007)
 - Mr. Arun Anand (till September 24, 2007)
 - Mrs. Renu Anand (wife of Mr. Arun Anand)
 - Mr. Anil Nanda (till May 12, 2006)
 - Mr. Mohan Narayanan, Director
 - Mrs. S. Bubvaneshwari, Deputy General Manager, Projects
- vi) Associates
 - GI Power Corporation Limited (w.e.f. October 13, 2005)
 - GTZ Securities Limited

* Transactions with these persons are considered upto May 12, 2006 as Mr. Anil Nanda stepped down as executive director and took a non-executive director position upto January 31, 2007.

Those transactions along with related balances as at December 31, 2007 and December 31, 2006 and for the years then ended are presented in the following table:

(Rs in lacs)

	Coventurers				Associates							
	T&N Investments		Teikoku Piston Rings		Total		G.I Power Corporation Ltd.		GTZ Securities Ltd.		Total	
	31.12.07	31.12.06	31.12.07	31.12.06	31.12.07	31.12.06	31.12.07	31.12.06	31.12.07	31.12.06	31.12.07	31.12.06
Dividend Paid	14.70	14.70	14.70	14.70	29.40	29.40	-	-	-	-	-	-
Purchase of power	-	-	-	-	-	-	139.83	(486.77)	-	-	139.83	(486.77)
Expense incurred on behalf of Other	-	-	-	-	-	-	(13.21)	-	-	-	(13.21)	-
Royalty Expense	-	-	91.11	63.07	63.07	91.11	-	-	-	-	-	-
Investment as at year end	-	-	-	-	-	-	1,070.92	1,138.61	46.15	46.15	1,117.07	1,184.76
Balance outstanding as at the end of the year (Receivable)	-	-	-	-	-	-	-	-	-	-	-	-
Balance outstanding as at the end of the year (Payable)	-	-	(91.11)	(63.07)	(63.07)	(91.11)	(13.21)	(67.87)	-	-	(13.21)	(67.87)

(Rs in lacs)

	Fellow Subsidiary												Total					
	Federal Mogul Burscheid GmbH, Germany		Federal-Mogul Sintered Products Ltd		Federal Mogul, Nurnberg, GMBH		Federal Mogul Automotive Products		Federal Mogul Wiesbaden GmbH, Germany		Federal Mogul Power Train System			Federal Mogul Gerzyce S.A		Others		
	31.12.07	31.12.06	31.12.07	31.12.06	31.12.07	31.12.06	31.12.07	31.12.06	31.12.07	31.12.06	31.12.07	31.12.06	31.12.07	31.12.06	31.12.07	31.12.06	31.12.07	
Sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	31.12.06 (51.72)
Purchases of raw materials, stores & spares, intermediaries and finished goods	1,319.71	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,694.96
Purchase of fixed asset	709.13	1408.94	-	-	80.43	1,382.41	73.62	-	-	37.54	-	-	-	-	-	-	-	2,469.51
Exchange Fluctuation	9.20	-	181.72	-	33.21	-	-	-	-	191.06	40.60	5.46	-	-	4.75	19.11	-	1,547.73
Other Expenses	5.58	-	(3.46)	-	-	-	-	-	-	(0.15)	-	-	-	-	(0.61)	-	-	32.98
Royalty Expense	280.29	175.69	(0.43)	-	-	-	-	-	-	(0.95)	-	-	-	-	(0.68)	40.18	-	40.18
Balance outstanding as at the end of the year (Receivable)	-	-	143.45	99.65	260.31	124.30	-	-	-	-	-	-	-	-	-	-	-	684.05
Balance outstanding as at the end of the year (Payable)	(2,107.25)	(912.35)	(321.07)	-	(1,745.61)	(48.37)	-	4.55	(218.03)	(31.59)	(0.93)	(5.46)	-	365.14	50.33	-	415.47	(4,563.45)
																		(1,018.97)

