



FEDERAL -MOGUL GOETZE (INDIA) LIMITED

(The Company was originally incorporated as Goetze (India) Private Limited on November 26, 1954, under the Indian Companies Act, 1913. In the year 1961, the Company became a deemed public company within the meaning of Section 43 A of the Companies Act and a fresh certificate of incorporation was issued by the Registrar of Companies, Delhi and Haryana on April 17, 1961. Vide a resolution of our shareholders at an extra-ordinary general meeting held on April 29, 1963 it was resolved that the Company would henceforth be a public limited company.)

Subsequently, pursuant to a resolution of the members passed at an extraordinary general meeting held on June 16, 2006, the name of the Company was changed to Federal -Mogul Goetze (India) Limited. (For further details see "Our History and Main Objects" on page 89 of this Letter of Offer).

Registered and Corporate Office: A-26/3, Mohan Co-operative Industrial Estate, New Delhi – 110 044. For details of change in registered office, please refer to page 89 of this Letter of Offer

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Contact Person: Mr. Rajan Luthra, Financial Controller & Company Secretary

For private circulation to the Equity Shareholders of the Company only

ISSUE OF 7,333,389 FULLY PAID-UP EQUITY SHARES WITH A FACE VALUE OF Rs. 10 EACH AT AN ISSUE PRICE OF Rs. 145 PER EQUITY SHARE (INCLUDING A PREMIUM OF Rs. 135 PER EQUITY SHARE), PAYABLE IN CASH, AGGREGATING TO Rs. 1,063,341,405 TO THE EXISTING EQUITY SHAREHOLDERS ON RIGHTS BASIS IN THE RATIO OF 29 FULLY PAID-UP EQUITY SHARES FOR EVERY 100 EQUITY SHARES HELD BY THE EXISTING SHAREHOLDERS ON THE RECORD DATE, i.e. SEPTEMBER 24, 2007. THE ISSUE PRICE IS 14.5 TIMES OF THE FACE VALUE OF THE EQUITY SHARES. FOR MORE DETAILS, SEE "ISSUE RELATED INFORMATION" ON PAGE 308 OF THIS LETTER OF OFFER.

GENERAL RISKS

Investments in equity and equity related securities involve a degree of risk and Investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the Risk Factors carefully before taking an investment decision in this Issue. For taking an investment decision, Investors must rely on their own examination of the Issuer and the Issue including the risks involved. The securities have not been recommended or approved by the Securities and Exchange Board of India (SEBI) nor does SEBI guarantee the accuracy or adequacy of this document. Investors are advised to refer to "Risk Factors" on page 9 of this Letter of Offer before making an investment in this Issue.

ISSUER'S ABSOLUTE RESPONSIBILITY

The Issuer, having made all reasonable inquiries, accepts responsibility for and confirms that this Letter of Offer contains all information with regard to the Issuer and the Issue, which is material in the context of this Issue, that the information contained in this Letter of Offer is true and correct in all material respects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Letter of Offer as a whole or any such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

The existing Equity Shares of the Company are listed on the Bombay Stock Exchange Limited (BSE) (also the Designated Stock Exchange) and the National Stock Exchange of India Limited (NSE). The Company has received "in-principle" approvals from BSE and NSE for listing the Equity Shares arising from this Issue vide their letters dated March 21, 2007 and March 28, 2007 respectively.

LEAD MANAGER TO THE ISSUE



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REGISTRAR TO THE ISSUE



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ISSUE PROGRAMME

ISSUE OPENS ON	LAST DATE FOR REQUEST FOR SPLIT APPLICATION FORMS	ISSUE CLOSURES ON
October 25, 2007	November 8, 2007	November 23, 2007

TABLE OF CONTENTS

	Page No
SECTION I	
DEFINITIONS	4
Company and Issue Related Terms and Abbreviations	4
General Terms and Abbreviations	5
SECTION II	
RISK FACTORS	9
Internal Risk Factors	9
External Risk Factors	33
SECTION III	
INTRODUCTION	37
Our Industry	37
Our Business	39
The Issue	43
Summary of Financial and Operational Information	44
General Information	53
Capital Structure	58
Objects of the Issue	69
Basis for Issue Price	73
Statement of Tax Benefits	75
SECTION IV	
ABOUT US	82
Our Industry	82
Our History and Main Objects	89
Our Business	97
Our Subsidiaries	135
Our Management	138
Our Promoters and Promoter Group	151
Regulations and Policies	162
Material Agreements of the Company	166
SECTION V	
AUDITORS REPORT AND FINANCIAL INFORMATION	178
Unconsolidated Financial and Operating Data	178
Consolidated Financial and Operating Data	219
Management's Discussion and Analysis of Financial Condition and Results of Operation	253
SECTION VI	
LEGAL AND OTHER INFORMATION	266
Outstanding Litigations and Defaults	266
Government Approvals and Licenses	292
Statutory and other Information	300
SECTION VII	
ISSUE RELATED INFORMATION	308
SECTION VIII	
MAIN PROVISIONS OF OUR ARTICLES OF ASSOCIATION	329
SECTION IX	
OTHER INFORMATION	360
Material Contracts and Documents for Inspection	360
Declaration	361

NO OFFER IN THE UNITED STATES OF AMERICA

The rights and the shares of the Company have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or any U.S. state securities laws and may not be offered, sold, resold or otherwise transferred within the United States of America or the territories or possessions thereof (the "United States" or "U.S.") or to, or for the account or benefit of, "U.S. Persons" (as defined in Regulation S under the Securities Act ("Regulation S")), except in a transaction exempt from the registration requirements of the Securities Act. The rights referred to in this Letter of Offer are being offered in India, but not in the United States. The offering to which this Letter of Offer relates is not, and under no circumstances is to be construed as, an offering of any shares or rights for sale in the United States or as a solicitation therein of an offer to buy any of the said shares or rights. Accordingly, this Letter of Offer should not be forwarded to or transmitted in or into the United States at any time.

Neither the Company nor any person acting on behalf of the Company will accept subscriptions from any person, or the agent of any person, who appears to be, or who the Company or any person acting on behalf of the Company has reason to believe is, a resident of the United States and to whom an offer, if made, would result in requiring registration of this Letter of Offer with the United States Securities and Exchange Commission.

PRESENTATION OF FINANCIAL INFORMATION AND USE OF MARKET DATA

Unless stated otherwise, the financial information used in this Letter of Offer is derived from the Company's unconsolidated restated financial statements as of December 31, 2006 (9 months), March 31 for the years/period ended 2006, 2005, 2004, 2003 (9 months) and the six months ended June 30, 2007 prepared in accordance with Indian GAAP and the Companies Act, 1956 and unconsolidated restated in accordance with applicable SEBI DIP Guidelines, as stated in the report of our Statutory Auditors M/s. S. R. Batliboi & Co., included in this Letter of Offer.

Unless stated otherwise, throughout this Letter of Offer, all figures have been expressed in lakhs, though certain figures are also expressed in millions and in crores.

Our fiscal year in the past commenced on April 1 and ended on March 31 of the next year. Unless stated otherwise, reference herein to a fiscal year (eg. fiscal 2006), is to the fiscal year ended March 31 of a particular year. However, to be in line with the fiscal period of the Federal-Mogul Group, we have decided to change our fiscal year and going forward our fiscal year would commence on January 1 and end on December 31.

In this Letter of Offer, any discrepancies in any table between the total and the sum of the amounts listed may be due to rounding off.

Market and industry data used in this Letter of Offer, has been obtained from industry publications and governmental sources. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable and that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe market data used in this Letter of Offer is reliable, it has not been independently verified.

FORWARD-LOOKING STATEMENTS

We have included statements in this Letter of Offer which contain words or phrases such as “will”, “aim”, “is likely to result”, “believe”, “expect”, “will continue”, “anticipate”, “estimate”, “intend”, “plan”, “contemplate”, “seek to”, “future”, “objective”, “goal”, “project”, “should”, “will pursue” and similar expressions or variations of such expressions, that are “forward looking statements”.

All forward looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from our expectations include but are not limited to:

- (a) General economic and business conditions in the markets in which we operate and in the local, regional and national economies;
- (b) Increasing competition in or other factors affecting the industry segments in which our Company operates;
- (c) Changes in laws and regulations relating to the industries in which we operate;
- (d) Our ability to meet our capital expenditure requirements and/or increase in capital expenditure;
- (e) Fluctuations in operating costs and impact on the financial results;
- (f) Our ability to attract and retain qualified personnel;
- (g) Changes in technology in future;
- (h) Changes in political and social conditions in India or in countries that we may enter, the monetary policies of India and other countries, inflation, deflation, unanticipated turbulence in interest rates, equity prices or other rates or prices;
- (i) The performance of the financial markets in India and globally; and
- (j) Any adverse outcome in the legal proceedings in which we are involved.

For a further discussion of factors that could cause our actual results to differ, please refer to the sections titled “Risk Factors”, “Our Business” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Letter of Offer. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither the Company nor the Lead Manager nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI / Stock Exchanges requirements, the Company and Lead Manager will ensure that investors in India are informed of material developments until the time of the grant of listing and trading permission by the Stock Exchanges.

SECTION I: DEFINITIONS

In this Letter of Offer, the terms “we”, “us”, “our”, “the Company” or “FMGIL”, unless the context otherwise implies, refer to Federal-Mogul Goetze (India) Limited and its subsidiaries and joint ventures. All references to “Rs.” or “INR” refer to Indian Rupees, the lawful currency of the Republic of India, “USD” or “US\$” refer to the United States Dollar, the lawful currency of the United States of America. References to the singular also refers to the plural and one gender also refers to any other gender, wherever applicable, and the word “Lakh” means “100 thousand” and the word “million” means “10 lakh” and the word “crore” means “10 million” or “100 lakhs” and the word “billion” means “1,000 million” or “100 crores”. Any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off.

COMPANY AND ISSUE RELATED TERMS AND ABBREVIATIONS

“AN”	Mr. Anil Nanda, our erstwhile promoter
“Equity Share”	Equity Shares of the Company of the face value of Rs. 10/- each
“FMAPIPL”	Federal Mogul Automotive Products India (Private) Limited
“FMC”	Federal-Mogul Corporation, a company incorporated in the USA
“FIPL”	Ferodo India Pvt. Ltd.
“FMG” or “FM Germany”	Federal-Mogul Vermögensverwaltungs GmbH.
“FMH” or “FMHL” or “FM Holdings”	Federal-Mogul Holdings Ltd.
“FMTPR India” or “Goetze TP India” or “GTP”	Federal-Mogul TPR (India) Limited (formerly Goetze T P (India) Limited), a subsidiary company of our Company
“Federal-Mogul Group”	The expression “Federal-Mogul Group” refers to Federal-Mogul Corporation and all of its subsidiaries and associate companies.
“Goetze-Werke”	Goetzerwerke Friedrich A.G. of Germany which is now known as Federal-Mogul Vermögensverwaltungs GmbH
“Issue” or “Rights Issue”	This Issue of 7,333,389 fully paid-up Equity Shares with a face value of Rs. 10 each at price of Rs. 145 per Equity Share (premium of Rs. 135 per Equity Share) aggregating to Rs. 1,063,341,405 to the existing equity shareholders on rights basis in the ratio of 29 fully paid-up Equity Shares for every 100 Equity Shares held by the existing shareholders on the Record Date, i.e. September 24, 2007
“Issue closing Date”	November 23, 2007 or such extended date as may be decided by the Board of Directors of our Company. In any case, it will not be more than 60 days from the Issue Opening Date
“Issue Opening Date”	October 25, 2007
“Issue Price”	Rs. 145 per Equity Share
“JIPL”	Joint Investments Private Limited, our erstwhile promoter
“Lead Manager” or “Lead Manager to the Issue”	Ambit Corporate Finance Private Limited

“NFPL” / “Nanz”	Nanz Food Products Limited
“Promoter Group”	The expression Promoter Group refers to Federal-Mogul Vermögensverwaltungs GmbH, Federal-Mogul Holdings Ltd, Federal-Mogul Corporation and all of their subsidiaries and associate companies in India in accordance with the interpretation of the provisions of Explanation II of Clause 6.8.3.2 of SEBI DIP Guidelines.
“Record Date”	September 24, 2007
“Registrar” or “Registrar to the Issue”	Alankit Assignments Limited
“SRCL”	Satara Rubbers & Chemicals Limited, a subsidiary company of our Company
“TPR”	Teikoku Piston Ring Company Limited
“we” or “us” or “our” or “the Company”	Refers to Federal -Mogul Goetze (India) Limited and, where the context requires, its subsidiaries, namely Federal-Mogul TPR (India) Limited and Satara Rubbers & Chemicals Limited
“you”	Refers to the proposed investor

GENERAL TERMS AND ABBREVIATIONS

Term	Description
Act or Companies Act	Companies Act, 1956 and amendments thereto.
AS	Accounting Standards issued by the Institute of Chartered Accountants of India.
AY	Assessment Year
BSE	Bombay Stock Exchange Limited, the Designated Stock Exchange
CAF	Composite Application Form
CAGR	Compounded Annual Growth Rate
CDN	Canadian Dollars
CDSL	Central Depository Services (India) Limited
CESTAT	Central Excise & Service Tax Appellate Tribunal
CST Act	Central Sales Tax Act, 1956
Depositories	NSDL and CDSL
Depositories Act	Depositories Act, 1996 as amended from time to time

Term	Description
DP/ Depository Participant	A depository participant as defined under the Depositories Act, 1996
EBITDA	Earning Before Interest, Tax, Depreciation, and Amortisation
ECS	Electronic Clearing System
EGM	Extraordinary General Meeting
EPCG	Export Promotion Capital Goods
EPCG Scheme	Export Promotion Capital Goods Scheme
EPS	Earnings per share i.e. profit after tax divided by outstanding number of Equity Shares at the year end
Euro	The lawful currency of several countries in the European Union
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999 read with rules and regulations thereunder and amendments thereto
FII(s)	Foreign Institutional Investors as defined under FEMA (Transfer or Offer of Security by a Person Resident outside India) Regulations, 2000 registered with SEBI under applicable laws in India
Financial Year/ Fiscal/ FY	Period of twelve months ending March 31 of that particular year up to the period for the year ended March 31, 2006. Thereafter, the financial year of our Company is for a period of twelve months ending December 31 of each year. The FY 2006 was from a period of nine (9) months from April 1, 2006 to December 31, 2006.
FIPB	Foreign Investment Promotion Board
GDP	Gross Domestic Product
Gol	Government of India
HUF	Hindu Undivided Family
IEC	Importer Exporter Code
IREDA	Indian Renewable Energy Development Agency Limited
I.T. Act	The Income Tax Act, 1961, as amended from time to time
Indian GAAP	Generally Accepted Accounting Principles in India

Term	Description
IPO	Initial Public Offering
Mn / mn	Million or 10 lakhs
N/A	Not Applicable
NATRIP	National Automotive Testing and R&D Infrastructure Project
NAV	Net Asset Value being paid up Equity Share capital plus free reserves (excluding reserves created out of revaluation) less deferred expenditure not written off (including miscellaneous expenses not written off) and debit balance of Profit & Loss account, divided by number of issued Equity Shares.
NR	Non-resident
NRE Account	Non Resident External Account
NRI	Non Resident Indian, is a person resident outside India, as defined under FEMA and the FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
OCB	Overseas Corporate Body
OEM	Original Equipment Manufacturer
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number
RBI	The Reserve Bank of India
RONW	Return on Net Worth
Rs. or INR	Indian Rupees
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act, 1992
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time

Term	Description
SEBI DIP Guidelines	Securities and Exchange Board of India (Disclosure & Investor Protection) Guidelines, 2000, as amended, including instructions and clarifications issued by SEBI from time to time
SIA	Secretariat for Industrial Assistance
Stock Exchange(s)	BSE and/ or NSE as the context may refer to
Takeover Code	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and subsequent amendments
US / USA	United States of America
USD or \$ or US \$	United States Dollar
U.S. GAAP	Generally accepted accounting principles of the United States

SECTION II: RISK FACTORS

Prospective investors should carefully consider the risks described below, in addition to the other information contained in this Letter of Offer, before making any investment decisions relating to our Equity Shares. The occurrence of any of the following events could have a material adverse effect on our business, results of operation, financial condition and prospects and cause the market price of our Equity Shares to fall significantly and you may lose all or part of your investment.

Prior to making an investment decision, prospective investors should carefully consider all the information contained in this Letter of Offer, including the information related to the financial performance of our Company beginning on page 178 of this Letter of Offer.

These risks are not the only ones that we face. Our business operations could also be affected by additional factors that are not presently known to us or that we currently consider to be immaterial to our operations. Unless otherwise stated in the relevant risk factors set forth below, we are not in a position to specify or quantify the financial or other implications of any of the risks mentioned herein.

Materiality:

The Risk Factors have been determined on the basis of their materiality. The following factors have been considered for determining the materiality:

- 1. Some events may not be material individually but may be found material collectively.*
- 2. Some events may have material impact qualitatively instead of quantitatively.*
- 3. Some events may not be material at present but may be having material impacts in future.*

INTERNAL RISK FACTORS

- 1. Our Company is involved in certain legal and regulatory proceedings that, if determined against the Company, could have a material adverse impact on the Company. Our Promoters, Promoter Group companies and our Directors are also involved in certain legal and regulatory proceedings.***

The Company is party to various legal proceedings. These proceedings are pending at different levels of adjudication before various courts, and if determined against the Company, could have an adverse impact on the business, financial condition and results of operations. No assurance can be given as to whether these matters will be resolved in favour of or against our Company and/ or these entities, nor can any assurance be given that no further liability will arise out of these or future claims. We have not made provision for the majority of the liability that may arise in respect of the litigations against the company.

Our Promoters, Promoter Group companies and our Directors are also involved in certain legal and regulatory proceedings. For further details on these proceedings, see the section "Outstanding Litigations and Defaults" on page 266 of the Letter of Offer.

A summary of the said pending litigations and proceedings is as follows:

(i) Proceedings initiated against our Company

Type of cases	No. of Cases	Amount Involved (Rs.)
Civil	7	6,930,214*
Labour:		
▪ Yelahanka Plant, Bangalore	22	9,501,235
▪ Bhiwadi Plant	1	200,000
▪ Bahadurgarh Plant, Patiala	33	1,037,697
▪ Miscellaneous	1	Not quantified
Total	57	10,738,932**
Statutory:		
▪ Excise	39	74,515,687
▪ Income Tax	7	208,336,782
▪ Service Tax	4	3,599,165
▪ Sales Tax	7	18,506,000
▪ Other Proceedings	2	52,24,000
Total	59	283,171,933***
Criminal	1	407,875****
Total	124	301,248,954*****

* This approximate amount reflects the amounts involved in 6 cases, where the liability has been quantified, but excludes the interest claimed thereupon which is estimated at approximately Rs. 182 lakhs.

** This approximate amount does not reflect the amounts involved of 29 cases where the liability is not quantified. It also excludes statutory interest and penalty which may be imposed in employee state insurance claims should the company lose the cases as well as interest estimated at approximately Rs. 13 lakhs in a particular case.

*** This approximate amount does not reflect the amounts involved of 6 cases where the liability is not quantified. It also excludes statutory interest and penalty which may be imposed in various claims should they be decided against the Company as well as interest estimated at approximately Rs. 25 lakhs in two excise cases.

**** This approximate amount excludes the interest claimed thereupon which is estimated at approximately Rs. 2.5 lakhs.

***** This approximate amount excludes statutory interest and the interest estimated at approximately Rs. 220 lakhs.

(ii) Proceedings initiated against our subsidiaries and group companies

Group Companies

Type of cases	No. of Cases	Amount Involved (Rs.)
Criminal	1	Not quantified
Labour	3	Not quantified
TOTAL	4	Not Quantified

Subsidiaries

Type of cases	No. of Cases	Amount Involved (Rs.)
Statutory:		
Excise	7	533,365*
Total	7	533,365

* This approximate amount reflects the amounts involved in 6 cases, where the liability has been quantified but statutory interest and penalty which may be imposed in various claims should they be decided against the company in question.

(iii) Proceedings initiated against our Promoters upto the date of filing

FMC is involved in other legal actions and claims, directly and through its subsidiaries. After taking into consideration legal counsel's evaluation of such actions, management believes that the outcomes of the matters described in subsections I, II, and III below are not likely to have a material adverse effect on FMC's financial position, operating results, or cash flows. They are shown here for informational purposes only.

With respect to litigations concerning our Promoter FMC, such information has been disclosed as is required in accordance with US GAAP SFAS No.5, Commitments and Contingencies.

I. Civil Proceedings involving Federal -Mogul Corporation

- (a) Robert and Jennifer Pavelka as parents to Alex Pavelka filed a suit in 2006, in the Supreme Court of the State of New York, County of Suffolk. In their complaint, they seek damages for personal injuries and property in the amount of USD 5,150,000, allegedly occurring from a defective fuel pump.
- (b) Carfel Inc. brought an action in the United States District Court for the Southern District of Florida in 2001, alleging that Fel-Pro (subsequently acquired by Federal-Mogul) had breached a supply agreement. Carfel Inc.'s complaint seeks damages in excess of USD 1,000,000 in this matter.
- (c) Four Star Incorporation filed a complaint against Federal-Mogul Corporation in the 190th Judicial District, Harris City, Texas in 2001 seeking in excess of USD 1,000,000 in damages for breach of contract.
- (d) Douglas W. Blakemore filed a suit in 1999, against Federal-Mogul Corporation in the United States District Court in Virginia for personal injuries allegedly arising from a defective transmission shield. His motion for judgment seeks damages in the amount of USD 750,000 in this matter.
- (e) Melling Tool Company brought an action in the Fourth Judicial Circuit Court for the County of Jackson, Michigan in 2001. Its complaint seeks damages in the amount of USD 646,510 for breach of a supply contract.
- (f) Natalie Giustini along with family members and other passengers riding in her automobile filed an action in 2001, in the Ontario Superior Court of Justice, Toronto, Canada claiming they incurred injuries resulting from brakes failed, allegedly due to a defective brake line hose clamp. The complaint seeks damages of CDN 7,200,000.
- (g) Jeffrey McLeer filed suit in 2001 against Federal-Mogul in the Supreme Court of the State of New York, County of Nassau, seeking damages of USD 450,000 to compensate him for the amputation of his finger when installing a transmission pan manufactured by Federal-Mogul.
- (h) DeVlieg-Bullard is seeking cancellation charges and other damages with respect to two machines that Federal-Mogul cancelled due to quality problems and late delivery with respect to similar machines. The case was filed in 2004 and is pending in the U.S. Bankruptcy Court, District of Delaware. DeVlieg-Bullard's complaint alleges damages of USD 260,000 in this matter.

- (i) Hernando F. Escobar & CIA LTDA filed a suit in the 29th Judicial Circuit Court of Bogota, Columbia in 2003. They are alleging that their distributorship agreement was improperly terminated by Federal-Mogul. The complaint seeks approximately USD 220,000.
- (j) Betech Inc. filed an action in 2001, in the Superior Court of Henderson County, North Carolina to recover moneys owing with respect to a machine it built on behalf of Federal-Mogul. The complaint seeks damages in the amount of USD 134,169.
- (k) Karen Eichenbaum filed an action in the Circuit Court for the City of Roanoke Virginia. The action was filed in 2001 and is seeking damages arising from an automobile accident involving a Federal-Mogul employee. She is seeking USD 125,000 in damages.
- (l) Shirley Swift filed suit in 2000, in the United States District Court for the Eastern District of Pennsylvania seeking damages in an amount in excess of USD 75,000, alleging that a machine created by Federal-Mogul was defective, resulting in the amputation of her finger.
- (m) DFB Holdings Inc. filed a complaint in Bexar County Court, Texas in 2001, seeking USD 70,843.55 in damages resulting from an allegedly defective seal.
- (n) Southeastern Michigan Shop Inc. and John Evans filed a claim in the United States District Court for the District of South Carolina in 2001. They are seeking damages to recover expenses for a machine that the claim did not work. Damages sought are USD 63,000.
- (o) TDL Tool, Inc. sued Federal-Mogul in the Common Pleas Court of Greene County, Ohio. The suit was filed in 2000, seeking the final moneys owing on a machine it built in the amount of USD 57,875.20.
- (p) Donald Nelson filed a suit in the Circuit Court of Baldwin County, Alabama. The suit was filed in 2002 for USD 55,000, alleging that Federal-Mogul sold him defective pistons and liners.
- (q) John and Mary Canty filed a suit in the Court of Common Pleas, State of South Carolina, County of Clarendon, in 2002. They are seeking compensation for damages for claims that industrial waste entered the water system from a Federal-Mogul facility and in doing so backed up into their home causing damage to personal property. The claim seeks USD 50,000 in damages.
- (r) Michael Spellman filed a suit in the Circuit Court of Cook County, Illinois. The suit was filed in 2000, seeking damages in the amount in excess of USD 50,000 from Federal-Mogul for injuries sustained when he was struck by a forklift.
- (s) Mid States Diesel filed an action in Vanderburgh Superior Court, Indiana for USD 20,000. The action was filed in 2000, alleging that Federal-Mogul had supplied it with defective diesel engine parts.
- (t) Newport Service & Leasing have filed a suit in 2002, in the District Court for the County of Suffolk, New York, seeking damages of USD 3,000 resulting from an allegedly defective gasket.
- (u) Kenneth Helgren seeks USD 256 in damages for an allegedly defective fuel pump. The action was filed in 2001, District Court 95 B, Iron Mountain, Michigan.
- (v) Anthony Automotive has sought contribution from Federal-Mogul Corporation for an allegedly defective bearing. The action was filed in the 327th Judicial District Court of El Paso County, El Paso, Texas in 2002, seeking unspecified damages.
- (w) Tanya Herden has filed an action in the Circuit Court for Manitowac County, Wisconsin. The action was filed in 2003 for unspecified damages arising out of an automobile accident allegedly caused by a Federal-Mogul employee.
- (x) Leon Little & Sons filed a suit in 2000, in the Superior Court for Aroostook Maine, for unspecified damages allegedly arising from a defective cylinder kit.

- (y) Hummy Madara has filed an action in the Superior Court of New Jersey, Hackensack, New Jersey. The action was filed in 1999, for wrongful death, allegedly arising from a defective master brake cylinder. Damages of an unspecified amount are being sought.
- (z) Wilfred J. Morin filed an action in 2001, against Federal-Mogul in the Windsor County Superior Court, Vermont seeking unspecified damages resulting from an allegedly defective U-cup, causing the braking system of the forklift he was driving, to lose fluid.
- (aa) Collins & Aikman filed a complaint in May, 2007 in the United States District Court of Michigan seeking to avoid certain allegedly preferential transfers made to Federal-Mogul Corporation prior to the commencement of the Collins & Aikman bankruptcy. The amount claimed is \$859,517.71
- (bb) Truck-Lite Co. Inc. filed a negligent misrepresentation claim in 2007 against FMC in the United States District Court for the Western District of New York alleging damages in excess of \$150,000. The claim relates to who owns the UCC code prefixes related to certain aftermarket products as a result of the sale of FMC's Signal Stat business to Truck-Lite.
- (cc) Lydall Thermal/Acoustical, Inc. and Lydall Thermal/Acoustical Sales LLC brought a case in 2007 against FMC for alleged patent infringement in the United States District Court for the Eastern District of Michigan in June, 2007. Plaintiff seeks an accounting with unspecified damages.
- (dd) Lance Frederic brought an action against an entity known as Federal-Mogul Inc., in 2006 in the United States District Court for the Eastern District of Michigan seeking damages for breach of contract and infringement of trade secrets. Plaintiff subsequently amended his pleadings naming the Defendant as Federal-Mogul Corporation. Plaintiff seeks damages in excess of \$75,000.

II. Labour Proceedings involving Federal -Mogul Corporation

- (a) Federal-Mogul and its affiliated companies in the United States have approximately 700 open litigated workers compensation claims filed against them at its various locations, pursuant to which employees seek compensation with respect to injuries which occur on the job or occupational illnesses. Some of the claimants have commenced court proceedings to recover amounts they claim are due, but most of the claims are merely filed with the employer company and the claims are handled by the appropriate workers compensation administrator.
- (b) Preston Pearcey filed a suit in 2001, in the United States District Court Eastern District of Tennessee, claiming to have been discharged in retaliation for filing a worker's compensation claim. He seeks USD 50,000 in compensatory damage and USD 500,000 in punitive damages.
- (c) Carrie Gilley filed an employment discrimination claim in 2003, in the La Porte Superior Court, Michigan City, Indiana, seeking unspecified damages.
- (d) Salvatore Del Priore has filed a suit in the United States District Court in New Jersey in 2006. He is claiming he was improperly denied benefits under the pension plan for the Signal Stat division of Federal-Mogul. The complaint seeks damages in the amount of USD 255,165.
- (e) Ben James filed a claim in the United States District Court, Southern Ohio, Western Division alleging employment discrimination in 2001. He is seeking USD 200,000 in damages.
- (f) Michelle Smith filed suit alleging sexual harassment and constructive discharge. The case was filed in 2001 and is being heard in the United States District Court of Northern Indiana. She seeks back pay in the amount of USD 25,000 per year and additional damages in the approximate amount of USD 135,000.
- (g) Christian Gubler claims employment discrimination in the French Court system in 2006. His claim is for 100,000 Euros.
- (h) Mary Ann Young filed a suit in the United States District Court Eastern District of Tennessee. The suit was filed in 2001. She is alleging violations of Family and Medical Leave Act and LMA and Employee Retirement Income Security Act and seeks damages in the amount of USD 50,000.

