

NOTICE

Notice is hereby given that the 58th Annual General Meeting of the Company will be held at Sri Sathya Sai International Centre, Institutional Area, Pragati Vihar, Lodhi Road, New Delhi-110003, on Friday, 10th May, 2013 at 3.00 P.M to transact the following business

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st December 2012, Profit & Loss Account for the year ended on that date and Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. K. N. Subramaniam who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Mukul Gupta who retires by rotation and being eligible, offers himself for re-appointment.
4. To re-appoint M/s. Walker, Chandio & Co, Chartered Accountants, the retiring Auditors of the Company and fix their remuneration.

SPECIAL BUSINESS

5. To consider and if thought fit, to pass with or without modification the following resolution.

(AS ORDINARY RESOLUTION)

Resolved that Mr. Vikrant Sinha be and is hereby appointed as Director of the Company, liable to retire by rotation.

6. To consider and if thought fit, to pass with or without modification the following resolution:

(AS SPECIAL RESOLUTION)

Resolved that pursuant to the provisions of Sections 198, 262, 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956, as amended upto date and any amendments or re-enactments thereto the approval of the Members be and is hereby accorded, subject to the approval of the Central Government, if any, subject to the maximum permissible limits of 5% and 10% of the net profits of the Company, as the case may be as laid down in sub-section (3) of Section 309 of the Companies Act, 1956 and the overall limit of 11% of the net profits as laid down in sub-section (1) of Section 198 of the Companies Act, 1956, Section 310, 311 and other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956, as amended upto date, any amendments or re-enactments thereto and any other acts, rules or other statutes, to appoint Mr. Vikrant Sinha, as the Whole Time Finance Director & CFO of the Company, for a period of five years w.e.f 28th February, 2013 to 27th February, 2018 on the following terms and conditions:

Base Salary : Salary in the scale of Rs. 20,00,000/- - Rs. 35,00,000/- per annum subject to annual review by the Board/Remuneration Committee.

Perquisites : HRA: 50% of the base salary p.a.

- Special Allowance: In the scale of Rs. Rs. 15,00,000/- p.a. to Rs. 25,00,000/- p.a. subject to annual review by the Board/Remuneration Committee.
- LTA: As per the rules of the Company from time to time;
- Medical Reimbursement: As per the rules of the Company from time to time;
- Bonus: Mr. Sinha will be entitled to annual MIP bonus subject to a maximum of Rs. 25,00,000/- p.a.
- Car Allowance: As per Company's policy from time to time.
- Petrol & Maintenance reimbursement: On the basis of actual expense.
- Driver Reimbursement: As per Company's policy from time to time.
- Provident Fund Contribution: 12% of Base Salary
- Gratuity : 4.8% of Base salary.

Resolved further that notwithstanding anything to the contrary herein contained, where in any financial year during the tenure of appointment of Mr. Vikrant Sinha, Whole Time Finance Director & CFO, the Company has no profits or its profits are inadequate, Mr. Sinha, shall be paid the above remuneration as the minimum remuneration, subject to the approval of the Central Government, if required, and/or upon compliance of the applicable requirements of Schedule XIII to the Companies Act, 1956, as existing or as amended from time to time.

Resolved further that the Remuneration Committee or the Board of Directors be and is hereby authorized, from time to time, to alter/vary the terms and conditions of appointment of Mr. Vikrant Sinha as Whole Time Finance Director & CFO of the Company, including the payment of remuneration to him within the maximum permissible limits under Schedule XIII to the Companies Act or within the scale as may be approved by the Central Government.

