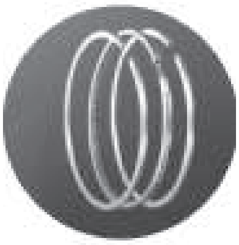
FEDERAL MOGUL
GOETZE INDIA

Contents

FEDERAL MOGUL
GOETZE INDIA

BOARD OF DIRECTORS

Chairman & Director

Mr. K.N. Subramaniam

Managing Director

Mr. Sunit Kapur

Directors

Mr. Bernhard Motel

Mr. Mukul Gupta

Company Secretary

Mr. Khalid Khan

Auditors

M/s. Walker, Chandiok & Co.

REGISTRAR AND SHARE TRANSFER AGENTS

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

REGISTERED OFFICE

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

WORKS

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

BANKERS

Deutsche Bank AG
HDFC Bank Ltd.
ING Vysya Bank Limited
State Bank of India
State Bank of Patiala
Axis Bank Limited
Yes Bank Limited

DIRECTORS' REPORT

Your Directors are pleased to present the 58th Annual Report and Audited Statement of Accounts for the financial year ended 31st December, 2012.

FINANCIAL RESULTS [Rs. in million]

	For the year ended 31.12.2012	For the year ended 31.12.2011
Total Income:		
Gross Sales	**12,072.59**	11,544.43
Deduct : Excise Duty	**1,129.79**	939.85
	10,942.80	10,604.58
Business and other Income	**1,064.45**	1,086.79
Profit before Depreciation, Finance Charges, Tax & Prior Period Items	**842.34**	1,253.29
Deduct :		
Depreciation and Amortization	**619.35**	536.59
Finance Charges	**298.80**	248.56
Profit /(Loss) before Tax, Exceptional items and Prior Period Items	**(75.81)**	468.14
Exceptional items	**62.58**	-
Provision for Tax		
- Current	**28.02**	123.40
- Fringe Benefit	**-**	-
- Deferred Tax (Credit)	**(2.84)**	(11.61)
Net Profit/(Loss) after Tax	**(163.57)**	356.35
Prior Period Items	**-**	(18.27)
Balance brought forward	**814.74**	440.13
Surplus/(Loss) carried to balance sheet	**651.17**	814.75

Operations

The Net income of the Company during the year ended 31st December 2012 was Rs. 12,007.26 million as against Rs. 11,691.37 million for the year ended 31st December 2011.

During the year under review, the Company made a Net loss after Tax of Rs. 163.57 million as against the Net Profit after Tax of Rs. 374.61 million in the last year.

The year under review witnessed a slowdown in demand in the auto sector, resulting in excess capacities with auto component sector. Weak macroeconomic sentiment coupled with subdued consumer confidence pulled down sales, particularly in the latter half of the year.

In view of requirement of funds for the operations of the Company, no dividend is recommended for the year ended 31st December 2012.

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:

With regard to Auditor's comments in their report on the provision for sales tax, the management has undertaken review on becoming aware of certain discrepancies regarding sales tax matters at one of its factories. Based on the information available at this stage of the ongoing evaluation, the Company has paid/ provided an amount of Rs. 6.26 crores towards tax and related liabilities pertaining to earlier years.

MANAGEMENT DISCUSSION AND ANALYSIS:

(a) Industry structures and developments

The automotive industry in India has been witnessing a slowdown. Ambiguity in the fuel price regime, high cost of capital, high interest rates, food inflation and slowing down of investment in infrastructure are adversely impacting the growth of the automotive industry.

The Indian auto component industry is ancillary to the automobile industry. The performance of automotive component industry is directly linked with the performance of Automobile Industry, which in turn is dependent on the performance of the economy.

However, the auto component industry appears to cope up with the downturn in the industry and is raring to explore new opportunities and growth.

DIRECTORS' REPORT (Contd.)

(b) Opportunities and Threats

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

We believe our proactive steps and consistent implementation of our plans will allow us to prepare the company for growth as consumers regain confidence in the industry and vehicle demand increases. The Company strives to create sustainable profitable growth by using superior technology and maintaining product quality and offering wide range of products at competitive prices which will give us a competitive edge in the market.

There are limited customers in the OE market as a result of which there is stiff competition in the market place. The Company also faces stiff competition with the players in the un-organized sector. To sustain profitability, it is imperative that Company evaluate additional ways of capturing value, including expanding service networks, developing branded generic parts, forward integrating and building scale.

Looking ahead, revenue will improve if Company is able to pursue its strategies. Expansion and diversification will help break into new markets. Technical edge, Specialization, innovation and networking will determine the success of the Company in this globally competitive environment.

(c) Segment wise or product wise performance

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

(d) Outlook

The outlook for the domestic auto industry this year is stable. Low demand in 2013 coupled with a capacity overhang (particularly in passenger vehicles) and intensifying competition is likely to reduce industry operating margins.

Industry expects moderate demand growth during 2013, borne out by the continued slow economic growth and weak signs of recovery in markets. Besides, firm commodity prices would stress cash flows.

The long term prospects for the industry remain strong in line with the outlook for the OEM segment; the industry faces strong challenges in the form of threat of low cost imports, currency volatility and ability to invest on product development to be able to move up the value chain. In terms of customer base, segment mix, product portfolio and geographical footprint - remains a desirable metric as it enhances a company's ability to overcome cash flow variability across business cycles and makes it better equipped to endure cyclical shocks.

(e) Risks and concern

The Company operates in an environment which is affected by various risks some of which are controllable while some are outside the control of the Company. However, the Company has been taking appropriate measures to mitigate these risks on a continuous basis. Some of the risks that are potentially significant in nature and need careful monitoring are listed hereunder:

1. Raw material prices:

Our profitability and cost effectiveness may be affected due to change in the prices of raw materials and other inputs.

2. Foreign Currency Risks:

Exchange rate fluctuations may have an adverse impact on the Company

3. Technical Intensive Industry:

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

4. Cyclical nature of the Industry:

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

5. Increasing competition :

Increasing competition across both OEM's and after market segment, may put some pressure on market share.

6. Excess/ short capacity:

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

(f) Adequacy of Internal Control Systems

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

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

Subsidiary Companies

Annual accounts of the Federal-Mogul TPR (India) Limited, subsidiary company and the related detailed information can be obtained on request by the shareholders of the Company.

These are also available for inspection at the Corporate Office of the Company and at the registered office of the subsidiary between 11 A.M. to 1 P.M.on all working days.

Abridged Financial Statements

In terms of the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956 read with clause 32 of Listing Agreement as modified by SEBI circular no. CIR/CFD/DIL/7/2011dated October 5, 2011 in line with the green initiative of Ministry of Corporate Affairs vide their circular dated April 29, 2011, the Board of directors has decided to circulate the abridged annual report containing salient features of the balance sheet and profit and loss account to the shareholders for the financial year 2012. Full version of the annual report will be available on Company's website www.federalmogulgoetze.com and will also be made available to investors upon request.

In support of the green initiative of the Ministry of Corporate Affairs, the Company has also decided to send all future communications including the annual report through email to those shareholders, who have registered their e-mail id with their depository participant/ Company's registrar and share transfer agent. In case a shareholder wishes to receive a printed copy of such communications, he/she may please send a request to the Company, which will send a printed copy of the communication to the shareholder.

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 2012 and of the profit of the Company for the year ended on that date;
- The Directors have taken proper and sufficient care for the maintenance of adequate accounting records, in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- The Directors have prepared the annual accounts of the Company on a going concern basis.

Directors

Presently your Board consists of Five (5) Directors consisting of Mr. K.N. Subramaniam, Chairman and Non-executive Independent Director, Mr. Sunit Kapur as Managing Director, Mr. Vikrant Sinha, as Whole Time Finance Director & CFO, Mr. Mukul Gupta, Non-executive Independent Director and Mr. Bernhard Motel, Non-Executive Director.

Mr. Dan Brugger has resigned as Whole Time Finance Director of the Company w.e.f 28th February, 2013. The Board records its sincere appreciation for the valuable contribution made by Mr. Dan Brugger during his tenure with the Company. In the Board meeting held on 28th February, 2013, the Board appointed Mr. Vikrant Sinha as Whole Time Finance Director & CFO of the Company.

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

Public Deposits

As at 31st December, 2012, your company had no unclaimed Fixed Deposits. 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, Statutory Auditors have resigned w.e.f October 5, 2012. M/s Walker, Chandiok & Co., Chartered Accountants, New Delhi (Firm Registration No. 001076N) have been appointed (w.e.f November 12, 2012) as Auditors of the Company, by postal ballot, to fill the casual vacancy caused by the resignation of former Statutory Auditors to hold office till the conclusion of ensuing Annual General Meeting and being eligible, offer themselves for re-appointment for the year 2013. They have furnished a certificate to the effect that the re-appointment, if made, will be in accordance with sub-section (1B) of Section 224 of the Companies Act, 1956.

Human Resources

The employee relations have remained cordial throughout the year and industrial harmony was maintained. Measures for the safety, training and development of the employees, continued to receive top priority. The total number of salaried and hourly paid employees, as at 31 December, 2012, stood at 4535.

Safety, Health and Environment Protection

The Company sustained its initiatives to maintain a pollution free environment by reduction/ elimination of waste, optimum utilization of power and preventive maintenance of equipments and machineries to keep them in good condition. Safety and health of the people working in and around the manufacturing facilities is the top priority of the Company and we are committed to improve this performance year after year.

Corporate Social Responsibility

As part of the Corporate Social Responsibility, your Company sponsored a program in SOS Children's Village of India for the education of 171 girls at Bengaluru and Rajpura. The main objective of the program is to ensure the regular education and sustainable academic performance. Accordingly, during the year 2012, your Company contributed an amount of Rs. 20,52,000/- to SOS Children's Village.

Cautionary Statement

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

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

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

Particulars of Employees

Your Directors place on record their deep appreciation for the contribution made by the employees of the Company at all levels. Our industrial relations continue to be cordial.

Information in accordance with the provisions of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended, forms part of this Report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, this Report and Accounts are being sent to all the Members of the Company, excluding the Statement of Particulars of Employees.

Any Member interested in obtaining a copy of the said Statement may write to the Company Secretary of the Company.

Acknowledgement

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

For and on behalf of the Board

Bernhard Motel — Director
Sunit Kapur — Managing Director

Place: Gurgaon

Date: February 28, 2013

ANNEXURE TO THE DIRECTORS' REPORT

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

A. CONSERVATION OF ENERGY

a) Energy conservation measures taken:

- Efficiency improvement of air compressors through arresting of air leakages and relay out of pipe lines from underground to over head.
- Installation of refrigerant type air driers.
- Replacement of inefficient reciprocating compressors with screw compressors
- Improvement in water line used for die cooling process.
- Implementation of energy efficient Silicon Crucible.
- Introduction of medium frequency Induction furnace.
- Improved Power factor through installation of additional capacitors.
- Conventional type heating system replaced with Fibrothal heating system
- Optimum use of Continuous running of sealed quench furnace

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

- Replacement of very old inefficient reciprocating air compressors in Piston group.
- Installation of Refrigerant type air drier of 1000 cfm at Piston.
- Energy management system.
- Solar Energy System for lightening.
- Energy audit of the Plant.
- Use of energy efficient motors and lighting system.

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

The above measures have resulted in reduction in power consumption and savings in energy.

B. TECHNOLOGY ABSORPTION

Research & Development (R&D)

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

- Product development for engines with alternate fuels such as CNG & LPG
- Product development to meet the Emission regulations
- Product development for friction reduction, reduction in lube oil consumption and improving specific fuel consumption
- Product development for reduced piston weight(Elasto oval 2)
- Introduction of different materials and coatings
- Design Optimization through FE analysis
  a. New material models tested for LVD, HD and gasoline pistons
  b. New contact formulations tested to reduce cycle time and to improve pin bore results.
  c. New flexible liner methodology to improve skirt results
  d. Pin fatigue analysis
- Introduction of ID & OD machining technology for rings
- Implementing horizontal Die casting technology for Light Vehicle Diesel pistons
- Implementation of High Strength alloy for light vehicle diesel and gasoline pistons
- Galley cooled pistons production to meet BSIV & BSV emission norms
- Implementation of new coatings for friction & wear protection for pistons
- New ring configurations to meet lower fuel and lube oil consumptions

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

- Introduction of new products to the market.
- Better performance in terms of emission outputs, fuel consumption and lube oil consumption.
- Development of New Business.
- Customer Satisfaction.

3. Future plan of action

- To develop parts for the engines meeting improved performance in terms of fuel consumption, friction and lube oil consumption.
- To work upon better skirt coating materials (AV19 under trials).
- To develop parts for the engines meeting the emission regulations.
- To continue development of new products in a cost efficient manner.
- To upgrade the technology
- Implementation of Magma for casting simulation
- To develop parts for the engines meeting improved performance in terms of fuel consumption, friction and lube oil consumption.
- Low Cost Automation
- Installation of facilities for thin rings with Napier rings with serrations on OD
- To increase capacity for Chrome Ceramic Rings

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

Capital:	Nil
Recurring:	Rs. 36.32 million
Total	Rs. 36.32 million

Total R & D Expenditure as a percentage of total turnover: 0.30%

Technology absorption, adaptation and innovation

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

- The Company has successfully absorbed the technology for the manufacture of piston assembly conforming to Euro II, III, IV and E V standards for Gasoline/Diesel/CNG applications.
- Development of low Cost Anodising Process
- Installation of efficient Plating process for Piston Rings
- Installation of robotic Casting Machines i.e MLDB and Fata
- Implementation of High Strength Alloys for diesel and gasoline pistons

2. Benefits derived as a result of above efforts;

- New Business
- Upgradation in Technology
- Customer Satisfaction
- Higher Product reliability

3. Import of Technology

Technology for	Year of Import	Status
Fata die design / Manufacture	2009	Implemented
Hard anodizing of ring grooves	2009	Implemented
Development of high strength piston material	2010	Implemented
Thin Napier Ring with serrations on OD	2010	Implemented
AV11D coating for pistons	2010	Implemented
Saltcore cleaning equipment	2010	Implemented
Automatic circlip, pin and laser marking	2010	Implemented
Crater Bond Checking Instrument	2010	Implemented
Salt Core Manufacturing	2011	Implemented
Introduction of ID & OD machining technology for rings	2011	Implemented
Development of Tapered contact land oil rings	2011	Trial Successful
Ring Peripheral Coating	2011	In Production
Horizontal Casting of Pistons	2011	In Production
Gallery cooled pistons manufacturing	2011	In Production
New Surface coating materials AV13D	2011	In Production
Robotic casting technology	2011	In Production
Raised Cooling gallery piston	2012	Implemented
Sintered saltcore	2012	Under Trials

Foreign Exchange Earnings & Outgo

1. Exports: The Company made exports worth Rs.771.12 million for the year under review as compared to Rs. 838.94 million for the corresponding previous year.
2. Foreign exchange earned : Rs 771.12 million
   Foreign exchange utilized Rs. 235.60 million

CORPORATE GOVERNANCE REPORT

1. PHILOSOPHY

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

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

2. BOARD OF DIRECTORS

a) Composition: The Board of Directors of the Company has an optimum combination of executive and non-executive directors having rich knowledge and experience in the industry and related sectors for providing strategic guidance and direction to the Company. Presently, the Company has 5 Directors on its Board, out of which 3 are Non Executive Directors. Moreover 2 of the Non Executive Directors are Independent Directors. The Chairman of the Board is a Non - Executive Independent Director. The Non-Executive Independent Directors bring a wide range of expertise and experience to the Board.

During the year, there was no pecuniary relationship or business transaction by the Company with any non-executive Director, other than the sitting fee for attending the Board/ Committee meetings.

b) Details of Board Meetings held during the year 1st January 2012 to 31st December, 2012

Date of Meeting	Board Strength	No. of Directors Present in person	No. of Directors Present through conference call
29th Febuary,2012	5	4	1
8th May,2012	4	3	Nil
8th May,2012	5	4	1
9th August,2012	5	5	Nil
5th October,2012	5	4	Nil
14th November,2012	5	3	Nil

Information placed before the Board :

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

- Annual capital & revenue budgets and updates;
- Quarterly results of the Company;
- Minutes of meetings of Audit Committee and other committees of the Board;
- Information on recruitment and remuneration of senior officers, just below the Board level; including appointment or removal of Chief Financial Officer and the Company Secretary.
- Materially important show cause, demand, prosecution and penalty notices;
- Fatal or serious accidents or dangerous occurrences;
- Any materially relevant default in financial obligations to and by the Company or substantial non-payment for goods sold by the Company;
- Any issue, which involves possible public or product liability claims of substantial nature, including any Judgment or order which, may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that can have negative implication on the Company.
- Details of any joint ventures or collaboration agreement.
- Transaction that involve substantial payment towards goodwill, brand equity or intellectual property.
- Significant labour problems and their proposed solutions;
- Sale of material nature of investments, subsidiaries, assets, which is not in normal course of business.
- Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.
- Non-compliance of any regulatory, statutory nature or listing requirements and shareholder services such as non-payment of dividend, delay in share transfer, etc.

c) Information as required as per the Listing Agreement in respect of Directors being re-appointed is as under:

Mr. K.N. Subramaniam and Mr. Mukul Gupta, Directors are liable to retire by rotation, in the ensuing Annual General Meeting of the Company and being eligible, offer themselves for re-appointment. Items regarding their respective re-appointments have been included in the notice of the ensuing Annual General Meeting.

Mr. K. N. Subramaniam holds a Bachelors degree in Technology (B Tech.,) from University of Madras, and Masters in Business Administration from Indian Institute of Management, Ahmedabad. He has been associated with Automotive industry in India for well over two decades apart from other industries like Oil and Gas, EPC contracts in Water and Waste Water Treatment. He has extensive knowledge and rich experience of Indian Automotive Industry and is well known in the Industry. He had been with Anand Automotive for over 30 years and moved through many of the Group Companies starting from Purolator India Ltd. During the period 1998-2008 he had been President and Director for 3 years and for 7 years as Managing Director and CEO of Gabriel India Ltd.

Mr. Mukul Gupta is a Law Graduate and also has a Bachelors Degree in Economics (Hons) from Meerut University and has been practicing for many years as a Tax Consultant in the field of Sales Tax, Work Contract Tax, VAT and Service Tax. He has been providing Consultancy Services in different areas of tax to large multinationals as well as Reputed Indian Companies. He was the Secretary General for 2009 & 2010 and presently Member of National Executive Council of the All India Federation of Tax Practitioners, Member of the Supreme Court Bar Association, New Delhi since 1985 and was also the Vice President of the Ghaziabad Tax Bar Association in 2001. He is also involved in giving advice to the Government of Uttar Pradesh with respect to improving the System of Sales Tax and implementation of VAT, which is helpful to Industries and Business in general. He was the President of Rotary Club in 1995-96 and received Presidential Citation for Integrity, Love and Peace. He is Member Governing Council of Center of Agrarian Research & Training.