	Ultimate Holding Company		Enterprises owned or significantly influenced by key management personnel and their relatives						Total		
	Federal Mogul Corporation		An-Enterprise Pvt. Ltd.		Escorts Farm Ltd.		Joint Investments Pvt. Ltd.			Gossini Fashion Ltd./AN-GIP Leather (India) Ltd.	
	31.12.07	31.12.06	31.12.07	31.12.06	31.12.07	31.12.06	31.12.07	31.12.06		31.12.07	31.12.06
Sales	(2,699.01)	(334.87)	-	-	-	-	-	-	-	-	-
Purchases of raw materials, stores & spares, intermediaries and finished goods	152.93	6.12	-	-	-	-	-	-	-	45.13	45.13
Purchase of fixed asset	1,672.22	571.39	-	-	-	-	-	-	-	-	-
Sale of fixed asset	(481.57)	-	-	-	-	-	-	-	-	-	-
Exchange Fluctuation	(290.02)	-	-	-	-	-	-	-	-	-	-
Interest Expense	82.29	-	-	-	-	-	8.00	-	-	-	8.00
Rent Expense	-	-	-	-	-	-	-	-	-	-	-
Other Expenses	392.25	-	-	(0.23)	-	-	-	-	-	(1.50)	(1.73)
Loans taken	-	-	-	-	-	185.00	-	3,165.00	-	-	3,350.00
Loans given	-	-	-	-	-	(70.00)	-	(3,165.00)	-	-	(3,235.00)
Balance outstanding as at the end of the year (Receivable)	1,291.32	-	-	-	-	-	-	66.37	-	0.2	66.57
Balance outstanding as at the end of the year (Payable)	(2,595.06)	(2,614.22)	-	-	-	-	-	-	-	-	-

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

SCHEDULES 1-24 TO THE CONSOLIDATED ACCOUNTS (Contd.)

Schedule 24 : Notes to Consolidated financial Statements

(Rs. in lacs)								
Key Managerial Personnel & their relatives**(see note below)								
Particulars	Mrs Renu Anand		Mr. Mohan Narayanan		Mrs. S. Bubvaneshwari		Total	
	31.12.07	31.12.06	31.12.07	31.12.06	31.12.07	31.12.06	31.12.07	31.12.06
Rent expense	10.80	10.80	-	-	-	-	10.80	10.80
Remuneration	-	-	-	36.23	12.36	9.94	12.36	46.17

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

5. Leases

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

Leases	For the year ended December 31, 2007 (Rs in lakh)	For the period ended December 31, 2006 (Rs in lakh)
a) Lease payments for the period	70.80	47.35
<i>Minimum Lease Payments:</i>		
b) Not later than one year	55.86	58.98
c) Later than one year but not later than five years	6.30	34.26
d) Later than five years	-	-

6. Capital Commitment

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

Particulars	For the year ended December 31, 2007 (Rs. in lakh)	For the period ended December 31, 2006 (Rs. in lakh)
Capital commitment	1,175.87	3,375.30

7. Contingent Liabilities not provided for:

Particulars	For the year ended December 31, 2007 (Rs. in lakh)	For the period ended December 31, 2006 (Rs. in lakh)
(a) Bank Guarantees	900.43	193.18
(b) <i>Claims/notices contested by the company</i>		
i) Excise duty	882.49	505.88
ii) Sales Tax	118.27	118.27
iii) ESI Cases	7.56	63.30
iv) Employee Related Cases	119.52	88.45
v) Electricity Demand	52.24	52.24
vi) Income Tax Demands	285.80	320.87
vii) Consumer Cases	64.98	60.91
viii) Other Excise duty liabilities of subsidiary	8.81	2.72