- (i) Debra Stilwell in 2003 filed a suit in the Circuit Court of Calhoun County, Alabama for workers' compensation benefits and retaliatory discharge. She is seeking in excess of USD 10,000.
- (j) Becky Bacckus has filed an appeal in 2000 with the Michigan Court of Appeals after her claim for sexual harassment was denied by the trial court. She seeks damages in excess of USD 25,000.
- (k) Eric Bankes filed a claim for damages in excess of USD 25,000 in the Court of Common Pleas, Morgan County, Ohio. The claim was filed in 2001, arising out of an allegedly intentional workplace injury.
- (l) Glenda Ann Ledford filed a wrongful discharge claim in the Circuit Court of DeKalb County, Tennessee. The case was filed in 2000 for unspecified damages.
- (m) Julian Osinski filed an action in the United States District Court of Eastern Pennsylvania in 2004. He is claiming that he was improperly denied pension benefits and seeks damages for unspecified retirement benefits.
- (n) Lisa Rector filed an action in the Circuit Court for Clay County Tennessee in 2003. She is claiming denied workers' compensation benefits of an unspecified amount.
- (o) Robert Williams filed a long-term disability benefit case. The case was filed in 2003, in the Circuit Court of Benton County, Mississippi. Damages being sought are not specified.

III. Litigations Involving Statutory and other offences

- (a) The United States Department of Customs seeks the repayment of approximately USD 700,000 in customs duties that it claims were improperly returned to Federal-Mogul.

IV. Environmental Matters involving Federal-Mogul Corporation and its subsidiaries

FMC is a defendant in lawsuits filed, or the recipient of administrative orders issued, in various jurisdictions pursuant to the Federal Comprehensive Environmental Response Compensation and Liability Act of 1980 ("CERCLA") or other similar national, provincial or state environmental laws. These laws require responsible parties to pay for remediating contamination resulting from hazardous substances that were discharged into the environment by them, by prior owners or occupants of their property, or by others to whom they sent such substances for treatment or other disposition. In addition, FMC has been notified by the United States Environmental Protection Agency, other national environmental agencies, and various provincial and state agencies that it may be a potentially responsible party ("PRP") under such laws for the cost of remediating hazardous substances pursuant to CERCLA and other national and state or provincial environmental laws. PRP designation requires the funding of site investigations and subsequent remedial activities.

Management Perception: At most of the sites that are likely to be the costliest to remediate, which are often current or former commercial waste disposal facilities to which numerous companies sent wastes, FMC's exposure is expected to be limited. Despite the joint and several liability which might be imposed on FMC under CERCLA and some of the other laws pertaining to these sites, FMC's share of the total waste sent to these sites has generally been small. The other companies that sent wastes to these sites, often numbering in the hundreds or more, generally include large, solvent publicly owned companies and in most such situations the government agencies and courts have imposed liability in some reasonable relationship to contribution of waste.

FMC has also identified certain other present and former properties at which it may be responsible for cleaning up environmental contamination, in some cases as a result of contractual commitments. FMC is actively seeking to resolve these actual and potential statutory, regulatory, and contractual obligations. Although difficult to quantify based on the complexity of the issues, FMC has accrued amounts corresponding to its best estimate of the costs associated with such regulatory and contractual matters on the basis of factors such as available information from site investigations and consultants.

FMC records asset retirement obligations in accordance with SFAS No. 143, *Accounting for Asset Retirement Obligations* and Financial Interpretation No. 47 ("FIN 47"), *Accounting for Conditional Asset*

Retirement Obligations, when the amount can be reasonably estimated, typically upon decision to close or sell an operating site. FMC has identified sites with contractual obligations and several sites that are closed or expected to be closed and sold in connection with Restructuring 2006. In connection with these sites, FMC has accrued \$25.7 million and \$25.3 million as of June 30, 2007 and December 31, 2006, respectively, for conditional asset retirement obligations, primarily related to anticipated costs of asbestos removal.

FMC has additional asset retirement obligations, also primarily related to asbestos removal costs, for which it believes reasonable cost estimates cannot be made at this time because FMC does not believe it has a reasonable basis to assign probabilities to a range of potential settlement dates for these retirement obligations. Accordingly, FMC is currently unable to determine amounts to accrue for conditional asset retirement obligations at such sites.

For those sites that FMC identifies in the future for closure or sale, or for which it otherwise believes it has a reasonable basis to assign probabilities to a range of potential settlement dates, FMC will review these sites for both impairment issues in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, and for conditional asset retirement obligations in accordance with SFAS No. 143 or FIN 47.

Total environmental reserves, including reserves for conditional asset retirement obligations, were \$ 82.6 million and \$82.1 million at June 30, 2007 and December 31, 2006, respectively, and are included in the consolidated balance sheets as follows:

	June 30, 2007	December 31, 2006
	(Millions of Dollars)	
Current liabilities:		
Environmental liabilities	\$ 6.3	\$ 6.6
Asset retirement obligations	9.0	8.6
Long-term accrued liabilities:		
Environmental liabilities	23.6	23.5
Asset retirement obligations	16.7	16.7
Liabilities subject to compromise - Environmental	27.0	26.7
	\$ 82.6	\$ 82.1

Management believes that recorded environmental liabilities will be adequate to cover FMC's estimated liability for its exposure in respect to such matters. In the event that such liabilities were to significantly exceed the amounts recorded by FMC, FMC's results of operations and financial condition could be materially affected. At June 30, 2007, management estimates that reasonably possible material additional losses above and beyond management's best estimate of required remediation costs as recorded approximates \$77 million.

Environmental liabilities subject to compromise include those related to claims that may be reduced in FMC's bankruptcy proceeding because obligations underlying such claims may be determined to be "dischargeable debts" incurred prior to FMC's filing for bankruptcy. Such liabilities generally arise at either: (1) commercial waste disposal sites to which FMC and other companies sent wastes for disposal; or (2) sites in relation to which FMC has a contractual obligation to indemnify the current owner of a site for the costs of cleanup of contamination that was released into the environment before FMC sold the site.

Environmental liabilities determined not to be subject to compromise include those which arise from a legal obligation of FMC, under an administrative or judicial order to perform cleanup at a site. Such obligations are normally associated with sites which FMC owns and/or operates.

The best estimate of environmental liability at a site may change from time to time during a bankruptcy proceeding even if the liability relating to that site is subject to compromise and FMC's responsibility to make payments is stayed. Notwithstanding the stay of legal proceedings against FMC regarding such a site, activities such as further site investigation and/or actual cleanup work often continue to be performed, generally by parties other than FMC. Such activities may produce new and better

information that requires FMC to revise its best estimate of total site cleanup costs and its own share of such costs.

V. Bankruptcy proceeding involving Federal-Mogul Corporation

FMC's Chapter 11 and Administration Proceedings

On October 1, 2001, (the "Petition Date"), Federal -Mogul Corporation ("FMC") and all of its wholly owned United States subsidiaries filed voluntary petitions for reorganizations (the "Restructuring Proceedings") under Chapter 11 of the United States Bankruptcy Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). Also on October 1, 2001, certain of FMC's United Kingdom subsidiaries filed voluntary petitions for reorganization under Chapter 11 of the Bankruptcy Code and petitions for Administration (the "U.K. Restructuring") under the United Kingdom Insolvency Act of 1986 (the "Act") in the High Court of Justice, Chancery division in London, England (the "High Court"). The High Court, in November 2006, approved the discharge of the Administration proceedings for those United Kingdom subsidiaries that entered into company voluntary arrangements ("CVAs").

FMC and its U.S. and U.K. subsidiaries included in the Restructuring Proceedings are herein referred to as the Debtors. The Chapter 11 cases of the Debtors (collectively, the "Chapter 11 Cases") have been consolidated for purposes of joint administration as In re: Federal-Mogul Global Inc., T&N Limited, et. al (Case No. 01-10578(JKF)). Subsidiaries outside of the aforementioned U.S. and U.K subsidiaries are not party to any insolvency proceeding and, therefore, are not currently provided protection from creditors by any insolvency court and are operating in the normal course.

The Restructuring Proceedings were initiated in response to a sharply increasing number of asbestos-related claims and their demand on FMC's cash flows and liquidity. Under the Restructuring Proceedings, the Debtors expect to develop and implement a plan for addressing the asbestos-related claims against them.

The Debtors are operating their businesses as debtors-in-possession subject to the provisions of the Bankruptcy Code. All vendors are being paid for goods furnished and services provided after the Petition Date. However, as a consequence of the Restructuring Proceedings, pending litigation against the Debtors as of the Petition Date is stayed (subject to certain exceptions in the case of governmental authorities), and no party may take any action to pursue or collect pre-petition claims except pursuant to an order of the Bankruptcy Court or the High Court, as applicable. It is the Debtors' intention to address pending and future asbestos-related claims and other pre-petition claims through plans of reorganization under the Bankruptcy Code.

In the U.S., four committees, representing asbestos claimants, asbestos property damage claimants, unsecured creditors and equity security holders (collectively, the "Committees") have been appointed as official committees in the Chapter 11 Cases and, in accordance with the provisions of the Bankruptcy Code, have the right to be heard on all matters that come before the Bankruptcy Court. The Committees, together with the legal representative for the future asbestos claimants, play important roles in the Restructuring Proceedings.

Solicitation packages containing the Third Amended Plan of Reorganization and Disclosure Statement, (the "Third Amended Plan") various supporting documents and a ballot, if appropriate, were mailed on July 12, 2004 to known creditors of FMC and to holders of common and preferred stock interests in FMC. The overwhelming majority of the classes of claims and interests voted to accept the Third Amended Plan. For the few classes of claims that voted to reject the Third Amended Plan, the Unsecured Creditors Committee, the Asbestos Claimants Committee, the Future Asbestos Claimants Representative, the Agent for the Pre-petition Bank Lenders and the Equity Security Holders Committee (collectively referred to as the "Plan Proponents") intended to either amend the Third Amended Plan so as to obtain such classes' accepting votes or seek to confirm the Third Amended Plan over the objection of such classes.

On November 21, 2006, the Fourth Amended Joint Plan of Reorganization (the "Plan") for FMC and the other U.S. and U.K. Debtors, together, with a supplemental disclosure statement (the "Supplemental Disclosure Statement"), was filed with the Bankruptcy Court. The Plan was jointly proposed by FMC

and the Plan Proponents. On February 2, 2007, the Supplemental Disclosure Statement was approved by the Bankruptcy Court to be used in soliciting votes to accept or reject the Plan from those classes of creditors whose treatment under the Plan has changed since the last solicitation under the Third Amended Plan. Voting on the Plan concluded in May 2007, with all classes of creditors and interest holders entitled to vote on the Plan voting to accept the Plan.

The confirmation hearing relating to the Plan began on June 18, 2007. Although all major constituencies in the Chapter 11 Cases support confirmation of the Plan, and the Plan has been accepted by all classes of creditors and interest holders, certain parties have objected to confirmation of the Plan, and those objections were addressed as part of the confirmation hearing. After six days of hearings before the Bankruptcy Court, the presentation of evidence in connection with the confirmation hearing ended on July 10, 2007. The Bankruptcy Court has asked for additional briefing relating to the confirmation hearing to be submitted, and has scheduled closing arguments for the confirmation hearing on October 1, 2007. While the outcome of the confirmation hearing and the timetable for confirmation of the Plan resides with the Bankruptcy Court, FMC anticipates that the Plan will be confirmed reasonably promptly after completion of the closing arguments.

The Plan provides that asbestos personal injury claimants, both present and future, will be permanently channeled to a trust or series of trusts established pursuant to Section 524(g) of the Bankruptcy Code (the "US Asbestos Trust"), thereby protecting FMC and its affiliates in the Chapter 11 Cases from existing and future asbestos liability. The Plan provides that all currently outstanding stock of FMC will be cancelled, 50.1% of newly issued common stock of reorganized Federal-Mogul will be distributed to the asbestos trust, and 49.9% of the newly issued common stock will be distributed pro rata to the note holders and holders of unsecured claims against the U.S. Debtors that elected to have their claims satisfied by receiving shares of common stock of reorganized FMC rather than cash.. The holders of currently outstanding common and preferred stock of FMC, at the time those shares are cancelled, will receive warrants that may be used to purchase shares of common stock of reorganized Federal-Mogul at a predetermined exercise price. These warrants will only be of value if the market price of the shares of reorganized Federal-Mogul exceeds the pre-determined exercise price during the 7 year term during which the warrants will be saleable or exercisable.

The Plan also provides: i) the US Asbestos Trust will make a payment to the reorganized FMC (or pay a portion of the stock in the reorganized FMC to be issued to the US Asbestos Trust in lieu thereof) for the agreed amounts that will be used by the U.K. Administrators to provide distributions on account of U.K. asbestos personal injury claims; ii) the US Asbestos Trust will provide an option to Mr. Carl Icahn for the purchase of the remaining shares of the reorganized FMC held by the US Asbestos Trust; and iii) if Mr. Carl Icahn does not exercise such option, he or one of his entities will provide certain financing to the Asbestos Trust.

Unsecured creditors, including trade creditors, of the U.S. Debtors are projected to have the option to either receive shares of reorganized Federal-Mogul or cash distributions under the Plan equal to 35% of their allowed claims, payable in three annual installments, provided that the aggregate payout of all allowed unsecured claims against the U.S. Debtors does not exceed USD 258 million. Any excess above this amount could result in a reduction in the percentage distribution that the unsecured creditors of the U.S. Debtors ultimately receive.

Pursuant to the Bankruptcy Code, the Debtors have filed schedules with the Bankruptcy Court setting forth the assets and liabilities of the Debtors as of the Petition Date. On October 4, 2002, the Debtors issued approximately 100,000 proofs of claim forms to their current and prior employees, known creditors, vendors and other parties with whom the Debtors have previously conducted business. To the extent that recipients disagree with the claims as quantified on these forms, the recipient may file discrepancies with the Bankruptcy Court. Differences between amounts recorded by the Debtors and claims filed by creditors will be investigated and resolved as part of the Restructuring Proceedings. The Bankruptcy Court ultimately will determine liability amounts that will be allowed for these claims in the Chapter 11 Cases. A March 3, 2003 bar date was set for the filing of proofs of claim against the Debtors. The ultimate number and allowed amount of such claims are not presently known. The resolution of such claims could result in a material adjustment to FMC's financial statements.

Approximately 10,800 proofs of claim totaling approximately \$171.1 billion in claims against various Debtors were filed in connection with the March 3, 2003 bar date

To date, the Debtors have obtained orders allowing and disallowing more than 5,000 claims and stipulations or withdrawals of more than 1,700 claims, effectively reducing claims filed by approximately \$9.8 billion and allowing claims of approximately \$120 million.

The Debtors have completed the review of approximately 2,000 claims totaling approximately \$40.0 million for which no reduction is to be sought.

Approximately 260 claims, totalling \$2.1 billion, are associated with asbestos-related contribution, indemnity or reimbursement claims. These claims will be handled and resolved by the Asbestos Trust in accordance with the Trust Distribution Procedures detailed in the consensual Plan of Reorganization.

The Debtors have identified approximately 70 contribution and indemnity claims, totaling approximately \$12.0 billion, which will be resolved through a settlement that is embodied in the Plan of Reorganization.

Approximately 900 claims, totaling \$27.0 million in liquidated and an unspecified amount in unliquidated claims, represent asbestos property damage claims for which settlements have been documented and have either been approved by the Bankruptcy Court or are embodied in the Plan of Reorganization for resolution when the Plan is confirmed and becomes effective.

Of the remaining 870 claims:

The Debtors have completed the review of approximately 320 claims, totaling approximately \$139.1 billion, which the Debtors believe should be disallowed by the Bankruptcy Court primarily because these claims appear to be duplicative or unsubstantiated.

Approximately 10 claims, totaling approximately \$7.3 billion, represent bank and note-holder debt claims. The Debtors have previously recorded approximately \$4.3 billion for these claims, which is included in the financial statement caption "Liability subject to compromise". The Debtors believe the amount in excess of its books and records are duplicative and will be filing an objection requesting the duplicative amounts be disallowed.

Approximately 270 claims, totaling approximately \$4.0 million, represent employee benefit claims. The Plan of Reorganization provides that nearly all employee benefit claims involving the U.S. Debtors will be unimpaired and honored in the ordinary course of the operations of the Reorganized Company.

FMC has not completed its evaluation of the approximate remaining 270 claims, totaling approximately \$609 million, alleging rights to payment for financing, environmental, litigation, executory contracts, taxes trade accounts payable and other matters. FMC continues to investigate these unresolved proofs of claim, and intends to file objections to the claims that are inconsistent with its books and records. Accordingly, the ultimate number and allowed amount of such claims are not presently known and cannot be reasonably estimated at this time. The resolution of such claims could result in a material adjustment to the Debtors' financial statements.

The CVAs became effective on October 11, 2006, resolving claims (other than those that are to be dealt with by the Plan) against the principal U.K. Debtors. The discharge of administration orders for the principal U.K. Debtors became effective on November 30, 2006. The CVAs divide asbestos claims against the principal U.K. Debtors into two categories: CVA Asbestos Claims and Chapter 11 Asbestos Claims. CVA Asbestos Claims are dealt with by the CVAs and it is intended that Chapter 11 Asbestos Claims will be dealt with by the Plan. The CVAs compromise and protect the CVA companies from the CVA Asbestos Claims. The trustees of an U.K. asbestos trust will pay dividends from the U.K. asbestos trust. Upon the effective date of the Plan, the Chapter 11 Asbestos Claims will be compromised. Accordingly the Plan for FMC contemplates that the trustees of the Asbestos Trust will look exclusively to the Asbestos trust to pay dividends to Chapter 11 Asbestos Claimants.

The Bankruptcy Court may confirm a plan of reorganization only upon making certain findings required by the Bankruptcy Code, and a plan may be confirmed over the dissent of non-accepting creditors and equity security holders if certain requirements of the Bankruptcy Code are met. The payment rights and other entitlements of pre-petition creditors and equity security holders may be substantially altered by

any plan of reorganization confirmed in the Chapter 11 Cases. The pre-petition creditors of some Debtors may be treated differently than those of other Debtors under the proposed Plan.

Prior to the Restructuring Proceedings, FMC was sued in its own name as one of a large number of defendants in multiple lawsuits brought by claimants alleging injury from exposure to asbestos due to its ownership of certain assets involved in gasket making. As of the Petition Date, FMC was a defendant in approximately 61,500 pre-petition pending claims. Over 40,000 of these claims were transferred to a federal court, where, prior to the Restructuring Proceedings, they were pending. Notices of complaints continue to be received post-petition and are in violation of the automatic stay.

Prior to the Restructuring Proceedings, FMC's Fel-Pro subsidiary also was named as a defendant in a number of product liability cases involving asbestos, primarily involving gasket or packing products. Fel-Pro was a defendant with respect to nearly 2,000 pending claims as of the Petition Date. Fel-Pro had been named in a further nearly 32,000 claims that had been dismissed without prejudice prior to the Petition Date. FMC was defending all such claims vigorously and believed that it and Fel-Pro had substantial defenses to liability and insurance coverage for defense and indemnity. All claims alleging exposure to products of the FMC and Fel-Pro have been stayed as a result of the Restructuring Proceedings.

FMC includes as a pending claim open served claims, settled but not documented claims and settled but not paid claims (the "Pending Claims"). Notices of complaints continue to be received post-petition and are in violation of the automatic stay.

Federal-Mogul has estimated its asbestos liability on the FMC and Fel-Pro claims at USD 2.7 million as of December 31, 2006.

In addition, FMC's U.K. subsidiary, T&N Ltd., and two U.S. subsidiaries (the "T&N Companies") are among many defendants named in numerous court actions in the U.S. alleging personal injury resulting from exposure to asbestos or asbestos-containing products. T&N Ltd. and certain of its French subsidiaries are also subject to asbestos-disease litigation, to a lesser extent, in the United Kingdom and France. As of the Petition Date, T&N Ltd. was a defendant in approximately 115,000 pending personal injury claims. The two United States subsidiaries were defendants in approximately 199,000 pending personal injury claims. Notices of complaints continue to be received post-petition and are in violation of the automatic stay.

FMC, during the year ended December 31, 2000, increased its estimate of asbestos-related liability for the T&N Companies by \$751 million and recorded a related insurance recoverable asset of \$577 million. The revision in the estimate of probable asbestos-related liability principally resulted from a study performed by an econometric firm that specializes in these types of matters. The liability (approximately \$1.24 billion as of June 30, 2007) represented FMC's estimate prior to the Restructuring Proceedings for claims currently pending and those which were reasonably estimated to be asserted and paid through 2012. FMC did not provide a liability for claims that may be paid subsequent to this period as it could not reasonably estimate such claims. In estimating the liability prior to the Restructuring Proceedings, FMC made assumptions regarding the total number of claims anticipated to be received in a future period, the typical cost of settlement (which is sensitive to the industry in which the plaintiff claims exposure, the alleged disease type and the jurisdiction in which the action is being brought), the rate of receipt of claims, and the settlement strategy in dealing with outstanding claims and the timing of settlements. As a result of the Restructuring Proceedings, pending asbestos-related litigation against FMC in the United States is stayed, and no party may take action to pursue or collect on such asbestos claims absent specific authorization of the Bankruptcy Court. Since the Restructuring Proceedings, FMC has ceased making payments with respect to asbestos-related lawsuits. An asbestos creditors' committee has been appointed in the U.S. representing asbestos claimants with pending claims against FMC, and the Bankruptcy Court has appointed a legal representative for the interests of potential future asbestos claimants.

FMC also issued various letters of credit in connection with asbestos lawsuits that had resulted in verdicts against FMC or its subsidiaries prior to its filing for bankruptcy protection. The letters of credit were issued as security for the judgments entered against FMC or its subsidiaries to permit FMC to pursue appeals to those judgments. The Bankruptcy Court lifted the automatic stay with respect to certain cases where letters of credit were in place to allow the appeals of those cases to proceed.

During 2003, the final appeal in three of these cases was denied, and draws were made upon the letters of credit of approximately \$16 million.

While FMC believes that the liability recorded for the U.S. Asbestos Claims was appropriate as of October 1, 2001 for anticipated losses arising from asbestos-related claims against the T&N Companies through 2012, it is FMC's view that, as a result of the Restructuring Proceedings, there is even greater uncertainty in estimating the timing and amount of future asbestos liability and related insurance recovery for pending and future claims. There are significant differences in the treatment of asbestos claims in a bankruptcy proceeding as compared to the tort litigation system. Among other things, it is uncertain at this time as to the number of asbestos-related claims that will be filed in the Restructuring Proceedings, the number of current and future claims that will be included in the plan of reorganization, how claims for punitive damages and claims by persons with no asbestos-related physical impairment will be treated and whether such claims will be allowed, and the impact that historical settlement values for asbestos claims may have on the estimation of asbestos liability in the Restructuring Proceedings.

Two of FMC's businesses formerly owned by Cooper Industries, LLC ("Cooper"), historically known as Abex and Wagner, are involved as defendants in numerous court actions in the U.S. alleging personal injury from exposure to asbestos or asbestos-containing products. These claims mainly involve vehicle safety and protection products. As of the Petition Date, Abex and Wagner were defendants in approximately 66,000 and 33,000 Pending Claims, respectively. Notices of complaints continue to be received post-petition and are in violation of the automatic stay.

The liability of FMC with respect to claims alleging exposure to Wagner products arises from the 1998 stock purchase from Cooper of the corporate successor by merger to Wagner Electric Company; the purchased entity is now a wholly-owned subsidiary of FMC and one of the Debtors in the Restructuring Proceedings.

The liability of FMC with respect to claims alleging exposure to Abex products arises from a contractual liability entered into in 1994 by the predecessor to FMC whose stock FMC purchased in 1998. Pursuant to that contract and prior to the Restructuring Proceedings, FMC, through the relevant subsidiary, was liable for certain indemnity and defense payments incurred on behalf of an entity known as Pneumo Abex Corporation ("Pneumo"), the successor in interest to Abex Corporation. Effective as of the Petition Date, FMC has ceased making such payments and is currently considering whether to accept or reject the 1994 contractual liability.

As of the Petition Date, pending asbestos litigation of Abex (as to FMC only) and Wagner is stayed (subject to certain exceptions in the case of governmental authorities), and no party may take action to pursue or collect on such asbestos claims absent specific authorization of the Bankruptcy Court.

The liability (comprised of \$129.5 million in Abex liabilities and \$84.1 million in Wagner liabilities as of June 30, 2007) represented FMC's estimate prior to the Restructuring Proceedings for claims currently pending and those which were reasonably estimated to be asserted and paid through 2012. FMC did not provide a liability for claims that may be brought subsequent to this period as it could not reasonably estimate such claims. In estimating the liability prior to the Restructuring Proceedings, FMC made assumptions regarding the total number of claims anticipated to be received in a future period, the typical cost of settlement (which is sensitive to the industry in which the plaintiff claims exposure, the alleged disease type and the jurisdiction in which the action is being brought), the rate of receipt of claims, the settlement strategy in dealing with outstanding claims and the timing of settlements.

FMC issued various letters of credit in connection with asbestos lawsuits that had resulted in verdicts against FMC prior to its filing for bankruptcy protection. The letters of credit were issued as security for judgments entered against FMC to permit FMC to pursue appeals to these judgments. The final appeal in one case was denied during 2004, the Bankruptcy Court lifted the automatic stay related to one letter of credit associated with this appeal, and a net draw was made upon this letter of credit of approximately \$1 million.

While FMC believes that the liability recorded was appropriate as of October 1, 2001 for anticipated losses arising from asbestos-related claims related to Abex and Wagner through 2012, it is FMC's view that, as a result of the Restructuring Proceedings, there is even greater uncertainty in estimating the timing and amount of future asbestos liability and related insurance recovery for pending and future

claims. There are significant differences in the treatment of asbestos claims in a bankruptcy proceeding as compared to the tort litigation system. Among other things, it is uncertain at this time as to the number of asbestos-related claims that will be filed in the proceeding, the number of current and future claims that will be included in the plan of reorganization, how claims for punitive damages and claims by persons with no asbestos-related physical impairment will be treated and whether such claims will be allowed, and the impact historical settlement values for asbestos claims may have on the estimation of asbestos liability in the Restructuring Proceedings.

Cooper, Pneumo, FMC, the asbestos claimants committee, the representative for future asbestos claimants, and various other relevant parties, signed a nonbinding term sheet in July of 2006, reflecting a global settlement that will provide two alternative means of resolving all of Cooper's and Pneumo's claims against FMC arising out of the Abex asbestos litigation and the related alleged indemnity obligations. One of these alternatives will be accomplished as part of the Plan and its confirmation. Under one alternative, Cooper will contribute \$756 million to a trust to be established pursuant to Section 524(g) of the Bankruptcy Code, consisting of \$256 million in cash and a \$500 million promissory note, in consideration for Cooper and Pneumo being protected from current and future Abex asbestos claims by the Plan's channeling injunction which will channel all the Abex asbestos claims to the trust. This alternative settlement has been documented as part of the Plan, and affected creditors will be given an opportunity to vote for or against this alternative as part of the solicitation of votes on the Plan.

The other alternative settlement will only be utilized if the first alternative cannot be successfully implemented. Under the second settlement structure, Cooper will receive \$138 million and Pneumo will receive \$2 million in exchange for completely releasing all their claims against FMC and all its affiliates. The terms of this alternative settlement are set forth in the Plan B Settlement Agreement executed as of September 18, 2006, by the same parties that signed the term sheet in July of 2006. This alternative has been documented as part of the Plan. Under both of the foregoing alternatives, Cooper has agreed to permit FMC to: (i) negotiate certain lump-sum or installment settlements involving the Wagner insurance (described below); and (ii) retain 88% of the proceeds from such insurance settlements in the case of the first alternative settlement structure and 80% of the proceeds in the case of the second alternative settlement structure. Cooper, Pneumo, FMC, the asbestos claimants committee, the representative for future asbestos claimants, and various other relevant parties, have entered a Plan Support Agreement which was approved by the Bankruptcy Court on February 2, 2007, binding the parties to the alternative settlements.

Neither of the foregoing settlement alternatives will be consummated until the Plan has been confirmed. Accordingly, FMC will not be relieved of material additional liabilities and significant additional litigation relating to Abex and Wagner asbestos matters until the Plan becomes effective. FMC's results of operations and financial condition could be materially affected in the event that such liabilities cannot be resolved and end up exceeding the amounts recorded by FMC or the remaining insurance coverage.

Dresser Industries, Inc. ("Dresser") initiated an adversary action against the Debtors and a number of insurance carriers in FMC's Restructuring Proceedings (the "Adversary Proceeding"). In its complaint, Dresser alleged that it has rights under certain primary and excess general liability insurance policies that may be shared with one of the Debtors, Federal-Mogul Products ("FMP") as the successor to Wagner Electric Corporation. Dresser sought, among other things, a declaration of the parties' respective rights and obligations under the policies and a partition of the competing rights of Dresser and FMP under the policies. FMP answered Dresser's complaint and filed cross-claims against all of the defendant-insurers seeking a declaration of FMP's rights to the policies. The subsidiary of FMC that may be liable for asbestos claims against Wagner has the benefit of that insurance, subject to the rights of other potential insureds under the policies. Primary layer liability insurance coverage for asbestos claims against Wagner is the subject of an agreement with Wagner's solvent primary carriers. The agreement provides for partial reimbursement of indemnity and defense costs for Wagner asbestos claims until exhaustion of aggregate limits. Wagner also has substantial excess layer liability insurance coverage which, barring unforeseen insolvencies of excess carriers or other adverse events, should provide coverage for asbestos claims against Wagner. The Wagner insurance recoverable was \$47.6 million as of June 30, 2007. On November 4, 2004, FMP, Dresser and Cooper Industries, LLC ("Cooper") and certain of the insurers ("Parties") entered into a partitioning agreement, by which the Parties agreed as to the manner in which the limits of liability, self-insured retentions, deductibles and any other self-insurance features, and the erosion thereof, are to be partitioned among FMP, Dresser

and Cooper. The partitioning agreement effectively disposes of Dresser's claims in the Adversary Proceeding. However, FMP's cross claim against the defendant-insurers remains. In a separate agreement, FMP, Cooper, and Pneumo have agreed, among other things, to a method for dividing the FMP-Cooper portion of the partitioned limits among those three entities. The agreement among FMP, Cooper, and Pneumo is subject to bankruptcy court approval and is set forth in detail in the Fourth Amended Plan of Reorganization.

