



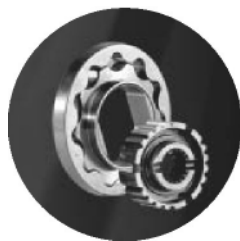
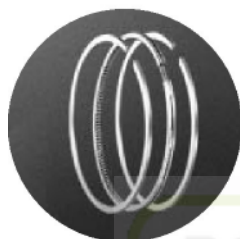
# **FEDERAL-MOGUL GOETZE (INDIA) LIMITED**

# **56<sup>th</sup>**

## **Annual Report - 2010**



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## BOARD OF DIRECTORS

### Chairman & Director

Mr. K.N. Subramaniam

### Managing Director & President

Mr. Jean Humbert Louis de VILLARDI de Montlaur

### Whole Time Finance Director & CFO

Mr. Dan Brugger

### Directors

Mr. Rainer Jueckstock

Mr. Mukul Gupta

### Company Secretary

Mr. Khalid Khan

### Auditors

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



### REGISTRAR AND SHARE TRANSFER AGENTS

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

### REGISTERED OFFICE

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

### WORKS

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

### BANKERS

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

	2010	2009	2008	2007	2006	2005-06	2004-05	2003-04	2002-03	2001-02
					(9 months)				(9 months)	(15 months)
Total Income	<b>102,405.62</b>	84,041.87	79,762.07	72,028.57	46,809.82	53,291.21	51,990.47	46,963.59	26,407.26	24,684.39
Depreciation	<b>4,822.46</b>	4,949.23	4,634.14	4,292.16	2,819.65	3,417.02	2,674.05	2,401.28	1,464.18	1,815.67
Profit before Tax	<b>4,569.31</b>	5,067.48	(517.00)	(1,782.69)	(561.05)	(4,244.81)	3,251.73	2,405.95	1,319.90	1,317.42
Taxation (adjmt for excess provision for prev yr. written back if any)	<b>1,130.39</b>	457.87	172.23	79.74	70.30	810.74	1,048.44	852.55	301.17	178.88
Profit after Tax	<b>3,438.92</b>	4,609.61	(689.23)	(1,862.43)	(631.35)	(5,055.55)	2,203.29	1,553.40	1,018.73	1,138.54
Dividend	-	-	-	-	-	-	1,011.50	782.74	532.87	252.88
Dividend Tax	-	-	-	-	-	-	132.19	100.29	68.27	-
Retained Profit/(Loss)	<b>3,438.92</b>	4,609.61	(689.23)	(1,862.43)	(631.35)	(5,055.55)	1,059.60	670.37	417.59	885.66

## Assets Liabilities & Net Worth

	2010	2009	2008	2007	2006	2005-06	2004-05	2003-04	2002-03	2001-02
Fixed Assets	<b>39,043.60</b>	38,348.16	40,062.06	38,038.79	35,436.36	32,873.58	33,833.21	31,389.59	30,809.13	18,792.29
Investments	<b>2,092.34</b>	2,092.34	2,092.34	2,093.90	2,135.18	2,243.40	2,925.26	3,547.75	3,594.43	3,613.65
Indebtedness	<b>8,648.74</b>	10,113.80	16,213.62	29,236.92	36,444.05	38,960.71	30,167.68	28,113.39	27,579.74	17,754.11
Share Capital	<b>5,563.21</b>	5,563.21	5,563.21	3,262.09	2,528.75	2,528.75	2,528.75	2,528.75	3,528.75	2,528.75
Reserves	<b>32,209.74</b>	28,770.82	24,150.79	14,362.21	6,497.10	7,128.45	13,328.14	12,393.68	11,867.08	11,528.19
Net Worth	<b>37,772.95</b>	34,334.03	29,714.00	17,624.30	9,025.85	9,657.20	15,856.89	14,922.43	15,395.83	14,056.94