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

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

- 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. (Previous period Rs. 33.74 lakh)
- Matter pending with Central Excise & Service Tax Appellate Tribunal (CESTAT) in respect of valuation rates employed for certain products sold by the Company for the period 2004-2005 & 2005-2006. The amount involved is Rs. 2.60 lakh. (Previous period Rs. Nil)
- Matter pending with Additional Commissioner of Central Excise (ADCCE) in respect of excise duty on scrap produced by the Company for the period 2000-2001 to 2002-2003. The amount involved is Rs.34.11 lakh. (Previous period Rs. 34.11 lakh)
- Miscellaneous Excise Cases in respect of MODVAT credits being taken pending with Deputy Commissioner Central Excise Patiala (DCCE PTA)/ Additional Commissioner/Punjab and Haryana High Court/Assistant Commissioner central excise for the period 1987-1988 to 2006-2007. Amount involved Rs. 58.02 lakh. (Previous period Rs. 71.09 lakh)
- Matters pending with Additional Commissioner, Chandigarh in respect of Service Tax on Royalty & Technical Know how from 1999-00 to 2004-05. Amount involved Rs. 39.95 lakh. (Previous period Rs. 39.95 lakh)
- Matters pending with Joint Commissioner, Bangalore in respect of Service Tax on Job Work for the period 2004-05. The Company is of the view that it has reasonable chances of success. Amount involved Rs. 18.01 lakh. (Previous period Rs. 18.01 lakh)

SCHEDULES 1-24 TO THE CONSOLIDATED ACCOUNTS (Contd.)