Because the legal issues raised in the Adversary Proceeding generally involve state rather than federal law, on September 19, 2006, FMP filed a complaint in the Superior Court of New Jersey (the "New Jersey Complaint") against all of the defendant insurers in the Adversary Proceeding. The New Jersey Complaint generally tracks the cross-claims previously asserted by FMP against the defendant insurers in the Adversary Proceeding, and seeks a declaration as to FMP's coverage rights under the policies as well as damages for breach of contract and bad faith. Several defendant insurers have stated that they believe that the New York Supreme Court rather than the New Jersey Superior Court is the more appropriate forum for the litigation. On or about May 8, 2007, those insurers sued FMP, FMC and certain other parties in New York Supreme court, seeking a declaration that they do not have any obligation to cover Wagner asbestos claims.

The aforementioned estimates of asbestos liability are subject to considerable uncertainty because such liabilities are influenced by numerous variables that are inherently difficult to predict. The Restructuring Proceedings significantly increase the inherent difficulties and uncertainties involved in estimating the number and cost of resolution of present and future asbestos-related claims against FMC, and may have the effect of increasing the ultimate cost of the resolution of such claims.

VI. Roll over or pre-bankruptcy liabilities of FMC and its subsidiaries.

In accordance with AICPA Statement of Position 90-7 ("SOP 90-7"), FMC ceased recording interest expense on its outstanding Notes, Medium-term notes, and Senior notes effective October 1, 2001. Virtually all of FMC's pre-petition debt is in default.

In connection with the Restructuring Proceedings, FMC entered into a debtor-in-possession ("DIP") credit facility to supplement liquidity and fund operations during the Restructuring Proceedings. In May, 2007, FMC amended its DIP facility, modifying certain terms of the agreement and extending the term of the post-petition financing through December 31, 2007. The amended DIP facility consists of a \$500 million revolving credit facility ("Revolving Credit Facility") and a \$605 million term loan facility ("Term Loan Facility"). The proceeds of the Term Loan Facility were used primarily to refinance approximately \$330 million in loans under the Senior Credit Facility and for general corporate purposes.

As a condition of granting the DIP credit facility priority over the collateral interest of the Senior Credit Agreements, the Bankruptcy Court ordered that the noteholders receive, in cash, adequate protection payments equal to one-half of one percent (0.5%) of the outstanding notes per year. These cash payments, which approximate \$2.6 million per quarter, are recorded as interest expense in the statements of operations. All cash adequate protection payments made to the note-holders are provisional in nature and are subject to re-characterization, credit against allowed claims, or other relief if the Bankruptcy Court were to ultimately conclude that the note-holders were not entitled to such payments.

The Bankruptcy Court further ordered additional adequate protection to the note-holders in the form of either cash payment of one-half of one percent (0.5%) of the outstanding notes per year or the granting of an administrative expense claim pursuant to Section 507(b) of the Bankruptcy Code in the amount of one percent (1.0%) of the outstanding notes per year. FMC has elected to grant an administrative expense claim in favor of the note-holders for this additional adequate protection. All adequate protection administrative expense claims inured in favor of the note-holders are provisional in nature and subject to challenge by all parties-in-interest to the Restructuring Proceedings. Thus, the ultimate amount and related payment terms, if any, for these administrative expense claims will be established in connection with the Restructuring Proceedings. Accordingly, such additional administrative expense claims, approximating \$118 million as of June 30, 2007, have not been recorded in the accompanying financial statements.

The Revolving Credit Agreement has an interest rate of either the ABR plus 1 1/4 percentage points or a formula based on the London Inter-Bank Offered Rate ("LIBOR") plus 2 1/4 percentage points. Interest on the Term Loan accrues at a rate of either the ABR plus 1 percentage point or a formula based on the London Inter-Bank Offered Rate ("LIBOR") plus 2 percentage points. ABR is the greater of either the bank's prime rate or the federal funds rate plus 1/2 percentage point.

2. Our Company on a standalone basis has incurred losses during the financial year ending December 31, 2006 (9 months) and March 31, 2006 and has not declared any dividends for the respective periods.

Our Company has on a standalone basis reported a loss after tax of Rs 913.96 lakhs for the financial year ending December 31, 2006 (9 months) as against a loss after tax of Rs. 2,840.53 lakhs in the previous financial year ended March 31, 2006. For the financial year ended March 31, 2006, the losses were on account of our Company changing some of its accounting policies and practices, while for the financial year ended December 2006 (9 months) losses were due to steep increase in the cost of raw materials viz. aluminum, nickel etc. and increase in the interest costs, which could not be passed on to the customers.

Summary of our results for last 5 financial years is as under:

(Rs. In Lakhs.)

Particulars	Period ended June 30, 2007	Financial year ended December 31, 2006	Financial year ended March 31, 2006	Financial year ended March 31, 2005	Financial year ended March 31, 2004	Financial year ended March 31, 2003
	Six months	Nine months	Twelve months	Twelve months	Twelve months	Nine months
Total Income	31,563.86	40,398.19	46,537.97	44,973.92	40,847.91	23,126.74
Total Expenditure	31,297.02	41,396.67	48,103.67	42,274.81	38,892.91	21,823.59
Profit/(loss) before tax	266.84	(998.48)	(1,565.70)	2,699.11	1,955.00	1,303.15
Net Profit/(Loss) for the year/period	474.08	(913.96)	(2,840.53)	1,798.94	1,175.08	986.05

For further details please refer to page 178 of the Letter of Offer.

3. As on June 30, 2007, our debt equity ratio is 4.34:1. This higher gearing may restrict our ability to borrow funds in future.

As on June 30, 2007, our total debt was Rs. 37,983.78 lakhs of which short term debts (including term loans due for repayment within one year) were Rs. 12,122.34 lakhs, working capital loans from banks were Rs. 9,061.56 lakhs and long term debts were Rs. 16,799.88 lakhs. Over the last few years there is an increased reliance on borrowings to meet our cash flow requirements for investments in fixed assets and to repay our existing borrowings. Further, we have incurred losses for the financial year ended March 31, 2006 and December 31, 2006 (9 months). This has resulted in a high debt equity ratio. Therefore, to improve the overall financial health of our Company and to improve our financial gearing, our Board has proposed to raise funds from our existing shareholders through a rights issue.

Management Perception: We intend to deploy a significant portion of the net proceeds of the Issue for repayment of existing debt and improve our financial gearing.

4. Our Company had negative cash flows for the financial year ended March 31, 2003, March 31, 2005 and December 31, 2006 (9 months).

The cash flow of the Company was negative during the financial year ended March 31, 2003 mainly due to repayment of borrowings, during the financial year ended March 31, 2005 mainly on account of acquisition of fixed assets and repayment of borrowings and during 9 months ended December 31, 2006 on account of purchase of fixed assets..

Summary of our cash flows for last 5 financial years is as under:

(Rs. In Lakhs.)

	For the period ended	For the period ended	For the year ended	For the year ended	For the year ended	For the period ended

	June 30, 2007	December 31, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003
Profit after exceptional item but before tax	266.84	(998.48)	(1,565.70)	2,699.11	1,955.01	1,303.15
Operating profit before working capital changes	4,624.19	4,586.20	6,189.13	7,945.81	7,312.25	4,516.80
Net cash from operating activities	4,888.78	10,016.79	5,197.26	5,764.31	7,031.21	6,614.46
Net cash from investing activities	(4,359.46)	(5,176.04)	(4,021.67)	(4,443.70)	(2,732.29)	3,958.58
Net cash used in financing activities	(516.01)	(4,896.91)	(1,115.69)	(1,464.56)	(4,242.30)	(10,930.76)
Net increase in cash and cash equivalents	13.31	(56.16)	59.90	(143.95)	56.62	(357.72)

5. There is a conflict of interest related to products manufactured by erstwhile Promoter Group companies in India.

Some of the products of our Company, namely pistons, piston rings, piston pins and circlips, compete with the products manufactured by IPL, which was one of our Promoter Group companies in India till September 26, 2007. Please refer to page 159 for details regarding FMC's divestment of its indirect shareholding in IPL.

6. Our Promoter FMC intends to undertake or set up in India business in the same or allied field as our Company. The undertaking of such business(es) by FMC may be in direct competition to the business of our Company.

Our Promoter FMC intends to either directly or indirectly, through one or more of its affiliates, associates or subsidiaries, engage in business in the "same" or "allied" field of business in India as that of the Company, as a green field investment, investment in an Indian company, formation of a joint venture or by entering into an intellectual property license or other technical collaboration with an Indian company. Our Company has issued a "No Objection Certificate" required for obtaining requisite approvals from Foreign Investment Promotion Board to FMC.

7. Two of our Promoters and one of our subsidiaries have incurred losses.

Two of our Promoters have incurred losses for the years ended December 31, 2006, December 31, 2005 and December 31, 2004, and one of them has also reported a loss for the year ended December 31, 2006. Further, one of the Company's subsidiaries has incurred losses for the years ended December 31, 2006, March 31, 2006 and March 31, 2005. Following are the details of losses incurred:

Company	Year Ended	Amount of Losses
Promoters		
Federal-Mogul Corporation	December 31, 2006	USD 549.6 mn
	December 31, 2005	USD 334.2 mn
	December 31, 2004	USD 325.5 mn
Federal-Mogul Holdings Limited	December 31, 2005	USD 15,777
	December 31, 2004	USD 12,988
Subsidiaries		
Satara Rubbers and Chemicals Limited	December 31, 2006	INR 82.42 Lakhs
	March 31, 2006	INR 88.72 Lakhs
	March 31, 2005	INR 37.97 Lakhs

For further details see the sections "Our Promoter and Promoter Group" on page 151 and "Our Subsidiaries" on page 135 of the Letter of Offer.

8. Our promoter FMC and its subsidiaries in the USA as well as some of its subsidiaries in UK have filed voluntary petitions for reorganizations under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware.

Our promoter FMC, all of its wholly owned U.S. subsidiaries and certain UK subsidiaries have filed voluntary petitions for reorganizations under Chapter 11 of the United States Bankruptcy Code in response to a

sharply increasing number of asbestos related claims being initiated against them and the demand such claims made on FMC's cash flows and liquidity. FMC's estimate of asbestos-related liabilities for pending and future asbestos claims is subject to considerable uncertainty because such liabilities are influenced by numerous variables that are inherently difficult to predict. These proceedings significantly increase the inherent difficulties and uncertainties involved in estimating the number and cost of resolution of present and future asbestos-related claims against FMC and its associate entities, and may have the effect of increasing the ultimate cost of the resolution of such claims. For further details of such proceedings, please refer to page 282 of this Letter of Offer.

9. *The Objects for which the funds are raised through this Issue have not been appraised by any bank / financial institutions and are based on internal estimates.*

The objects of the Issue for which the funds are being raised have not been appraised by any bank or financial institution. In the absence of any such independent appraisal, the requirement of funds raised through this Issue as stated in the section titled "Objects of the Issue" is based on our estimates and the deployment of these funds is at the discretion of our management and Board of Directors.

10. *We were in non-compliance with the provisions of clause 49 of the listing agreement.*

Due to the sudden demise of one of our directors and the resignation of another Director, for a brief period in the quarter ending December 31, 2006 and up to January 22, 2007, our Company was not in compliance with respect to the provisions of clause 49 of the listing agreement relating to the requisite number of independent directors on the Board. However, effective from January 22, 2007 the Company is in compliance with these requirements of clause 49.

11. *We have been unable to file our financial results under the Electronic Data Information Filing and Retrieval ("EDIFAR") System on SEBI's website in accordance with Clause 51 of the Listing Agreement since June 30, 2005.*

Pursuant to clause 51 of the listing agreement, the Company is required to file its quarterly / half-yearly / yearly financial results under the EDIFAR System on SEBI's website. However, due to problems which we face in entering the financial results in the EDIFAR System, we have been unable to file these results for the period from quarter ending June 30, 2005. While trying to file our financial results under EDIFAR System for quarter ended June 30, 2005, the last column of the financial results format displayed year ending on 30th June though it should have been 31st March. The Company has its year ended on 30th June, only in the financial year 2001-02. Since then the financial year had been changed to 31st March, which was further changed to 31st December since the financial year ended December 31, 2006 (9 months). We have been facing this problem since quarter ended June 30, 2005. We have informed SEBI, BSE and NSE about this issue.

12. *Technological advancements by third parties can adversely affect our market position.*

Management Perception: The industry in which we operate is technology intensive. Players in the automobile industry are faced with a constant demand for new designs, materials and new products at competitive prices. Knowledge of nascent technologies and the ability to implement them to meet market requirements provides a competitive advantage. Our ability to upgrade as well as access technology is crucial to our continued growth and profitability. While we believe that our performance in the past has been influenced by our ability to anticipate and successfully respond to these challenges, we cannot be certain that we will successfully anticipate or respond to future technological developments in a timely manner on a continued basis.

13. *We face stiff competition from the un-organized sectors in the aftermarket which impacts our operations and profitability.*

Pricing is one of the factors that play an important role in our customers' selection of our products. Stiff competition from a variety of competitors in the un-organized sector can and does adversely impact our operations and profitability.

14. Some of our collaboration agreements may be terminated without any fault on our part simply by a prior written notice by the other party.

We have entered into various foreign collaboration agreements in relation to the know-how, processes and technology to be used for the design and production of different products. Most of these agreements may be terminated by the foreign collaborations simply by issuing a prior written notice which is usually of six (6) months. In addition, some of these agreements are non-exclusive. A sudden termination of these agreements may impact the efficiency of our production and output in relation to various products being produced by us. However, this risk is mitigated to a certain extent by the fact that a majority of the agreements have been entered into with entities forming part of the Federal -Mogul Group, of which our Promoters form an integral part.

15. A portion of the land forming part of our Yelahanka Plant at Bangalore and our Patiala Plant has not been mutated in our name in the land revenue records.

Approximately thirty (30) acres and thirty eight (38) acres of land forming part of our Yelahanka Plant at Bangalore and Patiala Plant respectively, though used by us for our operations, has not been mutated in our name in the land revenue records. For details please refer to page 120 of this Letter of Offer.

Management Perception: We are currently in the process of having our name entered in the revenue records.

16. We face foreign currency risk due to export income and volatile global financial markets.

The volatility in global financial markets may have an adverse impact on our business since our business involves both the import as well as export of goods. Any increase in the exchange rate of the rupee vis-à-vis the foreign currency will impact the profitability of the Company.

17. We rely on contract labour for the performance of many of our operations.

We rely on contractors who engage on-site labourers for performance of many of our unskilled operations. These contract labourers may approach appropriate courts/tribunals for regularisation of their services and if the courts/tribunals so directs, our Company may need to absorb such contract labour and provide them with certain additional benefits.

18. Alleged defects in our products could lead to negative publicity, financial loss and erosion of our customer-base.

Some of the products produced by us are critical to the operations of our customers' businesses. An alleged defect in our products could result in a claim against us for substantial damages. Such a claim could be brought even if prima facie we are not responsible for such alleged defect. Furthermore, any such claims could serve to erode out brand image and market perception and may diminish our clientele. Rejection of products by our customers can be classified as claims made by customers during the warranty period for or by a total rejection of the products by the customers. We have tabulated the instances of claims and rejections that have taken place since 2005 onwards. The same are reproduced below:

(All figures in Rs. Lakhs)

Year	Warranty claim	Sales return
2005-06	105.86	215.88
April 1, 2006 to December 31, 2006	65.84	277.62

19. We may continue to be controlled by our Promoters, who by virtue of their aggregate shareholding collectively own a substantial portion of our issued Equity Shares, as a result of which, the remaining shareholders may not be able to affect the outcome of shareholder voting.

The Promoters will continue to collectively own a substantial portion of our issued Equity Shares. Further, Federal-Mogul Holdings Limited, one of the Promoters has declared its intention to subscribe to the unsubscribed portion, if any, of this Issue. Consequently, the collective holdings of our Promoters may increase above their current holdings. Our Promoters will therefore have the ability to exercise a controlling influence over our business and may cause to take actions that may conflict with the interests of some of our shareholders.

20. *Our Company has entered into several loan agreements that contain customary restrictive covenants, placing certain limitations on our Company.*

Our Company has taken a number of loans from various institutions, for which some of its immovable and movable properties have been offered as security. In respect of these loans, we have executed agreements with our lenders and by virtue of these agreements we are bound by certain restrictive covenants. These restrictive covenants *inter alia* require us to take the prior consent of the lenders for amending our capital structure, creating a charge on our assets, undertaking mergers or amalgamations, expansion or diversification of our business and the like. We have obtained the consent of our lenders in relation to the Issue. For details of loan agreements please refer to page 122 of this Letter of Offer.

21. *Our export obligations might not be met under the EPCG scheme.*

We have assumed significant export obligations under our various EPCG licenses issued under the EPCG scheme. For details of the total outstanding export obligations of our Company under these EPCG licenses, please refer to page 298 of this Letter of Offer. The consequence of not meeting the above commitment would be a retrospective levy of import duty on items previously imported at concessional duty. Additionally, the authorities also have the right to levy penalties and/or interest for any defaults on a case-by-case basis. We have not in the past been imposed with any penalties on account of failure to meet our export obligations since the value of exports undertaken by us has exceeded our export commitments. However, in the event any default under the EPCG licenses occur, our business operations and profit margins may be adversely affected.

22. *Fluctuations in our revenue and profit levels may cause fluctuations in the value of our Equity Shares.*

Although we have enjoyed growth of revenues, fluctuations in revenue levels over short periods of time or over sustained periods of time due to any set of variable factors, including the maintenance of our competitive advantage in terms of cost and skill, retention of customers, price reduction by existing customers, industry fluctuations, and adverse regulatory changes cannot be ruled out. Any one of these or other circumstances could have a material adverse effect on our ability to sustain our revenue levels in the short-term as well as the long-term. A revenue plateau or decline due to any set of reasons would adversely affect our operating performance and may negatively affect investor perception. Furthermore, there may be instances in the future where our performance is below expectations of market analysts and our investors. This could lead to fluctuations or a decline in the market value of our Equity Shares over the short term or over a sustained period of time.

23. *The success of the Company depends upon its ability to attract and retain talented and experienced professionals.*

Our business model is reliant on the efforts and initiatives of our senior level management and our key technical personnel, few of whom have been with us for a significant number of years. For details of our senior management, please refer to page 145 of this Letter of Offer. Our future performance and the market perception of us may be influenced by their performance and continued efforts. In this regard, we cannot assure you that we will be able to retain our skilled senior management or technical personnel or continue to attract new senior-level employees in the future.

24. *Any labour unrest at our plants could adversely affect our operations and profitability.*

Despite the existence of settlements with our trade unions at our plants there have been in the past a few occasions of labour unrest at our plants. While such labour unrest did not have any material adverse impact on our production, we are not in a position to guarantee that such unrest will not occur at any of our plants in

the future and in turn have a material adverse impact on our productivity and output. Furthermore, we cannot assure you that no cessation of work due to personnel problems or unionization will occur, although we have reasonably good relations with our employees. The most recent instances of labour unrest in each of our plants have been tabulated as under:

Plant	Year
A. Bhiwadi plant	
Labour unrest from May 18 to July 23, 2006 due to suspension of employees for misbehavior in the canteen. The issues were resolved by a settlement agreement between the Company and the trade union.	2006
B. Patiala plant	
Lockout by the management from March 26, 1992 to April 14, 1992 due to violence on the premises	1992
C. Yelahanka plant	
One day strike by contractual employees for increase in wages and benefits on May 12, 2007	2007
One day strike by permanent employees to protest delay in long term settlement on September 12, 2001	2001

Management Perception: There was no material impact on production in any year due to the above.

25. Any mishaps or accidents at our facilities could lead to property damage, production loss and accident claims.

Any mishap or accident in the factory could result eventually in damages, which may result in the Company suffering a loss. Our Company could suffer loss of production; receive adverse publicity and experience diversion of management attention and resources in defending such damages. Although the accidents have been few, we cannot guarantee the total absence of work related or other accidents at our plants. Furthermore, while issues arising from such accidents, such as compensation and liability, have been amicably settled without an adverse material impact on production or damage to our facilities, we cannot guarantee that such settlement will take place at all times in the future or that accidents may not result in litigation and regulatory action against us.

The instances of accidents involving labour and workmen since January 2005 in each of our plants have been tabulated as under:

Plant	Date of accident	Material impact on production
A. Bhiwadi plant		
No reported accident.	-	-
B. Patiala plant		
No reported accident.	-	-
C. Yelahanka plant		
Death of a casual workman in the ring foundry	August 7, 2006	No material impact on production

26. Future issuances or sales of the Equity Shares could significantly affect the trading price of the Equity Shares.

The future issuance of Equity Shares by the Company or the disposal of a significant number of Equity Shares of the Company or the perception that such issuance or sales may occur may significantly affect the trading price of the Equity Shares.

27. You will not receive the Equity Shares you purchase in this Issue until several weeks after you pay for them, which will subject you to market risk.

For shareholders holding shares in demat mode, the Equity Shares purchased in this Rights Issue will not be credited to their demat accounts with depository participants and for shareholders holding in physical form, completion of dispatch of physical share certificates may not be completed until approximately forty two (42) days from the Issue Closing Date. You can start trading your Equity Shares only after receipt of listing and trading approvals in respect of these shares which will require additional time after the credit of Equity Shares into your demat account. Since the Company's Equity Shares are already listed on the stock exchanges, you will be subject to market risk from the date you pay for the Equity Shares to the date they are listed.

28. *Our failure to adequately protect our intellectual property rights may adversely affect our growth and revenues.*

Most of the trademarks and logos used by us in our business have been licensed to us for 'use' by the Federal-Mogul group. Some of these trademarks and logos have not been registered under the relevant intellectual property laws in India. We are taking the necessary steps to protect our intellectual property and have already applied for registration of some of these marks. We operate in a competitive environment where generating brand recognition is a significant element of our business strategy and in the event a third party proposes to use a similar trademark or logo in India, we will not have the ability to restrict such use. Furthermore, while we believe and it is our effort that our products and services do not infringe upon the intellectual property rights of other parties, we cannot assure you that such claims, leading to a material adverse impact upon us in the form of extended litigation, financial outflows and negative publicity, will not be asserted against us.

29. *Subsequent to the acquisition of a majority stake in our Company by our Promoters, our agreement with the Escorts group for the use of the brand name "Escorts" in respect of our pistons has terminated.*

Prior to the acquisition of a majority stake by our Promoters in our Company, we used the brand "Escorts" for marketing our pistons. Subsequent to the acquisition, the arrangement with the Escorts group for the use of the brand "Escorts" for marketing of pistons has terminated and we are therefore marketing our pistons under the brand "Goetze". Since we do not have a formidable reputation in the pistons market under the brand "Goetze", we are not in a position of predicting or guaranteeing the successful marketing of our piston products under the brand "Goetze".

30. *Our corporate office is located at Mohan Co-operative Industrial Estate, which is a property leased to us by our subsidiary, SRCL.*

Under the original lease deed between SRCL and Mohan Co-operative Industrial Estate, discussed on page 121 of this Letter of Offer, the Lt. Governor of Delhi has the right to resume the plot if the same is needed for the development of the area or for public and general utility. Since our corporate office is located at this property, there is a risk that we may need to shift our corporate office at short notice in the event the Lt. Governor of Delhi exercises the right to resume the property. Further, the premises given to SRCL are primarily for industrial purposes whereas the same is being utilized by us as our corporate office.

31. *Any shortfall/non availability or an increase in the prices of raw materials, power and fuel requirements used for our manufacturing could affect our results of operations and financial conditions.*

Our manufacturing operations are dependant on the timely availability of raw materials and other key resources such as power and fuel. Any disruptions in the availability of these key resources may adversely affect our manufacturing operations and results of operations. Further, any significant increase in the prices of raw materials used in our manufacturing process may result in an increase in our production cost which we may not be able to pass on to our customers, which could also have an adverse impact on our results of operations and financial conditions.

32. *Our future strategic investments, including acquisitions and partnerships may not necessarily prove advantageous to either your interests or ours.*

Our growth strategy in the future may involve future strategic acquisitions and reconstructions, partnerships and exploration of mutual interests with other parties. These future acquisitions may not contribute to our profitability, and we may be required to incur or assume debt, or assume contingent liabilities, as part of any acquisition. We could have difficulty in assimilating the personnel, operations, technology and assets of the acquired company. These difficulties could disrupt our ongoing business, distract our management and employees and increase our expenses. As part of our business operations, we are evaluating and from time to time may continue to evaluate acquisition opportunities.

33. *Our employee attrition rate may increase to a level where we are not able to sustain our deliverables at a given point of time.*

While we pay competitive compensation packages and benefits to our employees, given the increasing wage levels in India we cannot assure you that our employee attrition rate will not increase to an unsustainable level or that we will be able to recruit experienced professionals to replace the professionals leaving at that particular point of time. Furthermore, increase in compensation payable to employees in India may reduce some of the inherent cost competitiveness enjoyed by us through our operations in India. Employee compensation in India is increasing at a fast rate, which could result in increased costs relating to engineers, managers and other mid-level professionals. We may need to continue to increase the levels of our employee compensation to retain talent and this may reduce our competitiveness compared to competitors in other emerging economies like China and Thailand.

34. *We have misplaced certain corporate records and approvals in connection with our business.*

Since our Company was incorporated in 1954 and given the fact that we have shifted our registered office on several occasions, some of our corporate records and business related approvals have been misplaced. Some of the statutory records that cannot be traced relate to a variety of matters including but not limited to the documents filed with the RoC for increase in share capital, return of allotments of Equity shares, change in registered office, and approvals from RBI for allotment / transfer of Equity Shares to non-residents etc.

Management Perception: The misplaced records and approvals do not have a material impact on the day-to-day operations of the Company.

35. *Our various depots / warehouses taken on lease / license.*

We have leased/ licensed all depots / warehouses. Our ability to use these premises depends on continuation of the respective leases /licenses and their renewals. In the event of termination of any of the leases / non-renewals, we will need to make alternate arrangements, which may adversely affect our operations in the interim.

36. *Material Technical / Collaboration Agreements entered into by us restrict our ability for exports to countries other than the agreed countries.*

We have entered into certain technical / collaboration agreements pursuant to which we are being supplied certain technical know-how in relation to products and are also being licensed the rights to use trade marks in relation to such products. However, some of these agreements contain territorial restrictions with respect to the countries in which our Company may sell such products, as a result somewhat restricting our ability to export these products to countries other than the agreed countries. For further details on these agreements, see the section "Material Agreements of the Company" on page 166 of this Letter of Offer.

37. *Some of the approvals required in our business have expired and are currently pending renewal.*

We require certain approvals from the government and other regulatory bodies to carry out our business. Some of these approvals have expired and we have already filed documentation for renewal of the same. There can be no assurance that the relevant authorities will issue any of such approvals in the time-frame anticipated by us. Failure by us to renew or obtain the required approvals may result in the interruption of our operations and could have an adverse effect on our business, financial condition and result of operations. Approvals which have expired and which we are in the process of renewing are tabulated as under:

S. No.	Type of Approval	Business Location	Issuing Authority	Status	Approval Reference
1.	Consent granted under the Air (Prevention & Control of Pollution) Act 1981.	FM Goetze (India) Ltd, Yelahanka, Bangalore, Karnataka.	Member Secretary, Karnataka State Pollution Control Board.	Expired on June 30, 2006. An Application for renewal was filed vide letter dated March 3, 2006.	Date of expired consent: September 29, 2004. Expired consent No.: KSPCB/IND/SEO-4/DEO-CFO/AEO/APC/2004-05/201.
2.	Consent for discharge of effluents under the Water (Prevention and Control of Pollution) Act, 1974.	FM Goetze (India) Ltd., Yelahanka, Bangalore, Karnataka	Member Secretary, Karnataka State Pollution Control Board.	Expired on June 30, 2006. An Application for renewal was filed vide letter dated March 3, 2006.	Date of expired consent: September 29, 2004 Expired consent No.: KSPCB/SEO-4/DEO-CFO/AEO/WPC/2004-05/210.
3.	Consent to operate under the Water (Prevention and Control of Pollution) Act, 1974 and the Air (Prevention & Control of Pollution) Act, 1981.	Federal-Mogul Goetze (India) Ltd., SPL-1240-1244, RIICO Industrial Area, Bhiwadi	Regional Officer, Rajasthan State Pollution Control Board.	Expired on July 31, 2007. An Application for renewal was filed on June 21, 2007.	Consent No. RPCB/RO/BWD/OR-54/1013

For further details on approvals required by us, see the section "Government Approvals and Licenses" on page 292 of the Letter of Offer.