## Significant Ratios

	2010	2009	2008	2007	2006	2005-06	2004-05	2003-04	2002-03	2001-02
<b>A. Measurement of Investment</b>										
Percentage of Return on Investment (annualised)	<b>10.06</b>	11.21	(1.11)	(3.86)	(1.59)	(1.19)	13.28	12.92	12.99	10.77
Percentage of Return on Equity (annualised)	<b>12.67</b>	15.82	(2.18)	(13.38)	(8.01)	(29.69)	21.13	15.87	11.95	7.10
Dividend Cover (Ratio)	-	-	-	-	-	-	2.18	1.98	1.91	4.50
<b>B. Measurement of Performance</b>										
Percentage of Profit before Tax to Sales	<b>4.72</b>	6.32	(0.68)	(2.61)	(1.25)	(7.39)	6.49	5.33	5.23	5.56
Percentage of Profit after Tax to Sales	<b>0.04</b>	0.06	(0.01)	(2.72)	(1.40)	(9.87)	4.40	3.44	4.03	4.81
<b>C. Measurement of Financial Status</b>										
Percentage of Term Loans to Tangible Net Worth	<b>0.03</b>	0.07	0.13	0.56	2.19	260.63	160.85	122.41	102.16	56.92
Current Ratio	<b>1.12</b>	0.99	0.73	0.83	0.88	1.18	0.85	0.82	1.01	1.40
<b>D. General</b>										
Dividend per Equity Share (Rs.)	-	-	-	-	-	-	4.00	3.00	2.00	1.00
Earnings per Equity Share (Rs.) (annualised)	<b>6.18</b>	8.29	(2.05)	(7.22)	(3.33)	(19.99)	8.71	6.04	5.21	3.60
Book Value per Equity Share (Rs.)	<b>67.90</b>	61.72	88.36	68.34	35.69	38.19	62.71	59.01	56.93	55.59



## DIRECTORS' REPORT

Your Directors are pleased to present the 56th Annual Report and Audited Statement of Accounts for the financial year ended 31st December, 2010.

### FINANCIAL RESULTS

[Rs. in million]

	For the year ended 31.12.2010	For the year ended 31.12.2009
Total Income:		
Gross Sales	9,304.67	7,750.69
Deduct : Excise Duty	721.81	517.57
	<b>8,582.86</b>	7,233.12
Business and other Income	935.88	653.49
Profit before Tax, Depreciation, Finance Charges & Prior Period Items	1,102.17	1,261.10
Deduct :		
Depreciation and Amortization	482.25	494.92
Finance Charges	139.32	217.05
Profit /(Loss) before Tax and Prior Period Items	480.60	549.13
Provision for Tax		
- Current	-	(0.37)
- Fringe Benefit	-	1.64
- Deferred Tax	113.04	44.51
Net Profit/(Loss) after Tax	367.57	503.34
Prior Period Items	23.68	42.38
Balance brought forward	96.24	(364.72)
Surplus/(Loss) carried to balance sheet	440.13	96.24

### Operations

The Net income of the Company during the year ended 31st December 2010 was Rs. 9,518.74 million as against Rs. 7,886.61 million for the year ended 31st December 2009.

During the year under review, the Company made a Net Profit after Tax of Rs. 343.89 million as against the Net Profit after Tax of Rs. 460.96 million in the last year.

Continuous focus on providing the high quality world class products, flexibility and Agility were identified as the mantras to win in a volatile environment. Every effort was made to achieve possible savings/cost reduction.

In view of requirement of funds for the operations of the Company, no dividend is recommended for the year ended 31st December 2010.

### 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 statutory auditors have reported in the auditor's report for the year ended December 31, 2010 that remuneration being paid to the Managing Director for the current year and the previous year was in excess of the limits prescribed under the Companies Act 1956, by Rs. 333.28 lacs. Further, the Auditors have

reported that the managerial remuneration paid to the erstwhile managing director amounting to Rs. 119.85 Lacs for the period April 1, 2006 to December 31, 2006 and Rs. 38.47 Lacs for the period January 1, 2007 to September 24, 2007 was in excess of the limits prescribed under the Companies Act. The Company has applied/represented to the Central Government for the approvals and is hopeful to receive the same.

2. In the opinion of the Auditor, the interest free loan of Rs. 1,714.17 lacs (year-end balance of loans granted to such party was Rs. nil) granted to its former subsidiary, Satara Rubbers & Chemicals Limited was prejudicial to the interest of the Company. The management is of the view that such loan was not prejudicial to the interests of the Company. The Company had sold its entire investment in the said subsidiary, effective 31st March, 2010.