Notes

- i) **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF / HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. A PROXY MAY BE SENT IN THE FORM ENCLOSED AND IN ORDER TO BE EFFECTIVE MUST REACH THE REGISTERED OFFICE OF THE COMPANY ATLEAST 48 HOURS BEFORE THE MEETING.**
- ii) The Members would be aware that the Ordinary Resolution sent through Notice dated 5th October, 2012, to all Members for voting through Postal Ballot have been passed on 12th November, 2012 by requisite majority. Relevant details in this regard are covered in the Corporate Governance Report.
- iii) Annexed to the Report of the Board of Directors. The Directors Report, Auditors' Report, Audited Balance Sheet as at 31st December 2012 and the Profit and Loss Account for the year ended on that date are enclosed.
- iv) The Register of Members and Share Transfer Books of the Company shall remain closed from 29th April, 2013 to 10th May, 2013 (both days inclusive) for the purpose of AGM.
- v) Members holding shares in physical mode are requested to notify change in their address, transfer/transmission requests/ queries, if any to the Registrar & Transfer Agent (RTA) of the Company, "Alankit Assignments Limited", quoting Folio number and those holding shares in Demat mode must inform the change of address to their respective Depository Participants.
- vi) Members holding shares in physical mode and who have multiple accounts in identical names or joint accounts in same order are requested to send all their relevant share certificate(s) to the RTA for consolidation of all such shareholdings into one account to facilitate better service.
- vii) Members / Proxies are requested to bring their copy of the Annual Report and Admission Slip sent herewith duly filled in for attending the meeting to avoid inconvenience and delay at the time of registration. Copies of Annual Report and admission slip will NOT be available for distribution at the venue of the meeting.
- viii) In terms of notification issued by SEBI, the Equity Shares of the Company are under compulsory demat trading for all Investors from 24th July 2000. Shareholders are advised to hold their shares in Demat mode and to send their Share Certificates along with Dematerialisation request to the RTA through their Depository Participants.
- ix) Under Section 109A of the Companies Act, 1956 the shareholder(s) can nominate a person to whom his shares in the Company shall vest in the event of his/their death. Where the shares are held in joint names, such nomination has to be made jointly. The nominee shall, on the death of the shareholder or all joint holders, as the case may be, become entitled to all rights in the shares to the exclusion of all other persons unless the nomination is varied or cancelled by the shareholder(s) in the prescribed manner.
Shareholder(s) desirous of nominating a person may write to the Company for obtaining the prescribed Nomination form.
- x) All the Shareholders can communicate with the RTA for requests/ queries relating to transfer, transmission, demat, remat, endorsement as fully paid up, split, consolidation, change of address, issue of duplicate share certificates at the address "Alankit Assignments Limited, 2E/21, Jhandewalan Extension, New Delhi 110055". For all other queries, please contact the Company either at the Registered Office of the Company, 7870-7877, F- I, Roshanara Plaza Building, Roshanara Road, Delhi-110007 or by email to investor.grievance@federalmogul.com

By Order of the Board,
For Federal-Mogul Goetze (India) Limited,
Sd/-
Khalid Khan
Company Secretary

Date : 28th February, 2013
Place : Gurgaon

EXPLANATORY STATEMENT
Pursuant to Section 173(2) of the Companies Act, 1956.

Item No. 5 & 6

In the meeting of the Board of Directors held on 28th February, 2013, Mr. Vikrant Sinha was appointed as an Additional Director. Accordingly, Mr. Vikrant Sinha holds the office as Director upto the date of 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 the Company signifying the intention to propose the candidature of Mr. Vikrant Sinha as Director.

In the same Board Meeting, Mr. Vikrant Sinha was also appointed as Whole Time Finance Director & CFO of the Company for a period of 5 Years, effective 28th February, 2013 subject to the approval of the shareholders in the general meeting and Central Government, if required.

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 all field 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.

The remuneration payable to Mr. Vikrant Sinha as specified in the resolution vide Item No. 6 was fixed keeping in view the remuneration policy of the parent Company applicable for similar level of executives, Indian Industries trend, qualification, experience etc.

The above may also be treated as an Abstract under Section 302 of the Companies Act, 1956.

None of the Directors except Mr. Vikrant Sinha to the extent of his appointment & remuneration may be deemed to be concerned or interested in the above resolutions.

Your Directors recommend the above resolutions for your approval.

By Order of the Board,
For Federal-Mogul Goetze (India) Limited,
Sd/-
Khalid Khan
Company Secretary

Date : 28th February, 2013

Place : Gurgaon

Statement containing information as required under Notification No.GSR 36(E) dated 16th January 2002 issued by the Central Government amending Schedule XIII of the Companies Act, 1956 and to be given in the notice of the General Meeting:

I. General Information

- | | | |
|----|-----------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1) | Nature of Industry | Manufacturer of Piston Rings, Pistons, Piston pins, Sintered Products etc. for all types of Automotive & Industrial engines. |
| 2) | Date or expected date of Commencement of commercial Production | Not applicable as the Company is in Commercial production. |
| 3) | In case of new companies, Expected date of Commencement of activities as per project approved by financial institutions appearing in the prospectus | Not applicable |
| 4) | Financial performance based on Given indicators | As given under "Ten Years' Financial Review" of the Annual Report |
| 5) | Export performance and net Foreign exchange earned | As Given in Directors' Report of the Annual Report |
| 6) | Foreign investments or collaborators, If any | Federal Mogul Corporation, USA holds 74.98% of the paid up Equity Capital of the Company through Federal Mogul GmbH, Germany & Federal Mogul Holding Limited, Mauritius. |