38. Certain type of risks may not be covered under our existing insurance policies since these may be uninsurable or not economically insurable.

We maintain comprehensive insurance policies for our material assets. Certain types of losses however may be either uninsurable or not economically insurable. Should an uninsured loss occur, we might need to incur significant investment to make good the loss. Further, our insurance premium for future policies could also increase. Such eventualities could have an adverse effect on our business, financial condition and result of operations.

39. We are dependent on suppliers for key raw material inputs.

We are dependent on a small number of suppliers for key raw material inputs. Our inability to develop our vendor base may adversely affect the availability of supplies at reasonable prices thus affecting the margins and may have an adverse effect on the business, financial condition and operations of the Company.

40. Contingent liabilities and commitments of the Company, as on June 30, 2007 and as reported in the Auditors Report.

The Company has not provided for certain contingent liability as on June 30, 2007. For details on contingent liabilities, see Note 3 on page 193 (standalone basis) and Note 3 on page 235 (consolidated basis) of the Letter of Offer.

41. Related party transactions, loans/advances written off/rolled over.

We have entered into related party transactions with entities in which the Promoters of the Company are interested parties. For details on related party transactions please refer to the section on Auditors Report and Financial Information – Related Party Disclosures on page 196 of the Letter of Offer.

42. We have taken unsecured loans that can be recalled by our lenders at any time.

To meet part of our funding requirements, we also borrow loans that are unsecured. As on June 30, 2007, aggregate unsecured loans were Rs. 12,131.09 lakhs, details whereof are provided on page 208 of this Letter of Offer, of these unsecured loans, non-convertible debenture of Rs. 11,000 lakhs are of a fixed tenure and cannot be recalled by our lenders at any time.

43. Adverse impact if operations at any of the factory are disrupted due to power failures, breaks down of equipment, etc.

Any break-down of machinery or disruption of operations at our plants could result in losses to the Company. Our Company could suffer loss of income; receive adverse publicity and experience diversion of management attention and resources in defending such damages. Any such disruption could have an adverse effect on our business, financial condition and result of operations.

44. We have a limited set of customers.

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

45. We operate in one segment – automotive components – only and are not diversified into different segments. Our financial performance is dependent to a large extent on the performance of the Auto Industry.

Our Company operates in one segment - automotive components. Further, revenues are derived primarily from sale of pistons and piston rings. Any adverse impact on the market for automobiles and automotive components and specifically on the market for pistons and piston rings could adversely impact our business and results of operations.

46. Failure to increase in capacities / Stagnation due to over capacity.

Should we for any reason, be unable to invest in capacity expansion in the future, the same could result in stagnation in our sales and could impact our ability to develop new customers / maintain our market share. Conversely, in the event we over estimate the future demand, we may have over capacity resulting in an under utilization of assets and potentially have a negative impact on our margins.

47. In our Auditors Report for the Restated Financial Statement, there are certain audit qualifications.

For financial year ending December 31, 2006 (9 months) following are the audit qualifications:

1. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets, *except for certain items of plant and machinery and certain items of furniture at one of its facilities, where the records are maintained for group of similar assets and not for each individual asset.*
2. In respect of a loan granted by the Company to a party covered in the register maintained under section 301 of the Companies Act, 1956, the auditors included the following in the Companies (Auditor's Report) Order (CARO): In the opinion of the auditors and according to the information and explanations given to them, *interest free loan of Rs 798 lakh granted to one company is prima facie prejudicial to the interest of the company*, other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.
3. The Company has employed an external internal auditing firm to carry its internal audit. In the opinion of the auditors, *the scope and coverage of such Internal Auditing can be further enlarged to be commensurate with the size and nature of its business.*

For financial year ending March 31, 2006 following are the audit qualifications:

1. Interest free loan of Rs 470.95 lakhs to one company is prima facie prejudicial to the interest of the company. This loan has been provided to our wholly-owned subsidiary SRCL
2. During the year ended March 31, 2006, pursuant to management reassessment of transfer of risk and rewards on sale of goods, sales of Rs 3,899.42 lakhs were derecognized and stock amounting to Rs 2,943.62 lakhs was reversed in the books of the Company. The corresponding impact of the same in previous years is not ascertainable
3. Auditor's report issued for the year March 31, 2006, was qualified on account of inclusion of Rs 101 lakh in Personnel costs and Rs 12.80 lakh in Operating and Other expenses towards director's remuneration which was in excess of permissible remuneration determined under Schedule XIII of The Companies

Act, 1956. Management had obtained confirmation from these directors that they shall refund these amounts, to the extent of these being not approved by the Central Government, for which our Company was preparing necessary application. Adjustment on account of the above has not been made in the restated summary statements since our Company has obtained the approval of Central Government for the excess remuneration paid.

For more details and for audit qualifications pertaining to prior periods please refer to page 187 of this Letter of Offer.

48. *There could be increased competition as a result of Free Trade Agreements with other countries, and greater use of counterfeit products.*

The Indian Government is entering into Free Trade Agreements with neighbouring countries under which tariffs are expected to progressively come down and this may also include products manufactured by us. This may result in increased competition which could result in a decrease in our turnover and/ or pressure on our margins. Similarly, easy availability of counterfeit products in the domestic markets may impact our turnover and / or our margins.

49. *Alternative technology like solar operated / battery operated vehicles may result in decreased demand for the products manufactured by the Company.*

Some companies are developing alternative technologies based on solar/ battery power which are being used to power automobiles and other equipment. Large scale commercial adoption of such technology by end users could make our products (which cater to the current generation of automobiles and other equipment) obsolete which in turn could adversely affect our business and results of operations.

EXTERNAL RISK FACTORS

1. *Absence of entry barriers.*

Apart from high initial capital investments and requirement of customer relationships, there are no significant entry barriers, regulatory or otherwise, for setting up an automotive components plant. Due to absence of such entry barriers, many players from the organized as well as the un-organized sector may enter this industry. The entry of several new large organized players may result in excess capacity, competition and resultant price pressure on the products.

2. *Global economic, political and social conditions may harm our ability to do business, increase our costs and negatively affect our stock price.*

External factors such as potential terrorist attacks, terror threats, pandemics, acts of war or geopolitical and social turmoil in many parts of the world could prevent or hinder our ability to do business, increase our costs and negatively affect our stock price. For example, increased instability may adversely impact the desire of employees and customers to travel, the reliability and cost of transportation, our ability to obtain adequate insurance at reasonable rates or require us to incur increased costs for security measures for our domestic and international operations. These uncertainties make it difficult for us and our customers to accurately plan future business activities. More generally, these geopolitical social and economic conditions could result in increased volatility in India and worldwide financial markets and economy.

3. *Cyclical nature of the Industry.*

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

4. *Political instability or changes in the Government(s) in India could delay the further liberalization of the Indian economy and adversely affect economic conditions in India generally and our business in particular.*

Since 1991, successive Indian Governments have pursued policies of economic liberalization, including significantly relaxing restrictions on the private sector. Nevertheless, the roles of the Indian Central and State Governments in the Indian economy as producers, consumers and regulators have remained significant. Subsequent to the general elections that took place in India in April and May 2004, the new Government publicly indicated an intention to continue India's program of economic reform. However, possible political instability, changes in the rate of economic liberalization, laws and policies affecting the automobile industry, foreign investment, currency exchange, matters affecting investment in our securities, India's economic liberalization and deregulation policies could all adversely affect business and economic conditions in India generally, and our business in particular, if new restrictions on the private sector are introduced or if existing restrictions are increased.

5. *Regional conflicts in the Indian sub-continent could adversely affect the Indian economy and cause our business to suffer.*

The Indian sub-continent has from time to time experienced instances of civil unrest and hostilities among neighboring countries. Events of this nature in the future, as well as social and civil unrest within other countries in Asia, could influence the Indian economy and could have a material adverse effect on the market for securities of Indian companies and on our business.

6. *After this Issue, the price of our Equity Shares maybe highly volatile, or an active trading market for our Equity Shares may not develop or sustain.*

The prices of our Equity Shares on the Indian stock exchanges may fluctuate after this Issue as a result of several factors, including:

- a. volatility in the Indian and global securities markets;
- b. our results of operations and finance;
- c. performance of our competitors, the automotive components industry and the perception in the market about investments in the automotive industry;
- d. adverse media reports on the Company or the Indian automotive industry;
- e. changes in the estimates of our performance or recommendations by financial analysts;
- f. significant developments in India's economic liberalisation and deregulation policies; and
- g. significant developments in India's fiscal and environmental regulations.

There can be no assurance that an active trading market for our Equity Shares will develop or be sustained after this Issue.

7. *Terrorist attacks and other acts of violence or war involving India and other countries could adversely affect the financial markets, result in loss of client confidence, and adversely affect our business, results of operations and financial condition.*

Terrorist attacks, such as the ones that occurred in New York and Washington, D.C., on September 11, 2001, New Delhi on December 13, 2001, London July, 7, 2005 and other acts of violence or war, including those involving India, or other countries, may adversely affect Indian and worldwide financial markets. These acts may also result in a loss of business confidence and have other consequences that could adversely affect our business, results of operations and financial condition. More generally, an increased volatility in the financial markets can have an adverse impact on the economies of India and other countries, including economic recession.

8. *Natural disasters and technical failures.*

The operations of our plants can be affected by natural disasters and technical failures including malfunctioning or breakdown of equipment, which could adversely affect the business, financial condition and the operations of the Company.

9. *Pollution control measures and emission regulation.*

Failure to comply with environment laws, rules and regulations may adversely affect the Company's business or operations. The Central and State Governments have enforced specific pollution and emission requirements for the automobile industry. Though the Company is compliant with the same, any further

restrictions or amendments may have cost implications for the Company and may have an impact on the operations and profitability of the Company.

10. Competition.

The Company operates in a competitive business environment. Increase in competition may force the Company to reduce prices of its products, which may reduce the revenues and margins and/or decrease its market share, either of which could have an adverse effect on the business, financial condition and operations of the Company.

Notes to Risk factors:

1. The net worth of our Company on an unconsolidated basis before the Issue (as of June 30, 2007) was INR 8,746.95 lakhs.
2. The book value per equity share as of on December 31, 2006 was INR 32.72 per Equity Share and as of June 30, 2007 was INR 34.59 per Equity Share.
3. Pursuant to a resolution of the members passed at an extraordinary general meeting held on June 16, 2006, the name of the Company was changed from Goetze (India) Limited to Federal-Mogul Goetze (India) Limited following the acquisition of the majority of equity shares in our Company by our Promoters. For details of changes in the name of our Company and for details of changes in our registered office, please refer to page 89 of this Letter of Offer.
4. Except as disclosed in the section titled "Capital Structure" beginning on page 58 of this Letter of Offer, we have not issued any shares for consideration other than cash.
5. This Issue is of 7,333,389 Equity Shares of Rs. 10 each for cash at a price of Rs. 145 per Equity Share (including a premium of Rs. 135 per Equity Share) aggregating to Rs. 1,063,341,405 on rights basis to the existing Equity Shareholders of the Company in the ratio of 29 Equity Shares for every 100 Equity Shares held on the Record Date, in terms of this Letter of Offer.
6. Average cost of acquisition of Equity Shares of our Company by our Promoters is as under:
FMHL – Rs. 222.50 per Equity Share
FMG – Rs. 31.80 per Equity Share
7. Refer to our financial statements relating to related party transactions in the section titled "Auditors Report and Financial Information – Related Party Disclosures" on page 196 of this Letter of Offer.
8. There have been no transactions in Equity Shares of the Company by the Promoter Group and Directors of the Company in the last six months preceding the date of this Letter of Offer.
9. For details of interests of our Directors and key managerial personnel, please refer to the section titled "Our Management" on page 138 of this Letter of Offer. For details of the interests of our Promoters and Promoter Group, please refer to the section titled "Our Promoters and Promoter Group" on page 151 of this Letter of Offer.
10. Any clarification or information relating to the Issue shall be made available by the Lead Manager and our Company to the investors at large and no selective or additional information would be available for a section of investors in any manner whatsoever. Investors may contact the Lead Manager for any complaints, information or clarifications pertaining to the Issue. The Lead Manager is obliged to provide the same to Investors.
11. Before making an investment decision in respect of this Issue, Investors are advised to refer to the section titled "Basis for Issue Price" on page 73 of this Letter of Offer.
12. Please refer to the section on "Basis of Allotment" on page 320 of this Letter of Offer for details of the basis of allotment.

We and the Lead Manager are obliged to keep this Letter of Offer updated and inform the public of any material change/development till the listing and trading of the Equity Shares offered under the Issue commences.

SECTION III: INTRODUCTION OUR INDUSTRY

Automotive Components

According to the Automotive Component Manufacturers Association of India (ACMA), the production of Indian automotive components industry touched an estimated US\$10 billion in 2005-06 as compared to US\$8.7 billion in 2004-05, up by 15%. (Source: ACMA, <http://acmainfo.com>)

The Automobile Industry

The size of Indian automobile industry in the year 2005 was US\$ 37 billion (Source: NATRIP). Production units of automobiles in India have grown at a CAGR of 15.21% for 03-07. Automobile exports for 2006-07 grew by 25.39% to 1,011,278 units against 806,494 units in the corresponding period last fiscal. (Source: SIAM, <http://www.siamindia.com>)

Indian Automobile Industry can be broadly segregated as

- Commercial Vehicles
- Passenger Vehicles
- Two Wheelers and Three Wheelers.

According to the Society of Indian Automobile Manufacturers (SIAM), total vehicle production touched 110.65 lakhs units in 2006-07, up from 62.8 lakhs units in 2002-03. (Source: SIAM, <http://www.siamindia.com>)

Automobile Exports

Automobile exports from India have increased from 3.07 lakh units in 2002-03 to 10.11 lakh units in 2006-07 recording a 35% CAGR over the period. The main contributors to the growth in exports from vehicles have come from light commercial vehicle, passenger vehicles and motor cycles. (Source: SIAM, <http://www.siamindia.com>)

Multinationals have also set up manufacturing plants in India to take advantage of the lower production costs available in India, and have plans to use India as a base for manufacturing passenger cars to serve the Indian domestic market in addition to manufacturing cars for export.

Auto Component industry classification

A brief overview of some of the segments of auto component industry is given below:

1. **Fuel injection systems and carburetors-** Fuel pumps and carburetors include components like fuel pumps, carburetors, filters, elements, delivery valve and nozzles.
2. **Powertrain components-** Powertrain components include crankshafts, camshafts, connecting rods, flywheel ring gears and timing chains. These products are largely OEM based.
3. **Piston and piston parts:** Piston and piston parts include pistons, piston rings and pins.
4. **Engine valves and parts-** Engine valves and parts include parts like - engine valves, valve guides, valve tappets and valve collect.
5. **Cooling system and parts-** Cooling systems and parts include parts like – radiator, water pumps assembly, radiator caps, fan assembly and water thermostat.
6. **Steering assembly and components-** –Steering assembly and components include steering systems like rack and pinion, and recirculating ball.

7. **Suspension system and components-** Suspension system and components include parts like shock-absorbers and leaf spring.
8. **Brakes and components-** Brakes and components include brakes assembly and brake linings.
9. **Lighting equipment-** Lighting equipment and parts include headlights, spot lights, flashlights and bulbs.
10. **Sheet metal parts-** Body parts form the bulk of the output that goes to the Original Equipment. Parts like mufflers and exhaust systems, which have limited life, derive their demand from replacement markets.

Exports of auto components have grown significantly as global Original Equipment Manufacturers (OEMs) and Tier-I automotive component manufacturers have been leveraging Indian low-cost highly skilled labour to reduce their production costs. Exports reached US\$1.8 billion in 2005-06 as compared to US\$1.4 billion in 2004-05, accounting for 18% of the total automotive component production (source: ACMA). In 2005-06, key export destinations included Europe (36%), America (26%), Asia (10%), Africa (10%) and others (12%) (Source: CRIS INFAC Annual Review on Auto Ancillaries Industry- July 2006).

Piston and piston parts industry

The segment is dominated by the organized players in the market. This segment has seen a good domestic and export demand over the last 4 years.

In India, the main producers in this market are companies like Federal-Mogul Goetze (India) Limited, Shriram Pistons and Rings Ltd., Samkr Piston and Rings Ltd. and India Pistons Limited. These companies together with IP Rings Ltd. and Perfect Circle Ltd. constitute a significant portion of the organized market for piston and piston parts in India.

Pistons and piston parts are important components of an engine and original equipment manufacturers demand quality qualifying criteria before selecting a supplier to meet their requirements. This coupled with the fact that the manufacturing of these components is very capital intensive and requires high technical know-how has left the business of supply to original equipment manufacturers concentrated with a few players. Most of the Indian companies are getting into joint ventures for technology transfer with global component suppliers, to be able to meet the needs of OEMs.

Piston and piston parts demand is not limited to automobile manufacturers only. Industrial goods manufacturers of stationary engine, electricity generators, pump sets, chainsaw, brush cutters and trimmers also demand piston and piston parts for their goods. Piston and piston parts also have specialized demand for diesel engine in locomotives and in battle tanks used by armed forces.

For further details please refer to page 82 of this Letter of Offer.

OUR BUSINESS

Overview

We are an established auto component manufacturer focusing on pistons and piston rings. Our product ranges include a variety of pistons, piston rings, piston pins, cylinder liners, valve train and structural components, aluminum alloy cylinder blocks, heads and other miscellaneous automobile engine components.

We are part of Federal-Mogul Group, which is a global supplier of vehicular parts, components, modules and systems to customers in the automotive, small engine, heavy-duty and industrial markets. Our Company today is indirectly controlled by Federal-Mogul Corporation, USA who through two of its entities – Federal-Mogul Vermögensverwaltungs GmbH, Germany and Federal-Mogul Holdings Limited, Mauritius, holds the majority of the equity shareholding of our Company.

We expect our relationship with Federal-Mogul Group to strengthen due to its acquisition of a majority of our shareholding, and to benefit from its world class business and manufacturing practices.

Our pistons and piston rings range of products are sold under the brand name “Goetze”, while our sintered products are sold under the brand name “Brico Goetze”.

Our Manufacturing

We currently have manufacturing facilities at Patiala, Bhiwadi and Bangalore

Manufacturing Process of the major products manufactured by us:

Pistons

A piston is a high precision engine component whose main task is to convert combustion energy into mechanical energy. During this process, substantial pressures exerted on the piston create high rigidity and temperature-resistance demands.

A piston is generally manufactured through gravity die casting and a machining process. The main constituent / raw material for this product is aluminum. Aluminum is melted in an induction furnace and then alloying elements are mixed in. The alloy when prepared is transferred to holding furnaces located near the die casting machines. The alloy metal is poured into the dies manually and after the lapse of time, to permit solidification, the piston is cast. In some of the latest equipment, the casting machines have auto pouring and auto unloading facility. The piston has a runner and a riser, which is trimmed off. To achieve proper hardness in the pistons, they are subjected to age hardening process. However in certain specific equipments solutionizing is done, followed by age hardening. After all checks, cast pistons (now called piston blanks) are delivered to machine shop.

Piston machining is done on special CNC machines, which include processes like fixture seat boring, rough OD turning, rough gudgeon pin hole boring, oil hole grooving, finish ring grooving, finish diameter turning, finish crown facing, finish pin hole boring and circlips grooving. The pistons in process are then subjected to various quality checks, to ensure the good quality of the product. After machining, the pistons are sent to final inspection for checking of various critical and major parameters. After all checks, pistons that require surface coating are sent to the surface treatment section, where these are subjected to specific coating like tin plating, phosphating, graphite coating, and moly coating depending upon the need of customer.

After surface treatment, pistons are once again checked and then delivered to the primary packaging department. The primary packaging department packs the pistons along with the relevant pins and sends to them to the finish shipping department for final delivery to customer.

Raw Material and Components

The main raw material in piston manufacturing is aluminum. Typical alloying contents are silicon, magnesium, nickel, copper and manganese. These elements are mixed in a predetermined quantity to aluminum, for preparing the alloy.

The chemicals for surface treatment include sodium stannate, graphite paint, granodine powder, sulphuric acid etc.

The packaging material includes cardboard boxes, plastic boxes, BOPP tape etc.

Gudgeon (Piston) Pin

The Gudgeon pin performs in strenuous operating conditions which expose it to extremely high alternating loads. A Gudgeon pin is the part of the piston assembly that holds the small end of the connecting rod to the piston pin bore. Gudgeon pins are manufactured out of alloy steel made of chromium and nickel. The raw material is procured in long bars of various diameters depending upon the requirement of the size of the pin.

The manufacturing process includes two stages: soft machining and finish machining. Soft machining is a process before heat treatment and finish machining is a process after heat treatment.

The soft machining processes include cutting of bars, OD rough grinding, drilling, length facing and inside chamfering. After these processes the pins are subjected to heat treatment to reach the desirable hardness. The finish machining process include finish length grinding, OD grinding (three passes) and super finishing. Smaller diameter pins are produced out of seamless tube material and not passed through a drilling process.

The pins are then put through the machining process and then sent for final inspection, where they are subjected to dimensional and ultrasonic checking. After passing inspection, the pins are sent to the shipping department for delivery to the customer.

Raw Material and Component

Gudgeon pin are produced out of alloy steel material generally chromium and nickel. The main constituents are 17Cr3, 15CrNi6, SCM415H, SCr415H, 17MnNiCr5 etc.

Piston Rings

Piston rings include the following variety:

- **Cast Iron Compression Rings**

Cast Iron Compression Rings are used in light-vehicle petrol, light-vehicle diesel and heavy-duty/truck diesel engines. The main functions of compression rings are to seal the combustion chamber from the crankcase and transfer heat from the piston to the cylinder. However, they also play an important part in controlling engine oil consumption.

- **Cast Iron Oil Rings**

Oil-control rings are used in light-vehicle gasoline engines (two- or three-piece), light-vehicle diesel engines (two-piece), and truck diesel engines (two-piece). The main function of the rings in the bottom piston groove is to scrape oil from the cylinder wall, meaning oil-control rings play a major part in regulating an engine's oil consumption.

- **Steel Rings**

For heavy duty application and for thin rings, steel wire is used for manufacture of rings in place of Cast Iron.

- **Chrome Rings**

To enhance wear resistance property, the running face of the rings are chrome plated.

- **Moly Rings**

For certain applications, the running face of the ring is coated with moly powder which besides enhancing wear resistance, also provides for oil retention on the running face hence increasing the life of the rings.

Piston rings are produced from individual oval shaped castings by green sand moulding process. River bed sand is used along with bentonite for preparing moulding sand which has to undergo specific tests relating to permeability, moisture, hardness and bonding, the sand is then transported by conveyor belts to a three station semi automatic moulding machine which is used for making moulds.

A melting furnace is used for the preparation of various alloys. The molten alloy is poured into the moulds for casting. These castings are then stripped and fettled /cleaned before being sent to the machine shop.

Steel rings are produced by coiling imported special alloyed pre profile wire. For those alloys requiring heat treatment, they are sent through an automatic heat treatment oven.

The side flanks of an oval shape casting are ground on precision double disk grinders. These are subsequently machined to the required shape depending on the cross section of ring. The machines used to shape the cross section are automatic CNC (“computer numeric control”) machines. These machines are typically imported and include: outside turning machines, auto inside turning machines, auto slotting machines, auto trapeze grinding machines and other special purpose machines.

More than 40% of the rings are required to be coated with chrome or molybdenum plating. This is done by a cell chrome bath or a molybdenum flame spraying process and plasma spray powder.

These rings are subjected to series of stringent quality checks throughout the manufacturing inspection processes.

The metallurgical laboratory and the metrology room are equipped with sophisticated instruments viz. metallurgical spectrometer, metallurgical microscope, chromatograph, computerised carbon sulphur detection instrument perthometer, talyron profile checking, computerised face profile checking, tang. checking instruments, contracer and other conventional inspection instruments are used to make these quality checks.

Raw Material

The rings are made with specially alloyed cast iron and alloyed steel. For cast iron rings the main constituent is pig iron. The other alloying contents are silicon, magnesium, vanadium, niobium, nickel, copper, manganese and tungsten etc. These are added in various percentages depending on the type of alloy required.

Liners

A liner is a cylindrical component, wherein the piston operates. This cylindrical component is cast through a centrifugal casting process wherein molten metal is poured in a centrifugal casting machine.

After casting the liners are sent for machining wherein both ends are parted. The cylinder liner is then processed through various machining operations, including but not limited to line semi-finish boring, semi-finish turning, length machining, fine boring, chamfering, honning, OD finish and OD chamfering.

After machining, the liner is sent for inspection and packaging.

Raw Material

The main raw material in Liner manufacturing is grey cast iron with some contents of Ni, Cr, Mo etc. These elements are mixed with grey iron in an induction furnace, where the alloy is prepared and inserted into the molten metal.

Sintered Products

Sintered products are manufactured so that they are near final shape after the sintering process to make it economical to manufacture them by minimizing the machining operations. This reduces the wastage of material customary in a molten metal feeder system.

Sintered products need to be manufactured in specific compositions so to create the following functionality:

- Resist increased wear and tear

- Have hard and soft phases in same metallurgical structures

Sintered products use various raw materials at predetermined combinations to get the final sintered product with specific properties. The powdered metals are put through a power compaction process where they are stuffed in a cast and then compressed. This cast is then passed through a heat treatment process in a furnace. This powdered metallurgy process creates a solid blank containing 10-20% of interconnected porosity, like a metal sponge. This is filled with copper by a copper infiltration process. During the process, copper melts at high temperatures and fills the porosity by capillary action.

The various materials / elements are selected to be used in the sintering process because of their properties. Sulphide and solid lubricants are used to improve machinability. Copper, an excellent conductor of heat, helps improve heat transfer in an automotive component.

For further details about our business please refer to page 89 of this Letter of Offer.

THE ISSUE

Equity Shares proposed to be issued by the Company	7,333,389 Equity Shares
Rights Entitlement	29 new equity shares for every 100 existing equity shares i.e. 29:100
Record Date	September 24, 2007
Issue Opening Date	October 25, 2007
Issue Closing Date	November 23, 2007
Issue Price per Equity Share	Rs. 145
Equity Shares outstanding prior to the Issue	25,287,549 Equity Shares of Rs. 10 each
Equity Shares outstanding after the Rights Issue of Equity Shares	32,620,938 Equity Shares
Terms of the Issue	For more information, see “ Issue Related Information ” on page 308 of this Letter of Offer.

Terms of Payment

Due Date	Amount
On Right Issue application	Entire Issue Price i.e., an amount of Rs. 145 per Equity Share, including the share premium of Rs 135 per Equity Share, is to be paid at the time of application

SUMMARY FINANCIAL AND OPERATIONAL INFORMATION

The following table sets forth our selected financial information derived from our restated consolidated and unconsolidated financial statements as of and for the six months period ended June 30, 2007 and for the year / period ended December 31, 2006 (9 months), March 31, 2006, 2005, 2004 and 2003. These financial statements have been prepared in accordance with Indian GAAP and the Companies Act and the annual financial statements have been restated as described in the auditors' report included therewith, in the section titled "Auditors Report and Financial Information" beginning on page 178 of this Letter of Offer. The selected financial information presented below should be read in conjunction with our financial statements, the notes thereto and the section titled "Management's Discussion and Analysis" beginning on page 253 of this Letter of Offer.