3. With regard to the Auditors comment on the slight delay in depositing tax and other dues, the management is taking necessary remedial action.

### MANAGEMENT DISCUSSION AND ANALYSIS:

#### (a) Industry structures and developments

On the canvas of the Indian economy, automotive industry occupies a prominent place. Due to its deep forward and backward linkages with several key segments of the economy, automotive industry

has a strong multiplier effect and is capable of being the driver of economic growth. With India being growing automotive market, the automotive sector is one of the prime drivers of the Indian economy. India has emerged as one of the favorite investment destinations for automotive manufacturers in recent times. Global auto companies are investing to tap the growing demand in India. The Indian automobile industry is geared to invest in fresh capacity signifying a rising demand for auto components as well.

Automotive Industry, one of the key drivers of the national economy, has been able to restructure itself, absorb newer technology, align itself to the global developments and realize its potential. This has significantly increased automotive industry's contribution to overall industrial growth in the country.

The auto component industry in India has grown by leap and bounds indicating a opportunistic but challenging run for the industry. The industry is transforming from being highly domestic-centric, to a force ready to face global competition.

The Indian auto component industry is extensive and highly fragmented, which has been finding the way through a period of rapid changes with great confidence. Driven by global competition, business rules are changing and liberalization has had comprehensive ramification for the industry.

## DIRECTORS' REPORT (Contd.)

### (b) Opportunities and Threats

The Company drives sustainable profitable growth through leading technology and superior quality products and services.

Federal-Mogul continues to support the Company with its technical expertise. With widely recognized brands, advanced technology, strong distribution network and a committed team of employees, the Company has continued to maintain its lead in the dynamic market and is well positioned to take advantage of the growth prospects and withstand the market challenges.

A progressive leadership has given direction to the establishment. Our ability to efficiently utilize existing capacity to satisfy the increasing demand by offering wide range of products at competitive prices has embarked a strong presence in the market.

While excellence, corporate governance, professionalization, financial sustainability and functional competencies have been the focus of your Company, the Company employed best practices to proactively map the impact of its activities on its performance and profitability from economic, environment and social perspectives.

The Company faces stiff competition in the market place as there are limited customers in the OE market. The Company also faces stiff competition with the players in the un-organized sector. Further instability in the prices of metals and other inputs is perceived as a threat.

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

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

### (d) Outlook

The Indian economy is strongly on track and is expected to grow even higher. The business environment is expected to be growth-oriented, but volatile as well. The Company is likely to maintain a steady growth oriented performance while maintaining the bottom-line margins on the back of various cost optimization measures.

An estimation of the past growth suggests that Indian automotive industry will improve further. The growth expected in the automobile industry will give a fillip to the Company's performance and profitability. All indicators suggest a positive growth prospects for the Company.

To remain competitive in the challenging and demanding environment, the benchmark has to be high in anticipation of the stated and unstated need of the customers and markets.

Your Company would focus its energy on its new capabilities like new technology based products, management systems etc, which will result in retaining/ enhancing customer access, reduced costs and improved margins.

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

### (e) Risks and concern

The Company 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.

### (f) Adequacy of Internal Control Systems

The Company has an Audit Committee headed by a non-executive independent director, inter-alia, to oversee the Company's financial reporting process, disclosure of financial information, performance of statutory and internal auditors, functions, internal control systems, related party transactions, investigation relating to suspected fraud or failure of internal audit control, to name a few, as well as other areas requiring mandatory review per Clause 49 of the Listing Agreement with the stock exchanges. The powers of the Audit Committee,

inter-alia, include seeking information from any employee, directing the Company's internal Audit function, obtaining outside legal or other professional advice and investigating any activity of the Company within the Committee's terms of reference.

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

### Subsidiary Companies

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

For the Financial year ended December 31, 2010 the Company has achieved a total income of Rs.939.02 million as against Rs. 785.32 million for the year ended 31st December, 2009 showing an increase of 19.57% as compared to the previous year. The profit before tax showed an increase of 36.33% over the previous year due to the operational improvements.