In the Board Meeting held on 28th February, 2013 Mr. Vikrant Sinha was appointed as an Additional Director, effective 28th February, 2013. The Board also appointed him as Whole Time Finance Director & CFO of the Company for a period of 5 years, effective 28th February, 2013.

Mr. Vikrant Sinha aged 52 years is a Management Accountant from the Institute of Cost Accountants of India and has also done MBA from Manchester Business School, Manchester, UK. Mr. Vikrant Sinha has around 28 years of rich experience in the filed of Business Finance, including Accounting, Controlling, Treasury, Tax, Internal Control and Corporate Finance, M&A, Business Restructuring, and Risk Management. He has international exposure covering several countries and cross-functional experience in various areas. Mr. Vikrant Sinha began his career in Tata Steel in 1984 and joined Federal Mogul group in 1995. He has been instrumental in bringing about significant process improvements in accounting and management reporting.

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 2012 to 31st December, 2012 Attendance at		As on 31st December, 2012		
		Board Meeting (Total Meetings held - 6)	Last AGM 11th June 2012	Number of Directorships of other Indian Public Limited Companies (Note1)	Committee Memberships (Note 2)	
					Member	Chairman
Mr. Jean de Montlaur (resigned w.e.f 23rd April, 2012)	MD&P	1	No	-	-	-
Mr. Sunit Kapur (appointed w.e.f 8th May, 2012)	MD	4	Yes	3	2	1
Mr. Dan Brugger (resigned w.e.f 28th Feb., 2013)	WTFD & CFO	5	Yes	2	1	1
Mr. Rainer Jueckstock (resigned w.e.f 8th May,2012)	NED	1	No	-	-	-
Mr. Bernhard Motel (appointed w.e.f 8th May,2012)	NED	2	No	Nil	2	Nil
Mr. Mukul Gupta	NEID	6	Yes	Nil	1	1
Mr. K.N. Subramaniam	CNEID	6	Yes	Nil	2	Nil

CNEID : Chairman and Non-Executive Independent Director
NEID : Non Executive Independent Director
MD&P : Managing Director & President
WTFD&CFO: Whole Time Finance Director & CFO
NED : Non Executive Director
Note1 : The above excludes Foreign Companies, Private Limited Companies and Alternate Directorships.
Note2 : Includes only Audit and Shareholders'/Investors' Grievance committee in all Public Limited Companies.

Code of Conduct

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

3. AUDIT COMMITTEE

a) Composition and Terms of Reference

Presently, the Audit Committee comprises of two Non-Executive Independent Directors and one Non-Executive Director viz. Mr. Mukul Gupta, Chairman (Non-Executive Independent Director), Mr. K.N. Subramaniam, Member (Non-Executive Independent Director) and Mr. Bernhard Motel, Member.

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

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

b) Meetings and Attendance

Details of Audit Committee Meetings held during the year 1st January 2012 to 31st December, 2012

Date of Meeting	Strength of Committee	No. of Members present in person	No. of Members Present through conference call
29th February , 2012	3	2	1
8th May, 2012	3	2	Nil
9th August, 2012	3	3	Nil
5th October, 2012	3	2	Nil
14th November,2012	3	2	Nil

Audit Committee Members Attendance during the Accounting year 2012

Name	Total Meetings held	No. of meetings attended in person	No. of meetings attended through Conference Call
Mr. Mukul Gupta (Chairman)	5	5	Nil
Mr. K.N. Subramaniam	5	5	Nil
Mr. Rainer Jueckstock (resigned w.e.f 8th May, 2012)	5	Nil	1
Mr. Bernhard Motel (appointed w.e.f 8th May,2012)	5	1	Nil

The Audit Committee meeting was also held on 28th February, 2013 to, inter-alia, consider the reappointment of Walker, Chandiok & Co, Chartered Accountants (Firm Registration No. 001076N), as Statutory Auditors of the Company for the Year 2013, review of the audited financial results and Annual Accounts for the year ended 31st December 2012 with the statutory auditors and recommend the same to the Board for approval.

4. REMUNERATION COMMITTEE

At present, the Remuneration Committee of the Company comprises of Mr. K.N. Subramaniam as the Chairman, Mr. Mukul Gupta and Mr. Bernhard Motel as Members.

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

a) Meetings and Attendance

Details of Remuneration Committee Meetings held during the year 1st January, 2012 to 31st December, 2012

Date of Meeting	Strength of Committee	No. of Members present in person	No. of Members Present through conference call
8th May,2012	3	2	Nil

b) Remuneration Committee Members Attendance during the year,2012

Name	Total Meetings held	No. of meetings attended in person	No. of meetings attended through Conference Call
Mr. K.N. Subramaniam (Chairman)	1	1	Nil
Mr. Mukul Gupta	1	1	Nil
Mr. Bernhard Motel (appointed w.e.f 8th May, 2012)	1	Nil	Nil

Details of Remuneration to Directors for the year ended 31st December, 2012

Name of Executive Directors	Remuneration for the year ended 2012	(Rs. In lacs)	Service contract
Mr. Jean de Montlaur	- Salaries	387.49	Resigned w.e.f. 23.04.2012
	- Contribution to Provident & Other funds	8.88	
	-Other Perquisites	61.75	
		458.11	
Mr. Dan Brugger	- Salaries	148.53	Resigned w.e.f. 28.02.2013
	- Contribution to Provident & Other funds	8.14	
	- Other Perquisites	19.24	
		175.91	
Mr. Sunit Kapur	- Salaries	87.61	08.05.2012 to 07.05.2017
	- Contribution to Provident & Other funds	2.75	
	- Other Perquisites	1.17	
		91.52	

Notes:
1. During the period under review, the Non-Executive Independent Directors received sitting fees of Rs. 20,000/- each for the meetings of the Board, Audit Committee, Shareholders' / Investors' Grievance Committee, Remuneration Committee, and Rs. 15,000/- each for Share Transfer Committee meetings attended by them. There are no other pecuniary relationships or transactions with the Company.
2. The Company does not have any stock option scheme.

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

5. SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

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

Name of the Director	Designation in the Committee	Nature of Directorship
Mr. Bernhard Motel	Chairman	Non-Executive Director
Mr. Mukul Gupta	Member	Non- Executive Independent Director
Mr. K.N. Subramaniam	Member	Non-Executive Independent Director
Mr. Sunit Kapur	Member	Managing Director
Mr. Vikrant Sinha	Member	Whole Time Finance Director & CFO

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

A) Meetings and Attendance

Details of Shareholders'/ Investors' Grievance Meetings held during the year 1st January 2012 to 31st December, 2012

Date of Meeting	Strength of Committee	No. of Members Present in person	No. of Members Present through conference call
29th February, 2012	5	4	Nil
8th May, 2012	5	3	Nil
9th August 2012	5	5	Nil
14th November, 2012	5	4	Nil

B) Shareholders'/Investors' Grievance Committee Members Attendance during the year 2012

Name	Total Meetings held	No. of Meetings attended in person	No. of Meetings attended through Conference Call
Mr. Rainer Jueckstock (Chairman) (resigned w.e.f 8th May, 2012)	4	Nil	Nil
Mr. Bernhard Motel (Chairman) (appointed w.e.f 8th May,2012)	4	1	Nil
Mr. Mukul Gupta	4	3	Nil
Mr. K.N. Subramaniam	4	3	Nil
Mr. Jean de Montlaur (resigned w.e.f 23rd April, 2012)	4	1	Nil
Mr. Dan Brugger (resigned w.e.f 28th February, 2013)	4	3	Nil
Mr. Sunit Kapur (appointed w.e.f 8th May,2012)	4	1	Nil

- Details of number of investor complaints for the year ended 31 December, 2012 are : Beginning 0 , Received 0, Disposed off 0, Pending 0.
- The letters received from shareholders for routine matters such as requests for revalidation of dividend warrants; non-receipt of Annual Report, Dividend warrants were redressed/resolved/replied promptly in usual and proper manner to the entire satisfaction of the shareholders.
- There were no requests pending for Share Transfer or Transmission as on 31st December, 2012. Further, there were no request pending for demat as on 31st December, 2012.
- The Company has transferred the matured deposits, interest thereon remaining unclaimed and unpaid for a period of 7 years from the due date to the Investor Education and Protection Fund set up by the Central Government pursuant to the provisions of Section 205A, read with Section 205C of the Companies Act, 1956. During the year ended 31 December, 2012 the Company has credited a sum of Rs. 12,05,005/- to the Investor Education and Protection Fund pursuant to the said provisions.

7. ANNUAL GENERAL MEETINGS

Year	Location	Date & Time	Whether any special resolution passed
55th AGM (2009)	Sri Sathya Sai International Centre, Institutional Area, Pragati Vihar, Lodhi Road, New Delhi-110003	25th June, 2010 10.00 A.M.	1. To consider and approve the waiver of refund of the excess remuneration paid to Mr. Arun Anand, erstwhile Vice Chairman, Managing Director & CEO, for the period from 1st April 2006 to 31st December, 2006.
56th AGM (2010)	Sri Sathya Sai International Centre, Institutional Area, Pragati Vihar, Lodhi Road, New Delhi-110003	9th May 2011 3.00 P.M.	No
57th AGM (2011)	Sri Sathya Sai International Centre, Institutional Area, Pragati Vihar, Lodhi Road, New Delhi-110003	11th June, 2012 3.00 P.M.	1. To consider and approve the appointment and terms of appointment of Mr. Sunit Kapur as the Managing Director of the Company

Postal Ballot:

During the year 2012, the Company sought approval from its shareholders for passing Ordinary Resolution through the process of Postal Ballot in accordance with the provisions of Section 192A of the Act read with the Companies (Passing of the Resolutions by Postal Ballot) Rules, 2011.

The Company had appointed Mr. Sanjay Grover, Practicing Company Secretary as the Scrutinizer for conducting the entire Postal Ballot process in a fair and transparent manner.

The declared results of the Postal Ballot were announced through newspapers and were also displayed on the website of the Company, www.federalmogulgoetze.com . Details of the same are given below:

Resolutions passed on 12th November, 2012 (Notice dated 5th October, 2012) Particulars Details/Dates

RESULT OF POSTAL BALLOT

Pursuant to the Postal Ballot Notice dated 5th October, 2012 result of Postal Ballot was declared on 12th November, 2012 at the registered office of the company at 1600 Hours. Result of the Postal Ballot, declared on the basis of scrutinizer's report is summarized as follows:

- **Particulars:** Approval of the appointment of M/s Walker, Chandiok & Co. Chartered Accountants (Firm Registration No. 001076N), New Delhi as the Statutory Auditors of the Company to fill the casual vacancy caused by the resignation of the former Statutory Auditors M/s S.R. Batliboi & Co. Chartered Accountants (Firm Registration No. 301003E).
- **Resolution required:** Ordinary
- **Mode of voting:** Postal Ballot/ E-voting

Promoter/ Public	No. of Shares held (1)	No. of vote polled (2)	% of Votes Polled on outstanding shares (3)=[(2)/(1)] *100	No. of Votes - in favour (4)	No. of Votes against (5)	% of Votes in favour of votes polled (6)=[(4)/(2)]*100	% of Votes in against on vote polled (7)=[(5)/ (2)]*100
Promoter and Promoter Group	4,17,15,454	4,17,15,454	100%	4,17,15,454	0	100%	0%
Public- Institutional holders	74,69,737	1,02,332	1.36%	94,202	0	92.05%	0%
Public - Others	64,46,939	6,054	0.09%	5,460	185	90.18%	3.05%
Total	5,56,32,130	4,18,23,840	75.17%	4,18,15,116	185	99.97%	0%

Accordingly, the Ordinary Resolution as set out in the Postal Ballot Notice has been approved by the Shareholders with requisite majority.

No further resolutions have been passed by the Company's shareholders during the year ended 31st December 2012. At the ensuing Annual General Meeting, there is no resolution proposed to be passed by postal ballot.

7. DISCLOSURES

• Disclosure on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large	- 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 holds any share in the Company.
• Details of non compliance by the Company, penalties and strictures imposed on the Company by Stock Exchanges or SEBI or any statutory authority, on any matter related to capital markets, during the past three years.	- None
• Whistle Blower Policy	- The Company has established a Whistle Blower Policy for employees to report concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy. This policy provides for adequate safeguards against victimization of employees who avail of the mechanism.
• Details of Compliance with mandatory requirements and adoption of the non-mandatory requirements	- As on date, the Company is in full compliance with the mandatory requirements of Clause 49. Further, following Non-mandatory requirements are also adopted by the Company : 1. At present, the Chairman of the Board is a Non-executive Independent Director. 2. The Board has established a Remuneration Committee in accordance with the provisions of Clause 49. 3. The Company has established a Whistle Blower policy and appropriately communicated the same within the organization.

8. MEANS OF COMMUNICATION

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

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

9. GENERAL SHAREHOLDERS INFORMATION

a. 58th Annual General Meeting	
- Date and Time	10th May, 2013 at 3.00 P.M.
- Venue	Sri Sathya Sai International Centre Institutional Area, Pragati Vihar, Lodhi Road, New Delhi-110003
b. Financial Year	January 1 to December 31
c. Financial Calendar (Tentative)	
- Results for the quarter ending March 31, 2013	Last week of April 2013
- Results for the quarter/half year ending June 30, 2013	Last week of July 2013
- Results for the quarter/period ending September 30, 2013	Last week of October 2013
- Results for the quarter/year ending 31 December, 2013	Last week of February, 2014
- Annual General Meeting for the year ending 31 December, 2013	Last week of June 2014
d. Book Closure date	29th April, 2013 to 10th May, 2013 (both days inclusive)
e. Listing on Stock Exchanges	**- 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. **(See Note)**
f. Stock Code	Mumbai Stock Exchange-505744 National Stock Exchange-FMGOETZE
ISIN No.-NSDL	INE 529A01010
- CDSL	INE 529A01010

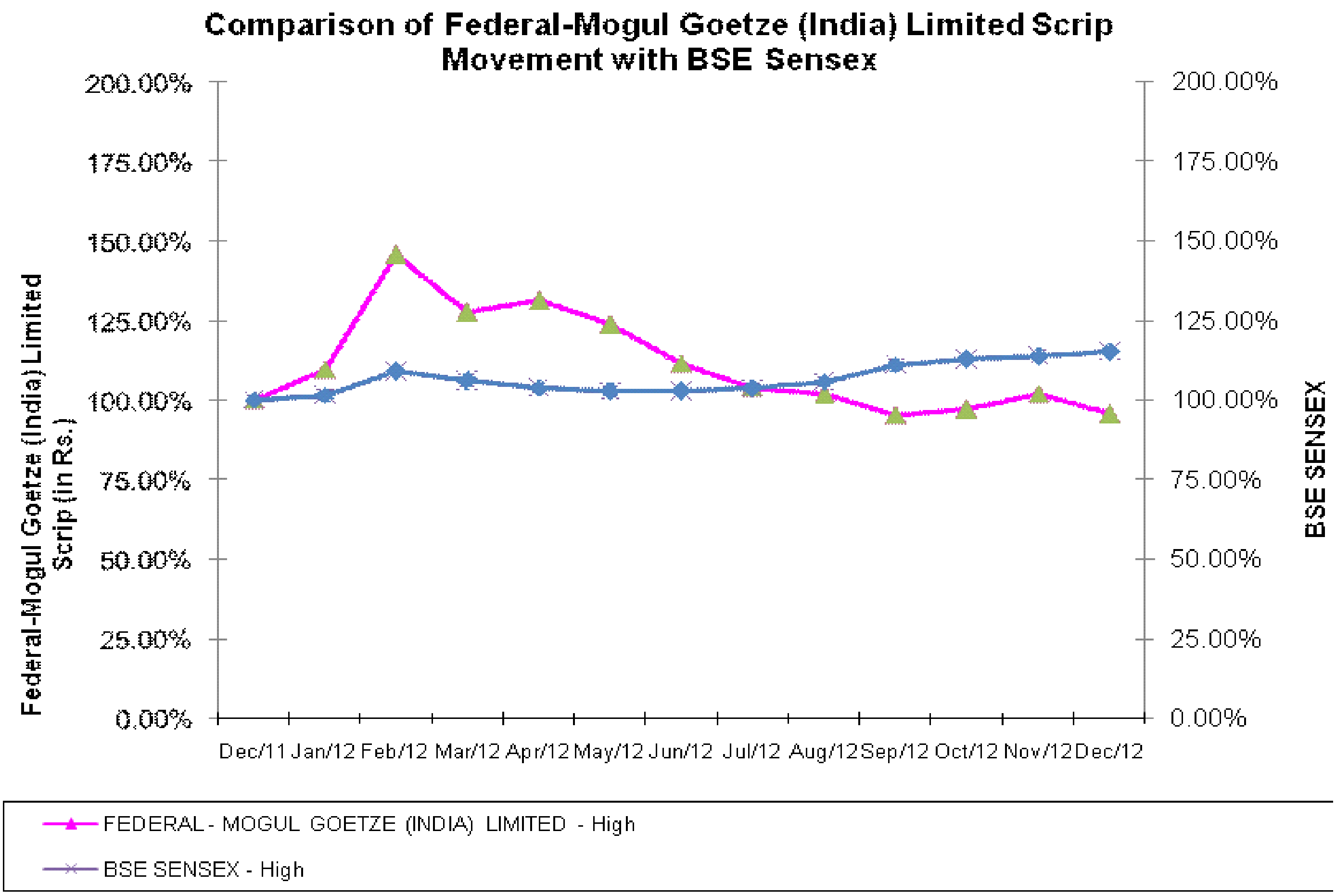
Note: Listing Fees for the year 2012-2013 has been paid to both, Bombay Stock Exchange Limited and National Stock Exchange. Annual custodian charges of Depository have also been paid to NSDL and CDSL.

g. Stock Market Data*

	Bombay Stock Exchange, Mumbai				National Stock Exchange, Mumbai			
	Federal-Mogul Goetze (India) Limited's Share Price (Rs.)		Sensex		Federal-Mogul Goetze (India) Limited's Share Price (Rs.)		S&P CNX Nifty	
Month	High	Low	High	Low	High	Low	High	Low
Dec 2011	230.00	193.80	17003.71	15135.86	231.60	193.30	5099.25	4531.15
Jan 2012	252.00	190.45	17258.97	15358.02	251.00	196.95	5217	4588.05
Feb 2012	335.00	249.60	18523.78	17061.55	335.00	242.35	5629.95	5159
Mar 2012	292.90	252.50	18040.69	16920.61	298.90	250.25	5499.4	5135.95
April 2012	302.00	255.00	17664.10	17010.16	302.95	266.30	5378.75	5154.3
May 2012	284.40	251.00	17432.33	15809.71	288.00	226.00	5279.6	4788.95
June 2012	256.50	216.20	17448.48	15748.98	261.65	215.90	5286.25	4770.35
July 2012	239.00	202.10	17631.19	16598.48	235.00	202.00	5348.55	5032.4
Aug. 2012	234.00	193.25	17972.54	17026.97	234.00	206.25	5448.6	5164.65
Sept. 2012	219.03	200.50	18869.94	17250.80	218.30	202.30	5735.15	5215.7
Oct. 2012	223.30	195.05	19137.29	18393.42	210.75	194.50	5815.35	4888.2
Nov 2012	234.40	192.50	19372.70	19149.03	219.25	191.60	5885.25	5548.35
Dec. 2012	219.50	194.00	19612.18	19149.03	216.00	193.00	5965.15	5823.15