II) Information about the appointee

- | | | |
|----|--------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1) | Background details | Mr. Vikrant Sinha 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 all field of Business Finance, including Accounting, Controlling, Treasury, Tax, Internal Control and Corporate Finance, M&A, Business Restructuring, and Risk Management. He has |
|----|--------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2) Job profile and his suitability | <p>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.</p> <p>Mr. Vikrant Sinha is taking care of overall costs, financial functions and financial planning of the Company. He is responsible for overall financial policies and other management policies and decision making of the Company subject to the direction and control of the Board of Directors. He plays a significant role in financial planning of the Company. In addition, he also performs such other significant functions and exercises such powers as entrusted by the Board of Directors of the Company.</p> |
| 3) Remuneration proposed 4) Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person | <p>As per details given at item No. 6 of the notice</p> <p>The proposed remuneration is in tune with the current remuneration packages of similar managerial personnel of Companies belonging to the similar industry, size and with effective capital comparative to the Company. Further, it is commensurate with the qualification & experience of the appointee and in accordance with the highly competitive business scenario requiring recognition & reward of performance & achievement for retention of the best talent and motivation towards meeting the objectives of the Company. Only to the extent of his entitlement to the remuneration as a managerial personnel.</p> |
| 5) Pecuniary relationship directly or Indirectly with the Company, or relationship with the managerial personnel, if any. | |
| III Other information : | |
| 1) Reasons of loss or inadequate profits | <p>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.</p> |
| 2) Steps taken or proposed to be taken for improvement | <p>The Management is taking necessary and adequate steps to improve the profitability of the Company. Continuous review of activities in different areas of operations has been an integral part of the Company's philosophy to maximize gains and reduce costs, in order to meet the market realities.</p> |
| 3) Expected increase in productivity and profits in measurable terms | <p>The performance of the Auto component Sector is linked to the automobile sector. The growth of the automobile sector is dependent on the performance of the economy. Considering the measures taken by your Company and further plans and strategies, the Company is expected to perform better.</p> |
| IV Disclosures | <p>The requisite information has been given under the section on Corporate Governance attached to the Annual Report.</p> |

By Order of the Board,
For Federal-Mogul Goetze (India) Limited,
Sd/-
Khalid Khan
Company Secretary

Date : 28th February, 2013
 Place : Gurgaon

ADMISSION SLIP

| | | | |
|-------------------------|-------------|--------------------|-------------------------|
| | | | |
| FOLIO NO./CLIENT ID NO. | D.P.ID. NO. | NO. OF SHARES HELD | FATHER'S/HUSBAND'S NAME |
| | | | |

I hereby record my presence at the 58th Annual General Meeting of Federal-Mogul Goetze (India) Limited being held at SRI SATHYA SAI INTERNATIONAL CENTRE, Institutional Area, Pragati Vihar, Lodhi Road, New Delhi-110003 on Friday the 10th May, 2013 at 3:00 PM.

Name of Proxy, if applicable (IN BLOCK LETTERS)

Signature of Member / Proxy

ALL PARTICULARS MUST BE CORRECTLY FILLED UP IN THE BOXES PROVIDED ABOVE BEFORE SIGNING AND SURRENDERING THIS ADMISSION SLIP AT THE REGISTRATION COUNTER FOR VERIFICATION.

PROXY

| | | |
|-------------------------|-------------|--------------------|
| | | |
| FOLIO NO./CLIENT ID NO. | D.P.ID. NO. | NO. OF SHARES HELD |
| | | |

I/we _____ being member(s) of Federal-Mogul Goetze (India) Limited

hereby appoint Mr./Ms. _____ Address _____

or failing him/her, Mr./Ms. _____ Address _____

as my/our proxy to attend and vote on my/our behalf at the 58th Annual General Meeting of the Company to be held at SRI SATHYA SAI INTERNATIONAL CENTRE, Institutional Area, Pragati Vihar, Lodhi Road, New Delhi-110003 on Friday the 10th May, 2013 at 3:00 PM. or at any adjournment thereof.

Date _____

Signature

Affix
Revenue
Stamp

1. The Proxy need Not be a member.
2. The Form signed across revenue stamp should reach the Company's Registered Office at least 48 hours before the scheduled time of the meeting.
3. **ALL PARTICULARS MUST BE CORRECTLY FILLED UP IN THE SPACES PROVIDED ABOVE TO ENABLE VERIFICATION, PROXIES WITH INCOMPLETE AND/OR INCORRECT PARTICULARS ARE LIABLE TO BE REJECTED.**
4. Proxy cannot speak at the meeting or vote on the show of hands.

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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