In view of the profitability, the Board has recommended a Dividend of 6% on the Cumulative Preference Shares and 67% Dividend on Equity Shares of the Company.

#### Satara Rubbers and Chemicals Limited (Till 31st March, 2010)

The Company has sold its entire investment in the shares of Satara Rubbers & Chemical Limited (Wholly owned subsidiary) to Akme Projects Limited on 31st March 2010.

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.

### Issue and utilization of Right issue proceeds

The Company had raised an amount of Rs. 1,288,626,752 by allotment of 23011192 shares on rights basis to the existing shareholders vide Letter of Offer dated 5th November 2008 (LOO) out of which Rs. 1,148.77 Lacs could not be utilized as on December 31, 2009 as per the objects of the issue.

In the Annual General Meeting held on 25th June, 2010, the shareholders of the Company had approved, under Section 61 of the Companies Act, 1956, utilization of the proceeds of the aforesaid rights issue for the purpose of:



- Rs. 1138.42 lacs for the purchase of machineries other than those specified in the LOO, under the same category i.e. "Payment to Suppliers for the purchase of machineries (including interest)", based on the current business estimates.
- Rs. 10.35 lacs under the category "Issue Expenses", inter-se to the object category of "General Corporate Purposes".

Accordingly, as on December 31, 2010, the utilisation of the proceeds of the rights issue is as under :  
Federal Mogul Goetze (India) Limited for the year ended December 31, 2010

Particulars	Amount as approved in AGM (Rs. in lacs)	Amount utilised till June 30, 2010 (Rs. in lacs)	Amount utilised during Quarter Dec. 31, 2010 (Rs. in lacs)	Amount utilised till December 31, 2010 (Rs. in lacs)	Amount unutilised till December 31, 2010 (Rs. in lacs)
<b>Repayment of existing debt on their respective due dates</b>	<b>3,040.67</b>	<b>3,040.67</b>	<b>-</b>	<b>3,040.67</b>	<b>-</b>
<b>Payment to suppliers for purchase of machineries (including interest)</b>	<b>9,296.61</b>	<b>8,158.19</b>	<b>595.32</b>	<b>8,753.51</b>	<b>543.10</b>
<b>General corporate purposes</b>	<b>441.65</b>	<b>431.30</b>	<b>10.35</b>	<b>441.65</b>	<b>-</b>
<b>Issue expenses</b>	<b>107.34</b>	<b>107.34</b>	<b>-</b>	<b>107.34</b>	<b>-</b>
<b>Total</b>	<b>12,886.27</b>	<b>11,737.50</b>	<b>605.67</b>	<b>12,343.17</b>	<b>543.10</b>

#### 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 2010 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

During the year, Mr. Rustin Murdock resigned as Whole Time Director, effective 30th June, 2010. In the Board meeting held on 12th November, 2010 Mr. Brugger was appointed as Whole Time Finance Director.

Your Board places on record its appreciation for the valuable contribution made by Mr. Rustin Murdock as Whole Time Director & CFO.

Presently your Board consists of Five (5) Directors consisting of Mr. K.N. Subramaniam, Chairman and Non-executive Independent Director, Mr. Jean de Montlaur as Managing Director & President, Mr. Dan Brugger, as Whole Time Finance Director & CFO, Mr. Mukul Gupta, Non-executive Independent Director and Mr. Rainer Jueckstock, Non-Executive Director.

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

#### Public Deposits

As at 31st December, 2010, your company had unclaimed Fixed Deposits of Rs. 0.36 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 2011. They have furnished a certificate to the effect that the re-appointment, if made, will be in accordance with sub-section (1B) of Section 224 of the Companies Act, 1956.

#### Human Resources

The employee relations have remained cordial throughout the year and industrial harmony was maintained. Measures for the safety, training and development of the employees, continued to receive top priority. The total number of salaried and hourly paid employees, as at December 31, 2010, stood at 4501.