* 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. Presently, the Share Transfer Committee comprises of Mr. Vikrant Sinha, Chairman, Mr. Mukul Gupta, Mr. K.N. Subramaniam and Mr. Sunit Kapur as Members.
- 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 20 times during the year 2012 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.

j. Distribution Schedule as on 31/12/2012

A] On the basis of shares held

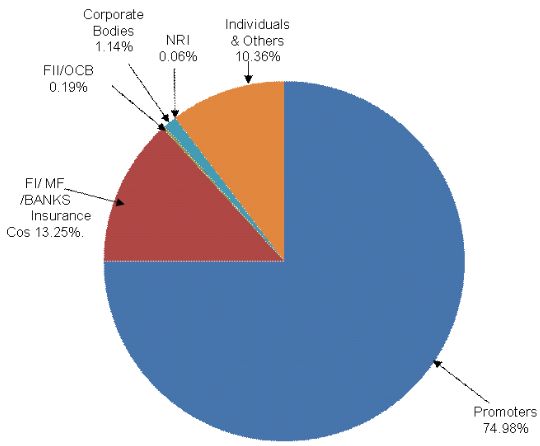
No. of shares	No. of Shareholders	Percentage to total Shareholders	No. of shares held	Percentage to total shares held
UPTO 5000	19309	99.60	2525248	4.54
5001 - 10000	37	0.19	268248	0.48
10001 - 20000	13	0.07	181599	0.33
20001 - 30000	4	0.02	102484	0.18
30001 - 40000	3	0.02	105317	0.19
40001 - 50000	2	0.01	90718	0.16
50001 -100000	2	0.01	130439	0.24
ABOVE 100000	16	0.08	52228077	93.88
TOTAL	**19386**	**100.00**	**55632130**	**100.00**

B] On the basis of Category

Category	No. of Shareholders	Percentage to total Shareholders	No. of shares held	Percentage to total shares held
INDIVIDUALS	18861	97.29	5760207	10.35%
CORPORATE BODIES	352	1.82	633799	1.14%
FINANCIAL INSTITUTIONS / MUTUAL FUNDS/ BANKS/ INSURANCE COMPANIES	24	0.12	7372749	13.25%
NON-RESIDENT INDIANS	130	0.67	35825	0.06%
FOREIGN INSTITUTIONAL INVESTORS/ OVERSEAS CORPORATE BODIES	11	0.06	108033	0.19%
PROMOTERS (NON-RESIDENT COMPANY)	2	0.01	41715454	74.98%
OTHERS	6	0.03	6063	0.01%
TOTAL	**19386**	**100.00**	**55632130**	**100.00**

FEDERAL MOGUL
GOETZE INDIA

Distribution of Shares of Federal- Mogul Goetze (India) Limited
(As on 31/12/12)



k. Dematerialization of shares and Liquidity

As on 31st December 2012, 98.96% of the Equity Capital of the Company has been dematerialized .The shares of the company are traded on Bombay Stock Exchange Limited Mumbai and the National Stock Exchange of India Limited, Mumbai and have good liquidity.

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

m. Plant Locations :

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

n. Corporate office:

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

Registered office:

7870-7877, F-1 Roshanara Plaza Building, Roshanara Road, Delhi -110007
Tel No: 011-23827435 / Fax No.: 011-30489308
email: investor.grievance@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. Khalid Khan, Company Secretary

For and on behalf of the Board

Sunit Kapur
Managing Director

Bernhard Motel
Director

Date : February 28, 2013.
Place : Gurgaon

DECLARATION OF MD

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, 2012.

Date : February 28, 2013
Place : Gurgaon

Sunit Kapur
Managing Director

CERTIFICATE ON CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT

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

We have examined the compliance of conditions of Corporate Governance of Federal-Mogul Goetze (India) Limited for the year ended 31st December, 2012 as stipulated in Clause 49 of the Listing Agreement of Company with the Stock Exchange in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. The examination was limited to a review of the procedure and implementation thereof, adopted by the Company for ensuring the compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of the information provided and according to the explanations given, it is certified that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We state that in respect of Investors grievances received during the year ended 31st December 2012, no investor grievances were pending against the Company for a period exceeding one month as per the records maintained by the Company which were presented to the shareholders/Investor Grievance Committee. All the investor grievances against the Company were resolved amicably.

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

For DEEPIKA GERA,
COMPANY SECRETARIES

Place : New Delhi
Date : February 28, 2013

DEEPIKA GERA
C.P. No. : 7487

AUDITOR'S 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 31 December 2012, and also the Statement of Profit and Loss and the Cash Flow Statement for the year ended on that date annexed thereto (collectively referred as the 'financial statements'). 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 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 required by the Companies (Auditor's Report) Order, 2003 ('the Order') (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 ('the Act') , we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
4. *As detailed in note 47 of the accompanying financial statements, the Company is pursuing a matter regarding certain discrepancies noted in availing sales tax benefits. The matter is currently pending with the appropriate authorities, management based on certain internal assessment has accrued a provision to an extent of Rs. 625.81 lacs (including estimated interest and penalties) to meet future tax obligations. Out of this provision, the Company has deposited Rs 398.03 lacs with the appropriate authorities during the year. However, the extent of exact future liabilities that may arise is presently not determinable. Accordingly, we are unable to comment upon the adequacy of provision recorded in this respect and the consequential impact of the outcome of the proceedings.*
5. 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 financial statements dealt with by this report are in agreement with the books of account;
   (d) On the basis of written representations received from the directors, as on 31 December 2012 and taken on record by the Board of Directors, none of the directors is disqualified as on 31 December 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
   (e) *Subject to our comments in Para 4 above,* in our opinion and to the best of our information and according to the explanations given to us, the financial statements dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act and give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, in the case of:
   (i) the Balance Sheet, of the state of affairs of the Company as at 31 December 2012;
   (ii) the Statement of Profit and Loss, of the loss for the year ended on that date; and
   (iii) the Cash Flow Statement, of the cash flows for the year ended on that date.

For Walker, Chandiok & Co
Chartered Accountants
Firm Registration No. 001076N

per David Jones
Partner
Membership No.: 98113

Place : New Delhi
Date : February 28, 2013

Annexure to the Auditors' Report of even date to the members of Federal-Mogul Goetze (India) Limited, on the financial statements for the year ended 31 December 2012

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, we report that:

i. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
   (b) The Company has a regular program of physical verification of its fixed assets under which fixed assets are verified in a phased manner 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. No material discrepancies were noticed on such verification.
   (c) In our opinion, a substantial part of fixed assets has not been disposed off 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 not granted any loan, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clauses 4(iii)(b) to 4(iii)(d) of the Order are not applicable.

(b) 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 Act. Accordingly, the provisions of clauses 4(iii)(f) and 4(iii)(g) of the Order are not applicable.

iv. In our opinion, 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) The Company has not entered into any contracts or arrangements referred to in Section 301 of the Act. Accordingly, the provisions of clause 4(v) of the Order are not applicable.

vi. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the Companies (Acceptance of Deposits) Rules, 1975. Accordingly, the provisions of clause 4(vi) of the Order are not applicable.

vii. In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.

viii. We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that *prima facie* the prescribed cost records have been maintained. We have, however, not done a detailed examination of the cost records with a view to determine whether they are accurate or complete.

ix. a) Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service-tax, custom duty, excise duty, cess and other material statutory dues, as applicable, have generally been regularly deposited with the appropriate authorities, *except in case of Undisputed amounts payable in respect of Central Sales Tax, which is outstanding at the year-end for a period of more than six months from the date they became payable are as follows:*

Name of the statute	Nature of the dues	Amount (Rs)	Period to which the amount relates	Due Date	Date of Payment
Central Sales Tax	Liability related to CST	236.78 lacs	FY 2005-06 to FY 2008-09	-	-

b) The dues outstanding in respect of sales-tax, income-tax, custom duty, wealth-tax, excise duty, cess on account of any dispute, are as follows:

Name of the statute	**Nature of dues**	**Amount (Rs. Lacs)**	**Period to which the amount relates**	**Forum where dispute is pending**
The Central Excise Act,1944	Trade discount	33.74	2000 - 2004	Joint Commissioner of Central Excise, Banguluru
The Central Excise Act,1944	Excise duty on turnover discount	42.71	2000 - 2003	Central Excise and Service Tax Appellate Tribunal, Chennai
The Central Excise Act,1944	Excise duty on turnover discount	214.50	2001 - 2006	Central Excise and Service Tax Appellate Tribunal, Chandigarh
The Central Excise Act,1944	Cenvat credit availed twice	5.04	2005-07	Central Excise and Service Tax Appellate Tribunal, Banguluru
The Central Excise Act,1944	Demand on removal of non-saleable stock removed from RG-1	8.57	July 2005 to December 2005	Central Excise and Service Tax Appellate Tribunal, Banguluru
The Central Excise Act,1944	Excise duty on capital goods	3.19	2010-11	Assistant Commissioner (Central Excise), Bhiwadi, Rajasthan
The Central Excise Act,1944	Classification of Light metal cylinder casting	6.97	1998-1999	Joint Commissioner of Central Excise, Patiala Punjab
The Central Excise Act,1944	Demand on sale of various types of scrap	3.33	2001.2002	Joint Commissioner of Central Excise, Patiala Punjab
The Central Excise Act,1944	Demand in respect of Modvat credits on Input and Capital goods	6.17	1995-1996,1997-1998, 1998-1999,2003-2004	Joint Commissioner of Central Excise, Patiala Punjab
The Central Excise Act,1944	Modvat credit on grinding wheels, stones, honing sticks	9.34	1987-1990	Honorable High Court of Punjab and Haryana
The Central Excise Act,1944	Interest on reversal of SAD	14.02	2000-2001	Central Excise & Service Tax Appellate Tribunal, Chandigarh
The Central Excise Act,1944	Conversion of Aluminum Scrap into Ingots from Colts department	15.14	2000-2002	Honorable Supreme Court
Finance Act, 1994 (Service Tax)	Input tax credit on various expenses	0.09	2008-2009	Commissioner (Appeals), Jaipur, Rajasthan
Finance Act, 1994 (Service Tax)	Input tax credit on various expenses	79.02	2009-2010 to 2011-2012	Superintendent, Bhiwadi, Rajasthan
Finance Act, 1994 (Service Tax)	Input tax credit on various expenses	895.38	2005-2011	Central Excise and Service Tax Appellate Tribunal, Banguluru
Finance Act, 1994 (Service Tax)	Input tax credit on various expenses	153.84	2010-12	Commissioner of Central Excise, Banguluru
Finance Act, 1994 (Service Tax)	Disallowance of service tax credit on various services	96.11	2005-2011	Joint Commissioner of Central Excise, Patiala, Punjab
Finance Act, 1994 (Service Tax)	Disallowance of service tax credit on various services	19.18	2006-2007	Central Excise and Service Tax Appellate Tribunal, Chandigarh
Finance Act, 1994 (Service Tax)	Input credit on various services	5.09	2008-09	Superintendent Audit, Patiala, Punjab
Finance Act, 1994 (Service Tax)	Service tax on royalty and technical know how	39.95	1999-2005	Joint Commissioner of Central Excise, Patiala, Punjab
Finance Act, 1994 (Service Tax)	Payment of Service Tax under GTA on inwards/outwards freight	67.02	2005-2008	Joint Commissioner of Central Excise, Patiala, Punjab
Finance Act, 1994 (Service Tax)	Availment of Cenvat on Job work charges	152.21	2011-2012	Commissioner Central Excise, Banguluru
Finance Act, 1994 (Service Tax)	Payment of Service Tax under GTA	78.14	2009-2012	Superintendent
Finance Act, 1994 (Service Tax)	Input tax credit on various expenses	4.28	2011-2012	Superintendent
Karnataka VAT Act, 2003	Difference in VAT rates (classification issue)	301.38	1998-1999 to 2001-2002 and 2007-08	Honorable High Court of Karnataka
Karnataka VAT Act, 2003	Difference in VAT rates (classification issue)	278.51	2005-06	Honorable High Court of Karnataka

Name of the statute	Nature of dues	Amount (Rs. Lacs)	Period to which the amount relates	Forum where dispute is pending
Income tax Act, 1961	Disallowance of expenditure in relation to exempt income	3.05	2000-2001	Honorable High Court
Income tax Act, 1961	Disallowance of expenditure in relation to exempt income	10.59	2001-2002 & 2004-05	Commissioner Income Tax (Appeals)
Income tax Act, 1961	Interest free loan to subsidiary	105.48	2006-07 & 2007-2008	Commissioner Income Tax (Appeals)
Income tax Act, 1961	Disallowance of development expenditure treated as capital in nature	68.45	2001-2002	Commissioner Income Tax (Appeals)
Income tax Act, 1961	Disallowance of development expenditure treated as capital in nature	11.61	2002-2003	Income Tax Appellate Tribunal
Income tax Act, 1961	Disallowance of prior period expenses	92.64	2001-2002 & 2007-2008	Commissioner Income Tax (Appeals)
Income tax Act, 1961	Disallowance of prior period expenses	57.57	2002-2003	Income Tax Appellate Tribunal
Income tax Act, 1961	Depreciation not allowed on assets of inactive Vegetable Oil Division	10.17	2001-2002	Commissioner Income Tax (Appeals)
Income tax Act, 1961	Depreciation not allowed on assets of inactive Vegetable Oil Division	9.53	2002-2003	Income Tax Appellate Tribunal
Income tax Act, 1961	Loss in relation to diminution in value of shares disallowed	12.39	2001-2002	Commissioner Income Tax (Appeals)
Income tax Act, 1961	Disallowance of Commission and brokerage expenses for facilitating loan funds	6.52	2001-2002	Commissioner Income Tax (Appeals)
Income tax Act, 1961	Disallowance of Commission and brokerage expenses for facilitating loan funds	37.76	2002-2003	Income Tax Appellate Tribunal
Income tax Act, 1961	Disallowance of loan processing fees paid to bank	33.99	2002-2003	Income Tax Appellate Tribunal
Income tax Act, 1961	Disallowance of foreign exchange fluctuation loss	5.04	2002-2003	Income Tax Appellate Tribunal
Income tax Act, 1961	Brought forward losses of the amalgamating company denied	5,674.45	2002-2003	Income Tax Appellate Tribunal
Income tax Act, 1961	Disallowance of filing fees for increasing authorized share capital of the Company	2.21	2002-2003	Income Tax Appellate Tribunal
Income tax Act, 1961	Disallowance for amalgamating expenses	0.69	2002-03	Income Tax Appellate Tribunal
Income tax Act, 1961	Provision for expenses disallowed	85.17	1997-1998	Honorable High Court
Income tax Act, 1961	Provision for expenses disallowed	57.64	2002-2003	Income Tax Appellate Tribunal
Income tax Act, 1961	Disallowance of proportionate royalty expense	39.52	2003-2004 & 2005-2006	Income Tax Appellate Tribunal
Income tax Act, 1961	Disallowance of proportionate royalty expense	103.47	2004-2005 & 2007-2008	Commissioner Income Tax (Appeals)
Income tax Act, 1961	Distribution of gift coupons to shareholders at Annual General Meeting	16.54	1995-1996 & 1996-1997	Honorable High Court
Income tax Act, 1961	Disallowance of exemption on dividend	66.55	1998-1999	Honorable High Court
Income tax Act, 1961	Addition of Revaluation Reserves to book profits	16.71	1998-1999	Honorable High Court
Income tax Act, 1961	Provision for diminution in the value asset added to book profits	38.75	2005-2006	Income Tax Appellate Tribunal
Income tax Act, 1961	Apportionment of common administrative costs	1.52	1997-1998	Honorable High Court
Income tax Act, 1961	Disallowance of lease rent expenses	345.80	1997-1998	Honorable High Court
Income tax Act, 1961	Applicability of interest u/s 234D	0.51	2000-2001	Honorable High Court
Income tax Act, 1961	Disallowance of expenditure in relation to exempt income	21.21	1999-2000	Honorable High Court
Income tax Act, 1961	Addition to Revaluation Reserves to book profits	17.65	1999-2000	Honorable High Court
Income tax Act, 1961	Loss in relation to diminution in value of shares disallowed	19.23	2004-2005	Commissioner Income Tax (Appeals)
Income tax Act, 1961	Disallowance of Club expenses	2.80	2007-2008	Commissioner Income Tax (Appeals)
Delhi VAT	VAT on assets transaferred to Anil Nanda	64.98	2007-2008	Commissioner (Appeals), Delhi
UP VAT	Difference in VAT rates (classification issue)	82.78	2007-2008	Commissioner (Appeals), Ghaziabad
Karnataka Tax on Entry of Goods Act, 1979	Entry tax on import of capital goods	147.67	2006-2007	Honorable Supreme Court
Karnataka Tax on Entry of Goods Act, 1979	Entry tax on import of capital goods	116.52	2007-2008	Honorable Supreme Court
Karnataka Tax on Entry of Goods Act, 1979	Entry tax on import of capital goods	118.00	2008-2009	Honorable Supreme Court
Karnataka Tax on Entry of Goods Act, 1979	Entry tax on import of capital goods	12.43	2009-2010	Honorable Supreme Court
Karnataka Tax on Entry of Goods Act, 1979	Entry tax on import of capital goods	16.03	2010-2011	Honorable Supreme Court

x. In our opinion, the Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and the immediately preceding financial year.

xi. The Company has not defaulted in repayment of dues to any bank or financial institution during the year. The Company did not have any outstanding debentures during the year.

xii. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of clause 4(xii) of the Order are not applicable.

xiii. In our opinion, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society. Accordingly, the provisions of clause 4(xiii) of the Order are not applicable.

xiv. In our opinion, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable.

xv. In our opinion, the terms and conditions on which the Company has given guarantee for loans taken by others from banks or financial institutions are not, prima facie, prejudicial to the interest of the Company.

xvi. In our opinion, the Company has applied the term loans for the purpose for which these loans were obtained.

xvii. *In our opinion, the Company has used funds raised on short-term basis for long-term investment. The Company has accepted short term borrowings amounting to Rs. 5242.21 which are both repayable on demand or within one year and such funds have been invested for acquiring non-current assets of the Company.*

xviii. During the year, the Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clause 4(xviii) of the Order are not applicable.

xix. The Company has neither issued nor had any outstanding debentures during the year. Accordingly, the provisions of clause 4(xix) of the Order are not applicable.

xx. The Company has not raised any money by public issues during the year. Accordingly, the provisions of clause 4(xx) of the Order are not applicable.

xxi. According to the information and explanations given to us and as described in note 44 to the financial statements, there were certain discrepancies in respect of availing sales tax benefits at one of the units of the Company which, at present, are being further investigated by management. No fraud on or by the Company has been noticed or reported during the period covered by our audit other than the matter mentioned above.