Restated Summary statement of Profits and Losses (Consolidated)

Particulars	Amount in Rs lakhs					
	Six months	Nine months	Twelve months	Twelve months	Twelve months	Nine months
	period ended	period ended	period ended	Period ended	period ended	period ended
	June 30, 2007	December 31, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003
INCOME						
Turnover	35,734.74	52,446.71	53,932.08	52,254.35	47,103.11	26,636.47
Less : Excise duty	4,803.46	7,342.33	7,054.68	6,896.00	6,047.98	3,314.73
Total	30,931.28	45,104.38	46,877.40	45,358.35	41,055.13	23,321.74
Other Income	1,334.38	1,093.46	855.83	1,083.24	1,199.43	874.13
Total Income	32,265.66	46,197.84	47,733.23	46,441.59	42,254.56	24,195.87
EXPENDITURE						
Raw materials and components consumed	8,287.53	14,393.77	12,170.56	10,644.90	9,781.63	7,659.06
Personnel expenses	7,046.62	9,776.32	11,881.95	10,876.22	10,735.01	5,429.55
Operating and other expenses	12,754.25	16,078.17	21,254.59	16,573.07	14,252.39	7,528.03
Decrease/(increase) in inventories	(690.91)	1,026.19	(3,996.52)	(937.42)	(889.90)	(2,432.50)
Depreciation and amortization	2,220.84	3,106.38	3,722.33	2,949.92	2,540.86	1,552.64
Increase of excise duty on finished goods	48.66	(354.10)	509.70	122.28	137.41	139.20
Financial expenses	2,259.12	2,828.88	3,758.88	3,399.52	3,714.01	2,663.13
Less: Expenditure capitalised for self constructed assets	188.96	248.87	604.92	220.05	223.90	82.10
Total Expenditure	31,737.15	46,606.74	48,696.57	43,408.44	40,047.51	22,457.01
Profit before tax	528.51	(408.90)	(963.34)	3,033.15	2,207.05	1,738.86
Provision for tax	149.01	244.00	78.46	303.06	198.94	142.09
Deferred Tax charge/(credit)	(245.58)	(147.76)	1,236.28	789.86	771.28	281.62
Fringe benefit tax	50.00	65.09	174.50	-	-	-
Net Profit/(Loss) for the year/period	575.08	(570.23)	(2,452.58)	1,940.23	1,236.83	1,315.15
Minority Interest	(133.48)	(163.91)	(151.07)	(46.54)	(67.53)	(80.04)
	441.60	(734.14)	(2,603.65)	1,893.69	1,169.30	1,235.11
Brought Forward (Loss) from Previous Period	(1,640.34)	(837.79)	(225.48)	(57.05)	492.77	1,959.07
Opening Retained earning adjustment		-	-	-	-	(1,932.24)
Adjustment for Subsidiary Interest		-	-	22.21	-	(1.37)
Transferred from Debenture Redemption Reserve		-	-	208.33	208.34	833.33
Amount available for appropriation	(1,198.74)	(1,571.93)	(2,829.13)	2,067.18	1,870.41	2,093.90
Appropriations						

Particulars	Six months	Nine months	Twelve months	Twelve months	Twelve months	Nine months
	period ended	period ended	period ended	Period ended	period ended	period ended
	June 30, 2007	December 31, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003
- Proposed dividend on preference shares	-	60.00	-	-	59.33	27.11
- Proposed dividend on equity shares	-	-	60.00	1,129.10	758.64	505.75
- Tax on dividends	-	8.41	8.42	163.56	109.49	68.27
Adjusted against general reserve		-	(2,059.76)	1,000.00	1,000.00	1,000.00
Profit/(Loss) carried to Balance Sheet	(1,198.74)	(1,640.34)	(837.79)	(225.48)	(57.05)	492.77
Basic and Diluted Earnings per share (Rs.)	2.27	(2.25)	(9.70)	7.67	4.89	5.20
Cash Earnings per share (Rs.)	10.09	9.44	9.91	22.46	17.99	12.45
Return on net worth %	5.37	(5.62)	(22.75)	15.00	10.08	10.15
Net asset value per equity share (Rs)	42.38	40.10	42.63	51.15	48.51	51.24

Restated Summary statement of Assets and Liabilities (Consolidated)
Amount in Rs lakh

Particulars	June 30, 2007	December 31, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003
APPLICATION OF FUNDS						
Fixed Assets :						
Gross Block	60,814.35	58,849.85	54,652.09	51,181.77	44,038.08	42,518.91
Less : Depreciation	23,456.37	21,255.36	18,479.67	15,891.00	13,027.93	11,792.83
Net Block	37,357.98	37,594.49	36,172.42	35,290.77	31,010.15	30,726.08
Capital work in progress including capital advances	4,153.18	1,910.80	697.40	1,587.78	1,378.97	794.43
Total	41,511.16	39,505.29	36,869.82	36,878.55	32,389.12	31,520.51
Investments:	1,382.39	1,501.50	1,474.99	1,704.26	2,696.38	2,743.56
Deferred tax asset	290.41	406.28	258.90	1,133.36	1,923.22	2,694.49
Current Assets, Loans and Advances:						
Inventories	15,364.52	14,337.12	14,572.59	10,264.00	7,972.36	6,208.06
Sundry Debtors	7,901.88	7,551.17	7,375.29	9,545.20	7,255.51	5,894.86
Cash & Bank Balances	74.37	82.54	182.88	47.61	358.09	177.25
Other current assets	172.88	56.48	103.29	51.43	55.49	75.06
Loans and Advances	2,499.91	2,537.39	2,858.73	3,018.13	2,346.78	3,087.82
Total (A)	26,013.56	24,564.70	25,092.78	22,926.37	17,988.23	15,443.05
Current Liabilities and Provisions:						
Current Liabilities	15,272.47	13,463.87	6,892.11	6,723.76	5,781.07	7,263.04
Provisions	2,779.98	2,606.42	2,508.49	3,464.82	3,167.30	2,437.61
Total (B)	18,052.45	16,070.29	9,400.60	10,188.58	8,948.37	9,700.64
Net Current Assets (A-B)	7,961.11	8,494.41	15,692.18	12,737.79	9,039.86	5,742.40
Total	51,145.07	49,907.48	54,295.89	52,453.96	46,048.58	42,700.96
SOURCES OF FUNDS						
Deferred Tax Liabilities	-	361.43	361.81	-	-	-
Loan Funds						
Secured Loans	28,296.33	28,338.25	36,711.42	33,572.80	24,683.65	17,906.36
Unsecured loans	12,132.52	11,066.65	6,442.83	5,945.47	9,099.03	11,838.09
Total	40,428.85	39,404.90	43,154.25	39,518.27	33,782.68	29,744.45
Net worth	10,716.22	10,141.15	10,779.83	12,935.69	12,265.90	12,956.51
Represented by						
Equity Share Capital	2,528.75	2,528.75	2,528.75	2,528.75	2,528.75	3,528.75
Reserves and Surplus	7,957.80	7,957.80	7,957.80	9,652.41	8,860.74	8,069.08
Profit and loss account	(1,198.74)	(1,640.34)	(837.79)	(225.48)	(57.05)	492.77
Minority Interest	1,428.41	1,294.94	1,131.06	979.99	933.45	865.92
Net worth	10,716.22	10,141.15	10,779.83	12,935.67	12,265.90	12,956.52

Restated Summary statement of Cash Flows (Consolidated)
Amount in Rs lakh

	For the six months ended	For the nine months ended	For the year ended	For the year ended	For the year ended	For the period ended
	June 30, 2007	December 31, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003
A. Cash flow from operating activities						
Profit before tax	528.51	(408.90)	(963.34)	3,033.15	2,207.05	1,738.86
Adjustments for:		-	-			
Depreciation and amortisation	2,201.01	3,106.38	3,722.33	2,949.92	2,540.86	1,552.64
Loss on sale / discard of fixed assets (net)	257.22	165.35	108.67	33.77	24.29	5.06
Provision for obsolescence of fixed assets		-	875.91	-	-	-
Loss on sale of trade investments		-	2.40	-	-	-
Provision for doubtful debts	36.83	5.36	19.72	-	-	-
Advances written off	13.11	69.10	19.27	-	-	-
Provision for diminution in the value of investments		-	10.00	-	-	-
Interest income	(177.89)	(61.05)	(97.15)	(93.56)	(136.95)	(415.97)
Share of losses in associate companies	119.11	-	85.41	168.63	-	-
Dividend income		-	-	118.37	(12.44)	(132.81)
Lease rent paid		-	-	-	43.88	48.82
Lease rentals net of lease adjustments		-	-	-	(53.59)	(80.64)
Interest expense	2,183.22	2,766.51	3,408.33	2,800.80	3,277.97	2,394.88
Reserve against Unrealised Profits on stock		-	-	(33.94)	89.89	(27.72)
		-	-			
Operating profit before working capital changes	5,161.12	5,642.75	7,191.55	8,977.15	7,980.96	5,083.12
Movements in working capital :		-	-			
Decrease / (Increase) in sundry debtors	(387.54)	(181.24)	2,133.38	133.18	1,591.47	(3,415.58)
Decrease / (Increase) in current assets	(116.40)	47.24	(21.62)	3.77	-	-
Decrease / (Increase) in inventories	(1,027.40)	235.47	(4,308.59)	(2,223.76)	(1,854.19)	708.62
Decrease / (Increase) loans and advances	12.69	448.35	382.77	(486.60)	23.02	(13.40)
Increase / (Decrease) in current liabilities	1,982.15	6,362.97	361.56	833.03	(1,076.43)	(500.83)
Cash generated from operations	5,624.62	12,555.54	5,739.05	7,236.77	6,664.83	1,861.94
Direct taxes paid (net of refunds)	(187.33)	(453.01)	(474.96)	(438.21)	(119.10)	53.52
Interest on income tax refund		-	-	22.02	27.28	29.64
Net cash from operating activities	5,437.29	12,102.53	5,264.09	6,820.58	6,573.01	1,945.10
			-			
B. Cash flows from investing activities						
Purchase of fixed assets/ Intangibles Assets	(4,475.43)	(6,597.99)	(4,654.63)	(7,518.73)	(4,219.11)	(2,401.07)
Proceeds from sale of fixed assets	11.35	923.24	(43.57)	62.83	839.84	708.34
Purchase of investments		-	(157.56)	(1,000.00)	-	(30.66)
Intercompany Deposits Placed		-	-	-	75.75	-
Sale / maturity of investments		(26.51)	654.18	1,823.49	44.59	-
Interest received	177.89	60.61	69.73	71.53	109.66	386.33
Dividends received		30.60	-	(118.37)	12.44	132.81
Net cash from investing	(4,286.19)	(5,610.05)	(4,131.85)	(6,679.25)	(3,136.83)	(1,204.25)

	For the six months ended	For the nine months ended	For the year ended	For the year ended	For the year ended	For the period ended
	June 30, 2007	December 31, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003
activities						
C. Cash flows from financing activities		-				
Proceeds from Issue of pref. Shares	-	-	-	-	(1,000.00)	3.06
Movement in borrowings	1,023.95	(3,749.35)	3,635.98	3,315.74	1,693.92	1,578.83
Repayment of Finance Lease Liabilities		-	-	-	(43.88)	(48.82)
Interest paid	(2,183.22)	(2,773.05)	(3,414.78)	(2,800.80)	(3,277.97)	(2,394.88)
Lease rentals received		-	-	-	0.92	1.83
Dividends paid		(60.00)	(1,070.30)	(852.68)	(628.35)	(252.88)
Tax on dividend paid		(8.42)	(147.87)	(114.08)	-	-
Net cash used in financing activities	(1,159.27)	(6,590.82)	(996.97)	(451.82)	(3,255.36)	(1,112.86)
Net increase in cash and cash equivalents (A + B + C)	(8.17)	(98.34)	135.27	(310.49)	180.83	(372.01)
Cash and cash equivalents at the beginning of the year	82.54	180.88	47.61	358.09	177.26	332.07
Cash and cash equivalents Taken over on amalgamation			-	-	-	217.20
Cash and cash equivalents at the end of the year	74.37	82.54	182.88	47.61	358.09	177.26
Components of cash and cash equivalents as at						
Cash and cheques on hand	2.59	4.67	11.38	6.95	57.16	65.12
With banks - on current account	71.78	77.87	171.50	40.66	300.82	112.03
Post office savings account	-	-	-	-	0.11	0.11
	74.37	82.54	182.88	47.61	358.09	177.26

Restated Summary statements of Profits and Losses (unconsolidated)
Amount in Rs. Lakh

Particulars	Six months	Nine months	Twelve months	Twelve months	Twelve months	Nine months
	period ended	period ended	period ended	period ended	period ended	period ended
	June 30, 2007	December 31, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003
INCOME						
Turnover	34,188.37	45,002.36	51,236.30	49,835.26	44,835.61	25,068.42
Less : Excise duty	4,551.69	6,261.26	6,689.17	6,554.22	5,737.37	3,076.50
Total	29,636.68	38,741.10	44,547.13	43,281.04	39,098.24	21,991.92
Job work income	439.33	526.18	839.53	397.18	381.48	139.15
Other Income	1,487.85	1,130.91	1,151.31	1,295.70	1,368.19	995.67
Total Income	31,563.86	40,398.19	46,537.97	44,973.92	40,847.91	23,126.74
EXPENDITURE						
Raw materials and components consumed	9,950.50	11,799.28	13,453.81	11,367.74	10,151.29	5,420.56
Personnel expenses	6,852.82	9,497.74	11,659.19	10,696.49	10,591.25	5,378.10
Operating and other expenses	11,248.73	14,315.84	19,747.67	15,322.25	13,162.80	7,137.94
Decrease/(increase) in inventories	(722.25)	886.63	(3,603.48)	(916.30)	(896.97)	(245.13)
Depreciation and amortization	2,022.73	2,819.65	3,417.02	2,674.05	2,401.01	1,464.45
Provision for impairment losses on assets held for sale		-	-	-	-	-
Increase of excise duty on finished goods	13.47	(286.94)	466.83	98.34	112.46	152.22
Financial expenses	2,119.98	2,613.34	3,567.55	3,252.29	3,583.42	2,591.33
Less: Expenditure capitalised for self constructed assets	188.96	248.87	604.92	220.05	212.35	75.88
Total Expenditure	31,297.02	41,396.67	48,103.67	42,274.81	38,892.91	21,823.59
Profit/(loss) before tax	266.84	(998.48)	(1,565.70)	2,699.11	1,955.00	1,303.15
Less: Provision for tax		-	(0.00)	254.67	162.94	118.34
Less: Deferred Tax charge/(credit)	(254.24)	(145.52)	1,124.83	645.50	616.98	198.76
Less: Fringe benefit tax	47.00	61.00	150.00	-	-	-
Net Profit/(Loss) for the year/period	474.08	(913.96)	(2,840.53)	1,798.94	1,175.08	986.05
Excess Provision of Income Tax for previous years written back		-				
Brought Forward (Loss) from previous period	(1,848.51)	(934.56)	(153.78)	(17.37)	482.23	2,134.08
Opening Retained earning adjustments arising from restatements	-	-	-	-	-	(1,870.09)
Transferred from Debenture redemption reserve		-		208.33	208.34	833.33
Amount available for appropriation, as restated	(1,374.43)	(1,848.50)	(2,994.31)	1,989.90	1,865.65	2,083.37
Appropriations						
- Proposed dividend on preference shares	-	-	-	-	24.11	27.12
- Proposed dividend on equity shares	-	-	-	1,011.50	758.63	505.75
- Tax on dividends	-	-	-	132.19	100.29	68.27
Adjusted against general reserve	-	-	(2,059.76)	1,000.00	1,000.00	1,000.00
Profit/(Loss) carried to Balance Sheet, as restated	(1,374.43)	(1,848.50)	(934.55)	(153.79)	(17.38)	482.23

Restated Summary statements of Assets and Liabilities (unconsolidated)
Amount in Rs Lakh

	June 30, 2007	December 31, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003
APPLICATION OF FUNDS						
Fixed Assets :						
Gross Block	55,300.33	53,391.43	49,465.98	46,081.73	41,113.57	39,878.80
Less : Depreciation	21,755.27	19,752.36	17,242.72	14,959.36	12,372.16	11,276.91
Net Block	33,545.06	33,639.07	32,223.26	31,122.37	28,741.41	28,601.89
Capital work in progress including capital advances	3,995.51	1,797.31	650.34	1,566.78	1,378.97	794.26
Total	37,540.57	35,436.38	32,873.60	32,689.15	30,120.38	29,396.15
Investments	2,135.18	2,135.18	2,243.40	2,925.26	3,547.75	3,594.93
Deferred tax asset	657.71	403.48	257.96	1,382.79	2,028.29	2,645.27
Current Assets, Loans and Advances:						
Inventories	14,331.02	13,230.85	13,484.75	9,700.17	7,559.46	5,872.78
Sundry Debtors	7,442.03	7,319.80	6,839.04	8,990.21	6,764.14	5,272.85
Cash & Bank Balances	62.30	48.99	105.15	45.25	189.20	132.58
Other current assets	172.57	56.17	103.29	112.63	92.12	75.06
Loans and Advances	4,268.90	3,209.75	3,112.75	2,916.49	2,398.96	3,077.60
Total (A)	26,276.82	23,865.56	23,644.98	21,764.75	17,003.88	14,430.87
Current Liabilities and Provisions:						
Current Liabilities	17,119.35	14,608.36	8,472.10	7,654.68	6,868.04	6,565.01
Provisions	2,760.20	2,515.30	2,400.28	3,380.40	3,234.82	3,074.80
Total (B)	19,879.55	17,123.66	10,872.38	11,035.08	10,102.86	9,639.81
Net Current Assets (A-B)	6,397.27	6,741.90	12,772.60	10,729.67	6,901.02	4,791.06
Total	46,730.73	44,716.94	48,147.55	47,726.86	42,597.44	40,427.41
SOURCES OF FUNDS						
Loan Funds						
Secured Loans	25,852.69	25,379.10	32,942.42	30,160.43	22,126.30	16,509.28
Unsecured loans	12,131.09	11,064.95	6,018.29	5,539.05	9,099.03	11,838.09
Total	37,983.78	36,444.05	38,960.71	35,699.48	31,225.33	28,347.37
Net worth	8,746.95	8,272.89	9,186.84	12,027.38	11,372.12	12,080.06
Represented by						
Equity Share Capital	2,528.75	2,528.75	2,528.75	2,528.75	2,528.75	2,528.75
Preference Share Capital		-	-	-	-	1,000.00
Reserves and Surplus	7,592.63	7,592.64	7,592.65	9,652.41	8,860.75	8,069.08
Profit and loss account	(1,374.43)	(1,848.50)	(934.56)	(153.79)	(17.38)	482.23
Revaluation reserve	0.00	0.00	0.00	0.01	0.00	0.00
Net worth	8,746.95	8,272.89	9,186.84	12,027.38	11,372.12	12,080.06

Summary statements of Restated Cash Flows (unconsolidated)

Amount in Rs lakh

	For the period ended	For the period ended	For the year ended	For the year ended	For the year ended	For the period ended
	June 30, 2007	December 31, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003
A. Cash flow from operating activities						
Profit after exceptional item but before tax	266.84	(998.48)	(1,565.70)	2,699.11	1,955.01	1,303.15
Adjustments for:						
Depreciation and amortization	2,002.91	2,819.65	3,417.02	2,674.05	2,401.01	1,464.45
Loss on sale / discard of fixed assets (net)	257.22	151.62	108.67	33.77	24.29	5.06
Provision for obsolescence of fixed assets	-		875.91			
Loss on sale of trade investments	-	-	2.40	-	-	-
Provision for doubtful debts	33.23	4.97	19.72	-	-	-
Advances/ Bad debts written off	13.11	69.10	19.27	-	-	-
Provision for diminution in the value of investments	-	74.30	182.84	-	-	-
Interest income	(4.86)	(61.05)	(97.05)	(93.55)	(136.92)	(415.97)
Dividend income	-	(30.60)	-	(30.60)	(79.67)	(163.41)
Interest expense	2,055.74	2,556.69	3,226.00	2,663.07	3,148.53	2,323.52
Operating profit before working capital changes	4,624.19	4,586.20	6,189.13	7,945.81	7,312.25	4,516.80
Movements in working capital :						
Decrease / (Increase) in sundry debtors	(155.46)	(485.73)	2,114.64	197.16	853.02	(1,528.13)
Decrease / (Increase) in current assets	(116.40)	47.24	41.44	(20.80)	(54.52)	-
Decrease / (Increase) in inventories	(1,100.17)	253.90	(3,722.82)	(2,142.33)	(914.64)	519.04
Decrease / (Increase) loans and advances	(1,125.86)	(87.69)	18.98	(418.37)	575.86	3,112.82
Increase / (Decrease) in current liabilities	2,786.48	5,930.49	943.11	642.73	(616.48)	(75.55)
Cash generated from operations	4,912.78	10,244.41	5,584.48	6,204.20	7,155.49	6,544.97
Direct taxes paid (net of refunds)	(24.00)	(227.62)	(387.22)	(439.89)	(124.28)	69.49
Net cash from operating activities	4,888.78	10,016.79	5,197.26	5,764.31	7,031.21	6,614.46
B. Cash flows from investing activities						
Purchase of fixed assets/ Intangibles Assets	(4,375.67)	(5,999.83)	(4,542.49)	(5,339.41)	(3,934.87)	(1,972.18)
Proceeds from sale of fixed assets	11.35	698.35	(43.57)	62.83	839.83	708.33
Purchase of investments	-	-	(157.56)	(1,201.00)	-	(30.66)
Intercompany Deposits Placed	-	-	-	-	75.75	4,684.35
Sale / maturity of investments	-	33.92	654.18	1,823.49	44.59	-
Interest received	4.86	60.92	67.77	179.79	162.74	405.33
Dividends received	-	30.60	-	30.60	79.67	163.41
Net cash from investing activities	(4,359.46)	(5,176.04)	(4,021.67)	(4,443.70)	(2,732.29)	3,958.58
C. Cash flows from financing activities						
Proceeds/(Redemption) from/of	-	-	-	-	(1,000.00)	3.06

	For the period ended	For the period ended	For the year ended	For the year ended	For the year ended	For the period ended
	June 30, 2007	December 31, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003
Issue of Preferences Share Capital						
Movement in borrowings	1,539.73	(2,516.66)	3,261.23	2,054.34	533.65	(8,359.25)
Interest paid	(2,055.74)	(2,380.25)	(3,233.23)	(2,663.07)	(3,148.53)	(2,323.52)
Lease rental received	-	-	-	-	0.92	1.83
Dividends paid	-	-	(1,011.50)	(758.63)	(628.34)	(252.88)
Tax on dividend paid	-	-	(132.19)	(97.20)	-	-
Net cash used in financing activities	(516.01)	(4,896.91)	(1,115.69)	(1,464.56)	(4,242.30)	(10,930.76)
Net increase in cash and cash equivalents (A + B + C)	13.31	(56.16)	59.90	(143.95)	56.62	(357.72)
Cash and cash equivalents at the beginning of the year	48.99	105.15	45.25	189.20	132.58	271.83
Cash and cash equivalents taken over on amalgamation		-	-	-	-	218.47
Cash and cash equivalents at the end of the year	62.30	48.99	105.15	45.25	189.20	132.58
Components of cash and cash equivalents as at	June 30, 2007	December 31, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003
			Rs	Rs	Rs	Rs
Cash and cheques on hand	2.56	4.55	11.38	6.94	57.15	63.76
With banks - on current account	59.74	44.44	93.77	38.31	131.94	68.71
-Post Office Saving bank Account	-	-	-	-	0.11	0.11
	62.30	48.99	105.15	45.25	189.20	132.58

GENERAL INFORMATION

Dear Shareholder(s),

Pursuant to the resolutions passed by the Board of Directors of the Company at its meeting held on June 30, 2006, January 22, 2007, August 14, 2007 and August 27, 2007, it has been decided to make the following offer to the Equity Shareholders of the Company, with a right to renounce:

ISSUE OF 7,333,389 FULLY PAID-UP EQUITY SHARES WITH A FACE VALUE OF Rs. 10 EACH AT A PRICE OF Rs. 145 PER FULLY PAID-UP EQUITY SHARE (INCLUDING A PREMIUM OF Rs. 135 PER FULLY PAID- UP EQUITY SHARE) FOR AN AMOUNT AGGREGATING TO Rs. 1,063,341,405 TO THE EXISTING EQUITY SHAREHOLDERS ON RIGHTS BASIS IN THE RATIO OF 29 FULLY PAID-UP EQUITY SHARES FOR EVERY 100 EXISTING EQUITY SHARES HELD BY THE EXISTING SHAREHOLDERS ON THE RECORD DATE, i.e. SEPTEMBER 24, 2007. FOR MORE DETAILS, SEE “ISSUE RELATED INFORMATION” ON PAGE 308 OF THIS LETTER OF OFFER.

THE ISSUE PRICE IS 14.5 TIMES THE FACE VALUE OF THE EQUITY SHARES.

IMPORTANT

- This offer is applicable only to those Equity Shareholders whose names appear as beneficial owners as per the list to be furnished by the Depositories in respect of the Equity Shares held in the electronic form and in the Register of Members of the Company in respect of the Equity Shares held in physical form as on the Record Date, fixed in consultation with the Designated Stock Exchange i.e. BSE.
- Your attention is drawn to the Risk Factors appearing on Page 9 of this Letter of Offer.
- Please ensure that you have received the Composite Application Form (“CAF”) with this Letter of Offer. In case the original CAF is not received, lost or misplaced by the shareholder, the Registrar will issue a duplicate CAF on the request of the shareholder who should furnish the registered folio number/DP ID/client ID number and his/her full name and address to the Registrar. Please note that those applicants who are making the application in the duplicate CAF should not utilize the original CAF for any purpose including renunciation, even if it is received/ found subsequently. In case the original and the duplicate CAFs are lodged for subscription, allotment will be made on the basis of the duplicate CAF and the original CAF will be ignored.
- Please read this Letter of Offer and the instructions contained herein and in the CAF carefully, before filling in the CAF. The instructions contained in the CAF are an integral part of this Letter of Offer and must be carefully followed. Applications are liable to be rejected if they are not in conformity with the terms of the Letter of Offer or the CAF.
- All enquiries in connection with this Letter of Offer or CAF should be addressed to the Registrars to the Issue, Alankit Assignments Ltd. quoting the Registered Folio Number/Depository Participant (DP) Number, Client ID Number and the CAF Number as mentioned in the CAF.
- The Issue will be kept open for a minimum period of thirty days. If extended, it will be kept open for a maximum period of sixty days.
- The funds received against the Issue will be kept in separate bank account(s) and the Company will not have any access to such funds unless it satisfies the Designated Stock Exchange with suitable documentary evidence that the minimum subscription of 90% of the Issue has been received by the Company. If the Company does not receive the minimum subscription of 90% of the Issue, the entire subscription shall be refunded to the applicants within forty two days from the date of closure of the Issue. FM Holdings has undertaken to subscribe to the unsubscribed portion, if any.

Registered Office of the Company:

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

Company Identification Number: L74899DL1954PLC002452

ROC: NCT of Delhi and Haryana

B – Block, Paryavaran Bhavan, CGO Complex, Lodhi Road, New Delhi – 110 003

The Equity Shares of the Company are listed on the BSE and NSE.

Board of Directors

S. No.	Details	Age (years)	Date of Appointment
1.	Name: Mr. Charles B. Grant Designation: Chairman and Non-Executive Director Father's name: Late Mr. Roderick Grant Address: 30845 Oakleaf LN, Franklin, Michigan 48025, USA Occupation: Service Nationality: United States	62	May 12, 2006 (Designated as Chairman at the meeting of the Board on January 22, 2007).
2.	Name: Mr. Rustin Murdock Designation: Managing Director & Chief Financial Officer Father's name: Robert Murodck Address: 176, Golf Links, 1 st Floor, New Delhi 110003 Occupation: Service Nationality: United States	48	September 24, 2007 (Appointed as Managing Director & Chief Financial Officer at the Board Meeting held on September 24, 2007 in the casual vacancy caused due to resignation of Mr. Arun Anand)
3.	Name: Mr. Charles H. Polzin Designation: Non-Executive Director Father's name: Late Mr. James William Polzin Address: 21610 E, Valley Woods, Beverly Hills, Michigan USA 48025 Occupation: Service Nationality: United States	53	May 12, 2006
4.	Name: Mr. Mukul Gupta Designation: Independent Director Father's name: Mr. Darshan Lal Address: "Sharnam", R-13/24, Raj Nagar, opposite ALT Centre, Ghaziabad - 201 002, U.P. Occupation: Lawyer Nationality: Indian	49	May 12, 2006
5.	Name: Mr. Rainer Jueckstock Designation: Non-Executive Director Father's name: Mr. Dieter Jueckstock Address: 322 Vailwood Court, Bloomfield Hills, United States - 48302 Occupation: Service Nationality: German	47	September 1, 2003
6.	Name: Mr. Vishvjeet Kanwarpal Designation: Independent Director Father's Name: Col. D.N. Kanwarpal, K.C. Address: S-76, Second Floor, Greater Kailash-I, New Delhi – 110 048, India Occupation: Service Nationality: India	41	January 22, 2007

For more details regarding the Company's Directors please refer to "Our Management" on page 138 of this Letter of Offer.

Company Secretary and Compliance Officer

Mr. Rajan Luthra

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

Tel: +91-11-41497650

Fax: +91-11-41497601

Email: rights.issue@federalmogul.com

Investors may contact the Compliance Officer for any pre-Issue / post-Issue related matter.

Bankers to the Company

ABN Amro Bank N. V.

11th Floor, Tower C,
Cyber Greens, DLF Cyber City,
Sector-25A, Gurgaon – 122002 Haryana
Phone : + 91 124 4181818
Fax : + 91 124 4181710
Contact Person : Ms. Simran Tiwana
E-mail : simran.tiwana@in.abnamro.com

HDFC Bank Limited

'Vatika Atrium', Golf Course Road,
2nd Floor, Sector 53, Gurgaon
Haryana
Phone: +91 124 4664000
Fax: + 91 124 4664203/ 4664366
Contact Person : Mr. Sanjeeva Sahgal
E-mail : sanjeeva.sahgal@hdfcbank.com

State Bank of Patiala

Mall Road Branch
Patiala,
Punjab – 147001
Phone: + 91 175 2219252
Fax: + 91 175 2210875
Contact Person : Mr. S C Singhal

Axis Bank Limited

Statesman House,
13th Floor,
148, Barakhamba Road,
New Delhi-110001
Phone : + 91 11 41521951-52
Fax : + 91 11 41521953
Contact Person : Mr. Vishal Mehra
E-mail : vishal.mehra@axisbank.com

Yes Bank Limited

48, Nyaya Marg,
Chanakyapuri,
New Delhi-110021
Phone : + 91 11 55569000
Fax : + 91 11 41680144
Contact person : Ms. Anusha Haksar
E-mail : anusha.haksar@yesbank.in

Deutsche Bank AG

New Delhi Branch
ECE House, Ground Floor,
28, Kasturba Gandhi Marg, New Delhi-110001
Phone : + 91 11 66009400
Fax : + 91 11 66009530
Contact Person : Mr. Anil Malhotra
E-mail : anil.malhotra@db.com

State Bank of India

Overseas Branch
Jawahar Vyapar Bhawan
1, Tolstoy Marg, New Delhi-110001
Phone : + 91 11 23374931
Fax : + 91 11 23711580
Contact Person : Mr. Ashutosh Goel
E-mail : sbi.04803@sbi.co.in

Centurion Bank of Punjab Limited

Corporate Banking Division
M-39, 1st Floor,
Connaught Circus, New Delhi – 110001
Phone : +91 11 41536056-58
Fax : + 91 11 41536051
Contact Person : Mr. Nitin Bhatia
E-mail : nitin.bhatia3@centurionbop.co.in

ING Vysya Bank Limited

Regional Office
9th Floor, Mercantile House,
15, Kasturba Gandhi Marg,
New Delhi-110001
Phone : + 91 11 66510000
Fax : + 91 11 66510124
Contact Person: Mr. Amit Bagri
E-Mail: amitbagri@ingvysyabank.com

Issue Management Team

Lead Manager to the Issue

Ambit Corporate Finance Private Limited

Ambit RSM House,
449, Senapati Bapat Marg,
Lower Parel,
Mumbai – 400 013
Phone: + 91 22 3982 1819
Fax: + 91 22 3982 3020
Contact Person: Mr. Sundeep Parate
E-mail: fmgilrights@ambitpte.com

Legal Advisors

AZB & Partners

F-40, NDSE- Part I
New Delhi – 110049
Tel: +91 11 2461 8947/ 30480951
Fax: +91 11 2462 5302
Contact Person: Mr. Allwyn Noronha
Email: delhi@azbpartners.com

Auditors of the Company

S.R. Batliboi & Co.,

Chartered Accountants,
U & I Building, Plot No. 47, Sector 32
Institutional Area, Gurgaon - 122001, Haryana
Contact person: Mr. Vikas Mehra
Tel: + 91 124 4644000 / 4644198
Fax: + 91 124 4644050 / 4644051
Email: vikas.mehra@in.ey.com

Registrar & Transfer Agents

Alankit Assignments Limited

Alankit House,
2E/21, Jhandewalan Extension,
New Delhi-110055
Phone: + 91 11 23541234, 42541234
Fax: + 91 11 23552001, 42541967
Contact person: Mr. Mahesh Jairath
E-mail: mj@alankitonline.com

Note: Investors are advised to contact the Registrar to the Issue/ Compliance Officer in case of any pre-issue/post-issue related problems such as non-receipt of Letter of Offer/letter of allotment/ share certificate(s)/ refund orders.