#### 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 improving this performance year after year.

#### Cautionary Statement

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

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

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

#### Particulars of Employees

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

#### Acknowledgement

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

For and on behalf of the Board

**Dan Brugger**

Whole Time Finance  
Director & CFO

Date: March 1, 2011

**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) Rules, 1988

#### A. CONSERVATION OF ENERGY

##### a) Energy conservation measures taken:

- Reorientation of Die casting Machines with Cluster arrangement for multi Machine activity at Piston Foundry.
- Introduction of new 500 CFM Energy efficient Air screw compressor.
- Changing over to the New concept of cell bath system for Ring Chrome plating from the existing Rotary bath system.
- Use of time switches on dedusting units.
- Fibrothal lining on furnace.
- Use of energy efficient motors on Besly m/c.
- Installation of timers for auto power off.
- Installation of various frequency drives.

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

- Energy management system for Piston foundry
- Retrofitting Variable Frequency Drives for AC induction motors.
- Installation of 3.7 Kw motors on cutter m/c.
- Replacement of conventional lighting fixture with energy efficient fixtures.
- Replacement of compressed air media with treated water for piston dies casting.

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

- Reduction in energy consumption.
- Improvement in power factor.

#### 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 and LPG.
- Product development for emissions regulations
- Product development for friction reduction. Reduction in lube oil consumption and improving specific fuel consumption.
- Introduction of coatings and material.

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

- Introduction of new product to the market.
- Better performance in terms of emission, fuel consumption and oil consumption.
- Development of New Business.

##### 3. Future plan of action

- To develop parts for the engines meeting improved performance in terms of Fuel consumption, Friction and Oil Consumption
- To work upon better skirt coating materials.
- To develop parts for the engines meeting emission legislations.
- To install Flexi line for Both Gasoline and diesel Piston manufacturing
- To install Multistation oil hole drilling equipment
- To continue development of new products in a cost efficient manner.
- To upgrade the technology.

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

Capital: Nil  
Recurring: Rs. 24.86 million  
Total: Rs. 24.86 million  
Total R & D Expenditure as a percentage of total turnover: 0.27%

##### Technology absorption, adaptation and innovation

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

- Implementation of AV11D coating process

- Development of FM high strength alloy
- Installation & Commissioning of automatic saltcore cleaning equipment
- Installation & Commissioning of automatic circlip, pin and laser marking machine
- Installation of New Plating process for piston rings
- Installation of New coating equipment for pistons
- Introduction of New Tin Plater for Pistons

##### 2. Benefits derived as a result of above efforts;

New Business  
Upgradation in Technology.

##### 3. Import of Technology

Technology for	Year of Import	Status
Piston with salt core design	2005-2006	Implemented
Moly coating	2005-2006	Implemented
Fully Automated Robotic Machining Line	2006	Implemented
Screen Printing	2006	Implemented
Robo Oil Hole Drilling	2006	Implemented
Assymetrical Barrel Rings	2006	Implemented
Automated Phosphate Coating Line	2007	Implemented
Oil Jet Equipment	2007	Implemented
Thin Napier Ring - 1.2mm axial	2007	Implemented
Surface treatment of Piston & Pin with (AV13D coating AV11 D coating)	2007	Implemented
Thin Napier Ring with serrations	2010	Implemented
on OD AV11D coating		
Saltcore cleaning equipment	2010	Implemented
Automatic circlip, pin and laser marking	2010	Implemented
Crater Bond Checking Instrument	2010	Implemented

##### Foreign Exchange Earning Outgo

- Exports: The Company made exports worth Rs.621.88 million for the year under review as compared to Rs.530.48 million for the corresponding previous year.
- Foreign exchange earned : Rs 621.88 million  
Foreign exchange utilized Rs. 135.01 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 2010.