For Walker, Chandiok & Co.
Chartered Accountants
Firm Registration No.: 001076N

per David Jones
Partner
Membership No.: 98113

Place : New Delhi
Date : February 28, 2013

Abridged Balance Sheet as at 31 December, 2012

(Statement containing salient features of Balance Sheet as per Section 219(1)(b)(iv) of the Companies Act, 1956)

		As at 31 December, 2012 Rs (in lacs)		As at 31 December, 2011 Rs (in lacs)
SOURCES OF FUNDS				
Shareholders' Funds				
Capital				
(i) Equity		**5,563.21**		5,563.21
Reserves and surplus				
i. Capital Reserve	**56.55**		56.55	
ii. Capital Subsidy	**1.12**		1.12	
iii. Securities Premium Account	**26,750.74**		26,750.74	
iv. Capital Redemption Reserve	**1,000.00**		1,000.00	
v. Surplus in Profit & Loss Account	**6,511.74**	**34,320.15**	8,147.48	35,955.90
		39,883.37		41,519.11
Loan Funds				
Short term borrowings		**19,021.30**		14,479.80
Long term borrowings		-		400.00
		19,021.30		14,879.80
Deferred Tax Liabilities (net)		**1,430.99**		1,459.35
Total		**60,335.66**		57,858.26
APPLICATION OF FUNDS				
Fixed Assets				
Gross block		**90,113.56**		81,340.71
Less: Accumulated depreciation & amortisation		**44,163.56**		38,877.53
Net block (Original cost less depreciation)		**45,950.00**		42,463.19
Capital work-in-progress		**3,607.27**		3,673.09
		49,557.27		46,136.28
Investments				
Investments in Subsidiary Companies	**510.00**		1,020.00	
Government Securities	-		1.42	
Investments in Associate Companies	-	**510.00**	1,070.92	2,092.34
Deferred Tax Assets-(Net)		-		-
Assets, Loans and Advances				
Inventories		**13,346.05**		13,920.16
Sundry debtors		**15,047.19**		15,069.79
Cash and bank balances		**177.10**		211.96
Other assets		**392.96**		872.29
Loans and advances		**6,576.31**		7,394.57
(A)		**35,539.60**		37,468.77
***Less:* Liabilities and Provisions**				
Liabilities		**19,338.43**		23,230.76
Provisions		5,932.78		4,608.38
Total Current Liabilities and Provisions (B)		**25,271.21**		27,839.13
Net Current Assets (A-B)		**10,268.39**		9,629.64
Miscellaneous Expenditure (to the extent not written off or adjusted) Debit balance in profit and loss account		**0.00**		0.00
Total		**60,335.66**		57,858.26

Notes to Accounts
Notes to abridged financial statements form an integral part of Abridged Balance Sheet.
This is the Balance Sheet referred to in our report of even date

For Walker, Chandiok & Co
Chartered Accountants

per David Jones
Partner

Place: Gurgaon
Date: February 28, 2013

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

Sunit Kapur
Managing Director

Bernhard Motel
Director

Khalid Khan
Company Secretary

Abridged Profit & Loss Account for the year ended 31 December, 2012

(Statement containing salient features of Profit and Loss Account as per Section 219(1)(b)(iv) of the Companies Act, 1956) **Rs (in lacs)**

		For the year ended 31 December, 2012		For the year ended 31 December, 2011
INCOME				
Turnover (Gross)		**1,20,725.96**		1,15,444.35
Less : Excise duty		**11,297.93**		9,398.49
Turnover (Net)		**1,09,428.04**		1,06,045.85
Job work income		**1,161.03**		1,136.23
Trading sales		**4,749.84**		4,724.00
Interest		**10.86**		23.32
Dividend		**29.01**		759.90
Other income		**4,693.77**		4,224.46
Total		**1,20,072.55**		1,16,913.77
EXPENDITURE				
Cost of goods consumed:				
i. Opening stock	**2,843.30**		2,097.07	
ii. Purchases	**42,503.15**		43,565.23	
Less:				
i. Closing stock	**2,146.70**		2,843.30	
		43,199.75		42,819.00
Purchase of trading goods		**3,600.36**		3,656.35
Personnel expenses		**22,785.40**		20,736.53
Manufacturing expenses		**25,025.07**		22,114.99
Selling expenses		**5,466.65**		5,045.41
Other operating expenses		**11,666.82**		11,383.44
Auditors remuneration		**55.19**		61.00
Managerial Remuneration		**725.54**		594.98
Decrease/ (increase) in inventories		**(1,107.82)**		(2,441.14)
Depreciation/ amortisation		**6,193.52**		5,365.89
Increase/ (decrease) of excise duty on finished goods		**232.17**		170.40
Amortisation of miscellaneous expenses		**-**		239.90
Financial expenses		**2,988.00**		2,485.66
Less: Expenditure capitalised for self constructed assets		**-**		-
Total		**1,20,830.68**		1,12,232.42
(Loss) / Profit before exceptional items, tax and prior period items		**(758.12)**		4,681.35
Exceptional items		**(625.81)**		-
		(1,383.93)		4,681.35
Provision for Tax				
Current year income tax	**289.46**		1,626.89	
Less: MAT credit entitlement	**(9.29)**	**280.17**	(392.87)	1,234.01
Less: Reversal of provision for earlier years (Current year Rs. Nil, Previous year Rs. 3.68 lacs)				
Tax expense for prior years		**-**		-
Deferred tax charge		**(28.36)**		(116.18)
Total Tax Expense		**251.82**		1,117.84
Profit after tax but before prior period item		**(1,635.74)**		3,563.52
"Prior period items (net of tax Rs. 20.08 lacs (Previous year Rs. Nil))”"		**-**		182.65
Profit after tax, prior period item		**(1,635.74)**		3,746.16
Balance brought forward from previous year		**8,147.48**		4,401.32
Profit available for appropriation		**6,511.74**		8,147.48
Appropriations:				
Surplus carried to Balance Sheet		**6,511.74**		8,147.48
Earnings per share				
Basic and diluted [Nominal value of shares Rs 10 (Previous year Rs 10)]		**(2.94)**		6.73
Notes to Accounts				

Notes to abridged financial statements form an integral part of Abridged Profit and Loss Account
This is the Statement of Profit and Loss referred to in our report of even date

For Walker, Chandiok & Co
Chartered Accountants

per David Jones
Partner

Place: Gurgaon
Date: February 28, 2013

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

Sunit Kapur
Managing Director

Bernhard Motel
Director

Khalid Khan
Company Secretary

Notes to abridged financial statements

1. a) Corporate Information

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

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

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

b) Basis of Preparation

The financial statements of the company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The company has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention.

During the year ended 31 December 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the company, for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The company has also reclassified the previous year figures in accordance with the requirements applicable in the current year.

2. Statement of Significant Accounting Policies

a) Use of estimates

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

b) Tangible fixed assets and Capital work-in-progress

Tangible fixed assets are stated at cost less accumulated depreciation and impairment losses if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use i.e. freight, duties, taxes and other incidental expenses excluding cenvat in so far as this is available for set off against excise duty. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

c) Depreciation on tangible fixed assets

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

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

i) Plant and Machinery also includes self constructed machinery.

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

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

d) Impairment of tangible and intangible assets

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 using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

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

e) Intangible Assets

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

Design and drawings- over a period of 5 years on straight line basis.

f) Leases

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

g) 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 fair 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.

h) Inventories

Inventories are valued as follows:

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

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

i) Revenue Recognition

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

i) Sale of Goods:

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

ii) Job Work:

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

iii) Interest:

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

iv) Dividends:

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

v) Commission:

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

vi) Export Benefits/Incentives:

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

vii) Management support charges:

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

viii) Lease income:

Lease rental in respect of asset given under operating leases are recognized in the statement of profit and loss as and when they are due to be received.

j) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

k) Foreign Currency Transactions

(i) Initial Recognition

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

(ii) Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

(iii) Exchange Differences

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

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

l) Retirement and Other Employee Benefits

(i) Provident fund contributions are charged to profit and loss account, when contributions paid/payable are due to "Goetze India Limited Provident Fund Trust", administered by the trustees and to the Regional Provident Fund Commissioners. The Company accrues for the deficit in the Provident Fund trust as per the books of accounts of the Trust.

(ii) Gratuity liability under the Payment of Gratuity Act is accrued on the basis of an actuarial valuation made at the end of each financial year. The actuarial valuation is done as per projected unit credit method.

(iii) Short term compensated absences are provided for based on estimates. Long term compensation liability for leave encashment is determined in accordance with company policy and is measured on the basis of valuation by an independent actuary at the end of the financial year. The actuarial valuation is done as per projected unit credit method.

(iv) Actuarial gains/losses are immediately taken to profit and loss account. However, recognition for actuarial gain is done only to the extent that the net cumulative unrecognized actuarial gains exceed the unrecognized part of transitional liability.

(v) **Superannuation Benefit**

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

m) Income Taxes

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

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

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

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

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

n) Earnings per Share

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

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

o) Provisions

A provision is recognized when an enterprise has a present obligation as a result of past event; 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.

Contingent Liabilities are usually not provided for, unless it is probable that the future outcome may be materially detrimental to the Company. A contingent liability is disclosed, unless the possibility of an outflow of resources embodying the economic benefits is remote.

Contingent assets are not recognized in the financial statement.

p) Cash and Cash Equivalents

Cash and cash equivalents for cash flow statement comprises cash at bank and in hand and short-term investments with an original maturity of three months or less.

q) Miscellaneous Expenditure

Miscellaneous expenditure representing impact of transitional provisions on adoption of notified Accounting Standard 15 (revised) and is written off over a period of 5 years.

r) Segment Reporting Policies

The Company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company as a whole.

Rs. in Lacs

3. Important performance ratios:

Particulars	**Year ended 31 December 2012**	Year ended 31 December 2011
Income/Total Assets Ratio	**1.38: 1**	1.29: 1
Profit before Interest and Tax / Capital employed	**2.72**	12.60
Profit after tax / Income (%)	**-1.38**	3.38
Return on Net Worth (%)	**-4.10**	9.02

4 a. Segment Information

Based on the guiding principles given in AS-17 'Segmental Reporting' notified under Companies (Accounting Standard) Rules, 2006, the Company's primary business segment is manufacturing of auto components. Considering the nature of Company's business and operations, there are no separate reportable business segment, as there is only one business segment and hence, there are no additional disclosures required to be provided other than those already been provided in the financial statements.

The analysis of geographical segment is based on the geographical location of the customers. The following table shows the distribution of the Company's consolidated sales by geographical market, regardless of where the goods were produced.

Geographical segment

Net sales revenue (including trading sales but excluding excise duty) by geographical market		
India	**1,06,233.09**	1,02,203.50
Other countries	**7,944.79**	8,566.36
	1,14,177.88	1,10,769.86
Carrying amount of segment debtors by geographical market		
India	**13,387.74**	14,754.71
Other countries	**1,659.45**	315.08
	15,047.19	15,069.79

The Company has common assets for producing goods for India and outside countries. Hence, separate figures for assets/ additions to fixed assets cannot be furnished.

b. Capital and other commitments

Total estimated amount of contracts, remaining to be executed on capital account and not provided for as at 31 December 2012 is Rs: 982.57 lacs (Previous year Rs: 4,359.65 lacs)

c. Contingent liabilities

(a) Bank guarantees	1,378.66	949.88
(b) Claims/notices contested by the Company		
(i) Excise duty	217.70	155.27
(ii) Sales tax	579.88	405.91
(iii) Employee related cases	201.36	136.18
(iv) Electricity demand	52.24	52.24
(v) Income tax demands	629.95	648.13

1) In relation to b (i) above, Excise duty cases contested by the Company comprise of:

i) The deputy commissioner of Central Excise, Bangaluru, confirming the demand in respect of excess availment of Cenvat credit during the FY 2005-06.The Company has not filed an appeal against this decision and paid the demand. Since, the amount of demand is already paid, contingency existing as on date is NIL (Previous year Rs. 0.93 lacs)

ii) Matter was pending with Central Excise & Service Tax Appellate Tribunal, Chandigarh in respect of service tax on transport services for the period 2007-08 and which was favourably decided in Company's favour. Contingency existing as on date is NIL (Previous year Rs.2.92 lacs).

iii) Matters pending with Central Excise & Service Tax Appellate Tribunal in respect of interest on reversal of special additional duty (SAD) for 2000-01. The Company has done an analysis and is of the opinion that it has fair chance of a favourable decision. Amount involved is Rs. 14.02 lacs. (Previous year Rs. 14.02 lacs).

iv) Miscellaneous service tax cases with respect to disallowance of Cenvat credit claimed on various input services are pending with Cestat Bangaluru/ Joint Commissioner Jaipur/ Joint Commissioner Patiala for the period 2005-06 to 2010-11. The Company has done an analysis and is of the opinion that it has fair chance of a favourable decision. Amount involved is Rs. 203.68 lacs (Previous year Rs. 137.40 lacs).

2) In relation of b (ii) above, sales tax cases contested by the Company comprise of:

i) In respect of Assessment Year 1996-97 to 2001-02, the department raised a demand on account of differences in sales tax rates. The matter is pending with Karnataka Honourable Hight Court. The Company has taken legal opinion in this regard and is confident of success. Amount involved is Rs. 301.38 lacs. (Previous year Rs. 315.21 lacs). The Company has so far made an 'under protest payment' of Rs. 215.87 lacs in this matter.

ii) In respect of Assessment Year 2005-06, the department raised a demand on account of differences in sales tax rates. The Honourable Hight Court has favourably decided this matter in Company's favour, but later the department filed writ appeal against said order and this matter is pending with Karnataka Honourable Hight Court. The Company has taken legal opinion in this regard and is confident of favourable outcome. Amount involved is Rs.278.50 lacs. (Previous year Rs. 90.70 lacs). The Company so far has made an 'under protest payment' of Rs.55 lacs in this matter.

3) In relation of b (iii) above, employee related cases comprise of:

Claims against the Company not acknowledged as debt, in respect of demands raised by the workers. The Company has done an analysis and is of the opinion that it has fair chance of a favourable decision. Amount involved is Rs.201.36 lacs. (Previous year Rs. 136.18 lacs)

4) In relation to b (iv) above, electricity demand comprise of:"In respect of a demand raised by Punjab Electricity Board (PSEB) for various years in relation to availment of additional load. The Company has done an analysis and is of the opinion that it has fair chance of a favourable decision. Amount involved is Rs. 52.24 lacs (Previous year Rs. 52.24 lacs)."

5) In relation to b (v) above, income tax cases disputed by the Company comprise of:

i) In respect of Assessment Year 1998-99, certain additions were made on normal as well as on book profits. The matter is pending with Honourable Hight Court. The Company has done an analysis and is of the opinion that it has fair chance of favourable decision. The amount involved is Rs 86.69 Lacs (Previous year Rs 86.69 Lacs).

ii) In respect of Assessment Year 2000-01, certain additions were made on normal as well as on book profits. The matter is pending with Honourable Hight Court. The Company has done an analysis and is of the opinion that it has fair chance of favourable decision. The amount involved is Rs 21.21 Lacs (Previous year Rs 21.21 Lacs).

iii) In respect of Assessment Year 2001-02, certain additions were made on normal as well as on book profit. The matter is pending with Honourable Hight Court. The Company has done an analysis and is of the opinion that it has fair chance of a favourable decision. The amount for contingent liability for the year is Rs. 3.05 lacs (Previous year Rs. 8.14 lacs).

iv) In respect of Assessment Year 2002-03, certain additions were made on normal income as well as on book profits. The matter is pending with Commissioner Income Tax (Appeals). The Company has done an analysis and is of the opinion that it has fair chance of a favourable decision. The amount for contingent liability for the year is Rs. 23.13 lacs. (Previous year Rs. 23.13 lacs).

v) In respect of A.Y. 2003-04, disallowance was made for carry forward losses as well as certain disallowances. The matter is pending with Income Tax Appellate Tribunal. The Company has done an analysis and is of the opinion that it has fair chance of a favourable decision. The amount involved is Rs.158.01 lacs. (Previous year Rs. 158.01 lacs).

vi) In respect of Assessment Year 2004-05, certain additions were made on normal income. The Income Tax Appellate Tribunal has decided the matter in Company's favour. The amount of contingency for the year is Rs. NIL. (Previous year Rs. 13.05 lacs)

vii) In respect of Assessment Year 2005-06, certain additions were made on normal as well as on book profit. The matter is pending with Commissioner Income Tax (Appeals). The Company has done an analysis and is of the opinion that it has fair chance of a favourable decision. The amount for contingent liability for the year is Rs. 38.42 lacs (Previous year Rs. 38.42 lacs).

viii) In respect of Assessment Year 2006-07, certain additions were made on normal as well as on book profit. The matter is pending with Income Tax Appellate Tribunal. The Company has done an analysis and is of the opinion that it has fair chance of a favourable decision. The amount for contingent liability for the year is Rs. 39.52 lacs (Previous year Rs. 39.52 lacs).

ix) In respect of Assessment Year 2007-08, certain additions were made on normal profits. The matter is pending with Commissioner Income Tax (Appeals). The Company has done an analysis and is of the opinion that it has fair chance of favourable decision. The amount involved is Rs 32.79 Lacs (Previous Year Rs 32.79 Lacs).

x) In respect of Assessment Year 2008-09, certain additions were made on normal profits. The matter is pending with Commissioner Income Tax (Appeals). The Company has done an analysis and is of the opinion that it has fair chance of favourable decision. The amount involved is Rs 227.13 Lacs. (Previous Year Rs 227.13 lacs).

d. In accordance with the requirement of Accounting Standard (AS - 18) on related party disclosures where control exist and description of the relationship are as follows:

(a) Name of Parties where Control Exists

i) Holding Company

Federal Mogul Holdings Limited (Mauritius)

ii) Subsidiary

Federal-Mogul TPR (India) Limited

iii) Ultimate Holding Company

Federal Mogul Corporation, USA"

(b) Key managerial personnel

Mr. Sunit Kapur, Managing Director

Mr. Dan Brugger, Whole Time Director & CFO*

(c) Fellow subsidiaries

Federal Mogul Burscheid GMBH, Germany
Federal Mogul Maysville (USA)
Federal Mogul Operation S.R.L (Italy)
Federal Mogul Bimet S.A. (Poland)
Federal Mogul Nurnberg, GMBH (Germany)
Federal Mogul Wiesbaden GMBH, (Germany)
Federal Mogul Power Train System (South Africa)
Federal Mogul Holding Deutschland (Germany)
Federal Mogul Valves (PTY) Ltd (South Africa)
Federal Mogul Limited (U.K.)
Federal Mogul KK (Japan)
SSCFRAN FM Financial Services SAS Veurey Voroize (France)
Federal Mogul Financial Services FRANCTNL (France)
Federal Mogul Gorzyce, S.A. (Poland)
Federal Mogul Friedberg, GMBH (Germany)
Federal Mogul Sintered Products Ltd. (U.K.)
Federal Mogul Sealing Systems, GMBH (Germany)
Federal Mogul Brasil do Limited (Brazil)
Federal Mogul Friction Products Ltd (Thailand)
Federal Mogul Corporation Power Train Systems (USA)
Federal Mogul Power Train Systems Schofield (USA)
Federal Mogul S.A.R.L. (Switzerland)
Federal Mogul France, S.A. (France)
Federal Mogul Corporation, Lake City (USA)
Federal Mogul Corporation, Garennes (France)
Federal Mogul Dongsuh Piston Co. Ltd. (China)
Federal Mogul Corp, Mgmoogus (USA)
KFM Bearing Company (South Korea)
Federal Mogul Bradford Ltd.
T&N Limited Manchester (England)
Federal Mogul Powertrain Spara, MII
Federal Mogul KK Yokohama
Federal Mogul Sintertech SVC Functionnels
Federal Mogul Powertrain Inc, Southbend
Federal Mogul Kontich
Federal Mogul Schofield
Federal Mogul Bearings India Ltd (India)
Federal-Mogul Automotive Products India Ltd (India) (Formerly Federal Mogul Automotive Product (India) Pvt Ltd.)
Federal-Mogul VSP India Ltd. (India) (Formerly known as Ferodo India Pvt. Ltd.)
Federal-Mogul PTSB India Pvt. Ltd. (India) (Formerly known as Federal-Mogul Trading India Pvt. Ltd.)