Bankers to the Issue

HDFC Bank Limited

Maneckji Wadia Bldg., Ground Floor,
Nanik Motwani Marg,
Mumbai – 400001
Phone : + 91 22 22679961 / 22679947 / 9324637297
Fax : + 91 22 22671661
Contact Person : Mr. Viral Kothari
E-mail : viral.kothari@hdfcbank.com

Axis Bank Limited

Statesman House,
148, Barakhamba Road,
New Delhi - 110001
Phone : + 91 11 23311013 / 23311047
Fax : + 91 11 23311054
Contact Person : Mr. Amit Mishra
E-mail : amit.mishra@axisbank.com

Underwriting / Standby arrangements

The present Issue is not underwritten and the Company has not made any standby arrangements for the Issue. FMG and FMHL have confirmed that they would subscribe to their entitlement. Further, FMHL has confirmed that they would also subscribe to the unsubscribed portion, if any, of the Issue so that the Issue is fully subscribed.

Credit Rating

This being an issue of equity shares, no credit rating is required.

Inter-se Allocation of Responsibilities

Not Applicable

Trustees

This being a Rights Issue of Equity Shares, appointment of Trustees is not required.

Monitoring Agency

Not Applicable

Appraising Entity

Not Applicable

Impersonation

Attention of the applicants is specifically drawn to the provisions of subsection (1) of Section 68A of the Act which is reproduced below:

“Any person who makes in a fictitious name an application to a company for acquiring, or subscribing for, any shares therein, or otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years”

Minimum Subscription

If the Company does not receive the minimum subscription of 90% of the Issue, the entire subscription shall be refunded to the applicants within forty two days from the date of closure of the Issue. If there is delay in the refund of subscription by more than 8 days after the Company becomes liable to pay the subscription amount (i.e. forty two days after closure of the Issue), the Company will pay interest for the delayed period, at rates prescribed under sub-sections (2) and (2A) of Section 73 of the Companies Act.

The Issue will become undersubscribed after considering the number of shares applied as per entitlement plus additional shares. The undersubscribed portion, if any, shall be applied for only after the close of the Issue. FMHL has undertaken to subscribe to such undersubscribed portion, if any, as per the relevant provisions of the law. Subscription by FMHL and FMG to the extent of their entitlement in the Issue and acquisition of additional Equity Shares by FMHL in case of under-subscription, if any, will not result in change of control of the management of the Company and shall be exempt in terms of proviso to Regulation 3(1)(b)(ii) of the Takeover Code. For further details please refer to “Basis of Allotment” on page 320 of this Letter of Offer.

No Offer in the United States

The rights and the shares of the Company are not registered under the United States Securities Act, 1933, as amended, and the Issue is not, and under no circumstances is to be construed as, an offering of any shares or rights for sale in the United States of America or the territories or possessions thereof. For further details please see “Issue Related Information” on page 308 of this Letter of Offer.

CAPITAL STRUCTURE

Our share capital as at the date of filing of this Letter of Offer with SEBI (before and after the Issue) is set forth below.

	Aggregate nominal value (Rs.)	Aggregate value at Issue Price (Rs.)
A. Authorized Capital(1)		
80,000,000 Equity Shares of Rs. 10 each	800,000,000	
B. Issued, Subscribed and Paid-Up Capital before the Offer		
25,287,549 fully Paid-Up Equity Shares of Rs. 10 each	252,875,490	
C. Present Issue of 7,333,389 fully Paid-Up Equity Shares of Rs. 10 each being offered to the Equity Shareholders through this Letter of Offer	73,333,890	1,063,341,405
D. Paid-up Equity Capital after the Issue		
32,620,938 fully Paid-Up Equity Shares of Rs. 10 each	326,209,380	
E. Securities Premium Account		
Before the Issue	653,497,248	
After the Issue	1,643,504,763	

Notes to the Capital Structure

- The details of changes in the authorized share capital of our Company after the date of incorporation till the filing of this Letter of Offer have been set out below.*

Date of the Shareholders Approval	Changes
July 22, 1955	Change in the authorized share capital from Rs. 5,000,000 divided into 50,000 Equity Shares of Rs. 100 each to Rs. 6,500,000 divided into 50,000 Equity Shares of Rs. 100 each and 15,000 7% redeemable preference shares of Rs. 100 each, by creation of 15,000 7% redeemable preference shares of Rs. 100 each.
June 24, 1963	Change in authorized share capital from Rs. 6,500,000 divided into 50,000 Equity Shares of Rs. 100 each and 15,000 7% redeemable preference shares of Rs. 100 each to Rs. 10,000,000 comprising of 75,000 Equity Shares of Rs. 100 each; 23,000 9% redeemable cumulative preference shares of Rs. 100 each and 2,000 7% redeemable preference shares of Rs. 100 each.
June 27, 1973	Change in authorized share capital from Rs. 10,000,000 comprising of 75,000 Equity Shares of Rs. 100 each, 23,000 9% redeemable cumulative preference shares of Rs. 100 each and 2,000 7% redeemable preference shares of Rs. 100 each to Rs. 30,000,000 divided into 275,000 Equity Shares of Rs. 100 each; 23,000 9% redeemable cumulative preference shares of Rs. 100 each and 2,000 7% redeemable preference shares of Rs. 100 each by creation of 200,000 Equity Shares of Rs. 100 each.

Date of the Shareholders Approval	Changes
August 22, 1977	Subdivision of 1 Equity Share of face value Rs. 100 each into 10 Equity Shares of face value Rs. 10 each.
August 22, 1977	Change in authorized share capital from Rs. 30,000,000 divided into 275,000 Equity Shares of Rs. 100 each; 23,000 9% redeemable cumulative preference shares of Rs. 100 each and 2,000 7% Redeemable Preference Shares of Rs. 100 each to Rs. 50,000,000 comprising 4,750,000 Equity Shares of Rs. 10 each; 23,000 9% redeemable cumulative preference shares of Rs. 100 each and 2,000 7% redeemable preference shares of Rs. 100 each by creation of 2,000,000 Equity Shares of Rs. 10 each.
December 30, 1977	Change in authorized share capital from Rs. 50,000,000 divided into 4,750,000 Equity Shares of Rs. 10 each; 23,000 9% redeemable preference shares of Rs. 100 each and 2,000 7% redeemable preference shares of Rs. 100 each to 50,000,000 divided into 5,000,000 Equity Shares of Rs. 10 each.
June 1, 1981	Change in authorized share capital from Rs. 50,000,000 divided into 5,000,000 Equity Shares of Rs. 10 each to Rs. 100,000,000 comprising 10,000,000 Equity Shares of Rs 10 each by creation of 5,000,000 Equity Shares of Rs. 10 each.
September 25, 1989	Change in authorized share capital from Rs. 100,000,000 comprising 10,000,000 Equity Shares of Rs 10 each to Rs. 250,000,000 comprising 25,000,000 Equity Shares of Rs. 10 each by creation of 15,000,000 Equity Shares of Rs. 10 each.
December 15, 1995	Change in the authorized share capital from Rs. 250,000,000 divided into 25,000,000 Equity Shares of Rs. 10 each to Rs. 400,000,000 divided into 40,000,000 Equity Shares of Rs. 10 each by creation of 15,000,000 Equity Shares of Rs. 10 each.
July 16, 2002	Change in authorized share capital from Rs. 400,000,000 divided into 40,000,000 Equity Shares of Rs. 10 each to Rs. 800,000,000 divided into 30,000,000 Equity Shares of Rs. 10 each and 5,000,000 Preference Shares of Rs. 100 each.
September 27, 2003	Change in authorized share capital of Rs. 800,000,000 divided into 30,000,000 Equity Shares of Rs. 10 each and 5,000,000 Preference Shares of Rs. 100 each to Rs. 800,000,000 divided into 80,000,000 Equity Shares of Rs. 10 each.

2. Build up of Equity Share Capital:

Date of Allotment	Number of Equity Shares	Face Value (Rs.)	Issue price per share (Rs.)	Consideration (cash, bonus, consideration other than cash)	Reasons for Allotment	Cumulative Paid-up Capital (In Rs.)	Cumulative Securities Premium (In Rs.)
February 18, 1955	300	100	100	Cash	Subscription on signing of Memorandum of Association.	30,000	-
February 18, 1955	1,900	100	100	Cash	Allotment to the then promoters/promoter group and others, namely Sodhi Kartar Singh and Chandan Kaur (100); Escorts (Agents) Ltd. (700); Maharaja of Patiala (900); Maharaja of Patiala and Mr. AH Lawrence (100) and Sh Chandan Kaur (100)..	220,000	-
August 22, 1955	1,000	100	100	Cash	Allotment to Maharaja of Patiala.	320,000	-
November 24, 1955	1,000	100	100	Cash	Allotment to Maharaja of Patiala	420,000	-

Date of Allotment	Number of Equity Shares	Face Value (Rs.)	Issue price per share (Rs.)	Consideration (cash, bonus, consideration other than cash)	Reasons for Allotment	Cumulative Paid-up Capital (In Rs.)	Cumulative Securities Premium (In Rs.)
November 24, 1955	3,000	100	-	Consideration other than cash	Allotment to Maharaja of Patiala against sale of land to the Company.	720,000	-
January 9, 1956	2,000	100	100	Cash	Allotment to Maharaja of Patiala.	920,000	-
February 24, 1956	2,000	100	100	Cash	Allotment to Maharaja of Patiala.	1,120,000	-
June 15, 1956	50	100	100	Cash	Allotment to Mr. M. K. Swami	1,125,000	-
August 16, 1956	50	100	100	Cash	Allotment to the then promoters/promoter group.	1,130,000	-
May 30, 1957	300	100	100	Cash	Allotment to the then promoters/promoter group and others, namely: Mr. Swarnjit Singh (100) Mr. Ranjit Sondhi (100); Mr. HP Nanda (50);and Mr. MK Swami (50).	1,160,000	-
July 10, 1957	1,000	100	100	Cash	Allotment to Goetze-Werke.	1,260,000	-
August 14, 1957	700	100	100	Cash	Allotment to the then promoters/promoter group.	1,330,000	-
March 12, 1959	1,700	100	100	Cash	Allotment to the then promoters/promoter group.	1,500,000	-
March 31, 1959	1,000	100	100	Cash	Allotment to Goetze-Werke.	1,600,000	-
June 12, 1959	2,000	100	100	Cash	Allotment to the then promoters/promoter group.	1,800,000	-
August 14, 1959	117	100	100	Cash	Allotment to certain persons.	1,811,700	-
August 24, 1959	1	100	100	Cash	Allotment to a person	1,811,800	-
November 9, 1959	2,000	100	100	Cash	Allotment to the then promoters/promoter group	2,011,800	-
September 25, 1961	845	100	100	Cash	Allotment to the following persons: Mr. Ram Chandra (100), Intercontinent Pvt. Ltd. (500), Mr. Jagjit Singh (60), Mr. Mahindra Nath Mehta (10), Mr. AV Nagaraj (10), Mr. Balwant Singh (35), Mr. Keshav Lal Mehra (50), Mr. K Venkatesh Das (50), and Mr. Gurmit Singh (30).	2,096,300	-
(1)	1,858	100	-	Consideration other than cash	Allotment to Goetze-Werke against supply of machinery.	2,282,100	-
(2)	2,064	100	-	Cash	(2)	2,488,500	-
May 19, 1966	3,585	100	-	Consideration other than cash	Allotment to Goetze-Werke against supply of machinery.	2,847,000	-
September 30, 1966	14,235	100	-	Bonus	Bonus shares allotted to existing members(3).	4,270,500	-

Date of Allotment	Number of Equity Shares	Face Value (Rs.)	Issue price per share (Rs.)	Consideration (cash, bonus, consideration other than cash)	Reasons for Allotment	Cumulative Paid-up Capital (In Rs.)	Cumulative Securities Premium (In Rs.)
December 1, 1973	42,705	100	-	Bonus	Bonus shares allotted to existing members. (4)	8,541,000	-
December 31, 1976	68,328	100	-	Bonus	Bonus shares allotted to existing members (5)	15,373,800	-
August 22, 1977	1,537,380	Sub-division of one (1) Equity Share of Rs. 100 each into ten (10) Equity Shares of Rs. 10 each.				15,373,800	-
May 13, 1978	1,209,292	10	12	Cash	Allotment to Goetze-Werke, the then promoters/promoter group, directors and employees.	27,466,720	2,418,584
August 24, 1978	1,253,328	10	12	Cash	Public Issue of Equity Shares.	40,000,000	4,925,240
February 10, 1981	4,72,399	10	12	Cash	Allotment to financial institutions upon part conversion of loans given to the Company.	44,723,990	5,870,038
June 9, 1982	150,000	10	21.50	Cash	Allotment to Goetze-Werke.	46,223,990	7,595,038
September 9, 1985	2,311,200	10	13	Cash	Rights allotment to existing shareholders(6).	69,335,990	14,528,638
September 5, 1992	5,346,000	10	60	Cash	Equity Shares allotted upon conversion of fully convertible debentures issued to existing shareholders and employees of the Company on March 24, 1992.	122,795,990	279,390,218 (7)
October 28, 1994, October 31, 1994 and November 2, 1994 -	2,167,000	10	132.50	Cash	Equity shares allotted to FIIs and mutual funds, banks and bodies corporate on a private placement basis.	144,465,990	544,847,718
October 28, 1994	2,411,767	10	90	Cash	Preferential allotment to the then promoters and Goetze-Werke.	168,583,660	737,789,078
February 8, 1996	8,423,365	10	-	Bonus	Bonus issue of Equity Shares to existing members from the securities premium account (8).	252,817,310	653,555,428 (9)
July 2, 1996	5,818	10	-	Bonus	Allotment of bonus shares on consolidation of fractional coupons arising out of bonus issue.	252,875,490	653,497,248 (10)

- (1) The corporate records of the Company relevant to the allotment of 1,858 Equity Shares to the foreign collaborators are not available. However, on the basis of the minutes of the meeting of our Board dated December 31, 1959 read with the approval bearing number EC.DH.34144/24-59 dated November 20, 1959 issued by RBI read with our balance sheet for the year ending December 31, 1961 we can confirm that an allotment of 1,858 Equity Shares to our foreign collaborators was made in the year 1961.
- (2) The corporate records of the Company relevant to the allotment of 2,064 Equity Shares are not available. Additionally, since our Company has not received any RBI approval for such allotment of 2,064 Equity Shares, we can confirm that the said allotment of Equity Shares was made to resident shareholders. Additionally, on the basis of the minutes of the meeting of our Board dated June 9, 1961

read with our balance sheet for the year ended December 31, 1961 we can confirm that an allotment of 2,064 Equity Shares was made to resident shareholders in the year 1961.

- (3) In the EGM of our Company held on September 24, 1966 our shareholders approved the issuance of 14,235 bonus Equity Shares of Rs. 100 each in the ratio of 1:2.
- (4) In the AGM of our Company held on June 27, 1973 our shareholders approved the issuance of 42,705 bonus Equity Shares of Rs. 100 each in the ratio of 1:1.
- (5) In the EGM of our Company held on September 7, 1976 our shareholders approved the issuance of 68,328 bonus Equity Shares of Rs. 100 each in the ratio of 4:5.
- (6) In the AGM of our Company held on December 28, 1984 our shareholders approved the rights issue of 2,311,200 Equity Shares of Rs. 10 each in the ratio of 1:2.
- (7) Rs. 2,438,420 was utilized from our securities premium account towards premium paid on redemption of 15% secured non-convertible debentures issued by our Company.
- (8) In the EGM of our Company held on December 15, 1995 our shareholders approved the capitalization of a sum not exceeding Rs. 84,291,830 from the share premium account of the Company to be applied for allotment of 8,429,183 bonus equity shares of Rs. 10 each in the ratio of 1:2.
- (9) Rs. 84,233,650 was utilized from our securities premium account towards the bonus issue of Equity Shares in 1996.
- (10) Rs. 58,180 was utilized from our securities premium account towards the bonus issue of Equity Shares upon consolidation of fractional coupons.
- (11) Date of allotment referred to in the above table is the date of the Board/Shareholders meeting where the resolution seeking approval to allot the shares was passed. In case of allotments to foreign collaborators, allotments were made pursuant to receipt of necessary regulatory approvals. For details of such approvals, please refer to page 292 of this Letter of Offer.

3. *Shareholding pattern of our Company as on June 30, 2007.*

Category	Pre – Issue as on June 30, 2007		After the Present Issue*	
	Total Number of shares	Shareholding as a percentage of total number of shares	Total Number of shares	Shareholding as a percentage of total number of shares
(A) Shareholding of Promoter and Promoter Group				
(1) Indian (A) (1)	-	-	-	-
(2) Foreign (A) (2)				
Federal - Mogul Holdings Limited	62,30,000	24.64	80,36,947	24.64
Federal -Mogul Vermögensverwaltungs GmbH	64,39,437	25.46	83,06,517	25.46
Sub Total (A)(2)	1,26,69,437	50.10	1,63,43,464	50.10
Total shareholding of Promoter and Promoter Group (A) = (A)(1) + (A) (2)	1,26,69,437	50.10	1,63,43,464	50.10
(B) Public Shareholding				
(1) Institutions				
Mutual Funds / UTI	41,19,252	16.29	53,13,861	16.29
Financial Institutions / Banks	51,837	0.20	66,503	0.20
Insurance Companies	26,06,269	10.31	33,62,341	10.31
Foreign Institutional Investors	27,66,463	10.94	35,68,735	10.94
Sub Total (B) (1)	95,43,821	37.74	1,23,11,442	37.74
(2) Non-Institutions				
Bodies Corporate	3,43,500	1.36	4,43,234	1.36

Category	Pre – Issue as on June 30, 2007		After the Present Issue*	
	Total Number of shares	Shareholding as a percentage of total number of shares	Total Number of shares	Shareholding as a percentage of total number of shares
Individuals				
Individual shareholders holding nominal share capital up to Rs. 1 lakh	26,36,096	10.42	34,00,235	10.42
Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	89,225	0.35	1,14,891	0.35
Trusts	5,470	0.02	6,936	0.02
Sub Total (B) (2)	30,74,291	12.16	39,66,031	12.16
Total Public shareholding (B) = (B) (1) + (B) (2)	1,26,18,112	49.90	1,62,77,473	49.90
Total (A)+(B)	2,52,87,549	100.00	3,26,20,938	100.00
(C) Shares held by Custodians and against which Depository Receipts have been issued	-	-	-	-
Total (A)+(B)+(C)	2,52,87,549	100.00	3,26,20,938	100.00

* Assuming all shareholders apply for and are allotted Equity Shares.

In case no subscription is received from other shareholders the promoters' shareholding will increase to 61.32 % of the post rights issue equity capital of our Company as FMHL has agreed to subscribe to the entire unsubscribed portion, if any.

4. Details of the shareholding of the Promoters, Promoter Group, directors of the Promoter in the Company as on the date of filing of this Letter of Offer with SEBI is as follows:

Name of entities	Number of Equity Shares	Percentage of shareholding
Promoters		
Federal – Mogul Holdings Limited	6,230,000	24.64%
Federal -Mogul Vermögensverwaltungs GmbH	6,439,437	25.46%
Promoter Group	Nil	Nil
Directors of the Promoters	Nil	Nil
Total Promoter and Promoter Group Shareholding	12,669,437	50.10%

5. Details of build-up of the shareholding of the Promoters*

- (A) Federal -Mogul Vermögensverwaltungs GmbH (formerly Goetze-Werke)

Date of allotment /acquisition/transfer	Number of Equity Shares	Remarks	Acquisition Price (Rs.) (In lakhs)	Cumulative shareholding
July 10, 1957	1,000	Allotment for cash	1.00	1,000
March 31, 1959	1,000	Allotment for cash	1.00	2,000
(1)	1,858	Allotment against supply of machinery	1.86	3,858

Date of allotment /acquisition/transfer	Number of Equity Shares	Remarks	Acquisition Price (Rs.) (In lakhs)	Cumulative shareholding
(2)	(50)	Transferred from Goetze-Werke to Mr. Rolf Goetze	0.05	3,808
June 24, 1963	50	Transferred from Mr. Herman Goetze on demise of Mr. Rolf Goetze, to Goetze-Werke.	0.05	3,858
November 20, 1963	(50)	Transferred from Goetze-Werke to Mr. Dr. Fuhrmann	0.05	3,808
May 19, 1966	3,585	Allotment against supply of machinery	3.58	7,393
September 30, 1966	3,697	Bonus allotment in the ratio 1:1	-	11,090
December 1, 1973	11,090	Bonus allotment in the ratio 1:1	-	22,180
December 31, 1976	17,744	Bonus allotment in the ratio 4:5	-	39,924
October 31, 1977(3)	(50)	Transferred from Goetze-Werke to Dr. Irmeler.	0.05	39,874
August 22, 1977	-	Subdivision of one (1) Equity Share of Rs. 100 each into ten (10) Equity Shares of Rs. 10 each.	-	398,740
May 13, 1978	639,292	Allotment for cash	76.72	1,038,032
April 9, 1980(4)	3,200	Transferred from Dr. Irmeler (500 Equity Shares) and Dr. Glatzel (2,700) to Goetze-Werke	0.32	1,041,232
June 9, 1982	150,000	Allotment for cash	32.25	1,191,232
September 9, 1985	595,616	Rights allotment in the ratio of 1:2.	77.43	1,786,848
September 5, 1992	1,340,136	Allotment upon conversion of fully convertible debentures in the ratio 3:4	804.08	3,126,984
October 28, 1994	1,165,974	Allotment for cash.	1049.38	4,292,958
February 8, 1996	2,146,479	Bonus allotment in the ratio 1:2	-	6,439,437
Total (A)	6,439,437		2047.30	
		Average Cost per share (Rs)	31.80	

- (i) The corporate records of the Company relevant to the allotment of 1,858 Equity Shares to Goetze-Werke are not available. However, on the basis of the minutes of the meeting of our Board dated December 31, 1959 read with the approval bearing number EC.DH.34144/24-59 dated November 20, 1959 issued by RBI read with our balance sheet for the year ending December 31, 1961 we can confirm that an allotment of 1,858 Equity Shares to Goetze-Werke was made in the year 1961.
- (ii) The corporate records of the Company relevant to the allotment of 2,064 Equity Shares are not available. Additionally, since our Company has not received any RBI approval for such allotment of 2,064 Equity Shares, we can confirm that the said allotment of Equity Shares was made to resident shareholders. Additionally, on the basis of the minutes of the meeting of our Board dated June 9, 1961 read with our balance sheet for the year ended December 31, 1961 we can confirm that an allotment of 2,064 Equity Shares was made to resident shareholders in the year 1961.
- (iii) This is the date of the approval bearing number EC.DH.MI/4347/24 (Spl.3)-77 issued by the Exchange Control Department, RBI for transfer of fifty (50) Equity Shares from Goetze – Werke to Dr. Irmiler.
- (iv) This is the date of the approval bearing number EC.DH.CI/6506/2/24 (Spl.3)-80 issued by the Exchange Control Department, Reserve Bank of India for transfer of five hundred (500) Equity Shares from Dr. Irmiler and two thousand seven hundred (2,700) Equity Shares to Goetze-Werke.
- (B) Federal -Mogul Holdings Limited

Date of allotment /acquisition/transfer	Number of Equity Shares	Remarks	Acquisition Price (Rs.In lakhs)	Cumulative shareholding
May 12, 2006	6,230,000	Inter-se transfer from the erstwhile promoter Joint Investments Private Limited.	1,386,175,000	6,230,000
Total (B)	6,230,000		1,386,175,000	
		Average Cost per share (Rs)	222.50	

Total Promoter Holdings i.e. (A) + (B)	12,669,437
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- * Prior to Federal-Mogul Group acquiring a majority shareholding in our Company, the majority shareholding of our Company was held by Mr. Anil Nanda through his associates. For details of our original promoters, please refer to page 89 of this Letter of Offer.

6. *Details of Equity Shares bought back*

The Company has not bought back any Equity Shares since inception.

7. *Details of the transactions in Equity Shares by the Promoters and the Promoter Group during the last six (6) months*

The Promoters/Promoter Group and Directors of our Company have not purchased or sold the Equity Shares of our Company during the six (6) months period preceding the date of filing this Letter of Offer with SEBI

8. *Top ten (10) shareholders*

- (a) The top ten (10) shareholders of our Company as on the date of filing of the Letter of Offer with the Designated Stock Exchange are as follows:

S. No.	Name of the Shareholders	No. of Equity Shares	Percentage (%)
1.	Federal-Mogul Vermögensuwerwaltungs GmbH	6439437	25.46
2.	Federal-Mogul Holdings Ltd.	6230000	24.64

3.	Reliance Capital Trustee Co. Ltd. - A/C Reliance Tax Saver (Elss) Fund	1453306	5.75
4.	ABN Amro Bank N.V. London Branch	1197445	4.74
5.	Reliance Capital Trustee Co. Ltd A/C Reliance Equity Opportunities Fund	1000000	3.96
6.	Life Insurance Corporation of India	918659	3.63
7.	DSP Merrill Lynch Trustee Co. Pvt. Ltd A/C DSP Merrill Lynch Small and Midcap Fund	790350	3.12
8.	The New India Assurance Company Limited	539775	2.13
9.	Voyager Fund Mauritius Limited	473802	1.87
10.	General Insurance Corporation of India	431458	1.70

(b) The top ten (10) shareholders of our Company as on 10 (ten) days prior to the date of filing were as follows:

S. No.	Name of the Shareholders	No. of Equity Shares	Percentage (%)
1.	Federal-Mogul Vermögensverwaltungs GmbH	6439437	25.46
2.	Federal-Mogul Holdings Ltd.	6230000	24.64
3.	Reliance Capital Trustee Co. Ltd. - A/C Reliance Tax Saver (Elss) Fund	1453306	5.75
4.	ABN Amro Bank N.V. London Branch	1197445	4.74
5.	Reliance Capital Trustee Co. Ltd A/C Reliance Equity Opportunities Fund	1000000	3.96
6.	Life Insurance Corporation of India	918659	3.63
7.	DSP Merrill Lynch Trustee Co. Pvt. Ltd A/C DSP Merrill Lynch Small and Midcap Fund	805392	3.19
8.	The New India Assurance Company Limited	539775	2.14
9.	Voyager Fund Mauritius Limited	473802	1.87
10.	General Insurance Corporation of India	431458	1.71

(c) The top ten (10) shareholders of our Company two (2) years prior to the date of filing of this Letter of Offer with SEBI were as follows:

S No.	Name of Shareholders	No. of Equity Shares	Percentage (%)
1.	Joint Investments Private Limited	6880260	27.21
2.	Federal-Mogul Vermögensverwaltungs GmbH	6439437	25.46
3.	Hdfc Trustee Company Limited - Hdfc Prudence Fund	1239508	4.90
4.	Reliance Capital Trustee Co. Ltd. - A/C Reliance Tax Saver (Elss) Fund	965247	3.82
5.	Life Insurance Corporation Of India	918659	3.63

6.	The New India Assurance Company Limited	836299	3.31
7.	Reliance Capital Trustee Co. Ltd A/C Reliance Equity Opportunities Fund	556048	2.20
8.	General Insurance Corporation Of India	431458	1.71
9.	National Insurance Company Ltd	313079	1.24
10.	The Oriental Insurance Company Limited	212879	0.84

9. The total number of members of the Company as on the date of filing were 23547.
10. The present Issue being a Rights Issue, as per extant SEBI DIP Guidelines, the requirements of promoters' contribution and lock-in are not applicable.
11. Neither the Company, the Promoters and Directors of the Company, nor the Lead Manager to the Issue have entered into any buy-back, standby or similar arrangements for any of the securities being issued through this Letter of Offer. FMG and FMHL have confirmed that they would subscribe to their entitlement. Further, FMHL has confirmed that they would also subscribe to the unsubscribed portion, if any, of the Issue.
12. The Company has not issued any Equity Shares or granted any options under any scheme of employees stock option or employees stock purchase.
13. At any given time, there shall be only one denomination of the Equity Shares of the Company and the Company shall comply with such disclosure and accounting norms as specified by SEBI from time to time. The equity shareholders of the Company do not hold any warrants, options or convertible loans or debentures, which would entitle them to acquire further shares in the Company. There are no outstanding options, warrants, debentures, convertible instruments held by anybody that will entitle such persons to acquire further Equity Shares in the Company.
14. No further issue of capital by way of issue of bonus shares, preferential allotment, rights issue or public issue or in any other manner which will affect the equity capital of the Company, shall be made during the period commencing from the filing of the Letter of Offer with SEBI and the date on which the Equity Shares issued under the Letter of Offer are listed or application moneys are refunded on account of the failure of the Issue. Further, presently the Company does not have any intention to alter the equity capital structure by way of split/consolidation of the denomination of the shares on a preferential basis or issue of bonus or rights or public issue of shares or any other securities within a period of six (6) months from the date of opening of the Issue. However, if business needs of the Company so require, the Company may alter the capital structure by way of split / consolidation of the denomination of the Equity Shares / issue of Equity Shares on a preferential basis or issue of bonus or rights or public or preferential issue of Equity Shares or any other securities during the period of six (6) months from the date of opening of the Issue or from the date the application moneys are refunded on account of failure of the Issue, after seeking and obtaining all the approvals which may be required for such alteration.
15. The Issue will remain open for a minimum of 30 days. However, the Board will have the right to extend the Issue period as it may determine from time to time but not exceeding 60 days from the Issue Opening Date.
16. Our Company has not availed of "bridge loans" to be repaid from the proceeds of the Issue for incurring expenditure on the Objects of the Issue.
17. There are restrictive covenants in the agreements that our Company has entered into with certain banks and financial institutions for short-term loans and long term borrowings. Some of these restrictive covenants require the prior consent of the said banks/financial institutions and include, for example, restrictions pertaining to the declaration of dividends, alteration of the capital structure, entrance into any merger/amalgamation, expenditure in new projects, change in key personnel, change in the constitutional documents and the right to appoint a nominee director on the Board of Directors of our Company upon an event of default. Our Company has in accordance with such agreements obtained the consent of such banks and financial institutions to proceed with the Rights Issue.