Sr. No.	Name of Employee	Age (Years)	Qualifications	Experience (Years)	Date of Employment	Designation/ Nature of Duties	Gross Remuneration Held (Rupees)	Last Employment
<b>A. Employed throughout the year and in receipt of remuneration not less than Rs 2,400,000 per annum</b>								
1	SGP Naidu	54	BE'79, PGDBM'83, DMM'84, DBT'84	30	27.04.1981	Director-App.Engg.*	3,576,336	Tata Consulting Engrs.
2	Sunit Kapur	36	B.E (Mech Engg)	17	07.03.1995	Plant Manager(Patiala Plant)	4,644,156	Escorts Ltd.
3	Maresh Joshi	47	BE Mechanical, MBA	24	06.12.1999	General Manager	2,709,461	Sterling Tools Limited
4	Andreas Wilhelm Kolf	48	First Law Exam and Second law Exam	15	12.06.2006	Executive Director – Operations*	21,950,380	Federal Mogul GmbH, Germany
5	Rajesh Sinha	41	B.E, MBA	20	02.02.2007	Director Quality*	3,859,432	Hi Tech Gears Ltd.
6	Jean de Montlaur	59	Bachelor Degree in Engineering, Master Degree in Applied Mathematics, Master in Business Administration	32	01.01.2008	Managing Director & President - Overall management of Company	45,022,314	Sintertech (France)
7	Dieter Polaski	50	Apprenticeship in Tool and Die machinist. Master of industries; Bachelor degree in technical mechanics; Post graduate degree in business management	36	01.07.2008	Plant Manager Piston Divison Bangalore	9,466,531	Federal Mogul Nuernberg GmbH, Germany
8	Vinod Hans	44	B.E (Mech Engg), PGDBM	24	01.07.2008	Director -Sales India*	4,636,830	GKN Driveline(India) Ltd.
9	Gunita Hazuria	55	BBA, MBA,PHD	30	01.04.2009	Director-HR*	6,040,742	BPTP Ltd.
10	Madhur Aneja	42	BE	18	01.04.2009	Global After Market Vice President	10,808,148	GE Lightning (I) Ltd.
11	Vikrant Sinha	49	ICWA, MBA (Manchester)	27	01.10.2009	Financial Controller	5,328,688	Ferodo India Pvt. Ltd
12	Alok Manaktala	38	M.Sc'98, B.E'95, CPIM'03, CIRM'06, CTL'08, CPM'08	15	12.08.2009	Director-SCM*	4,503,757	CEVA Logistics India Pvt. Ltd, Gurgaon
13	Khalid Khan	42	Bcom, LLB, CS, ACIS (UK)	19	02.11.2009	General Manager Corporate & Legal Affairs & Company Secretary	2,655,880	Goodyear India Limited
14	Mirtunjay Nath Sahu	49	BSC, PGDPM & IR	22	16.12.2009	General Manager - HR	2,498,409	Apollo Tyres Limited
15	Sanjeev Kumar Singh	40	Graduation-Physics Honors; Post Graduation - Masters in Business Admn (Marketing)	15	15.03.2004	General Manager- Marketing	2,453,967	iCRM Inc., New Delhi
<b>B. Employed for a part of the year and in receipt of remuneration not less than Rs 2,00,000 per month.</b>								
1	Rustin Ray Murdock	51	Bachelor Degree in Accounting and master Degree in Business Administration	19	01.07.2006	Whole Time Director & CFO	11,715,033	Olympia Arena Inc
2	Dan Brugger	42	Bachelor of Science in Accounting, Virginia Tech University, Blacksburg, Virginia USA	21	06.06.2010	Whole Time Finance Director & CFO	7,882,516	Federal Mogul - Lakecity Minnesota, USA
3	Marco Fieldoff	43	Apprenticeship, Engineer	15	01.05.2010	Plant Manager Ring Divison Bangalore	6,547,966	Federal Mogul - Burschied, Germany

\* Not a Board Member.

#### Notes :

- Remuneration includes salary, leave pay, commission/performance bonus, actual expenditure on rent free accommodation and benefits and amenities, contribution to provident fund, gratuity fund and contribution to superannuation fund.
- Designation of the employees indicates the nature of duties.
- All the above Appointments are contractual.





## CORPORATE GOVERNANCE REPORT

### 1. PHILOSOPHY

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

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

### 2. BOARD OF DIRECTORS

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

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

#### b) Details of Board Meetings held during the year 1st January 2010 to 31st December, 2010

Date of Meeting	Board Strength	No. of Directors Present in person	No. of Directors Present through conference call
27th February, 2010	5	4	NIL
19th March 2010	5	4	NIL
30th April 2010	5	4	NIL
12th August 2010	4	3	NIL
12th November, 2010	5	4	1

#### Information placed before the Board :

Apart from the items that are required to be placed before the Board for its approval under the statutes, the following are also tabled for Board's Periodic Review/ Information, 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. Mukul Gupta, Director, is liable to retire by rotation in the ensuing Annual General Meeting of the Company and being eligible, offers himself for re-appointment. Item regarding his re-appointment has been included in the notice of the ensuing Annual General Meeting.

