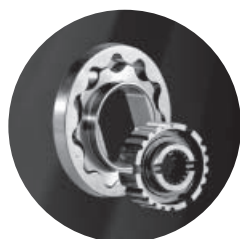
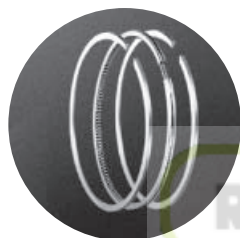


# FEDERAL-MOGUL GOETZE (INDIA) LIMITED



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

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## BOARD OF DIRECTORS as on 30th April 2009

### Chairman & Director

Mr. K.N. Subramaniam

### Managing Director & President

Mr. Jean de Montlaur

### Whole Time Director & CFO

Mr. Rustin Murdock

### Directors

Mr. Rainer Jueckstock

Mr. Mukul Gupta

### Financial Controller & Company Secretary

Mr. Rajan Luthra

### Auditors

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



### REGISTRAR AND SHARE TRANSFER AGENTS

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

### REGISTERED OFFICE

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

### WORKS

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

### BANKERS

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

## TEN YEARS' FINANCIAL REVIEW

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

## Assets Liabilities & Net Worth

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

## Significant Ratios

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

## DIRECTORS' REPORT

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

### FINANCIAL RESULTS

(Rs. in Million)

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

### Operations

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

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

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

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

### Auditors' Comments

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

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

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

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

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

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

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

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

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

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

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

## DIRECTORS' REPORT (Contd.)

### MANAGEMENT DISCUSSION AND ANALYSIS:

#### (a) Industry structures and developments

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

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

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

#### (b) Opportunities

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

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

#### (c) Threats

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

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

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

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

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

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

#### (e) Outlook

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

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

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

#### (f) Risks and concern

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

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

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

##### 2. Excess / short Capacity

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

##### Adequacy of Internal Control Systems

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

##### Rights Issue

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

##### Subsidiary Companies

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

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

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

##### Satara Rubbers and Chemicals Limited

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

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

##### Consolidated Financial Statements

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

##### Directors' Responsibility Statement

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

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

##### Directors

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

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

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

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

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

#### Public Deposits

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

#### Auditors

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

#### Human Resources

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

#### Safety, Health and Environment Protection

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

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

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

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

#### Particulars of Employees

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

#### Acknowledgement

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

For and on behalf of the Board

**Rustin Murdock**  
Whole Time Director  
& CFO  
Place: Gurgaon  
Date: April 30, 2009

**Jean de Montlaur**  
Managing Director  
& President



## ANNEXURE TO THE DIRECTORS' REPORT

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

#### A. CONSERVATION OF ENERGY

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

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

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

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

#### Impact of the above measures

The Above proposals will result in conservation of energy.

#### B. TECHNOLOGY ABSORPTION

Research & Development (R & D)

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

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

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

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

##### 3. Future Plan of action

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

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

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

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

#### Technology absorption, adoption and innovation

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

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

#### Import of Technology

##### Technology for

Technical support for the manufacture of Pistons,

#### Imported from

Rings and Sintered Products.

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

#### Period

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

#### Technology absorption

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

#### Foreign Exchange Earning Outgo

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

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

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

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

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

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

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

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

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

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

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

#### Notes :

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



## **CORPORATE GOVERNANCE REPORT**

### **1. PHILOSOPHY**

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

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

### **2. BOARD OF DIRECTORS**

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

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

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

#### **Information placed before the Board :**

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

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

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

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

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

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

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

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

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

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

### 3. AUDIT COMMITTEE

#### a) Composition and Terms of Reference

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

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

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

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

#### b) Meetings and Attendance

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

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

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

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

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

### 4. REMUNERATION COMMITTEE

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

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

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

#### A) Meetings and Attendance

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

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

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

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