(d) Associates

GTZ Securities Limited

*Mr. Dan Brugger. Whole Time Director and CFO has resigned w.e.f 28 February 2013 and Mr. Vikrant Sinha has been appointed as Whole Time Director and CFO of the Company w.e.f 28 February 2013.

Those transactions along with related balances as at 31 December 2012 and 31 December 2011 and for the years then ended are presented in the following table:

Rs. in lacs

Ultimate Holding Company		
Particulars	**Federal Mogul Corporation (USA)**	
	31.12.12	31.12.11
Sales	**(4,140.66)**	(5,487.77)
Purchase of raw material, intermediaries and finished goods	**933.63**	382.72
Reimbursement of expenses paid	**238.30**	474.57
Reimbursement of expenses (received)	**(157.41)**	(170.59)
Balance outstanding as at the end of the year (Payable)	**(662.70)**	(298.97)

Rs. in lacs

Fellow Subsidiaries								
Particulars	**Federal Mogul do Brasil Ltd.**		**Federal Mogul Burscheid GMBH, Germany**		**Federal Mogul Gorzyce S.A. (Poland)**		**Federal Mogul Dongsuh Piston Co. Ltd.**	
	31.12.12	31.12.11	**31.12.12**	31.12.11	**31.12.12**	31.12.11	**31.12.12**	31.12.11
Sales	-	-	-	-	**-**	(10.10)	-	-
Purchase of raw material, intermediaries and finished goods	-	-	**5,250.13**	6,620.15	**158.39**	797.54	-	-
Purchase/(Sale) of Fixed Assets	-	(121.83)	**721.25**	3,198.47	-	-	-	-
Reimbursement of expenses paid	-	-	-	-	33.49	-	-	-
Reimbursement of expenses (received)	-	-	-	-	-	-	**(140.77)**	(122.74)
Royalty Expense	-	-	**409.14**	359.21	-	-	-	-
Balance outstanding as at the end of the year Receivables	-	-	-	-	**(11.31)**	(214.65)	**(63.95)**	(16.50)
Balance outstanding as at the end of the year (Payable)	-	(253.33)	**(1,272.34)**	(2,166.13)	-	-	-	-

Rs. in lacs

Fellow Subsidiaries				
Particulars	**Federal Mogul Nurnberg, GMBH (Germany)**		**Federal Mogul Holding Deutschland (Germany)**	
	31.12.11	31.12.10	**31.12.11**	31.12.10
Sales	**(0.11)**	(7.22)	-	-
Purchase of raw material, intermediaries and finished goods	**192.66**	2,693.49	-	-
Purchase/(Sale) of Fixed Assets	**2,577.60**	2,894.08	-	-
Reimbursement of expenses paid	**20.48**	-	-	81.49
Reimbursement of expenses (received)	-	-	-	-
Mnagement Support charges paid		-	**555.46**	498.52
Royalty Expense	**656.70**	560.55	-	-
Balance outstanding as at the end of the year Receivables	-	-	-	-
Balance outstanding as at the end of the year (Payable)	**(625.64)**	(1,208.05)	-	(498.52)

Rs. in lacs

Particulars	Fellow Subsidiaries									
	Federal Mogul Financial Services FRANCTNL (France)		Federal Mogul Sintered Products Limited, (U.K)		FEDERAL MOGUL FRICTION PRODUCTS LTD.		Other Fellow Subsidiaries		Total From Table 1 to Table 3	
	31.12.12	31.12.11	**31.12.12**	31.12.11	**31.12.12**	31.12.11	**31.12.12**	31.12.11	**31.12.12**	31.12.11
Sales	-	-	-	-	-	(593.47)	**(5.51)**	(2.50)	**(5.63)**	(613.29)
Purchase of raw material, intermediaries and finished goods	-	-	**24.92**	121.11	**53.73**	-	**(414.94)**	219.47	**5,264.88**	8,059.45
Purchase/(Sale) of Fixed Assets	-	-	-	-	-	-	**502.85**	-	**3,801.72**	5,970.70
Interest expenses	-	-	-	0.20	-		-	-	**20.49**	81.48
Reimbursement of expenses paid	**265.75**	351.34	-	0.20	-		**59.57**	57.95	**379.29**	490.77
Reimbursement of expenses (received)	-	-	-	-	-	(16.68)	-	-	**-**	(16.67)
Management Support Charges					-	-			**555.46**	498.52
Reimbursement of expenses (received)	-	-	-	-	-	-	**(1.27)**	-	**(142.05)**	(122.74)
Royalty Expense	-	-	**265.91**	228.12	-	-	-	-	**1,331.74**	1,147.87
Balance outstanding as at the end of the year Receivables	-	-	-	-	-	(535.21)	-	-	**(75.27)**	(766.36)
Balance outstanding as at the end of the year (Payable)	-	(49.49)	**(129.42)**	(129.99)	-	-	**(641.72)**	(120.76)	**(2,668.78)**	(4,172.94)

Rs. in lacs

Particulars	Fellow Subsidiaries									
	Federal Mogul Bearings India Limited (India)		Federal Mogul Automotive Products (India) Private Limited, (India)		Federal-Mogul VSP India Limited, (India)		Federal Mogul PTSB India Private Limited, (India)		Total	
	31.12.12	31.12.11	**31.12.12**	31.12.11	**31.12.12**	31.12.11	**31.12.12**	31.12.11	**31.12.12**	31.12.11
Purchase of raw material, intermediaries and finished goods	**866.04**	695.86	**2,136.06**	2,922.11	-	-	-	-	**3,002.11**	3,617.97
Reimbursement of expenses paid	-	-	**3.44**	324.42	-	-	-	-	**3.44**	324.42
Reimbursement of expenses (received)	**(196.43)**	(420.55)	-	-	**(294.16)**	(54.07)	**(198.28)**	(86.63)	**(688.88)**	(561.24)
Inter-corporate deposit (ICD) Taken	-	-	**1,415.00**	1,235.00	**1,300.00**	3,875.00	**4,590.00**	-	**7,305.00**	5,110.00
Inter-corporate deposit (ICD) repaid	-	(600.00)	-	-	**(1,675.00)**	(3,405.00)	**(95.00)**	-	**(1,770.00)**	(4,005.00)
Interest on the above ICD	-	-	**242.83**	146.97	**73.56**	102.98	-	-	**316.40**	249.96
Balance outstanding as at the end of the year Receivables	-	-	-	-	**52.53**	-	**3.39**	11.10	**9.93**	11.10
Balance outstanding as at the end of the year (Payable)	**(64.07)**	(45.25)	**(2634.92)***	(2,158.19)	**(75.94)****	(453.43)	**(4530.98)*****	-	**(7,278.91)**	(2,656.87)

*Includes Rs 2450 lacs (Previous year Rs 1885 lacs) payable against ICD taken and 20.45 lacs (Previous year 16.19 lacs) payable against interest on the same.
**Includes Rs 75 lacs (Previous year Rs 450 lacs) payable against ICD taken and 0.94 lacs (Previous year 4.78 lacs) payable against interest on the same.
**Includes Rs 4495 lacs (Previous year Rs NIL lacs) payable against ICD taken and 35.98 lacs (Previous year NIL lacs) payable against interest on the same.

Rs. in lacs

Particulars	Subsidiaries	
	Federal-Mogul TPR (India) Limited, (India)	
	31.12.12	31.12.11
Sales	**(1,466.62)**	(1,169.43)
Purchase of raw material, intermediaries and finished goods	**5,497.62**	5,907.42
Dividend received	**(416.61)**	(372.30)
Management fee received	**(779.07)**	(765.02)
Job work income	**(1,161.03)**	(1,136.23)
Rent income	**(78.00)**	(78.00)
Sole selling commission received	**(444.86)**	(464.28)
Inter-corporate deposit (ICD) Taken	**-**	1,400.00
Inter-corporate deposit (ICD) re paid	**(1,500.00)**	(200.00)
Interest on the above ICD	**320.79**	212.16
Investment as at year end	**510.00**	1,020.00
Balance outstanding as at the end of the year (Payable)	**(3116.29)***	(3,896.09)

* Includes Rs. 1116.29 lacs for Sundry creditors, Rs. 2,000 lacs for Inter-Corporate Deposit.

Rs. in lacs

Particulars	Key Managerial Personnel and their relatives							
	Mr. Jean de Montlaur		Mr. Sunit Kapur		Mr. Dan Brugger		Total	
	31.12.12	31.12.11	**31.12.12**	31.12.11	**31.12.12**	31.12.11	**31.12.12**	31.12.11
Remuneration	**458.11**	426.32	91.52	-	**175.91**	168.66	**725.55**	594.98

e. Operating lease Rs. in lacs

a) Assets taken under operating lease

The Company has taken office and residential facilities under cancellable and non-cancellable operating leases, which are renewable on a periodic basis and have escalations ranging from 10 to 20% per annum.

		31 December 2012	31 December 2011
1.	Lease payments for the year	**415.66**	396.85
2.	Minimum lease payments		
	a. Not later than one year	**166.07**	169.09
	b. Later than one year and not later than five years	**4.08**	697.98
	c. Later than five years	-	154.57

b) Assets given under operating lease

The Company has leased out certain premises on operating lease. The lease term is for 5 years and are renewable thereafter. There are no restrictions imposed by lease arrangements.

		31 December 2012	31 December 2011
1.	Uncollectible minimum lease payments receivable at the Balance sheet date	**-**	-
2.	Future minimum lease payments receivable:		
	a. Not later than one year	**78.00**	78.00
	b. Later than one year and not later than five years	**78.00**	156.00
	c. Later than five years	-	-

f. Particulars of unhedged foreign currency exposure as at the balance sheet date

Particulars	Currency	**As At December 31, 2012 Amount Rs. (in lacs)**	**As At December 31, 2012 Amount (Foreign currency in lacs)**	**Year ended Dec. 31, 2012 (Rates, 1 Unit of Foreign Currency) equivalent INR)**	As at December 31, 2011 Amount Rs.(in lacs)	As at December 31, 2011 Amount (Foreign currency in lacs)	As at December 31, 2011 (Rates,1 Unit of) Foreign currency equivalent INR)
Trade payables	USD	**830.36**	**14.86**	**55.87**	936.18	17.26	54.24
Trade payables	JPY	**161.31**	**247.98**	**0.6505**	59.08	84.35	0.7
Trade payables	CHF	**4.22**	**0.07**	**61.24**	5.2	0.09	57.73
Trade payables	SEK	**24.19**	**2.79**	**8.67**	49.25	6.21	7.93
Trade payables	EURO	**3,730.23**	**50.50**	**73.87**	5246.27	74.68	70.25
Trade payables	GBP	**148.62**	**1.65**	**90.33**	116.3	1.39	83.67
Trade payables	CAD	**-**	**-**	**-**	4.26	0.08	53.25
Trade payables	THB	**-**	**-**	**-**	0.25	0.15	1.67
Advance to creditors	EUR	**698.47**	**9.46**	**73.87**	833.87	11.87	70.25
Advance from customers	USD	**-**	**-**	**-**	1952.64	36.00	54.24
Advance to suppliers	USD	**368.56**	**6.60**	**55.87**	699.33	13.41	52.15
Advance to suppliers	GBP	**83.90**	**0.93**	**90.33**	48.99	0.61	80.31
Advance to suppliers	JPY	**163.10**	**250.73**	**0.6505**	99.8	148.49	0.67
Advance to suppliers	SEK	**15.10**	**1.74**	**8.67**	53.41	7.14	7.48
Advance to suppliers	CHF	**3.70**	**0.06**	**61.24**	9.41	0.17	55.34
Advance to suppliers	CAD	**-**	**-**	**-**	4.09	0.08	51.08
Trade receivables	USD	**1,408.85**	**26.23**	**53.71**	2,211.68	42.41	52.15
Trade receivables	EURO	**540.02**	**7.62**	**70.90**	532.7	7.9	67.43
Trade receivables	GBP	**1.17**	**0.01**	**86.69**	2.41	0.03	80.31

g. Disclosures in accordance with AS-15 on "Employee Benefits"

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of services, gets a gratuity on departure at 15 days basic salary (last drawn) for each completed year of service on terms not less favourable than the provisions of the payment of Gratuity Act, 1972. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

The following tables summaries the components of net benefit expense recognized in the Statement of Profit and Loss and the funded status and amounts recognized in the balance sheet for the plan.

Rs. in Lacs

	As at 31 December, 2012	As at 31 December, 2011
Statement of Profit and Loss		
Net employee benefit expense (recognized in Employee cost) [AS15 Revised (c) (i) to (x)]		
Current service cost	**297.20**	288.66
Interest cost on benefit obligation	**521.16**	467.90
Expected return on planned assets	**(306.97)**	(319.39)
Net actuarial (gain) / loss recognized in the year	**814.83**	37.74
Previous years actuarial gains recognised during the year	**-**	(239.90)
Net benefit expense	**1,326.22**	235.01
Actual return on plan assets	**348.35**	180.08
Balance Sheet		
Details of provision for gratuity		
Defined benefit obligation	**7,680.61**	6,545.91
Less: Fair value of plan assets	**(3,758.65)**	(3,812.62)
Plan liability	**3,921.96**	2,733.29
Changes in the present value of the defined benefit obligation are as follows:		
Opening defined benefit obligation	**6,545.91**	6,192.34
Interest cost	**521.16**	467.89
Current service cost	**297.20**	288.66
Benefits paid directly by the company	**(37.56)**	-
Benefits paid from the fund	**(502.33)**	(304.90)
Transfer from group Company	**-**	3.48
Actuarial (gains) / losses on obligation	**856.22**	(101.56)
Closing defined benefit obligation	**7,680.60**	6,545.91
Changes in the fair value of plan assets are as follows :		
Opening fair value of plan assets	**3,812.62**	3,882.44
Expected return	**306.97**	319.38
Contributions by employer	**100.00**	55.00
Benefits paid	**(502.33)**	(304.90)
Actuarial gains / (losses)	**41.38**	(139.31)
Closing fair value of plan assets	**3,758.64**	3,812.61

The Company's expected contribution to the fund in the next year is not presently ascertainable and hence, the contribution expected to be paid during the annual period beginning after the balance sheet date as required by para 120(o) of the accounting standard 15(revised) on employee benefits has not been disclosed.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:-[AS15 Revised Para 120 (h)]

	%	%
Investments with insurer	**100**	100

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

The principal assumptions used in determining gratuity for the Company's plan is shown below:

Discount rate	**8.0% p.a.**	8.5% p.a.
Expected rate of return on plan assets	**8.5% p.a.**	8.5% p.a.
Normal retirement age	**58 years**	58 years
Employee turnover	**5.0% p.a.**	5.0% p.a.

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

Amount for the current year and previous four years are as follows : Amount (Rs.)

Particulars	**31-Dec-12**	31-Dec-11	31-Dec-10	31-Dec-09	31-Dec-08
Defined benefit obligation	**7,680.61**	6,545.91	6,192.34	5,535.76	5,404.64
Cumulative unrecognised actuarial gains		-	239.91		
Plan assets	**3,758.65**	3,812.62	3,882.44	3,471.23	3,352.83
Deficit	**3,921.96**	2,733.29	2,549.81	2,064.53	2,051.81
Experience adjustments on plan liabilities	**375.67**	511.34	205.76	280.10	-
Experience adjustments on plan assets	**348.35**	180.08	489.37	(210.74)	-

h. Details of dues to micro and small enterprises as defined under the MSMED Act, 2006 Rs. in lacs

The Micro, small and medium enterprises have been identified by the Company from the available information, which has been relied upon by the auditors. According to such identification, the disclosures in respect to micro and small Enterprises as per MSMED Act, 2006 is as follows:

Particulars	**31 December 2012**	31 December 2011
The principal amount remaining unpaid as at the end of year	**159.39**	173.27
Interest due on above principal and remaining unpaid as at the end of the year	**0.45**	1.59
The amount of interest paid by the buyer in terms of section 16, of the micro, small and medium enterprise Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	**0.11**	-
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.	**30.13**	12.83
The amount of interest accrued and remaining unpaid at the end of each accounting year; and	**30.52**	14.42
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	**-**	34.9

i. Expenses capitalised

The Company has capitalized various expenses incurred in the course of construction of self generated assets in accordance with AS 10 -Accounting for Fixed Assets, the details of expenses capitalized for the purpose of construction of self generated assets are as follows:

Salaries, wages and bonus	**44.01**	177.53
Consumption of stores and spares	**66.02**	266.30
Total	**110.04**	443.83

j. Non fulfilment of export obligation under Export promotion Capital Goods (EPCG) Licenses

The Company has identified some licenses obtained under Export Promotion Capital Goods scheme, which have expired and against which the Company has partially fulfilled the export obligation (levied in lieu of permission to import fixed assets at a concessional rate of import duty). In view of partial shortfall in fulfilling export obligation, the management has decided, on prudent basis, to make a provision aggregating to Rs. 186.22 lacs (Previous Year Rs. 214.89 lacs) in these financial statements which in view of the management, is adequate to cover any liability on this account at all its facilities' and is included as 'Provision for non fulfilment of export obligation' in Provisions under Note 8.

k. Provision for regulatory matters

During the year ended 31 December, 2010, the Company had commenced an evaluation process for various regulatory matters at its factories. Based on more accurate information discovered, a provision, towards costs to be incurred to remediate these matters, of Rs. 383.60 lacs is included under Note no. 8 which are net of amounts utilized of Rs. 610.53 lacs during the year towards remediation.