TEN YEARS' FINANCIAL REVIEW

| | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005-06 | 2004-05 | (Rs. in Lacs) 2003-04 |
|------------------------------------------------------------------------|--------------------|------------|------------|-----------|------------|------------|-----------|------------|-----------|--------------------------|
| | | | | | (9 months) | | | | | (9 months) |
| Total Income | 1,31,370.48 | 126,312.25 | 102,405.62 | 84,041.87 | 79,762.07 | 72,028.57 | 46,809.82 | 53,291.21 | 51,990.47 | 46,963.59 |
| Depreciation | 6,193.52 | 5,365.89 | 4,822.46 | 4,949.23 | 4,634.14 | 4,292.16 | 2,819.65 | 3,417.02 | 2,674.05 | 2,401.28 |
| Profit before Tax | (1,383.93) | 4,864.01 | 4,569.31 | 5,067.48 | (517.00) | (1,782.69) | (561.05) | (4,244.81) | 3,251.73 | 2,405.95 |
| Taxation (adjmt for excess provision for prev yr. written back if any) | 251.82 | 1,117.84 | 1,130.39 | 457.87 | 172.23 | 79.74 | 70.30 | 810.74 | 1,048.44 | 852.55 |
| Profit after Tax | (1,635.74) | 3,746.17 | 3,438.92 | 4,609.61 | (689.23) | (1,862.43) | (631.35) | (5,055.55) | 2,203.29 | 1,553.40 |
| Dividend | - | - | - | - | - | - | - | - | 1,011.50 | 782.74 |
| Dividend Tax | - | - | - | - | - | - | - | - | 132.19 | 100.29 |
| Retained Profit/(Loss) | (1,635.74) | 3,746.17 | 3,438.92 | 4,609.61 | (689.23) | (1,862.43) | (631.35) | (5,055.55) | 1,059.60 | 670.37 |

Assets Liabilities & Net Worth

| | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005-06 | 2004-05 | 2003-04 |
|---------------|------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Fixed Assets | 49,557.25 | 46,346.75 | 39,043.60 | 38,348.16 | 40,062.06 | 38,038.79 | 35,436.36 | 32,873.58 | 33,833.21 | 31,389.59 |
| Investments | 510.00 | 2,092.34 | 2,092.34 | 2,092.34 | 2,092.34 | 2,093.90 | 2,135.18 | 2,243.40 | 2,925.26 | 3,547.75 |
| Indebtedness | 19,021.30 | 15,384.40 | 8,648.74 | 10,113.80 | 16,213.62 | 29,236.92 | 36,444.05 | 38,960.71 | 30,167.68 | 28,113.39 |
| Share Capital | 5,563.21 | 5,563.21 | 5,563.21 | 5,563.21 | 5,563.21 | 3,262.09 | 2,528.75 | 2,528.75 | 2,528.75 | 2,528.75 |
| Reserves | 34,320.16 | 35,955.90 | 32,209.74 | 28,770.82 | 24,150.79 | 14,362.21 | 6,497.10 | 7,128.45 | 13,328.14 | 12,393.68 |
| Net Worth | 39,883.37 | 41,519.11 | 37,772.95 | 34,334.03 | 29,714.00 | 17,624.30 | 9,025.85 | 9,657.20 | 15,856.89 | 14,922.43 |

Significant Ratios Revised

| | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005-06 | 2004-05 | 2003-04 |
|-------------------------------------------------|---------------|-------|-------|-------|--------|---------|--------|---------|---------|---------|
| A. Measurement of Investment | | | | | | | | | | |
| Percentage of Return on Investment (annualised) | (2.40) | 9.41 | 10.06 | 11.21 | (1.11) | (3.86) | (1.59) | (1.19) | 13.28 | 12.92 |
| Percentage of Return on Equity (annualised) | (3.40) | 12.27 | 12.67 | 15.82 | (2.18) | (13.38) | (8.01) | (29.69) | 21.13 | 15.87 |
| Dividend Cover (Ratio) | - | - | - | - | - | - | - | - | 2.18 | 1.98 |
| B. Measurement of Performance | | | | | | | | | | |
| Percentage of Profit before Tax to Sales | (1.06) | 4.05 | 4.72 | 6.32 | (0.68) | (2.61) | (1.25) | (7.39) | 6.49 | 5.33 |
| Percentage of Profit after Tax to Sales | (1.26) | 3.12 | 3.55 | 5.75 | (0.91) | (2.72) | (1.40) | (9.87) | 4.40 | 3.44 |
| C. Measurement of Financial Status | | | | | | | | | | |
| Percentage of Term Loans to Tangible Net Worth | 0.10 | 1.93 | 3.18 | 7.28 | 13.00 | 55.52 | 219.29 | 260.63 | 160.85 | 122.41 |
| Current Ratio | 0.88 | 1.04 | 1.12 | 0.99 | 0.73 | 0.83 | 0.88 | 1.18 | 0.85 | 0.82 |
| D. General | | | | | | | | | | |
| Dividend per Equity Share (Rs.) | - | - | - | - | - | - | - | - | 4.00 | 3.00 |
| Earnings per Equity Share (Rs.) (annualised) | (2.94) | 6.73 | 6.18 | 8.29 | (2.05) | (7.22) | (3.33) | (19.99) | 8.71 | 6.04 |
| Book Value per Equity Share (Rs.) | 71.69 | 74.63 | 67.90 | 61.72 | 88.36 | 68.34 | 35.69 | 38.19 | 62.71 | 59.01 |

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/7/2011 dated 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.