Schedule 24 : Notes to Consolidated financial Statements

- vii) Matters pending with Additional Commissioner, Chandigarh in respect of Service Tax on Transport Services for the period 2005-06 & 2006-07. The Company is of the view that it has reasonable chances of success. Amount involved Rs. 5.50 lakh. (Previous period Rs. 6.77 lakh)
- viii) Matters pending with Additional Commissioner, Chandigarh in respect of Service Tax on Intellectual property services for the period 2006-07. Amount involved Rs. 3.45 lakh. (Previous period Rs. Nil)
- ix) Matters pending with Joint Commissioner, Chandigarh in respect of Service Tax on business auxiliary services for the period 2006-07. Amount involved Rs. 19.08 lakh. (Previous period Rs. Nil)
- x) Matters pending with CESTAT in respect of excise cases in relation to CENVAT credit availed on imported goods for the period 2006-07. Amount involved is Rs. 27.86 lakh. (Previous period Rs. Nil)
- xi) Matters pending with CESTAT in respect of excise on non saleable piston relating to period 2005-06. Amount involved is Rs. 249.74 lakh. (Previous period Rs. Nil)
- xii) Matters pending with Commissioner Chandigarh/ Deputy Commissioner Central Excise (DCCE) Patiala in respect of clearance of reprocessed goods without payment of duty for the period 2004-2005 to 2006-2007. Amount involved Rs. 8.82 Lakh. (Previous period Rs. 7.21 lakh)
- xiii) Matters pending with Commissioner Appeals/ Joint Commissioner in respect of interest on reversal of Special Additional Duty (SAD) for 2000-01. Amount involved Rs. 9.37 Lakh. (Previous period Rs. 9.37 lakh)
- xiv) Matters pending with Supreme Court in respect of conversion of Aluminum Scrap into Ingots from Colts for 2000-01 & 2001-02. Amount involved Rs. 15.14 lakh. (Previous period Rs. 15.14 lakh)
- xv) Matters pending with CESTAT in respect of excise cases in relation to provisional assessment of excise duty with respect to turnover discount for the period 2001-2002 to 2006-2007. The Company has taken legal opinion in this regard and is confident of success. Amount involved is Rs. 334.04 Lakh. (Previous period Rs. 264.07 lakh)
- xvi) Matter pending with Central Excise & Service Tax Appellate Tribunal (CESTAT) in respect of valuation rates employed for certain products sold by the Company for the period 2001-2003 to 2004-2005. The amount involved is Rs. 6.12 lakh. (Previous period Rs. 6.42 lakh)
- xvii) Matter pending with Central Excise & Service Tax Appellate Tribunal (CESTAT) in respect of non payment of service tax on management fee by the Company for the period 1998-1999 to 2002-2003. The Company has taken legal opinion in this regard and is confident of success. The amount involved is Rs. 16.94 lakh. (Previous period Rs. Nil)
- e) In relation to 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. (Previous period 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. (Previous period 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. (Previous period Rs. 20.65 lakh)
- f) In relation to 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, Amount involved is Rs.7.56 lakh. (Previous period Rs. 63.30 lakh)
- g) In relation to 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.119.52 lakh. (Previous period Rs. 88.45 lakh)
- h) In relation to b (v) above Electricity demand relates to:**
- i) In respect of a demand raised by Punjab Electricity Board (PSEB) for various years in relation to availment of additional load. Amount involved is Rs. 52.24 lakh. (Previous period Rs. 52.24 lakh).
- i) In relation to b (vi) above Income Tax cases disputed by the Company:**
- i) In respect of Assessment Year 2000-01, certain additions were made on normal income as well as on book profits. The matter is pending with ITAT and the Company is of the view that it has reasonable chance of success. The amount involved is Rs. 53.84 lakh. (Previous period Rs. Nil)
- ii) In respect of Assessment Year 2002-03, certain additions were made on normal income as well as on book profits. The matter is pending with Commissioner Income Tax (Appeals) and the Company is of the view that it has reasonable chance of success. The amount involved is Rs.16.37 lakh. (Previous period 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 the Company is of the view that it has reasonable chance of success. The amount involved is Rs.170.20 lakh. (Previous period 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 the Company is of the view that it has reasonable chance of success. The amount involved is Rs.23.79 lakh. (Previous period Rs. 23.79 lakh)
- v) In respect of Assessment Year 2005-06, certain additions were made on normal income. The matter is pending with Commissioner Income Tax (Appeals) and the Company is of the view that it has reasonable chance of success. The amount involved is Rs.21.60 lakh. (Previous period Rs. Nil)
- vi) In respect of Assessment Year 1997-98, demand was raised due to disallowance of previous year expense made in regular assessment and also certain penalty proceedings on the above issue. The amount involved is Rs. Nil. (Previous period Rs. 110.51 lakh)
- For all matters above, the Company has been advised by experts and based on such opinion/advise, company has fair chance of favorable decision.
- j) In relation to b (vii) above Consumer cases filed against the Company:**
- i) Matter pending with Delhi High Court relating to cases filed by Mr. Harkirat Singh a customer of the Company relating to defective goods for the period 2004-05. Amount involved is Rs. 4.07 lakh. (Previous period Rs. Nil)
- ii) Matter pending with Delhi High Court relating to cases filed by Space 2000 a customer of the Company relating to defective goods for the period 1995-1996. Amount involved is Rs. 60.91 lakh. (Previous period Rs. 60.91 lakh)
- k) In relation to b (viii) above Excise Duty cases contested by the subsidiary company comprise of:**
- 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 2003-2004 to 2006-2007. The Company has taken legal opinion in this regard and is confident of success. Amount involved is Rs. 4.10 lakh. (Previous period Rs. 1.48 lakh)
- 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. 1.24 lakh. (Previous period Rs. 1.24 lakh)
- iii) Show Cause notice have been issued in respect of CENVAT credit on rejected goods received from customers for the period May 2006 to May 2007. The matter is pending with Deputy Commissioner of central Excise, Bangalore. The amount involved is Rs 1.73 lakh. (Previous period Rs. Nil)
- iv) Show Cause notice has been issued in respect of availment of CENVAT credit on service tax paid on Royalty and Technical assistance for the period May 2006 to May 2007. The matter is pending with Deputy Commissioner of central excise, Bangalore. The Company has taken a legal opinion and is advised that it has fair chance of favorable decision. The amount involved is Rs 1.74 lakh. (Previous period Rs. Nil)

SCHEDULES 1-24 TO THE CONSOLIDATED ACCOUNTS (Contd.)