During the year, the Company became aware of certain discrepancies regarding sales tax matters at one of its factories. It thereafter undertook a review and based on the information available at this stage of the ongoing evaluation, has paid / provided an amount of Rs. 625.81 lacs [included under Note no. 8 under the head provision for regulatory matters net of payments made of Rs. 398.03 lacs. Provision created during the year relating to this has been disclosed as an exceptional item in the Statement of Profit and Loss.

In addition to the above, the provision for regulatory matters include a provision of Rs. 487.68 lacs (Previous Year Rs. 654.96 lacs) towards certain other regulatory matters.

The Company is actively seeking to resolve these actual and potential statutory, taxation, regulatory and contractual obligations. In accordance with requirements of Accounting Standard 29 on 'Provisions, Contingent liability and Contingent assets' issued by the Institute of Chartered Accountants of India, although difficult to quantify based on the complexity of the issues, the Company has accrued amounts corresponding to its best estimate of the costs associated with such regulatory and contractual obligations on the basis of available information and best professional judgment of experts appointed for this exercise.

Based on consultations obtained from the experts in respect of the said matters, in management's view, no further costs are expected to be incurred for which a provision would be required at this stage and considers the provisions made to be adequate.

l. Management support charges

In December 2012, the Company has paid management support charges to its Group companies of Rs 556.81 lacs in respect of certain application engineering services provided to the Company. The Company carries out its transfer pricing study annually for the tax period of April-March and updates its documentation, choice of methods and benchmarks to ascertain adequacy and compliance with the "arms length" principles prescribed under Income Tax Act. For the year April 1, 2011 to March 31, 2013, the process of updation is ongoing and management is confident of completing the same. The provision for current tax has been made accordingly considering the said amounts of Rs. 556.80 lacs as "allowable expenditure".

m. Change in accounting policy

Till the year ended 31 December 2011, the Company, in accordance with the pre-revised schedule VI requirement, was recognizing dividend declared by subsidiary company after the reporting date in the current year's Statement of Profit and Loss if such dividend pertained to the period ending on or before the reporting date. The revised schedule VI, applicable for financial years commencing on or after 1 April 2011, does not contain this requirement. Hence, to comply with AS 9 Revenue Recognition, the company has changed its accounting policy for recognition of dividend income from subsidiary companies. In accordance with the revised policy, the company recognized dividend as income only when the right to receive the same is established by the reporting date. Pursuant to this change, loss for the year ended 31 December, 2012 is higher by Rs. 357 lacs.

n. Investments in G.I. Power Corporation Limited

The Company is holding an investment of Rs. 1,070.92 lacs (Equity Shares: Rs. 194.48 lacs and Preference Shares: Rs. 876.44 lacs) in GI Power Corporation Limited (GIPCL). During the year ended 31 December, 2011, the Company's shareholding in GIPCL has reduced from 26.00% to 6.60% due to conversion of the preference shares held by other investors into equity shares. Accordingly GIPCL had discontinued to be an 'Associate' of the Company in the previous year.

In addition to the above, the Company had changed the classification of the investment in GIPCL from long term investment to current investment in the previous year, as the Company had started assessing various options for liquidating these investments as these are not related to the core business of the Company. The recoverability of these Investments is being consistently evaluated and based on current assessment, the Company is not confident that it would be able to recover the entire carrying value of these investments and accordingly a provision of Rs. 1072.25 lacs (representing the full cost of these investments) has been created during the year.

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

Sunit Kapur
Managing Director

Bernhard Motel
Director

Khalid Khan
Company Secretary

Cash flow statement for the year ended 31 December, 2012

		31 December, 2012 Rs (in lacs)	31 December, 2011 Rs (in lacs)
A.	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Profit before tax and after prior period	**(1,383.93)**	4,864.00
	Adjustments for:		
	Depreciation and amortisation	**6,193.52**	5,365.89
	Loss on sale / discard of fixed assets (net)	**262.48**	216.01
	Provision for doubtful debts	**52.73**	
	Provision for dimunition in the value of investments	**1,072.24**	
	Provision for doubtful debts written back	**-**	(33.64)
	Advances written off	**26.33**	198.17
	Provision for loans and advances	**78.99**	58.90
	Interest income	**(30.05)**	(23.32)
	Dividend income	**(29.01)**	(759.90)
	Interest expense	**2,869.25**	2,406.62
	Provision for impairment of assets held for sale		
	Excess provision written back	**(451.75)**	(134.94)
	Unrealised forex (gain)/loss (net)	**249.43**	168.42
	Miscellaneous expenditure written off	**-**	239.91
	Operating profit before working capital changes	**8,910.25**	12,565.92
	Movements in working capital:		
	Decrease / (Increase) in trade/other receivables	**1,303.84**	(4,494.57)
	Decrease / (Increase) in inventories	**574.11**	(3,356.11)
	Increase / (Decrease) in trade/other payables	**(2,391.48)**	4,606.91
	Cash generated from operations	**8,396.72**	9,322.15
	Direct taxes paid (net of refunds)	**(461.04)**	(1,149.31)
	Net cash from operating activities	**7,935.68**	8,172.84
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**		
	Purchase of fixed assets/ Intangibles Assets	**(9,911.73)**	(13,142.06)
	Proceeds from sale of fixed assets	**34.77**	257.01
	Movement in restricted cash	**(116.56)**	6.40
	Proceeds from sale of investments	**510.10**	-
	Interest received	**30.02**	21.81
	Dividends received	**29.01**	372.30
	Net cash used in investing activities	**(9,424.40)**	(12,484.54)
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**		
	Payment of borrowings (Long term)	**(400.00)**	(400.00)
	Movement in borrowings(Short term)	**4,541.49**	7,067.41
	Interest paid	**(2,843.41)**	(2,369.87)
	Share issue expenses	**-**	-
	Net cash from financing activities	**1,298.09**	4,297.54
	Net decrease in cash and cash equivalents (A + B + C)	**(190.63)**	(14.16)
	Cash and cash equivalents at the beginning of the year	**203.36**	217.53
	Cash and cash equivalents at the end of the year	**12.74**	203.37
	Components of cash and cash equivalents as at	**31 December, 2012 Rs (in lacs)**	31 December, 2011 Rs (in lacs)
	Cash and cheques on hand	**0.02**	0.02
	With banks - on current account	**12.72**	203.34
		12.74	203.36

This is the Cash Flow Statement referred to in our report of even date

For Walker, Chandiok & Co
Chartered Accountants

per David Jones
Partner

Place: Gurgaon
Date: February 28, 2013

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

Sunit Kapur
Managing Director

Bernhard Motel
Director

Khalid Khan
Company Secretary

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

1.	Name of the Subsidiary Companies	Federal-Mogul TPR (India) Limited
2.	Financial Year of the Subsidiary Companies ended on	31st December 2012
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%)
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. 934.74 Lacs
	ii) for previous financial years of subsidiary since it became subsidiary of Federal-Mogul Goetze (India) Ltd.	Rs. 2118.24 Lacs
	b] Dealt with the Accounts of Federal-Mogul Goetze (India) Ltd.	
	i) for the subsidiary's financial year above referred	Nil
	ii) for previous financial years of subsidiary since it became subsidiary of Federal-Mogul Goetze (India) Ltd.	Nil

Sunit Kapur	Bernhard Motel	Khalid Khan
Managing Director	Director	Company Secretary

Place: Gurgaon
Date: February 28, 2013

AUDITOR'S REPORT ON ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS

To the Board of Directors of Federal-Mogul Goetze (India) Limited

1. We have audited the attached Consolidated Balance Sheet of Federal Mogul Goetze (India) Limited and its subsidiaries (hereinafter collectively referred to as 'the Group') as at 31 December 2012 and also the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto (collectively referred as the 'Consolidated Financial Statements'). These Consolidated Financial Statements are the responsibility of the management of the Group and have been prepared by the Group's management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these Consolidated 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 Consolidated Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Consolidated 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. We report that -

(a) the Consolidated Financial Statements have been prepared by the Group's management in accordance with the requirements of Accounting Standard 21 on 'Consolidated Financial Statements' notified pursuant to the Companies (Accounting Standards) Rules, 2006.

(b) *As detailed in note 47 of the accompanying consolidated financial statements, the Company is pursuing a matter regarding certain discrepancies noted in availing sales tax benefits. The matter is currently pending with the appropriate authorities, management based on certain internal assessment has accrued a provision to an extent of Rs. 625.81 lacs (including estimated interest and penalties) to meet future tax obligations. Out of this provision, the Company has deposited Rs 398.03 lacs with the appropriate authorities during the year. However, the extent of exact future liabilities that may arise is presently not determinable. Accordingly, we are unable to comment upon the adequacy of provision recorded in this respect and the consequential impact of the outcome of the proceedings.*

4. Based on our audit, and to the best of our information and according to the explanations given to us, *Subject to our comments in Para 3(b) above*, in our opinion, the attached Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India; in case of:

(i) the Consolidated Balance Sheet, of the state of affairs of the Group as at 31 December, 2012;

(ii) the Consolidated Statement of Profit and Loss, of the loss for the year ended on that date; and

(iii) the Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

For Walker, Chandiok & Co.
Chartered Accountants
Firm Registration No: 001076N

per David Jones
Partner
Membership No: 98113

Place : New Delhi
Date : February 28, 2013

Abridged Consolidated Balance Sheet as at 31 December, 2012

		As at 31 December, 2012 Rs (in lacs)		As at 31 December, 2011 Rs (in lacs)
SOURCES OF FUNDS				
Shareholders' Funds				
Capital				
(i) Equity		**5,563.21**		5,563.21
Reserves and surplus				
i. Capital Reserve	**56.55**		56.55	
ii. Capital Subsidy	**1.12**		1.12	
iii. Securities Premium Account	**26,750.74**		26,750.74	
iv. Capital Redemption Reserve	**2,000.00**		1,000.00	
v. General Reserve	**687.00**		501.00	
vi. Surplus in Profit & Loss Account	**6,070.76**	**35,566.18**	8,779.30	37,088.72
		41,129.39		42,651.93
Minority Interest		**4,686.39**		4,310.70
Loan Funds				
Short term borrowings		**17,021.30**		10,979.80
Long term borrowings		**-**		400.00
		17,021.30		11,379.80
Deferred Tax Liabilities (net)		**1,476.80**		1,507.29
Total		**64,313.88**		59,849.73
APPLICATION OF FUNDS				
Fixed Assets				
Gross block		**94,811.62**		86,088.84
Less: Accumulated depreciation & amortisation		**47,418.65**		41,898.00
Net block (Original cost less depreciation)		**47,392.97**		44,190.84
Capital work-in-progress		**3,792.97**		3,674.62
		51,185.94		47,865.46
Investments				
Investments in Subsidiary Companies	**-**		-	
Government Securities	**-**		1.42	
Investments in Associate Companies	**-**	**-**	1,070.92	1,072.34
Deferred Tax Assets-(Net)				
Current Assets, Loans and Advances				
Inventories		**14,043.63**		14,614.67
Sundry debtors		**15,726.67**		15,832.79
Cash and bank balances		**997.69**		1,132.00
Other current assets		**640.47**		885.17
Loans and advances		**7,461.69**		7,489.22
(A)		**38,870.15**		39,953.85
***Less:* Liabilities and Provisions**				
liabilities		**18,938.13**		23,886.22
Provisions		**6,804.08**		5,155.70
Total Current Liabilities and Provisions (B)		**25,742.22**		29,041.93
Net Current Assets (A-B)		**13,127.93**		10,911.93
Miscellaneous Expenditure		**-**		-
(to the extent not written off or adjusted)				
Debit balance in profit and loss account				
Total		**64,313.87**		59,849.73

Notes to abridged financial statements form an integral part of the Balance Sheet.

As per our report of even date

For **Walker, Chandiok & Co**
Chartered Accountants

per David Jones
Partner

Place: Gurgaon
Date: February 28, 2013

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

Sunit Kapur
Managing Director

Bernhard Motel
Director

Khalid Khan
Company Secretary

Abridged Consolidated Profit & Loss Account for the year ended 31 December, 2012

		For the year ended 31 December, 2012 Rs (in lacs)		For the year ended 31 December, 2011 Rs (in lacs)
INCOME				
Turnover (Gross)		**1,24,466.62**		1,19,143.59
Less : Excise duty		**11,865.15**		9,734.39
Turnover (Net)		**1,12,601.47**		1,09,409.20
Job work income		**-**		-
Trading sales		**4,749.84**		4,724.00
Interest		**78.82**		41.28
Other income		**3,423.76**		2,995.03
Total		**1,20,853.90**		1,17,169.51
EXPENDITURE				
Cost of goods consumed:				
i. Opening stock	**3,285.90**		2,380.92	
ii. Purchases	**38,380.63**		39,556.35	
Less:				
i. Closing stock	**2,607.68**		3,285.90	
		39,058.85		38,651.37
Purchase of trading goods		**3,600.36**		3,656.35
Personnel expenses		**23,199.83**		21,057.92
Manufacturing expenses		**28,673.24**		26,022.95
Selling expenses		**5,559.82**		5,147.81
Other operating expenses		**9,682.71**		9,312.48
Auditors remuneration		**61.69**		76.15
Managerial Remuneration		**725.54**		605.77
Decrease/ (increase) in inventories		**(1,184.71)**		(2,530.07)
Depreciation/ amortisation		**6,494.96**		5,688.73
Increase/ (decrease) of excise duty on finished goods		**231.81**		185.73
Share of loss in associates companies		**-**		(35.39)
Financial expenses		**2,689.97**		2,304.24
TOTAL		**1,18,794.08**		1,10,144.05
(Loss) / Profit before exceptional items, tax and prior period items		**2,059.82**		7,025.46
Exceptional items		**(625.81)**		-
		1,434.01		7,025.46
Provision for Tax				
Current year income tax	**1,279.99**		2,800.90	
Less: MAT credit entitlement	**(9.29)**	**1,270.70**	(392.87)	2,408.03
Less: Reversal of provision for earlier years (Current year Rs. Nil, Previous year Rs. 3.68 lacs)				
Tax expense for prior years		**-**		-
Deferred Tax Charge/(Credit)		**(30.49)**		(192.41)
Total Tax Expense		**1,240.21**		2,215.62
Profit after tax but before prior period item		**193.80**		4,809.84
Prior period income (net of tax Rs. Nil, Previous year: Rs. Nil)		**-**		(29.06)
Profit before minority interest		**193.80**		4,838.90
Minority Interest		**865.69**		884.90
Profit after minority interest		**(671.89)**		3,954.00
AS-15 revised Adjustment		**-**		-
Earnings per share				
Basic and diluted [Nominal value of shares Rs 10 (Previous year Rs 10)]		**(1.21)**		7.05

Notes to abridged financial statements form an integral part of these financial statements.

This is the Statement of Profit and Loss referred to in our report of even date

For Walker, Chandiok & Co.
Chartered Accountants

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

per David Jones
Partner

Sunit Kapur
Managing Director

Bernhard Motel
Director

Place: Gurgaon
Date: February 28, 2013

Khalid Khan
Company Secretary

Notes to abridged financial statements

1. a) Corporate Information

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

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

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

b) Basis of Preparation

The financial statements of the company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The company has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention.

During the year ended 31 December 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the company, for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The company has also reclassified the previous year figures in accordance with the requirements applicable in the current year.

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

Name	**Percentage of Ownership interest as at 31 December 2012**	Percentage of Ownership interest as at 31 December 2011
Federal-Mogul TPR (India) Limited	**51%**	51 %

The audited financial statements of the subsidiary, considered in the consolidated accounts, are drawn upto 31 December 2012.

Investments in Associates:

The Federal-Mogul Goetze Group's Associates are:

Name	**Percentage of Ownership interest as at 31 December 2012**	Percentage of Ownership interest as at 31 December 2011
GTZ Securities Limited	**23.67%**	23.67%
GI Power Corporation Limited (up to 31 March'2011)	**6%**	26%

The Company has investment in GTZ Securities Limited which is considered as an associate, whose financial statements were audited for the year ended March 31, 2012 and are available with the Company. However, no financial statements have been prepared by the management of this associate company for the nine months period ended 31 December 2012 resulting in the results of this associate being not consolidated in these financial statements. The Group management is of the view that this non-availability of the financial statements of this associate will not affect the consolidated financial statements as the investment in such associate is fully provided for and it had incurred losses till March 31, 2012 and as informed by the management of the associate, the financial position has not improved since then.

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

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

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

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

The financial statements of the group entities used for the purpose of consolidation are drawn up to the same reporting date as that of the Company i.e. year ended 31 December 2012.

These Consolidated Financial Statements are based on audited accounts in so far as they relate to amounts included in respect of subsidiaries.

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

2. Statement of Significant Accounting Policies

a) Use of estimates

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

b) Tangible fixed assets and Capital work-in-progress

Tangible fixed assets are stated at cost less accumulated depreciation and impairment losses if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use i.e. freight, duties, taxes and other incidental expenses excluding cenvat in so far as this is available for set off against excise duty. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

c) Depreciation on tangible fixed assets

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

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

i) Plant and Machinery also includes self constructed machinery.

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

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

d) Impairment of tangible and intangible assets

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 using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

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

e) Intangible Assets

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

Design and drawings- over a period of 5 years on straight line basis.

f) Leases

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

g) 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 fair 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.

h) Inventories

Inventories are valued as follows:

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

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale. Provision for obsolescence is determined based on management's assessment and is charged to Statement of Profit and Loss.

i) Revenue Recognition

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

i) Sale of Goods:

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

ii) Job Work:

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

iii) Interest:

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

iv) Dividends:

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

v) Commission:

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

vi) Export Benefits/Incentives:

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

vii) Management support charges:

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

j) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

k) Foreign Currency Transactions

(i) Initial Recognition

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

(ii) Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

(iii) Exchange Differences

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

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

l) Retirement and Other Employee Benefits

(i) Provident fund contributions are charged to Statement of Profit and Loss, when contributions paid/payable are due to "Goetze India Limited Provident Fund Trust", administered by the trustees and to the Regional Provident Fund Commissioners. The Company accrues for the deficit in the Provident Fund trust as per the books of accounts of the Trust.

(ii) Gratuity liability under the Payment of Gratuity Act is accrued on the basis of an actuarial valuation made at the end of each financial year. The actuarial valuation is done as per projected unit credit method.

(iii) Short term compensated absences are provided for based on estimates. Long term compensation liability for leave encashment is determined in accordance with company policy and is measured on the basis of valuation by an independent actuary at the end of the financial year. The actuarial valuation is done as per projected unit credit method.

(iv) Actuarial gains/losses are immediately taken to Statement of Profit and Loss. However, recognition for actuarial gain is done only to the extent that the net cumulative unrecognized actuarial gains exceed the unrecognized part of transitional liability.

(v) **Superannuation Benefit**

The Company has superannuation obligation administered with Life Insurance Corporation of India (LIC). Contributions to the defined contribution scheme are charged to Statement of Profit and Loss 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 and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961 enacted in India. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

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

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

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

n) Earnings per Share

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

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

o) Provisions

A provision is recognized when an enterprise has a present obligation as a result of past event; 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.