18. We have not issued any Equity Shares out of revaluation reserves. However, we have in the past, issued bonus Equity Shares out of our free reserves.
19. The Company has not made a public offering of its Equity Shares in the immediately preceding two (2) years from the date of filing of this Letter of Offer.
20. The terms of issue to Non-Resident Equity Shareholders/Applicants have been presented under the section "Issue Related Information" on page 308 of this Letter of Offer.
21. If the Company does not receive the minimum subscription of 90% of the Issue, the entire subscription shall be refunded to the applicants within forty two (42) days from the date of closure of the Issue. If there is delay in the refund of subscription by more than eight (8) days after the Company becomes liable to pay the subscription amount (i.e. fifty (50) days after closure of the Issue), the Company will pay interest for the delayed period, at rates prescribed under sub-sections (2) and (2A) of Section 73 of the Companies Act. The Issue will become undersubscribed after considering the number of Equity Shares applied as per entitlement plus additional shares. The undersubscribed portion, if any, shall be applied for only after the close of the Issue.

FMHL and FMG have confirmed that they intend to subscribe to the full extent of their entitlement in the Issue. FMHL has undertaken to subscribe to undersubscribed portion, if any, as per the relevant provisions of the law. Subscription by FMHL and FMG to the extent of their entitlement in the Issue and acquisition of additional Equity Shares by FMHL in case of under-subscription, if any, will not result in change of control of the management of the Company and shall be exempt in terms of proviso to Regulation 3(1)(b)(ii) of the Takeover Code.

22. Fractional entitlement will be ignored. Equity shareholders whose fractional entitlement are being ignored would be given preferential allotment of one additional equity share, if they apply for additional Equity Shares.

Those Equity Shareholders having holding less than 4 Equity Shares and therefore are entitled to zero Equity Shares under the Rights Issue, shall be dispatched a CAF with zero entitlement. Such Equity Shareholders are entitled to apply for additional Equity Shares, however they cannot renunciate the same to third parties. CAF with zero entitlement shall be non-negotiable / non-renunciabile.

23. Equity Shares offered through this Issue shall be fully paid-up on allotment and the entire amount of Rs. 145 (face value of Rs. 10 each and a premium of Rs. 135 per Equity Share is payable on application).
24. The Equity Shares of our Company are fully paid up and there are no partly paid up shares as on the date of this Letter of Offer.

OBJECTS OF THE ISSUE

The object of the present Rights Issue is to improve our capital structure and financial gearing ability. The funds raised through this Issue would be utilised for the following purposes:

- To repay existing debt;
- For General Corporate Purposes
- To meet the Issue expenses

As on June 30, 2007, our debt equity ratio is 4.34:1. Further, our total debt was Rs. 37,983.78 lakhs of which short term debts (including term loans due for repayment with one year) were Rs. 12,122.34 lakhs, working capital loans from banks were Rs. 9,061.56 lakhs and long term debts were Rs. 16,799.88 lakhs. We believe that the existing cash flow from our business operations is sufficient to meet our existing operating expenditure. However, over the last few years there is an increased reliance on borrowings to meet our cash flow requirements for investments in fixed assets and to repay our existing borrowings. Further, we have incurred losses for the financial year ended March 31, 2006, December 31, 2006 (9 months) and have earned a profit for the six months ended June 30, 2007 of Rs. 474.08 lakhs. This has resulted in a high debt equity ratio. Therefore, to improve the overall financial health of our Company and to improve our financial gearing, our Board has proposed to raise funds from our existing shareholders through a rights issue.

The main objects clause of our Memorandum of Association and the objects incidental or ancillary to the main objects enable us to undertake our existing activities and the activities for which the funds are being raised in the Issue.

We intend to deploy the net proceeds of the Issue for repayment of existing debt, general corporate purposes (including the payment of capital expenditures) and improve our financial gearing.

In the event of a shortfall in raising the requisite capital from the proceeds of the present Issue to meet the funding utilization, the extent of the shortfall, will be met by internal accruals and/or from fresh debt as the management deems most beneficial for the Company.

Brief details of the fund requirements

We intend to utilise the funds raised from this Issue as follows:

	(Rs. In Lakhs)	(as % of total Issue Size)
A. Repayment of Existing Debt	8,615.00	81.02%
B. General Corporate purpose	1,818.41	17.10%
C. Issue expenses	200.00	1.88%
Total	10,633.41	100.00%

The above fund requirements and deployment are based on the estimates of our management and have not been appraised by any bank or financial institution or independent third party entity. These fund requirements are based on the current business plan of our Company. We operate in a highly competitive and dynamic industry, and may have to revise our business plan from time to time on account of new projects that we may pursue or to formulate a response to revised market or economic circumstances.

Any shortfall in the amount raised will be adjusted against General Corporate purpose.

The details of the fund requirements are as follows:

A. Repayment of Existing Debt

We have currently term loans from various banks as detailed in page no 122 of the Letter of Offer. Out of these term loans, we propose to repay our loans of Rs. 8,615 Lakhs through proceeds of this Issue. As per the current schedule of repayment of loans, an amount of Rs. 10,289.23 Lakhs is due for repayment in the period November 2007 to July 2008. This repayment will help us to reduce the interest burden and thereby improve the profitability.

The details of installments of all loan repayments due in the period November 2007 to July 2008 are as follows:
(Rs. In Lakhs)

Name of the Bank / Lender	Amount Sanctioned	Amount Outstanding as on August 29, 2007 (Before the date of Issue)	Repayment from August 29, 2007 to October 31, 2007	Repayment * During the period November 2007 to July 2008		Current rate of Interest	Post Right Issue Amount Outstanding	Purpose as per the Sanction Letter	Utilization
				Amount	Date				
Allahabad Bank	5,000.00	1,250.00	1,250.00	NIL	NA	9.00%	NIL	To meet working capital requirements and ongoing expenses	To meet working capital requirements and ongoing expenses
EXIM Bank	2,500.00	288.64	NIL	146.21 (US \$ 356,613)	25-Nov-07	8.94%	NIL	Acquisition of equipment for FMGIL's plants.	Acquisition of equipment for FMGIL's plants.
				146.21 (US \$ 356,613)	25-Feb-08				
EXIM Bank	2,500.00	1562.50	NIL	312.50	20-Nov-07	10.75%	625.00	To augment Loan Term Working Capital requirements of the Company.	To augment Loan Term Working Capital requirements of the Company.
				312.50	20-Feb-08				
				312.50	20-May-08				
IDBI	3,000.00	3000.00	NIL	3,000.00	28-Dec-07	9.85%	NIL	Normal CAPEX & Refinancing of short term loans	Normal CAPEX & Refinancing of short term loans
IDBI®	1,550.00	113.96	76.94	37.02	01-Dec-07	10.25%	NIL	Financial assistance for acquisition of various equipments to be installed in the Patiala and Bangalore Plant.	Financial assistance for acquisition of various equipments to be installed in the Patiala and Bangalore Plant.
ING Vysya Bank	2,500.00	625.00	312.50	312.50	15-Dec-07	10.75%	NIL	To meet financial requirements of ongoing de-bottlenecking / up-gradation of Plants.	To meet financial requirements of ongoing de-bottlenecking / up-gradation of Plants.
SBI	3,500.00	1750.01	291.67	291.66	2-Jan-08	10.25%	583.34	Corporate Loan to meet the Capex requirements.	Corporate Loan to meet the Capex requirements.
				291.67	2-April-08				
				291.67	2-Jul-08				
State Bank of Mysore	1,500.00	375.00	NIL	187.50	21-Nov-07	10.25%	NIL	To improve NWC and Current Ratio.	To improve NWC and Current Ratio.
				187.50	21-Feb-08				

Name of the Bank / Lender	Amount Sanctioned	Amount Outstanding as on August 29, 2007 (Before the date of Issue)	Repayment from August 29, 2007 to October 31, 2007	Repayment * During the period November 2007 to July 2008		Current rate of Interest	Post Right Issue Amount Outstanding	Purpose as per the Sanction Letter	Utilization
				Amount	Date				
State Bank of Patiala	3,000.00	2500.00	250.00	250.00	30-Jan'08	10.25%	1000.00	To shore up and augment the NWC position and to rectify the temporarily mismatch of fund flow.	To shore up and augment the NWC position and to rectify the temporarily mismatch of fund flow.
				500.00	30-April-08				
				500.00	30-Jun-08				
HDFC Trustees Company Limited A/c HDFC Quarterly Internal Fund Plan	4,000.00	4,000.00	4,000.00	NIL	NA	8.77%	NIL	To meet working capital requirements and ongoing expenses	To meet working capital requirements and ongoing expenses
Jeevan Bima Sahayog Asset Management Company Limited – LIC Mutual Fund	4,000.00	4,000	NIL	4,000	07-July-08	9.00%	NIL	To meet the short term mismatch of cash requirements.	To meet the short term mismatch of cash requirements.
Total		19,465.13	6,181.11	11,079.44			2,208.34		

* Repayment of USD loan converted in to Rupees at the rate 1USD = Rs. 41 @ Rs. 69 Million was converted into Foreign Currency loan USD figures are in actual amounts and not in Lakhs.

The loans being repaid out of the proceeds of the rights issue were used for the purpose for which they were originally availed.

The above mentioned details of the loans have been certified by Mr. Sanjay Arora, Chartered Accountant (membership no.:93754) vide his certificate dated August 29, 2007.

The specific loans that would be repaid are not identified and our management would use the proceeds in the best interest of the Company once we have access to the funds. Further, the amounts raised through the Issue would be used to repay the installments on their due date only and we do not intend to pre-pone the debt repayment since the loan agreements do not provide for the pre-payment of debt. Further, a penal charge up to 2%-3% on the amount prepaid is to be borne by us if we decide to prepay the loans. In case of delay in the Issue proceeds, we would meet our debt obligations from internal accruals and / or fresh debts and the Issue proceeds will be utilized to repay such fresh debts, if any.

B. General Corporate Purposes

The money shall be used for general corporate purposes including but not restricted to improving the working capital requirements of the Company, part financing our further expansion plans, investment in research and technology up-gradation, investment in other segments of the industry, meeting exigencies, which our Company in the ordinary course of business may not foresee. Our management, in accordance with the policies of our Board, will have flexibility in utilizing the proceeds earmarked for general corporate purposes.

C. Meeting the Issue expenses

The total expenses of the Issue are estimated to be approximately Rs. 200 Lakhs. The Issue related expenses include, among others, issue management fees, registrar fees, printing and distribution expenses, auditor fees, legal fees, advertisement expenses, stamp duty, depository charges and listing fees to the stock exchanges. The total expenses for the Issue are estimated not to exceed 2 % of the size of the Rights Issue. The following table provides a break up of estimated issue expenses:

Particulars	Estimated amount (In Rs. Lakhs)	As percentage of total issue expense	As percentage of total issue size
Advertisement Budget	4	2.0%	0.04%
Advisors' fee	150	75.0%	1.41%
SEBI filing and Stock Exchange Listing fees	5	2.5%	0.05%
Postage, Printing and Stationery	30	15.0%	0.28%
Others including Registrar fees & Contingencies	11	5.5%	0.10%
Total	200	100.0%	1.88%

Interim Use of Proceeds

In the event the Company receives at least the minimum subscription of 90% of the application money for the Issue, and pending utilization of Issue proceeds for the purposes set forth in this Letter of Offer, the management, in accordance with the policies set up by the Board, will have flexibility in deploying the proceeds received from the Issue. Depending on options available, we may also consider temporarily investing the funds in high quality interest bearing instruments/ deposits with banks for the necessary duration and / or to temporarily deposit the funds in Cash Credit accounts with banks, for reducing overdraft, short-term loans and save interest costs. The funds will not be deployed in equity or in equity related instruments. Such investments would be in accordance with investment policies approved by the Board from time to time.

Monitoring of utilization of funds

The Board of Directors of our Company will monitor the utilization of the proceeds of the Issue. Our Company has not appointed any monitoring agency. The Company will disclose the utilization of proceeds of the Issue under a separate head in its balance sheet for FY 2007 & FY 2008 clearly specifying the purpose for which such proceeds have been utilized. Our Company, in its balance sheet for FY 2007 & FY 2008, will provide details, if any, in relation to all such proceeds of the Issue that have not been utilized thereby also indicating investments, if any, of such unutilized proceeds of the Issue. However, at any point of time the proceeds of the Issue will not be used for any other purposes, except as those stated in the Memorandum of Association of our Company and as disclosed under the head "Objects of the Issue".

No part of the Rights Issue proceeds, will be paid by the Company, as consideration to Directors, Company's Key managerial personnel's or companies promoted by the Promoters except in the normal course of business.

BASIS FOR ISSUE PRICE

The Issue Price has been determined in consultation with Lead Manager to the Issue considering following qualitative & quantitative factors. Investors should also refer to the section “Risk Factors” and “Auditors Report and Financial Information” at pages 9 and 178 respectively to get a more informed view before making the investment decisions.

Qualitative Factors:

- a) We are an auto component manufacturer focusing on piston parts and piston rings.
- b) We are part of the Federal-Mogul Group, which is a global supplier of vehicular parts, components, modules and systems to customers in the automotive, small engine, heavy-duty and industrial markets.
- c) We believe we are the market leaders in India in the pistons and piston rings business. *(Source: CRIS INFAC Annual Review on Auto Ancillaries Industry- July 2006)*
- d) We supply our products to most of the major automobile manufacturers in India.
- e) We expect our relationship with Federal-Mogul Group to strengthen due to its acquisition of a majority of our shareholding, and to benefit from its business and manufacturing practices.

Quantitative Factors:

- a) Information presented in this section is derived from our standalone audited restated financial statements prepared in accordance with Indian GAAP.

Basic and Diluted Earning per Equity Share (EPS) of face value Rs. 10

Particulars	Rupees	Weight
Year ended March 31, 2005	7.11	1
Year ended March 31, 2006	(11.23)	2
Period ended December 31, 2006	(3.61)	3
Weighted average	(4.36)	

The EPS for six months ended June 30, 2007 is Rs.1.87.

- b) P/E pre-Issue in relation to Issue Price of Rs. 145
 1. For the period ended December 31, 2006, EPS is negative Rs.(3.61).
 2. P/E based on profits after taxes, as restated, for the period ended December 31, 2006 - Not applicable since the EPS is negative.
 3. Industry P/E

i) Highest (Hindustan Composites Limited)	:	96.1
ii) Lowest (Bharat Gears)	:	4.0
iii) Industry Composite	:	18.31

*Source: Capital Market Volume XXII/14 September 10 – September 23, 2007
Category – Auto Ancillaries*

c) Return on Net Worth in the last three years.

Particulars	RONW %	Weight
Year ended March 31, 2005	14.96	1
Year ended March 31, 2006	(30.92)	2
Period ended December 31, 2006	(11.05)	3
Weighted Average	(13.34)	

The Return on Net Worth for the six months ended June 30, 2007 is 5.42%

RONW has been computed by dividing Profit/(loss) after tax as per Profit and Loss Account by Net Worth (excluding preference share capital) at the end of the year. The Weighted Average of Return on Net Worth (%) for these fiscal years have been computed by giving weights of 1, 2 and 3 for the fiscal years ending March 31, 2005, 2006 and December 31, 2006 (9 months) respectively.

d) Minimum Return on Increased Net Worth required to maintain pre –Issue EPS as on December 31, 2006 – Not Applicable since EPS was negative as there was loss incurred for the financial period ended December 31, 2006.

e) Net Asset Value per Equity Share:

Net Asset Value per Equity Share as on March 31, 2006 is Rs. 36.33.

Net Asset Value per Equity Share as on December 31, 2006 is Rs.32.72.

Net Asset Value per Equity Share as on June 30, 2007 is Rs.34.59.

After the Issue: Rs. 59.41

Issue Price: Rs. 145

(1) Net Asset Value per Equity Share represents shareholders' equity (after deduction of preference capital) as per restated standalone financial statements less revaluation reserves, miscellaneous expenses and debit balance in the profit and loss account as divided by weighted average number of Equity Shares outstanding as of date.

f) Comparison with industry peers

Comparison with industry peers is not possible since none of the companies manufacturing piston and piston parts are strictly comparable in terms of the size of turnover.

g) Stock Market Data:

Please refer to page 306 of this Letter of Offer.

The Face Value is Rs. 10/- per Equity Share and the Issue Price is 14.5 times the Face Value of the Equity Shares.

In view of the reasons stated above, we and the Lead Manager to the Issue, in consultation with whom the premium has been decided, are of the opinion that the Issue Price of Rs. 145 per Equity Share is reasonable and justified.

STATEMENT OF TAX BENEFITS

Federal-Mogul Goetze (India) Limited
A-26/3,
Mohan Co-operative Industrial Estate
New Delhi – 110 044.

Dear Sirs,

Statement of Possible Tax Benefits available to the Company and its shareholders

We report that the enclosed statement states the possible tax benefits available to the Company and to the shareholders of the Company under the Income Tax Act, 1961 and Wealth Tax Act, 1957, presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the statute. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon their fulfilling such conditions, which based on business imperatives the Company faces in the future, the Company may or may not choose to fulfill.

The benefits discussed in the enclosed statement are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

We do not express any opinion or provide any assurance as to whether:

- i) the Company or its share holders will continue to obtain these benefits in future; or
- ii) the conditions prescribed for availing the benefits have been / would be met with.

The contents of the enclosed statement are based on information, explanations and representations obtained from the Company and on the basis of their understanding of the business activities and operations of the Company.

For S.R. Batliboi & Co
Chartered Accountants
Per Pankaj Chadha

Partner
Membership No - 91813

Place: Gurgaon
Date: August 14, 2007

STATEMENT OF TAX BENEFITS

The tax benefits listed below are the possible benefits available under the current tax laws in India. Several of these benefits are dependent on the Company or its Shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its Shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives it faces in the future, it may not choose to fulfill.

The following tax benefits shall be available to the Company and the prospective shareholders under Direct Tax.

1. To the Company - Under the Income-tax Act, 1961 (the Act)

Normal Tax Benefits

1.1 Under section 10(34) of the Act, any income by way of dividends referred to in Section 115O (i.e. dividends declared, distributed or paid on or after April 1, 2003 by domestic companies) received on the shares of any company is exempt from tax.

1.2 Under section 10(35) of the Act, any income received in respect of the units of a Mutual Fund specified under section 10(23D) is exempt from tax.

1.3 Under Section 32 of the Act, the Company can claim depreciation allowance at the prescribed rates on tangible assets such as building, plant and machinery, furniture and fixtures, etc. and intangible assets such as patent, trademark, copyright, know-how, licenses, etc. if acquired after March 31, 1998. In terms of Clause (ii) of sub-section (1) of section 32 of the Act, the Company is entitled to further deduction of 20% as additional depreciation on new plant & machinery acquired and installed after March 31st March 2005, subject to conditions specified therein.

1.4 Under Section 35D of the Act, the Company will be entitled to a deduction equal to 1/5th of the expenditure incurred of the nature specified in the said section, including expenditure incurred on present issue, such as under writing commission, brokerage and other charges, as specified in the provision, by way of amortization over a period of 5 successive years, beginning with the previous year in which the new unit commences production, subject to the stipulated limits.

1.5 Under Section 35DDA of the Act, the company will be entitled to a deduction equal to 1/5th of the expenditure incurred in connection with Voluntary Retirement Scheme in the said section, by way of amortization over a period of 5 successive years, beginning with the previous year in which such sum has been paid to the employees in connection with such scheme.

1.6 As per the provisions of Section 115JAA (1A) of the Act tax credit shall be allowed for any Assessment Year commencing on or after April 01, 2006. Credit eligible for carry forward is the difference between MAT paid and the tax computed as per the normal provisions of the Act. The credit is available for set off only when tax becomes payable under the normal provisions and that tax credit can be utilized to set-off any tax payable under the normal provisions in excess of MAT payable for that relevant year. Such MAT credit shall not be available for set-off beyond 5 years succeeding the year in which the MAT credit initially arose. However, as per Finance Act 2006 MAT credit can be set-off upto 7 years succeeding the year in which the MAT credit initially arose in respect of tax paid under MAT for FY 2006-07 onwards.

1.7 As per provisions of sub section (2) of 32 of the Act, the company is entitled to carry forward and set off the unabsorbed depreciation arising due to absence / insufficiency of profits or gains chargeable for the previous year. The amount is allowed to be carried forward and set off for the succeeding previous years until the amount is exhausted without any time limit.

1.8 As per provisions of section 72 of the Act, the company is entitled to carry forward business losses for a period of 8 consecutive assessment years commencing from the assessment year when the losses were first computed and set off such losses from income chargeable under the head "Profits and gains from business or profession".

1.9 As per the provisions of section 74 of the Act, the company is entitled to carry forward losses under the head capital gains for a period of 8 consecutive assessment years commencing from the assessment year when the

losses were first computed. Short term capital losses can be set off against any income chargeable under the head “capital gains”; long term capital losses can be set off only against long term capital gains.

Special Tax Benefits

There are no special tax benefits available to the company.

Wealth-tax Act, 1957

1.1 As per the provisions of section 2(m) of the Wealth tax Act, 1957, the company is entitled to reduce debts owed in relation to the assets which are chargeable to wealth tax in computing the net taxable wealth.

2. To the Members of the Company – Under the Income Tax Act

2.1 Resident Members

General Tax Benefits

- a) Under Section 10(34) of the Act, income earned by way of dividend from domestic company referred to in Section 115-O of the Act is exempt from income-tax in the hands of the shareholders.
- b) Under Section 10(38) of the Act, long term capital gain arising to the shareholder from transfer of a long term capital asset being an equity share in the company (i.e. capital asset held for the period of more than twelve months) entered into in a recognized stock exchange in India and being such a transaction, which is chargeable to Securities Transaction Tax, shall be exempt from tax. However, as per Finance Act 2006 long term capital gains of a company shall be taken into account in computing tax payable under section 115JB.
- c) In terms of Section 88E of the Act, the Securities Transaction Tax paid by the shareholder in respect of the taxable securities transactions entered into in the course of the business would be eligible for rebate from the amount of income-tax on the income chargeable under the head ‘Profits and Gains under Business or Profession’ arising from taxable securities transactions.
- d) As per the provisions of Section 10(23D) of the Act, all mutual funds set up by public sector banks, public financial institutions or mutual funds registered under the Securities and Exchange Board of India (SEBI) or authorized by the Reserve Bank of India are eligible for exemption from income-tax, subject to the conditions specified therein, on their entire income including income from investment in the shares of the company.
- e) Under Section 54EC of the Act, capital gain arising from transfer of long term capital assets [other than those exempt u/s 10(38)] shall be exempt from tax, subject to the conditions and to the extent specified therein, if the capital gain are invested within a period of six months from the date of transfer in the bonds redeemable after three years and issued by –
 - (i) National Highways Authority of India (‘NHA’) constituted under Section 3 of National Highways Authority of India Act, 1988 and notified by the Central Government in the Official Gazette for the purpose of this section;
 - (ii) Rural Electrification Corporation Limited (‘RECL’), a company formed and registered under the Companies Act, 1956 and notified by the Central Government in the Official Gazette for the purpose of this section;

If only part of the capital gain is so reinvested, the exemption shall be proportionately reduced. However, the amount so exempted shall be chargeable to tax subsequently, if the new bonds are transferred or converted into money within three years from the date of their acquisition.

- f) Under Section 54F of the Act, where in the case of an individual or HUF capital gain arise from transfer of long term assets [other than a residential house and those exempt u/s 10(38) of the Act] then such capital gain, subject to the conditions and to the extent specified therein, will be exempt if the net sales consideration from such transfer is utilized for purchase of residential house property within a period of one year before or two year after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer. If only a part of the net consideration is so reinvested, the exemption shall be proportionately reduced.

- g) Under Section 111A of the Act, capital gains arising from transfer of short term capital assets, being an equity share in a company which is subject to Securities Transaction Tax will be taxable under the Act @ 10% (plus applicable surcharge and educational cess).
- h) Under Section 112 of the Act and other relevant provisions of the Act, long term capital gains [not covered under Section 10(38) of the Act] arising on transfer of shares in the Company, if shares are held for a period exceeding 12 months, shall be taxed at a rate of 20% (plus applicable surcharge and educational cess on income-tax) after indexation as provided in the second proviso to Section 48 or at 10% (plus applicable surcharge and educational cess on income-tax) (without indexation), at the option of the Shareholders.

Special Tax Benefits

There are no special tax benefits available to the resident members.

2.2 Non Resident Indians/Members other than Foreign Institutional Investors and Foreign Venture Capital Investors

General Tax Benefits

- a) By virtue of Section 10(34) of the Act, income earned by way of dividend income from a domestic company referred to in Section 115-O of the Act, is exempt from tax in the hands of the recipients.
- b) Under Section 10(38) of the Act, long term capital gain arising to the shareholder from transfer of a long term capital asset being an equity share in the company or unit of an equity oriented mutual fund (i.e. capital asset held for the period of more than twelve months) entered into in a recognized stock exchange in India and being such a transaction, which is chargeable to Securities Transaction Tax, shall be exempt from tax.
- c) In terms of Section 88E of the Act, the Securities Transaction Tax paid by the shareholder in respect of the taxable securities transactions entered into in the course of the business would be eligible for rebate from the amount of income-tax on the income chargeable under the head 'Profits and Gains under Business or Profession' arising from taxable securities transactions.
- d) Under the first proviso to section 48 of the Act, in case of a non resident, in computing the capital gains arising from transfer of shares of the company acquired in convertible foreign exchange (as per exchange control regulations), protection is provided from fluctuations in the value of rupee in terms of foreign currency in which the original investment was made. Cost indexation benefits will not be available in such a case.
- e) Under Section 54EC of the Act, capital gain arising from transfer of long term capital assets [other than those exempt u/s 10(38) of the Act] shall be exempt from tax, subject to the conditions and to the extent specified therein, if the capital gain are invested within a period of six months from the date of transfer in the bonds issued by –
 - (i) National Highways Authority of India ('NHAI') constituted under Section 3 of National Highways Authority of India Act, 1988 and notified by the Central Government in the Official Gazette for the purpose of this section;
 - (ii) Rural Electrification Corporation Limited ('RECL'), a company formed and registered under the Companies Act, 1956 and notified by the Central Government in the Official Gazette for the purpose of this section; and

If only part of the capital gain is so reinvested, the exemption shall be proportionately reduced. However, the amount so exempted shall be chargeable to tax subsequently, if the new bonds are transferred or converted into money within three years from the date of their acquisition.

- f) Under Section 54F of the Act, where in the case of an individual or HUF capital gain arise from transfer of long term assets [other than a residential house and those exempt u/s 10(38) of the Act] then such capital gain, subject to the conditions and to the extent specified therein, will be exempt if the net sales consideration from such transfer is utilized for purchase of residential house property within a period of one

year before or two year after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer. If only a part of the net consideration is so reinvested, the exemption shall be proportionately reduced.