Mr. 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.

Further, Mr. Dan Brugger was appointed as Additional Director on the Board of the company on 12th November, 2010. His tenure is coming to an end in the forthcoming Annual General Meeting. Notice under Section 257 of the Companies Act, 1956 along with requisite deposit has been received from a member of a company signifying his intention to propose the candidature of Mr. Dan Brugger, as Director of the Company.

Mr. Brugger is a graduate of Virginia Tech University, Blacksburg Virginia USA. Mr. Brugger has 21 years of financial management experience with Federal-Mogul Corporation and its subsidiaries. Mr. Brugger's experience includes 4 years as the North America Division Controller for F-M's Powertrain Energy Group, 2 years as East Asia Division Controller for F-M's Powertrain Energy Group and 1 year as Controller & Treasurer of Federal-Mogul TP Liners, Inc in the USA. Mr. Brugger is a former director of Federal-Mogul Dongshu (Qingdao) Piston Co., Ltd located in Qingdao China.

#### 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 2010 to 31st December, 2010 Attendance at		As on 31st December, 2010		
				Number of Directorships of other Indian Public Limited Companies (Note 1)	Committee Memberships (Note 2)	
		Board Meeting (Total Meetings held - 5)	Last AGM 25th June 2010		Member	Chairman
Mr. Jean de Montlaur	MD&P WTD & CFO	5	Yes	2	1	Nil
Mr. Rustin Murdock (Resigned w.e.f June 30, 2010)		3	Yes	-	-	-
Mr. Rainer Jueckstock	NED	1*	No	Nil	2	1
Mr. Mukul Gupta	NEID	5	Yes	Nil	2	1
Mr. K.N. Subramaniam	CNEID	5	Yes	Nil	2	Nil
Mr. Dan Brugger (w.e.f. 12.11.2010)	WTFD & CFO	1	Yes (Not as WTFD & CFO)	2	1	Nil

\* Attended through conference call.

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

MD&P : Managing Director & President

WTD&CFO : Whole Time Director & CFO

NED : Non Executive Director

WTFD&CFO: Whole Time Finance Director & CFO

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](http://www.federalmogulgoetze.com). The code has been circulated to all the members of the Board and senior management and they have affirmed compliance with the code of conduct. A declaration signed by the Managing Director and President to this effect is attached to the Annual Report.

## 3. AUDIT COMMITTEE

### a) Composition and Terms of Reference

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

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

The current terms of reference of the Audit Committee fully conform to the requirements of Clause 49 of the Listing Agreement as well as Section 292A of the Companies Act, 1956. These broadly include 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 2010 to 31st December, 2010

Date of Meeting	Strength of Committee	No. of Members present in person	No. of Members Present through conference call
27th February, 2010	3	2	NIL
19th March, 2010	3	2	NIL
30th April, 2010	3	2	1
25th June, 2010	3	2	NIL
12th August, 2010	3	2	1
12th November, 2010	3	2	1

### Audit Committee Members Attendance during the Accounting year 2010

Name	Total Meetings held	No. of meetings attended in person	No. of meetings attended through Conference Call
Mr. Mukul Gupta (Chairman)	6	6	Nil
Mr. K.N. Subramaniam	6	6	Nil
Mr. Rainer Jueckstock	6	-	3

The Audit Committee meeting was also held on 1st March, 2011 to, inter-alia, consider the reappointment of M/s. S R Batliboi & Co. as Statutory Auditors of the Company for the Year 2011, review of the audited financial results and Annual Accounts for the year ended 31st December 2010 with the statutory auditors and recommend the same to the Board for approval.

## 4. REMUNERATION COMMITTEE

The Remuneration Committee of the Company comprises of Mr. K.N. Subramaniam as the Chairman, Mr. Mukul Gupta and Mr. Rainer Jueckstock 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 2010 to 31st December, 2010

Date of Meeting	Strength of Committee	No. of Members Present in person	No. of Members Present through conference call
12th November, 2010	3	2	1