Contingent Liabilities are usually not provided for, unless it is probable that the future outcome may be materially detrimental to the Company. A contingent liability is disclosed, unless the possibility of an outflow of resources embodying the economic benefits is remote.

Contingent assets are not recognized in the financial statement.

p) Cash and Cash Equivalents

Cash and cash equivalents for cash flow statement comprises cash at bank and in hand and short-term investments with an original maturity of three months or less.

q) Miscellaneous Expenditure

Miscellaneous expenditure representing impact of transitional provisions on adoption of notified Accounting Standard 15 and is written off over a period of 5 years.

r) Segment Reporting Policies

The Company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company as a whole.

Rs. in Lacs

3. Important performance ratios:

Particulars	**Year ended 31 December 2012**	Year ended 31 December 2011
Income/Total Assets Ratio	**1.33: 1**	1.28: 1
Profit before Interest and Tax / Capital employed	**7.09**	17.13
Profit after tax / Income (%)	**-0.56**	4.24
Return on Net Worth (%)	**-1.63**	11.35

4a. Segment Information

Based on the guiding principles given in AS-17 'Segmental Reporting' notified under Companies (Accounting Standard) Rules, 2006, the Company's primary business segment is manufacturing of auto components. Considering the nature of Company's business and operations, there are no separate reportable business segment, as there is only one business segment and hence, there are no additional disclosures required to be provided other than those already provided in the financial statements.

The analysis of geographical segment is based on the geographical location of the customers. The following table shows the distribution of the Company's consolidated sales by geographical market, regardless of where the goods were produced.

Geographical segment

Net sales revenue (including trading sales) by geographical market

India	**1,09,406.53**	1,05,566.84
Other countries	**7,944.79**	8,566.36
	1,17,351.31	1,14,133.20

Carrying amount of segment debtors by geographical market

India	**14,067.20**	15,517.71
Other countries	**1,659.45**	315.08
	15,726.66	15,832.79

The Company has common assets for producing goods for India and outside countries. Hence, separate figures for assets/ additions to fixed assets cannot be furnished.

b. Capital and other commitments

Total estimated amount of contracts, remaining to be executed on capital account and not provided for as at 31 December 2012 is Rs: 982.57 lacs (Previous Year Rs: 4,360.66 lacs)

c. Contingent liabilities

(a) Bank guarantees	**1,378.66**	949.88
(b) Claims/notices contested by the Company		
(i) Excise duty	**217.70**	155.27
(ii) Sales tax	**579.88**	405.91
(iii) Employee related cases	**201.36**	136.18
(iv) Electricity demand	**52.24**	52.24
(v) Income tax demands	**629.95**	648.13
(vi) Excise duty - (Subsidiary: FM-TPR)	**1,351.84**	1,275.27
(vii) Sales tax- (Subsidiary: FM-TPR)	**454.26**	454.26

1) In relation to b (i) above, Excise duty cases contested by the Company comprise of:

i) The deputy commissioner of Central Excise, Bangaluru, confirming the demand in respect of excess availment of Cenvat credit during the FY 2005-06.The Company has not filed an appeal against this decision and paid the demand. Since, the amount of demand is already paid, contingency existing as on date is NIL (Previous year Rs. 0.93 lacs)

ii) Matter was pending with Central Excise & Service Tax Appellate Tribunal, Chandigarh in respect of service tax on transport services for the period 2007-08 and which was favourably decided in Company's favour. Contingency existing as on date is NIL (Previous year Rs.2.92 lacs).

iii) Matters pending with Central Excise & Service Tax Appellate Tribunal in respect of interest on reversal of special additional duty (SAD) for 2000-01. The Company has done an analysis and is of the opinion that it has fair chance of a favourable decision. Amount involved is Rs. 14.02 lacs. (Previous year Rs. 14.02 lacs).

iv) Miscellaneous service tax cases with respect to disallowance of Cenvat credit claimed on various input services are pending with Cestat Bangaluru/ Joint Commissioner Jaipur/ Joint Commissioner Patiala for the period 2005-06 to 2010-11. The Company has done an analysis and is of the opinion that it has fair chance of a favourable decision. Amount involved is Rs. 203.68 lacs (Previous year Rs. 137.40 lacs).

2) In relation of b (ii) above, sales tax cases contested by the Company comprise of:

i) In respect of Assessment Year 1996-97 to 2001-02, the department raised a demand on account of differences in sales tax rates. The matter is pending with Karnataka Honourable Hight Court. The Company has taken legal opinion in this regard and is confident of success. Amount involved is Rs. 301.38 lacs. (Previous year Rs. 315.21 lacs). The Company has so far made an 'under protest payment' of Rs. 215.87 lacs in this matter.

ii) In respect of Assessment Year 2005-06, the department raised a demand on account of differences in sales tax rates. The Honourable Hight Court has favourably decided this matter in Company's favour, but later the department filed writ appeal against said order and this matter is pending with Karnataka Honourable Hight Court. The Company has taken legal opinion in this regard and is confident of favourable outcome. Amount involved is Rs.278.50 lacs. (Previous year Rs. 90.70 lacs). The Company so far has made an 'under protest payment' of Rs.55 lacs in this matter.

3) In relation of b (iii) above, employee related cases comprise of:

Claims against the Company not acknowledged as debt, in respect of demands raised by the workers. The Company has done an analysis and is of the opinion that it has fair chance of a favourable decision. Amount involved is Rs.201.36 lacs. (Previous year Rs. 136.18 lacs)

4) In relation to b (iv) above, electricity demand comprise of:

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

5) In relation to b (v) above, income tax cases disputed by the Company comprise of:
   i) In respect of Assessment Year 1998-99, certain additions were made on normal as well as on book profits. The matter is pending with Honourable Hight Court. The Company has done an analysis and is of the opinion that it has fair chance of favourable decision. The amount involved is Rs 86.69 Lacs (Previous year Rs 86.69 Lacs).
   ii) In respect of Assessment Year 2000-01, certain additions were made on normal as well as on book profits. The matter is pending with Honourable Hight Court. The Company has done an analysis and is of the opinion that it has fair chance of favourable decision. The amount involved is Rs 21.21 Lacs (Previous year Rs 21.21 Lacs).
   iii) In respect of Assessment Year 2001-02, certain additions were made on normal as well as on book profit. The matter is pending with Honourable Hight Court. The Company has done an analysis and is of the opinion that it has fair chance of a favourable decision. The amount for contingent liability for the year is Rs. 3.05 lacs (Previous year Rs. 8.14 lacs).
   iv) In respect of Assessment Year 2002-03, certain additions were made on normal income as well as on book profits. The matter is pending with Commissioner Income Tax (Appeals). The Company has done an analysis and is of the opinion that it has fair chance of a favourable decision. The amount for contingent liability for the year is Rs. 23.13 lacs. (Previous year Rs. 23.13 lacs).
   v) In respect of A.Y. 2003-04, disallowance was made for carry forward losses as well as certain disallowances. The matter is pending with Income Tax Appellate Tribunal. The Company has done an analysis and is of the opinion that it has fair chance of a favourable decision. The amount involved is Rs.158.01 lacs. (Previous year Rs. 158.01 lacs).
   vi) In respect of Assessment Year 2004-05, certain additions were made on normal income. The Income Tax Appellate Tribunal has decided the matter in Company's favour. The amount of contingency for the year is Rs. NIL. (Previous year Rs. 13.05 lacs)
   vii) In respect of Assessment Year 2005-06, certain additions were made on normal as well as on book profit. The matter is pending with Commissioner Income Tax (Appeals). The Company has done an analysis and is of the opinion that it has fair chance of a favourable decision. The amount for contingent liability for the year is Rs. 38.42 lacs (Previous year Rs. 38.42 lacs).
   viii) In respect of Assessment Year 2006-07, certain additions were made on normal as well as on book profit. The matter is pending with Income Tax Appellate Tribunal. The Company has done an analysis and is of the opinion that it has fair chance of a favourable decision. The amount for contingent liability for the year is Rs. 39.52 lacs (Previous year Rs. 39.52 lacs).
   ix) In respect of Assessment Year 2007-08, certain additions were made on normal profits. The matter is pending with Commissioner Income Tax (Appeals). The Company has done an analysis and is of the opinion that it has fair chance of favourable decision. The amount involved is Rs 32.79 Lacs (Previous Year Rs 32.79 Lacs).
   x) In respect of Assessment Year 2008-09, certain additions were made on normal profits. The matter is pending with Commissioner Income Tax (Appeals). The Company has done an analysis and is of the opinion that it has fair chance of favourable decision. The amount involved is Rs 227.13 Lacs. (Previous Year Rs 227.13 lacs).

6) In relation to b (vi) above, Excise duty cases contested by the subsidiary Company ('FMTPR') comprise of:

i) Matter pending with Commissioner/ Joint Commissioner/ Deputy Commissioner of Central Excise, Bangaluru:
   a) In relation to deduction of Trade Discounts for the period 2000-2002 to 2003-2004. The Company has done an analysis and is of the opinion that it has fair chance of a favorable decision. The amount involved is Rs. 2.42 lacs (Previous year Rs. 2.42 lacs)

ii) Matters pending with Central Excise and Service Tax Appellate Tribunal (CESTAT):
   a) Company has received demand notice received for the period 2008-09, which is on account of demand for service tax on supplementary bills on job work charges for price reduction passed on by one of the supplier. The Company has done an analysis and is of the opinion that it has fair chance of a favorable decision. The amount involved including interest & penalties is Rs.119.36 lacs (Previous year Rs. 119.36 lacs)
   b) In respect of irregular availment of cenvat credit in respect to certain products obtained on job work basis for the period 2005- 2007. The Company has done an analysis and is of the opinion that it has fair chance of a favorable decision. The amount involved is Rs. 361.07 lacs (Previous year Rs. 361.07 lacs) including interest and penalties of Rs.180.53 lacs (Previous year Rs. 180.53 lacs).
   c) In respect of notice received for the period 2009-10 on account of Cenvat credit of service tax on job work charges. The Company has done an analysis and is of the opinion that it has fair chance of a favorable decision. A stay was also granted to the Company in the month of February 2012 in this matter. The amount involved is Rs. 306.80 lacs (Previous year Rs. 306.80 lacs)
   d) In respect of irregular availment of cenvat credit in respect to certain product obtained on job work basis for the period 2010. The Company has done an analysis and if of the opinion that it has fair chance of a favorable decision. The amount involved is Rs.85.66 lacs (Previous year Rs. 85.66 lacs).
   e) Company has received demand Notice for the period 2010 which on account of Service Tax credit availed on sole selling commission. The Company had done an analysis and is of the opinion that it has fair chance of a favorable decision. The amount involved is Rs.56.49 lacs (Previous year Rs. 56.49 lacs).
   f) In respect of availment of cenvat credit (service tax) in relation to management consultancy service and sole selling commission for the period 2004-2005 to 2006-2007. The Company has done an analysis and is of the opinion that it has fair chance of a favorable decision. The amount involved is Rs. 24.35 lacs (Previous year Rs. 24.35 lacs).
   g) In respect of availment of cenvat credit (service tax) in relation to sales commission and freight charges for the period January 2008 to April 2010. The Company has done an analysis and is of the opinion that it has fair chance of a favorable decision. The amount involved is Rs.138.13 lacs (Previous year Rs. 138.13 lacs).
   h) In respect of availment of cenvat credit (service tax) in relation to management consultancy and freight charges for the period September 2008 to November 2009. The Company has done an analysis and is of the opinion that it has fair chance of a favorable decision. The amount involved is Rs.73.77 lacs (Previous year Rs. 73.77 lacs).

   (iii) Matters pending with Commissioner of Central Excise (Appeals), Bangaluru.
   a) Company has received demand notice received for the period 2005 which is on account of non production of service tax document. The Company has done an analysis and is of the opinion that it has fair chance of a favorable decision. The amount involved is Rs. 24.71 lacs (Previous year Rs. 24.71 lacs).

   (iv) Matter pending with Commissioner/ Joint Commissioner/ Deputy Commissioner of Central Excise, Bangaluru
   a) Company has received demand Notice for the period 2011 on account of Service Tax credit availed on job work charges. The Company had done an analysis and is of the opinion that it has fair chance of a favorable decision. The amount involved is Rs. 82.48 lacs (Previous year Rs. 82.48 lacs).
   b) Company has received demand notice for the period October 2011 to April 2012 on account of service tax credit availed on job work charges. The Company had done an analysis and is of the opinion that it has fair chance of a favorable decision. The amount involved is Rs. 76.54 lacs (Previous year NIL)

i) In relation to (b) (vii) above, sales tax cases contested by the subsidiary Company ('FMTPR') comprise of:

ii) The matter is pending before the Joint Commissioner of Commercial taxes (Appeals), Bangaluru:

a) Company has received demand notice received for the period 2007-08 which is on account of applicability of higher tax rate on goods cleared local goods. The Company has done an analysis and is of the opinion that it has fair chance of a favorable decision. The amount involved is Rs. 454.26 lacs (Previous year Rs. 454.26 lacs).

d. In accordance with the requirement of Accounting Standard (AS - 18) on related party disclosures where control exist and description of the relationship are as follows:

(a) Name of Parties where Control Exists

i) Holding Company
Federal Mogul Holdings Limited (Mauritius)

ii) Ultimate Holding Company
Federal Mogul Corporation, USA

(b) Key managerial personnel
Mr. Sunit Kapur, Managing Director
Mr. Dan Brugger, Whole Time Director & CFO*

(c) Fellow subsidiaries
Federal Mogul Burscheid GMBH, Germany
Federal Mogul Maysville (USA)
Federal Mogul Operation S.R.L (Italy)
Federal Mogul Bimet S.A. (Poland)
Federal Mogul Nurnberg, GMBH (Germany)
Federal Mogul Wiesbaden GMBH, (Germany)
Federal Mogul Power Train System (South Africa)
Federal Mogul Holding Deutschland (Germany)
Federal Mogul Valves (PTY) Ltd (South Africa)
Federal Mogul Limited (U.K.)
Federal Mogul KK (Japan)
SSCFRAN FM Financial Services SAS Veurey Voroize (France)
Federal Mogul Financial Services FRANCTNL (France)
Federal Mogul Gorzyce, S.A. (Poland)
Federal Mogul Friedberg, GMBH (Germany)
Federal Mogul Sintered Products Ltd. (U.K.)
Federal Mogul Sealing Systems, GMBH (Germany)
Federal Mogul Brasil do Limited (Brazil)
Federal Mogul Friction Products Ltd (Thailand)
Federal Mogul Corporation Power Train Systems (USA)
Federal Mogul Power Train Systems Schofield (USA)
Federal Mogul S.A.R.L. (Switzerland)
Federal Mogul France, S.A. (France)
Federal Mogul Corporation, Lake City (USA)
Federal Mogul Corporation, Garennes (France)
Federal Mogul Dongsuh Piston Co. Ltd. (China)
Federal Mogul Corp, Mgmoogus (USA)
KFM Bearing Company (South Korea)
Federal Mogul Bradford Ltd.
T&N Limited Manchester (England)
Federal Mogul Powertrain Spara, MII
Federal Mogul KK Yokohama
Federal Mogul Sintertech SVC Functionnels
Federal Mogul Powertrain Inc, Southbend
Federal Mogul Kontich
Federal Mogul Schofield
Federal Mogul Bearings India Ltd (India)
Federal-Mogul Automotive Products India Ltd (India) (Formerly Federal Mogul Automotive Product (India) Pvt Ltd.)
Federal-Mogul VSP India Ltd. (India) (Formerly known as Ferodo India Pvt. Ltd.)
Federal-Mogul PTSB India Pvt. Ltd. (India) (Formerly known as Federal-Mogul Trading India Pvt. Ltd.)

(d) Associates
GTZ Securities Limited

"Mr. Dan Brugger. Whole Time Director and CFO has resigned w.e.f 28 February 2013 and Mr. Vikrant Sinha has been appointed as Whole Time Director and CFO of the Company w.e.f 28 February 2013.*

Those transactions along with related balances as at 31 December 2012 and 31 December 2011 and for the years then ended are presented in the following table:

Rs. in lacs

Ultimate Holding Company		
Particulars	**Federal Mogul Corporation (USA)**	
	31.12.12	31.12.11
Sales	**(4,140.66)**	(5,487.77)
Purchase of raw material, intermediaries and finished goods	**933.63**	382.72
Reimbursement of expenses paid	**238.30**	474.57
Reimbursement of expenses (received)	**(157.41)**	(170.59)
Balance outstanding as at the end of the year (Payable)	**(662.70)**	(298.97)

Rs. in lacs

Fellow Subsidiaries								
Particulars	**Federal Mogul do Brasil Ltd.**		**Federal Mogul Burscheid GMBH, Germany**		**Federal Mogul Gorzyce S.A. (Poland)**		**Federal Mogul Dongsuh Piston Co. Ltd.**	
	31.12.12	31.12.11	**31.12.12**	31.12.11	**31.12.12**	31.12.11	**31.12.12**	31.12.11
Sales	-	-	-	-	**-**	(10.10)	-	-
Purchase of raw material, intermediaries and finished goods	-	-	**5,250.13**	6,620.15	**158.39**	797.54	-	-
Purchase/(Sale) of Fixed Assets	-	(121.83)	**721.25**	3,198.47	-	-	-	-
Reimbursement of expenses paid	-	-	-	-	33.49	-	-	-
Reimbursement of expenses (received)	-	-	-	-	-	-	**(140.77)**	(122.74)
Royalty Expense	-	-	**409.14**	359.21	-	-	-	-
Balance outstanding as at the end of the year Receivables	-	-	-	-	**(11.31)**	(214.65)	**(63.95)**	(16.50)
Balance outstanding as at the end of the year (Payable)	-	-	**(1,272.34)**	(2,166.13)	-	-	-	-

Rs. in lacs

Fellow Subsidiaries				
Particulars	**Federal Mogul Nurnberg, GMBH (Germany)**		**Federal Mogul Holding Deutschland (Germany)**	
	31.12.11	31.12.10	**31.12.11**	31.12.10
Sales	**(0.11)**	(7.22)	-	-
Purchase of raw material, intermediaries and finished goods	**192.66**	301.19	-	-
Purchase/(Sale) of Fixed Assets	**2,577.60**	2,894.08	-	-
Reimbursement of expenses paid	**20.48**	-	-	81.49
Reimbursement of expenses (received)	-	-	-	-
Mnagement Support charges paid		-	**555.46**	498.52
Royalty Expense	**656.70**	560.55	-	-
Balance outstanding as at the end of the year Receivables	-	-	-	-
Balance outstanding as at the end of the year (Payable)	**(625.64)**	(1,208.05)	-	(498.52)