Schedule 24 : Notes to Consolidated financial Statements

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

Payments made to directors	For the year ended December 31, 2007 (Rs in lacs)	For the period ended December 31, 2006 (Rs in lacs)
(a) Salaries	76.93	36.90
(b) Contribution to Provident & Superannuation Fund	9.35	11.73
(c) Leave encashment paid	11.81	-
(d) Gratuity paid	57.60	-
(e) Other Perquisites	42.15	85.86
(ii) Directors Sitting Fees	10.00	3.70

(b) Personnel expenses under Schedule 18 include Rs. 66.15 lakh respectively towards director remuneration excess paid by FMGIL. 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.

9. a) 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. 9,321.10 lakh (Previous Period 7,342.33 lakh) has been reduced from sales in profit & loss account and excise duty on decrease / (increase) in stock amounting to Rs. 46.05 lakh [Previous Period Rs. (354.10) lakh] has been considered as (income) / expense in the financials statements.

10. Gratuity and Other Post-employment Benefit Plans: (AS 15 120(b))

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

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

Profit and Loss account

Net employee benefit expense (recognised in Employee Cost)

	(Rs. in lacs)
	Gratuity 2007
Current service cost	412.79
Interest cost on benefit obligation	328.75
Expected return on plan assets	(266.23)
Net actuarial (gain) / loss recognised in the year	(153.44)
Past service cost	-
Net benefit expense	321.87
Actual Return on Plan Assets	253.84

Balance sheet

Details of Provision for gratuity

	Gratuity 2007
Defined benefit obligation	4,438.11
Fair value of plan assets	3,119.91
	1,318.20
Less: Unrecognised past service cost	-
Plan asset / (liability)	1,318.20

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

	Gratuity 2007
Opening defined benefit obligation	4,136.14
Interest cost	328.75
Current service cost	412.79
Benefits paid	(273.74)
Actuarial (gains) / losses on obligation	(165.83)
Closing defined benefit obligation	4,438.11

SCHEDULES 1-24 TO THE CONSOLIDATED ACCOUNTS (Contd.)

Schedule 24 : Notes to Consolidated financial Statements

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

	(Rs. in lacs)
	Gratuity
	2007
Opening fair value of plan assets	2,953.30
Expected return	266.23
Contributions by employer	186.51
Benefits paid	(273.74)
Actuarial gains / (losses)	(12.39)
Closing fair value of plan assets	<u>3,119.91</u>

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

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

	Gratuity
	2007
	%
Investments with Insurer	100

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

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

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

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

The current year being the first year of adoption of AS 15 (revised) by the Company, the previous year comparative information has not been furnished.

11. Details of dues to Micro, Small and Medium Enterprises as per MSMED Act, 2006 by the Company, there was no amount to be disclosed for subsidiaries:

	(Rs. in lakh)	
Particulars	2007	2006
The principal amount remaining unpaid as at the end of year	143.28	142.66
Interest due on above principal and remaining unpaid as at the end of the year	0.32	-
The amount of interest paid by the buyer in terms of section 16, of the Micro Small and Medium Enterprise Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	-	-
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro Small and Medium Enterprise Development Act, 2006.	1.59	-
The amount of interest accrued and remaining unpaid at the end of each accounting year; and	1.91	-
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Micro Small and Medium Enterprise Development Act, 2006	-	-

12. During the current year Company has:

- i) The Company had issued 7,333,389 shares @ Rs. 10 each at a premium of Rs. 135 per share on right issue basis for cash.
- ii) Expenses of Rs. 172.53 lakh incurred in connection with the public issue of the Company had been adjusted against Securities Premium Account in terms of section 78 of the Companies Act, 1956. Above amount includes Rs. 71.50 lakh paid to statutory auditors
- iii) Pursuant to initial public offer the Company gathered Rs. 10,633.41 lakh which was utilized for the payment of loans and reduction in the working capital.

SCHEDULES 1-24 TO THE CONSOLIDATED ACCOUNTS (Contd.)

Schedule 24 : Notes to Consolidated financial Statements

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

	Year Ended December 31, 2007 Rs. in lakh	Period Ended December 31, 2006 Rs. in lakh
Salaries, wages and bonus	229.65	149.32
Consumption of stores and spares	153.10	99.55
Total	382.75	248.87

14. The previous period, financial is for the period of 9 months as against current year financial statements of twelve months and thus is not strictly comparable. Previous period figures have been regrouped and rearranged wherever necessary to make these comparable.