Rs. in lacs

Particulars	Federal Mogul Financial Services FRANCTNL (France)		Federal Mogul Sintered Products Limited, (U.K)		FEDERAL MOGUL FRICTION PRODUCTS LTD.		Other Fellow Subsidiaries		Total From Table 1 to Table 3	
	Fellow Subsidiaries									
	31.12.12	31.12.11	**31.12.12**	31.12.11	**31.12.12**	31.12.11	**31.12.12**	31.12.11	**31.12.12**	31.12.11
Sales	-	-	-	-	-	(593.47)	**(5.51)**	(2.50)	**(5.63)**	(613.29)
Purchase of raw material, intermediaries and finished goods	-	-	**24.92**	121.11	**53.73**	-	**(414.94)**	219.47	**5,264.88**	8,059.45
Purchase/(Sale) of Fixed Assets	-	-	-	-	-	-	**502.85**	-	**3,801.72**	5,970.70
Interest expenses	-	-	-	-	-		-	-	**20.49**	81.48
Reimbursement of expenses paid	**265.75**	351.34	-	-	-		**59.57**	57.95	**379.29**	490.77
Reimbursement of expenses (received)	-	-	-	-	-	(16.68)	-	-	**-**	(16.67)
Management Support Charges					-	-			**555.46**	498.52
Reimbursement of expenses (received)	-	-	-	-	-	-	**(1.27)**	-	**(142.05)**	(122.74)
Royalty Expense	-	-	**265.91**	228.12	-	-	-	-	**1,331.74**	1,147.87
Balance outstanding as at the end of the year Receivables	-	-	-	-	-	(535.21)	-	-	**(75.27)**	(766.36)
Balance outstanding as at the end of the year (Payable)	-	(49.49)	**(129.42)**	(129.99)	-	-	**(641.72)**	(120.76)	**(2,668.78)**	(4,172.94)

Rs. in lacs

Particulars	Federal Mogul Bearings India Limited (India)		Federal Mogul Automotive Products (India) Private Limited, (India)		Federal-Mogul VSP India Limited, (India)		Federal Mogul PTSB India Private Limited, (India)		Total	
	Fellow Subsidiaries									
	31.12.12	31.12.11	**31.12.12**	31.12.11	**31.12.12**	31.12.11	**31.12.12**	31.12.11	**31.12.12**	31.12.11
Purchase of raw material, intermediaries and finished goods	**866.04**	695.86	**2,136.06**	2,922.11	-	-	-	-	**3,002.11**	3,617.97
Reimbursement of expenses paid	-	-	**3.44**	324.42	-	-	-	-	**3.44**	324.42
Reimbursement of expenses (received)	**(196.43)**	(420.55)	-	-	**(294.16)**	(54.07)	**(198.28)**	(86.63)	**(688.88)**	(561.24)
Inter-corporate deposit (ICD) Taken	-	-	**1,415.00**	1,235.00	**1,300.00**	3,875.00	**4,590.00**	-	**7,305.00**	5,110.00
Inter-corporate deposit (ICD) repaid	-	(600.00)	-	-	**(1,675.00)**	(3,405.00)	**(95.00)**	-	**(1,770.00)**	(4,005.00)
Interest on the above ICD	-	-	**242.83**	146.97	**73.56**	102.98	-	-	**316.40**	249.96
Balance outstanding as at the end of the year Receivables	-	-	-	-	**52.53**	-	**3.39**	11.10	**9.93**	11.10
Balance outstanding as at the end of the year (Payable)	**(64.07)**	(45.25)	**(2634.92)***	(2,158.19)	**(75.94)****	(453.43)	**(4530.98)*****	-	**(2,203.44)**	(2,656.87)

*Includes Rs 2450 lacs (Previous year Rs 1885 lacs) payable against ICD taken and 20.45 lacs (Previous year 16.19 lacs) payable against interest on the same.
**Includes Rs 75 lacs (Previous year Rs 450 lacs) payable against ICD taken and 0.94 lacs (Previous year 4.78 lacs) payable against interest on the same.
**Includes Rs 4495 lacs (Previous year Rs NIL lacs) payable against ICD taken and 35.98 lacs (Previous year NIL lacs) payable against interest on the same.

Rs. in lacs

Key Managerial Personnel and their relatives								
Particulars	Mr. Jean de Montlaur		Mr. Sunit Kapur		Mr. Dan Brugger		Total	
	31.12.12	31.12.11	**31.12.12**	31.12.11	**31.12.12**	31.12.11	**31.12.12**	31.12.11
Remuneration	**458.11**	426.32	91.52	-	**175.91**	168.66	**725.55**	594.98

e. Operating lease

The Company has taken office and residential facilities under cancellable and non-cancellable operating leases, which are renewable on a periodic basis and have escalations ranging from 10 to 20% per annum

a) Assets taken under operating lease

Rs. in lacs

		31 December 2012	31 December 2011
1.	Lease payments for the year	**415.66**	396.85
2.	Minimum lease payments		
	a. Not later than one year	**166.07**	169.09
	b. Later than one year and not later than five years	**4.08**	697.98
	c. Later than five years	-	154.57

f. Particulars of unhedged foreign currency exposure as at the balance sheet date

Particulars	Currency	**As At December, 31, 2012 Amount Rs. (in lacs)**	**As At December 31, 2012 Amount (Foreign currency in lacs)**	**Year ended Dec. 31, 2012 (Rates, 1 Unit of Foreign Currency) equivalent INR)**	As at December 31, 2011 Amount Rs.(in lacs)	As at December 31, 2011 Amount (Foreign currency in lacs)	As at December 31, 2011 (Rates,1 Unit of) Foreign currency equivalent INR)
Trade payables	USD	**867.99**	**15.54**	**55.87**	1,160.74	21.40	54.24
Trade payables	JPY	**161.31**	**247.98**	**0.65**	97.06	138.58	0.70
Trade payables	CHF	**4.22**	**0.07**	**61.24**	5.20	0.09	57.73
Trade payables	SEK	**24.19**	**2.79**	**8.67**	49.25	6.21	7.93
Trade payables	EURO	**3,743.14**	**50.67**	**73.87**	5,259.62	74.87	70.25
Trade payables	GBP	**148.62**	**1.65**	**90.33**	116.30	1.39	83.67
Trade payables	CAD	**-**	**-**	**-**	4.26	0.08	53.25
Trade payables	THB	**-**	**-**	**-**	0.25	0.15	1.67
Advance to creditors	EUR	**698.47**	**9.46**	**73.87**	833.87	11.87	70.25
Advance from customers	USD	**-**	**-**	**-**	1,952.64	36.00	54.24
Advance to suppliers	USD	**368.56**	**6.60**	**55.87**	699.33	13.41	52.15
Advance to suppliers	GBP	**83.90**	**0.93**	**90.33**	48.99	0.61	80.31
Advance to suppliers	JPY	**588.73**	**905.04**	**0.65**	99.80	148.49	0.67
Advance to suppliers	SEK	**15.10**	**1.74**	**8.67**	53.41	7.14	7.48
Advance to suppliers	CHF	**3.70**	**0.06**	**61.24**	9.41	0.17	55.34
Advance to suppliers	CAD	**-**	**-**	**-**	4.09	0.08	51.08
Trade receivables	USD	**1,408.85**	**26.23**	**53.71**	2,211.68	42.41	52.15
Trade receivables	EURO	**540.02**	**7.62**	**70.90**	532.70	7.90	67.43
Trade receivables	GBP	**1.17**	**0.01**	**86.69**	2.41	0.03	80.31

g. Disclosures in accordance with AS-15 on "Employee Benefits"

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of services, gets a gratuity on departure at 15 days basic salary (last drawn) for each completed year of service on terms not less favourable than the provisions of the payment of Gratuity Act, 1972. The scheme is funded with an insurance Company in the form of a qualifying insurance policy.

The following tables summaries the components of net benefit expense recognized in the Statement of Profit and Loss and the funded status and amounts recognized in the balance sheet for the plan.

Statement of Profit and Loss

Net employee benefit expense (recognized in Employee benefit expense) [AS15 (c) (i) to (x)]		Rs. in Lacs
Current service cost	**301.12**	292.11
Interest cost on benefit obligation	**524.37**	470.00
Expected return on planned assets	**(306.97)**	(319.39)
Net actuarial (gain) / loss recognized in the year	**812.76**	45.09
Previous years actuarial gains recognised during the year	**-**	(239.90)
Net benefit expense	**1,331.28**	247.91
Actual return on plan assets	**348.35**	180.08

Balance Sheet

Details of provision for gratuity		
Defined benefit obligation	**7,718.21**	6,585.75
Less: Fair value of plan assets	**(3,758.65)**	(3,812.62)
Plan liability	**3,959.56**	2,773.13

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

		Rs. in lacs
Opening defined benefit obligation	**6,585.75**	6,219.28
Interest cost	**524.37**	469.99
Current service cost	**301.12**	292.11
Benefits paid directly by the Company	**(44.85)**	-
Benefits paid from the fund	**(502.33)**	(304.90)
Transfer from group Company	**-**	3.48
Actuarial (gains) / losses on obligation	**854.14**	(94.21)
Closing defined benefit obligation	**7,718.21**	6,585.75

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

Opening fair value of plan assets	**3,812.62**	3,882.44
Expected return	**306.97**	319.38
Contributions by employer	**100.00**	55.00
Benefits paid	**(502.33)**	(304.90)
Actuarial gains / (losses)	**41.38**	(139.31)
Closing fair value of plan assets	**3,758.64**	3,812.61

The Company's expected contribution to the fund in the next year is not presently ascertainable and hence, the contribution expected to be paid during the annual period beginning after the balance sheet date as required by para 120(o) of the accounting standard 15 on employee benefits has not been disclosed.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:-[AS15 Para 120 (h)]

	%	%
Investments with insurer	**100**	100

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

The principal assumptions used in determining gratuity for the Company's plan is shown below :

Discount rate	**8.0% p.a.**	8.5% p.a.
Expected rate of return on plan assets	**8.5% p.a.**	8.5% p.a.
Normal retirement age	**58 years**	58 years
Employee turnover	**5.0% p.a.**	5.0% p.a.

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

Amount for the current year and previous four years are as follows : Amount (Rs.)

Particulars	**31 December 12**	31 December 11	31 December 10	31 December 09	31 December 08
Defined benefit obligation	**7,718.21**	6,585.75	6,219.28	5,560.97	5,415.42
Cumulative unrecognised actuarial gains	**-**	-	239.91	-	-
Plan assets	**3,758.65**	3,812.62	3,882.44	3,471.23	3,352.83
Deficit	**(3,959.56)**	(2,773.13)	(2,576.75)	(2,089.74)	(2,062.59)
Experience adjustments on plan liabilities	**375.67**	511.34	205.76	280.10	-
Experience adjustments on plan assets	**348.35**	180.08	489.37	(210.74)	-

h. Details of dues to micro and small enterprises as defined under the MSMED Act, 2006

The Micro, small and medium enterprises have been identified by the Company from the available information, which has been relied upon by the auditors. According to such identification, the disclosures in respect to micro and small Enterprises as per MSMED Act, 2006 is as follows:

Particulars	**31 December 2012**	31 December 2011
The principal amount remaining unpaid as at the end of year	**178.53**	194.84
Interest due on above principal and remaining unpaid as at the end of the year	**0.61**	1.85
The amount of interest paid by the buyer in terms of section 16, of the micro, small and medium enterprise Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	**0.11**	-
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.	**32.02**	14.09
The amount of interest accrued and remaining unpaid at the end of each accounting year; and	**32.26**	15.94
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	**4.89**	38.06

i. Expenses capitalised

The Company has capitalized various expenses incurred in the course of construction of self generated assets in accordance with AS 10 -Accounting for Fixed Assets, the details of expenses capitalized for the purpose of construction of self generated assets are as follows:

Salaries, wages and bonus	**44.01**	177.53
Consumption of stores and spares	**66.02**	266.30
Total	**110.04**	443.83

j. Non fulfilment of export obligation under Export promotion Capital Goods (EPCG) Licenses

The Company has identified some licenses obtained under Export Promotion Capital Goods scheme, which have expired and against which the Company has partially fulfilled the export obligation (levied in lieu of permission to import fixed assets at a concessional rate of import duty). In view of partial shortfall in fulfilling export obligation, the management has decided, on prudent basis, to make a provision aggregating to Rs. 186.22 lacs (Previous Year Rs. 214.89 lacs) in these financial statements which in view of the management, is adequate to cover any liability on this account at all its facilities' and is included as 'Provision for non fulfilment of export obligation' in Provisions under Note 8.

k. Provision for regulatory matters

During the year ended 31 December 2010, the Group had commenced an evaluation process for various regulatory matters at its factories. Based on more accurate information discovered, a provision, towards costs to be incurred to remediate these matters, of Rs. 383.60 lacs is included under Note no. 8 which are net of amounts utilized of Rs. 610.53 lacs during the year towards remediation.

During the year, the Group became aware of certain discrepancies regarding sales tax matters at one of its factories. It thereafter undertook a review and based on the information available at this stage of the ongoing evaluation, has paid / provided an amount of Rs. 625.81 lacs [included under Note no. 8 under the head provision for regulatory matters net of payments made of Rs. 398.03 lacs. Provision created during the year relating to this has been disclosed as an exceptional item in the Statement of Profit and Loss. In addition to the above, the provision for regulatory matters include a provision of Rs. 487.68 lacs (Previous Year Rs. 654.96 lacs) towards certain other regulatory matters.

The Group is actively seeking to resolve these actual and potential statutory, taxation, regulatory and contractual obligations. In accordance with requirements of Accounting Standard 29 on 'Provisions, Contingent liability and Contingent assets' issued by the Institute of Chartered Accountants of India, although difficult to quantify based on the complexity of the issues, the Group has accrued amounts corresponding to its best estimate of the costs associated with such regulatory and contractual obligations on the basis of available information and best professional judgment of experts appointed for this exercise.

Based on consultations obtained from the experts in respect of the said matters, in management's view, no further costs are expected to be incurred for which a provision would be required at this stage and considers the provisions made to be adequate.

l. Management support charges

In December 2012, the Group has paid management support charges to its group companies of Rs 556.81 lacs in respect of certain application engineering services provided to the Company. The Company carries out its transfer pricing study annually for the tax period of April-March and updates its documentation, choice of methods and benchmarks to ascertain adequacy and compliance with the "arms length" principles prescribed under Income Tax Act. For the year April 1, 2012 to March 31, 2013, the process of updation is ongoing and management is confident of completing the same. The provision for current tax has been made accordingly considering the said amounts of Rs. 556.8 lacs as "allowable expenditure".

m. Investments in G.I. Power Corporation Limited

The Group is holding an investment of Rs. 1,070.92 lacs (Equity Shares: Rs. 194.48 lacs and Preference Shares: Rs. 876.44 lacs) in GI Power Corporation Limited (GIPCL). During the year ended 31 December 2011, the Company's shareholding in GIPCL has reduced from 26.00% to 6.60% due to conversion of the preference shares held by other investors into equity shares. Accordingly GIPCL had discontinued to be an 'Associate' of the Company in the previous year.

In addition to the above, the Group had changed the classification of the investment in GIPCL from long term investment to current investment in the previous year, as the Group had started assessing various options for liquidating these investments as these are not related to the core business of the Group. The recoverability of these Investments is being consistently evaluated and based on current assessment, the Group is not confident that it would be able to recover the entire carrying value of these investments and accordingly a provision of Rs. 1072.25 lacs (representing the full cost of these investments) has been created during the year.

n. Summary financial information of the subsidiary of the Company included in these abridged consolidated fianancial statements is as under:

Period	**As at 31 December 2012**	As at 31 December 2011
Share capital	**1000.00**	2000.00
Reserves and surplus	**5607.57**	4654.42
Total assets	**8260.17**	8692.12
Total liabilities (including deferred tax liabilities)	**1652.60**	2037.70
Investments	**Nil**	Nil

Period	**For the year ended 31 December 2012**	For the year ended 31 December 2011
Turnover (net of excise duty)	**10,153.90**	1,040.20
Profit before taxation (net of prior period items)	**2,821.22**	2,973.42
Provision for taxation	**988.40**	1,097.77
Profit after taxation	**1,832.82**	1,875.65
Proposed dividend (excluding tax on dividends)	**756.89**	760.00

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

Sunit Kapur
Managing Director

Bernhard Motel
Director

Khalid Khan
Company Secretary

Consolidated Cash Flow Statement for the year ended 31 December, 2012

	31 December, 2012 Rs (in lacs)	31 December, 2011 Rs (in lacs)
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax and after prior period	**1,434.01**	7,054.52
Adjustments for:		
Depreciation and amortisation	**6,494.96**	5,688.73
Loss on sale / discard of fixed assets (net)	**267.96**	219.82
Provision for doubtful debts	**52.73**	-
Provision for dimunition in the value of investments	**1,072.24**	-
Provision for doubtful debts written back	**-**	(50.11)
Advances written off	**26.33**	198.17
Provision for loans and advances	**78.99**	58.90
Interest income	**(78.82)**	(41.29)
Interest expense	**2,559.42**	2,213.73
Share of loss in associate companies	**-**	(35.39)
Excess provision written back	**(481.67)**	(162.67)
Unrealised forex (gain)/loss (net)	**369.00**	196.25
Miscellaneous expenditure written off	**-**	239.91
Operating profit before working capital changes	**11,795.15**	15,580.57
Movements in working capital:		
Decrease / (Increase) in trade and other receivable	**960.58**	(5,580.40)
Decrease / (Increase) in inventories	**571.03**	(3,567.51)
Increase / (Decrease) in Trade and other payables	**(3,582.15)**	6,257.07
Cash generated from operations	**9,744.63**	12,689.73
Direct taxes paid (net of refunds)	**(1,815.51)**	(2,574.53)
Net cash from operating activities	**7,929.11**	10,132.01
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets/ Intangibles Assets	**(10,118.16)**	(13,594.13)
Proceeds from sale of fixed assets	**34.77**	256.96
Movement in restricted cash	**36.31**	(8.60)
Proceeds from sale of investments	**0.10**	-
Interest received	**67.24**	39.79
Net cash used in investing activities	**(9,979.75)**	(13,305.98)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of borrowings (Long term)	**(400.00)**	(400.00)
Redemption of preference shares	**(490.00)**	-
Movement in borrowings(Short term)	**6,041.49**	5,856.74
Interest paid	**(2,491.42)**	(2,199.70)
Dividend paid	**(400.28)**	(357.70)
Tax on dividend paid	**(123.29)**	(166.13)
Net cash used in financing activities	**2,136.51**	2,733.21
Net increase in cash and cash equivalents (A + B + C)	**85.87**	(440.76)
Cash and cash equivalents at the beginning of the year	**323.41**	764.17
Cash and cash equivalents at the end of the year	**409.28**	323.41
Components of cash and cash equivalents as at	**31 December, 2012 Rs (in lacs)**	31 December, 2011 Rs (in lacs)
Cash and cheques on hand	**0.02**	0.02
With banks - on current account	**409.26**	323.39
Total	**409.28**	323.41

As per our report of even date
For Walker, Chandiok & Co
Chartered Accountants

per David Jones
Partner

Place: Gurgaon
Date: February 28, 2013

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

Sunit Kapur
Managing Director

Bernhard Motel
Director

Khalid Khan
Company Secretary