As per our report of even date

For S.R. Batliboi & Co.
Chartered Accountants

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

Place: Gurgaon
Date: March 3, 2008

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

RUSTIN MURDOCK
Managing Director & CFO

RAJAN LUTHRA
Financial Controller & Company Secretary

Place: New Delhi
Date: March 3, 2008

RAINER JUECKSTOCK
Director

CONSOLIDATED CASH FLOW STATEMENT

	For the year ended December 31, 2007 Rs. in lacs	For 9 Months Period ended December 31, 2006 Rs. in lacs
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(loss) for the year before tax after prior period	(1,030.99)	63.92
Adjustments for:		
Depreciation and amortisation	4,691.19	3,106.38
Loss on sale / discard of fixed assets (net)	396.21	61.63
Profit on sale of Fixed Assets	-	(128.73)
Loss on sale of trade investments	0.18	-
Provision for doubtful debts	65.33	5.36
Advances written off	14.53	69.10
Interest income	(7.90)	(61.05)
Dividend income	(30.60)	(30.60)
Interest expense	3,741.52	2,766.51
Excess provision written back	(41.77)	(34.23)
Unrealised forex gain and loss (net)	28.13	-
Miscellaneous expenditure written off	239.90	-
Operating profit before working capital changes	8,065.73	5,818.29
Movements in working capital :		
Decrease / (Increase) in sundry debtors	(1,870.03)	(181.24)
Decrease / (Increase) in current assets	(311.88)	47.24
Decrease / (Increase) in inventories	699.92	235.47
Decrease / (Increase) loans and advances	(455.33)	141.35
Increase / (Decrease) in current liabilities	3,991.09	6,566.22
Cash generated from operations	10,119.50	12,627.33
Direct taxes paid (net of refunds)	(416.84)	(524.79)
Net cash from operating activities	9,702.66	12,102.54
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets/ Intangibles Assets	(8,091.82)	(6,598.00)
Proceeds from sale of fixed assets	134.21	923.26
Purchase of Investments	-	(26.51)
Sale / maturity of investments	46.05	-
Interest received	3.33	60.61
Dividends received	30.60	30.60
Net cash from investing activities	(7,877.63)	(5,610.04)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Miscellaneous expenses paid during the year	(239.90)	-
Payment of borrowings (Long term)	(14,598.60)	(14,038.33)
Receipt of borrowings (Long term)	4,500.00	8,161.17
Movement in borrowings (Short term)	1,672.11	2,303.98
Proceeds from Issuance of share capital	10,460.89	-
Interest paid	(3,689.18)	(2,773.07)
Dividends paid	(60.00)	(60.00)
Tax on dividend paid	(10.20)	(8.42)
Net cash used in financing activities	(1,964.88)	(6,414.67)
Net increase in cash and cash equivalents (A + B + C)	(139.85)	77.83
Cash and cash equivalents at the beginning of the year	258.71	180.88
Cash and cash equivalents at the end of the year	118.86	258.71
Components of cash and cash equivalents as at	December 31, 2007	December 31, 2006
	Rs. in lacs	Rs. in lacs
Cash and cheques in hand	2.30	4.67
With banks -in current account	116.56	254.04
	118.86	258.71

As per our report of even date

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

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

Place: Gurgaon
Date: March 3, 2008

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

RUSTIN MURDOCK
Managing Director & CFO

RAINER JUECKSTOCK
Director

RAJAN LUTHRA
Financial Controller & Company Secretary
Place : New Delhi
Date: March 3, 2008

FEDERAL-MOGUL GOETZE (INDIA) LIMITED

A-26/3, Mohan Co-operative Industrial Estate

Mathura Road, New Delhi-110 044

Phone: 011-41497600 Fax: 011-41497601

Website : www.federalmogulgoetze.com