- g) Under Section 111A of the Act, capital gains arising from transfer of short term capital assets, being an equity share in a company which is subject to Securities Transaction Tax will be taxable under the Act @ 10% (plus applicable surcharge and educational cess).
- h) Under Section 112 of the Act and other relevant provisions of the Act, long term capital gains [not covered under Section 10(38) of the Act] arising on transfer of shares in the Company, if shares are held for a period exceeding 12 months, shall be taxed at applicable rates.
- i) **Taxation of Income from investment and Long Term Capital Gains [other than those exempt u/s 10(38)]**
 - (i) A non-resident Indian, i.e. an individual being a citizen of India or person of Indian origin has an option to be governed by the special provisions contained in Chapter XIIA of the Act, i.e. "Special Provisions Relating to certain incomes of Non-Residents".
 - (ii) Under Section 115E of the Act, where shares in the company are subscribed for in convertible Foreign Exchange by a non-resident Indian, capital gains arising to the non resident on transfer of shares held for a period exceeding 12 months shall [in cases not covered under Section 10(38) of the Act] be concessionally taxed at a flat rate of 10% (plus applicable surcharge and educational cess) without indexation benefit but with protection against foreign exchange fluctuation under the first proviso to Section 48 of the Act.
 - (iii) Under provisions of section 115F of the Act, long term capital gains [not covered under section 10(38) of the Act] arising to a non-resident Indian from the transfer of shares of the company subscribed to in convertible Foreign Exchange shall be exempt from income tax if the net consideration is reinvested in specified assets within six months of the date of transfer. If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted within three years from the date of their acquisition.
 - (iv) Under provisions of Section 115-G of the Act, it shall not be necessary for a non-resident Indian to furnish his return of income if his only source of income is investment income or long term capital gains or both arising out of assets acquired, purchased or subscribed in convertible foreign exchange and tax deductible at source has been deducted there from.
 - (v) Under Section 115-I of the Act, a non resident Indian may elect not to be governed by the provisions of Chapter XII-A of the Act for any assessment year by furnishing his return of income under section 139 of the Act declaring therein that the provisions of the Chapter shall not apply to him for that assessment year and if he does so the provisions of this Chapter shall not apply to him. In such a case the tax on investment income and long term capital gains would be computed as per normal provisions of the Act.

Special Tax Benefits

There are no special tax benefits available to the non resident members.

2.3 Foreign Institutional Investors (FIIs)

General Tax Benefits

- a) By virtue of Section 10(34) of the Act, income earned by way of dividend income from another domestic company referred to in Section 115-O of the Act, are exempt from tax in the hands of the institutional investor.
- b) Under Section 10(38) of the Act, long term capital gain arising to the shareholder from transfer of a long term capital asset being an equity share in the company (i.e. capital asset held for the period of more than

twelve months) entered into in a recognized stock exchange in India and being such a transaction, which is chargeable to Securities Transaction Tax, shall be exempt from tax.

- c) In terms of Section 88E of the Act, the Securities Transaction Tax paid by the shareholder in respect of the taxable securities transactions entered into in the course of the business would be eligible for rebate from the amount of income-tax on the income chargeable under the head 'Profits and Gains under Business or Profession' arising from taxable securities transactions.
- d) Under Section 111A of the Act, capital gains arising from transfer of short term capital assets, being an equity share in a company which is subject to Securities Transaction Tax will be taxable under the Act at the rate of 10% (plus applicable surcharge and educational cess).
- e) Under Section 115AD capital gain arising on transfer of long term capital assets, being shares in a company (other than those mentioned in point b) above), are taxed at the rate of 10% (plus applicable surcharge and education cess). Such capital gains would be computed without giving effect to the first and second proviso to Section 48 of the Act. In other words, the benefit of indexation, direct or indirect, as mentioned under the two provisos would not be allowed while computing the capital gains.
- f) Under Section 54EC of the Act, capital gain arising from transfer of long term capital assets [other than those exempt u/s 10(38) of the Act] shall be exempt from tax, subject to the conditions and to the extent specified therein, if the capital gain are invested within a period of six months from the date of transfer in the bonds issued by –
 - (i) National Highways Authority of India ('NHA') constituted under Section 3 of National Highways Authority of India Act, 1988 and notified by the Central Government in the Official Gazette for the purpose of this section; and
 - (ii) Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956 and notified by the Central Government in the Official Gazette for the purpose of this section;

If only part of the capital gain is so reinvested, the exemption shall be proportionately reduced. However, the amount so exempted shall be chargeable to tax subsequently, if the new bonds are transferred or converted into money within three years from the date of their acquisition.

Special Tax Benefits

There are no special tax benefits available to the Foreign Institutional Investors.

2.4 Venture Capital Companies / Funds

General Tax Benefits

As per the provisions of section 10(23FB) of the Act, income of

- Venture Capital Company which has been granted a certificate of registration under the Securities and Exchange Board of India Act, 1992 and notified as such in the Official Gazette; and
- Venture Capital Fund, operating under a registered trust deed or a venture capital scheme made by Unit Trust of India, which has been granted a certificate of registration under the Securities and Exchange Board of India Act, 1992 and fulfilling such conditions as may be notified in the Official Gazette, set up for raising funds for investment in a Venture Capital Undertaking,

Which is set up to raise funds for investment in a venture capital undertaking is exempt from income tax. The definition of "venture capital undertaking" means a domestic company whose shares are not listed in a recognized stock exchange of India.

Special Tax Benefits

There are no special tax benefits available to the Venture Capital Companies / Funds.

3. Wealth Tax Act, 1957

Shares in a company held by a shareholder will not be treated as an asset within the meaning of Section 2(ea) of Wealth-tax Act, 1957; hence, wealth tax is not leviable on shares held in a company.

4. Benefits available under the Gift Tax Act, 1958

Gift tax is not leviable in respect of any gifts made on or after October 1, 1998. Therefore, any gift of shares of the Company will not attract gift tax.

5. Tax Treaty benefits

In accordance with section 90(2) of the I.T. Act, an investor has an option to be governed by the provisions of the I.T. Act or the provisions of a Tax Treaty that India has entered into with another country of which the investor is a tax resident, whichever is more beneficial..

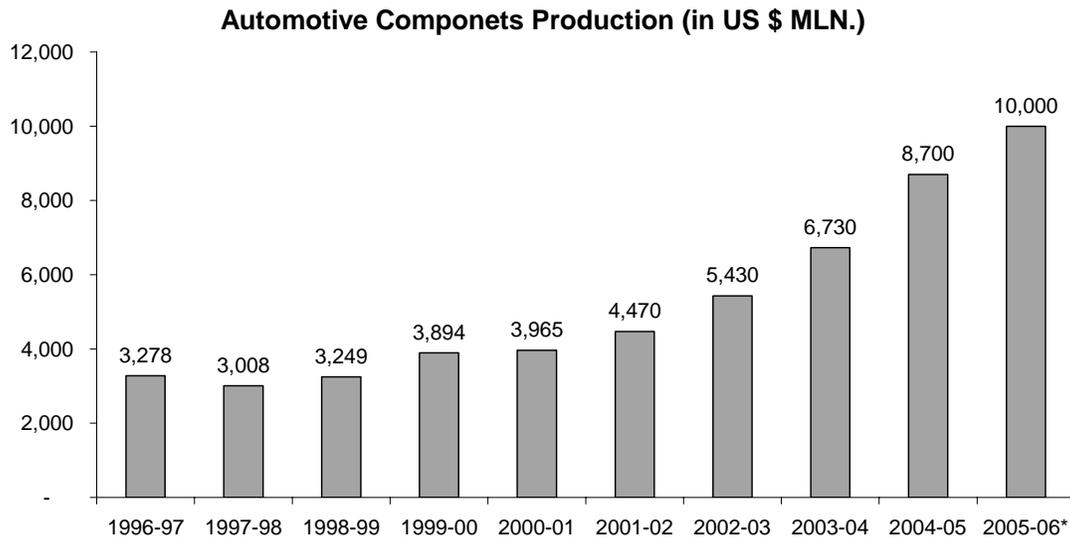
Notes

- a) All the above benefits are as per the current tax law and will be available only to the sole/ first named holder in case the shares are held by joint holders.
- b) In respect of non-residents, taxability of capital gains mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreement, if any between India and the country in which the non-resident has fiscal domicile.
- c) In view of the individual nature of tax consequence, each investor is advised to consult his/ her own tax adviser with respect to specific tax consequences of his/ her participation in the scheme.

SECTION IV: ABOUT US OUR INDUSTRY

Automotive Components

According to the Automotive Component Manufacturers Association of India (ACMA), the production of Indian automotive components industry touched an estimated US\$10 billion in 2005-06 as compared to US\$8.7 billion in 2004-05, up by 15%. The chart below depicts the automotive components production in India during the last decade: (Source: ACMA, <http://acmainfo.com>)



* Estimated

Source: ACMA

The data, however, relates to the organized automotive component industry. The organized segment of Indian automotive components industry is fragmented with a few big players and a large number of small players.

Production of auto components has been spurred by both domestic and international growth in automobile production and demand from Original Equipment Manufacturers (OEM).

The Automobile Industry

The size of Indian automobile industry in the year 2005 was US\$ 37 billion (Source: NATRIP). Production units of automobiles in India have grown at a CAGR of 15.2% for 02-07. Automobile exports for 2006-07 grew by 25.39% to 1,011,278 units against 806,494 units in the corresponding period last fiscal. (Source: SIAM, <http://www.siamindia.com>)

Indian Automobile Industry can be broadly segregated as

- Commercial Vehicles
- Passenger Vehicles
- Two Wheelers and Three Wheelers.

According to the Society of Indian Automobile Manufacturers (SIAM), total vehicle production touched 110.65 lakhs units in 2006-07, up from 62.79 lakhs units in 2002-03. (Source: SIAM, <http://www.siamindia.com>)

A detailed break-up of the production figures of various kinds of automobiles in India for the period of last five years is given in the following table:

Automobile Production Trends					<i>(In Nos)</i>
Category	2002-03	2003-04	2004-05	2005-06	2006-07
Medium & Heavy Commercial Vehicles	120,502	166,123	214,807	219,297	294,266
Light Commercial Vehicles	83,195	108,917	138,896	171,781	225,734
Total Commercial Vehicles	203,697	275,040	353,703	391,078	520,000
Passenger Cars	557,410	782,562	960,487	1,045,881	1,238,032
Utility Vehicles	114,479	146,325	182,018	196,371	222,111
Multi Purpose Vehicles	51,441	60,673	67,371	66,661	84,707
Total Passenger Vehicles	723,330	989,560	1,209,876	1,308,913	1,544,850
Scooters	848,434	935,279	987,498	1,020,013	943,974
Motorcycles	3,876,175	4,355,168	5,193,894	6,201,214	7,112,225
Mopeds	351,612	332,294	348,437	379,574	379,987
Electric Two Wheelers	-	-	-	-	7,982
Total Two Wheelers	5,076,221	5,622,741	6,529,829	7,600,801	8,444,168
Three Wheelers	276,719	356,223	374,445	434,424	556,124
Grand Total	6,279,967	7,243,564	8,467,853	9,735,216	11,065,142

Source: SIAM, <http://www.siamindia.com>

Automobile Exports

Automobile exports from India have increased from 3.07 lakh units in 2002-03 to 10.11 lakh units in 2006-07 recording a 35% CAGR over the period. The main contributors to the growth in exports from vehicles have come from light commercial vehicle, passenger cars, and motor cycles. (Source: SIAM)

Multinationals have also set up manufacturing plants in India to take advantage of the lower production costs available in India, and have plans to use India as a base for manufacturing passenger cars to serve the Indian domestic market in addition to manufacturing cars for export.

A detailed break-up of the export figures of various kinds of automobiles from India for last five years is given in the following table:-

Automobile Exports Trends					<i>(In Nos)</i>
Category	2002-03	2003-04	2004-05	2005-06	2006-07
Medium & Heavy Commercial Vehicles	5,638	8,188	13,474	14,096	18,838
Light Commercial Vehicles	6,617	9,244	16,466	26,485	30,928
Total Commercial Vehicles	12,255	17,432	29,940	40,581	49,766
Passenger Cars	70,263	125,320	160,670	170,193	192,745
Utility Vehicles	1,177	3,049	4,505	4,486	4,403
Multi Purpose Vehicles	565	922	1,227	1,093	1,330
Total Passenger Vehicles	72,005	129,291	166,402	175,772	198,478
Scooters	32,566	53,687	60,699	83,873	35,685
Motorcycles	123,725	187,287	277,123	386,202	545,887
Mopeds	23,391	24,078	28,585	43,181	37,566
Total Two Wheelers	179,682	265,052	366,407	513,256	619,138
Three Wheelers	43,366	68,144	66,795	76,885	143,896
Grand Total	307,308	479,919	629,544	806,494	1,011,278

Source: SIAM, <http://www.siamindia.com>

Auto Component industry classification

A brief overview of some of the segments of auto component industry is given below:

1. **Fuel injection systems and carburetors-** Fuel pumps and carburetors include components like fuel pumps, carburetors, filters, elements, delivery valve and nozzles.
2. **Powertrain components-** Powertrain components include crankshafts, camshafts, connecting rods, flywheel ring gears and timing chains. These products are largely OEM based.
3. **Piston and piston parts:** Piston and piston parts include pistons, piston rings and pins.
4. **Engine valves and parts-** Engine valves and parts include parts like - engine valves, valve guides, valve tappets and valve collect.
5. **Cooling system and parts-** Cooling systems and parts include parts like – radiator, water pumps assembly, radiator caps, fan assembly and water thermostat.
6. **Steering assembly and components-** –Steering assembly and components include steering systems like rack and pinion, and recirculating ball.
7. **Suspension system and components-** Suspension system and components include parts like shock-absorbers and leaf spring.
8. **Brakes and components-** Brakes and components include brakes assembly and brake linings.
9. **Lighting equipment-** Lighting equipment and parts include headlights, spot lights, flashlights and bulbs.
10. **Sheet metal parts-** Body parts form the bulk of the output that goes to the Original Equipment. Parts like mufflers and exhaust systems, which have limited life, derive their demand from replacement markets.

Exports of auto components have grown significantly as global Original Equipment Manufacturers (OEMs) and Tier-I automotive component manufacturers have been leveraging Indian low-cost highly skilled labour to reduce their production costs. Exports reached US\$1.8 billion in 2005-06 as compared to US\$1.4 billion in 2004-05, accounting for 18% of the total automotive component production (source: ACMA). In 2005-06, key export destinations included Europe (36%), America (26%), Asia (10%), Africa (10%) and others (12%) (Source: CRIS INFAC Annual Review on Auto Ancillaries Industry- July 2006).

The table given below gives an overall view of the key export markets for automotive components and the value of such exports over the last 5 years:

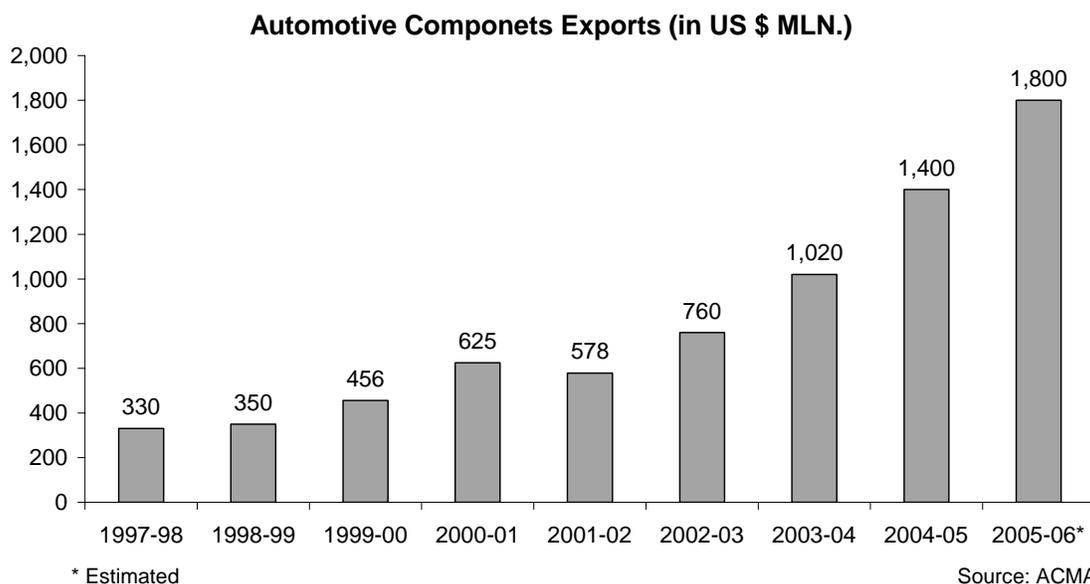
Key Markets for Exports

Area	<i>(in Rs. Lakhs)</i>				
	2001-02	2002-03	2003-04	2004-05	2005-06
Europe	77,808	101,669	136,290	188,981	286,981
America	83,040	109,305	143,682	193,971	207,264
Asia	54,126	64,675	84,084	113,513	127,547
Africa	31,068	37,435	49,434	66,736	79,717
Others	31,362	38,002	48,510	60,499	95,660
Total	277,404	351,086	462,000	623,700	797,169

Source: ACMA, CRIS INFAC Annual Review on Auto Ancillaries Industry- July 2006

OEM's are attempting to maintain their margins by reducing costs. As part of these efforts some of them have turned to low-cost manufacturing countries like India, China, Thailand and Mexico, which are providing automotive components at significantly lower costs.

The chart below depicts the growth in the export of automotive components from India over the last 10 years:



Geographically, Indian automotive component manufacturers are primarily located in four clusters: Bangalore/ Hosur/ Chennai in South India, Delhi/ Ghaziabad/ Gurgaon/ Faridabad/ Lucknow in North India, Mumbai/ Nasik/ Pune in Western India and Uttarpara/ Jamshedpur in Eastern India.

Piston and piston parts industry

The segment is dominated by the organized players in the market. This segment has seen a good domestic and export demand over the last 4 years.

The trend in production and exports of piston and piston parts are given below:

(in Rs. Lakhs)

Trend in industry production and exports		2001-02	2002-03	2003-04	2004-05
Production value		76,486	96,073	114,327	128,046
Exports		3,849	5,144	6,193	7,871

Source: CRIS INFAC Annual Review on Auto Ancillaries Industry- July 2006

In India, the main producers in this market are companies like Federal-Mogul Goetze (India) Limited, Shriram Pistons and Rings Ltd., Samkr Piston and Rings Ltd. and India Pistons Limited. These companies together with IP Rings Ltd. and Perfect Circle Ltd. constitute a significant portion of the organized market for piston and piston parts in India.

Pistons and piston parts are important components of an engine and original equipment manufacturers demand quality qualifying criteria before selecting a supplier to meet their requirements. This coupled with the fact that the manufacturing of these components is very capital intensive and requires high technical know-how has left the business of supply to original equipment manufacturers concentrated with a few players. Most of the Indian companies are getting into joint ventures for technology transfer with global component suppliers, to be able to meet the needs of OEMs.

The top 4 companies together have an installed capacity to manufacture 272 lakh units of pistons and top 6 companies have an installed capacity to manufacture 1,533 lakh units of piston rings (Source: CRIS INFAC

Annual Review on Auto Ancillaries Industry- July 2006). In both the segments Federal -Mogul Goetze (India) Limited is the market leader in domestic sales of piston and piston rings.

The production figures (in '000 units) for major manufacturers of piston and piston rings from 2002-03 to 2006-07 are given below:

Production (in '000 nos.)

Pistons	Mar-03	Mar-04	Mar-05	Mar-06
FMGIL	2,625.4*	6,724.0	8,055.2	7,926.9
India Pistons Ltd.	2,860.8	3,582.0	4,064.3	NA
Shriram Pistons & Rings Ltd.	4,613.0	5,520.0	6,720.0	7,420.0
Samkrp Piston and Rings Ltd.	3,343.2	3,908.4	4,842.2	4,502.8

NA – Not Available

Production (in '000 nos.)

Piston Rings	Mar-03	Mar-04	Mar-05	Mar-06
FMGIL	34,335.8*	39,842.0	40,813.5	43,350.9
India Pistons Ltd.	10,847.6	11,916.0	13,649.0	NA
IP Rings Ltd.	4,850.8	6,349.7	7,440.4	NA
Shriram Pistons & Rings Ltd.	30,124.0	35,620.0	38,330.0	45,890.0
Perfect Circle India Ltd.	18,047.4	15,027.4	17,792.4	17,167.7
Samkrp Piston and Rings Ltd.	11,426.7	12,696.4	15,899.0	17,901.2

NA – Not Available

Source: CRIS INFAC Annual Review on Auto Ancillaries Industry- July 2006 and Annual Reports of respective companies * for 9 months (June-02 – March-03)

Piston and piston parts demand is not limited to automobile manufacturers only. Industrial goods manufacturers of stationary engine, electricity generators, pump sets, chainsaw, brush cutters and trimmers also demand piston and piston parts for their goods. Piston and piston parts also have specialized demand for diesel engine in locomotives and in battle tanks used by armed forces.

A segmental break-up of the applications of our piston and piston rings, our major products, is as follows:

SEGMENTS	Pistons		Piston Rings		Pistons		Piston Rings	
	FY 06		FY 06		9 month ending December 06		9 month ending December 06	
	QTY (Lakhs)	Value (Rs. Lakhs)	QTY (Lakhs)	Value (Rs. Lakhs)	QTY (Lakhs)	Value (Rs. Lakhs)	QTY (Lakhs)	Value (Rs. Lakhs)
AIR COMPRESSOR								
Original Equipment	1.8	246.31	7.51	97.66	1.13	149.78	4.55	61.68
Spare Parts (OE)	0.08	12.58	1.12	12.85	0.06	10.27	2.09	23.10
Replacement Mkt.	0.08	21.12	7.37	82.48	0.07	15.97	3.89	42.73
TOTAL	1.96	280.02	15.99	192.99	1.26	176.03	10.52	127.50
BI-WHEELERS								
Original Equipment	14.34	2966.69	31.06	911.34	13.00	2,363.74	12.50	360.61
Spare Parts (OE)	4.01	826.37	13.84	416.54	4.51	969.65	8.04	237.31

SEGMENTS	Pistons		Piston Rings		Pistons 9 month ending December 06		Piston Rings 9 month ending December 06	
	FY 06		FY 06		FY 06		FY 06	
	QTY (Lakhs)	Value (Rs. Lakhs)	QTY (Lakhs)	Value (Rs. Lakhs)	QTY (Lakhs)	Value (Rs. Lakhs)	QTY (Lakhs)	Value (Rs. Lakhs)
Replacement Mkt.	19.86	5143.07	30.91	763.99	12.11	3,061.13	11.84	299.78
TOTAL	38.22	8936.13	75.81	2,091.88	29.62	6,394.52	32.37	897.69
CAR & JEEPS								
Original Equipment	10.28	2048.67	16.71	977.18	8.71	1,594.15	14.38	869.85
Spare Parts (OE)	0.29	70.59	1.98	131.62	0.47	109.39	0.87	54.29
Replacement Mkt.	2.41	606.75	6.37	244.13	1.41	362.67	2.59	127.83
TOTAL	12.98	2726.02	25.06	1,352.93	10.60	2,066.21	17.84	1,051.98
INDUSTRIAL								
Original Equipment	1.29	367.07	6.01	133.65	1.02	238.96	4.19	89.76
Spare Parts (OE)	0.31	84.8	3.56	79.28	0.27	67.58	6.35	125.27
Replacement Mkt.	0.54	219.74	62.16	929.61	0.37	139.20	46.57	697.81
TOTAL	2.15	671.61	71.73	1,142.53	1.67	445.74	57.11	912.84
LIGHT COMM VEHICLES								
Original Equipment	5.82	2487.4	17.41	1,497.83	4.04	1,593.54	15.09	1,328.15
Spare Parts (OE)	0.46	178.64	1.03	60.93	0.60	224.03	1.42	142.58
Replacement Mkt.	1.72	918.52	12.8	932.14	1.07	532.03	7.66	514.23
TOTAL	8	3584.56	31.24	2,490.89	5.71	2,349.60	24.17	1,984.97
COMMERCIAL								
Original Equipment	5.73	2820.32	17.16	945.04	3.83	2,194.85	14.16	772.04
Spare Parts (OE)	0.52	287.08	5.84	315.05	0.59	342.87	8.21	496.93
Replacement Mkt.	2.5	1725.03	23.45	1,879.91	1.57	1,120.30	12.79	1,089.91
TOTAL	8.75	4832.43	46.44	3,140.01	5.99	3,658.02	35.16	2,358.88
TRACTORS								
Original Equipment	4.66	1973.88	16.64	1,304.47	3.45	1,608.93	12.82	1,011.96
Spare Parts (OE)	0.84	341.24	6.86	377.13	0.46	194.54	4.24	316.22
Replacement Mkt.	1.47	821.38	18.1	891.18	0.83	478.21	9.89	542.01
TOTAL	6.98	3136.5	41.6	2,572.78	4.75	2,281.68	26.95	1,870.18
State Transport Undertakings	0.18	105.66	1.31	131.43	0.16	102.06	0.79	76.32
EXPORT	1.42	496.24	87.13	1,206.05	2.86	887.53	49.85	819.47
DEEMED-EXPORT	0.31	153.52	2.78	41.11	-	-	-	-
DEFENCE	0.11	554.11	0.22	148.38	0.08	486.23	0.05	43.21
RAILWAY	0.09	2216.46	1.32	515.94	0.06	1,596.15	1.17	428.55

Key Growth Drivers and success factors

- **Increase in domestic demand for automobiles**

The domestic automobile industry has increased at a CAGR of 14.21% for 02-07. Further, sales in 2005-06 grew by 13.5% to 10,109,037 units against 8,910,224 units in the corresponding period previous fiscal year (source: SIAM, <http://www.siamindia.com>). The vast domestic market is also attracting increasing number of foreign automobile manufacturers such as Ford, General Motors, Honda and Toyota as they look for alternative markets to counter act the sluggish US market and overcapacity in global markets. Global manufacturers such as Suzuki and Hyundai have adopted India as their global production base for small cars.

- **Availability of lower cost, trained man power**

High wages in US and Europe has caused the OEMs to seek lower cost alternatives in countries like India, China, Brazil and Mexico. Over and above the low cost of labour, India also has well trained manpower when compared with its peers in low cost manufacturing countries. This has encouraged foreign vehicle manufacturers to increase sourcing of automotive components and automobiles from India.

- **Support by government**

The Indian government has liberally funded the setting up of National Automotive Testing and R&D Infrastructure Project (NATRIP). NATRIP is the largest and one of the most significant initiatives in the Indian automotive sector so far. For this project the Government of India along with a number of State Governments and Indian automotive industry participants have joined hands together to create a state-of-the-art testing, validation and research and development infrastructure in the country. The project aims to create core global competencies in the automotive sector in India and facilitate seamless integration of Indian automotive industry with the world in order to position the country prominently on the global automotive map.

With the launch of NATRIP, India seeks to provide a boost to its growing automotive industry and harness India's major strengths in the realm of automotive engineering, information technology and electronics by achieving a high degree of convergence. The infrastructure under NATRIP is expected to provide a wide spectrum of services for product development and validation, not only to the domestic industry, but also to global automotive companies. The objective is to help India's emergence amongst the strongest hubs for product development in the global automotive landscape

- **Ability to implement continuous cost control**

A critical area for any automotive component manufacturer is cost control, which is essential for maintaining profitability. The importance of this factor is growing steadily, as most OEMs are now demanding a year-on-year price reduction on components. Automotive component suppliers lacking the ability to control costs are vulnerable to a reduction in margins, an erosion of profitability and/or lost sales. Many OEMs assist their vendors in achieving cost-reduction by working with them to identify areas where wasteful expenditure can be curtailed and the resultant costs can be passed on to the OEM.

- **Ability to meet the high quality standards set by automobile manufacturers**

Supplying high quality components at the lowest cost, and on time, has become a critical factor to get orders from OEMs. Most OEMs now insist on self-certification of quality by vendors. Automotive component manufacturers, particularly Tier-I companies, are responsible for the quality of products shipped as these components are directly loaded onto the assembly line by OEMs.

- **Ability to diversify customer base**

It is beneficial for component companies to reduce their dependence on a specific OEM and widen their buyer base across vehicle markets such as passenger cars, commercial vehicles, etc. However, increasing the number of customers is a difficult task in the current market scenario of rationalized supply.

- **Flexible production lines and redeployment of labour across lines**

Another challenge faced by most automotive component manufacturers is the ability to meet a sudden upsurge in demand. Accordingly it is beneficial to have the flexibility to redeploy your workforce among various product lines to so the manufacturer can adapt to changes in demand for its various products.

OUR HISTORY AND MAIN OBJECTS

OUR HISTORY

We were originally incorporated as Goetze (India) Private Limited on November 26, 1954, under the Indian Companies Act, 1913. In the year 1961, our Company became a deemed public company within the meaning of Section 43 A of the Companies Act and a fresh certificate of incorporation was issued by the Registrar of Companies, Delhi and Haryana on April 17, 1961. Subsequently vide a resolution of our shareholders at an EGM held on April 29, 1963 it was resolved that our Company would henceforth be a public limited company. The corporate identity number of our Company is L74899DL1954PLC002452.

Our Company was originally promoted by Mr. H.P. Nanda and his associates. Subsequently our Company entered into a technical and financial collaboration with Goetzerwerke Friedrich A.G. of Germany ("**Goetze-Werke**"), and thereafter in due course, Goetze-Werke and Escorts Limited became the majority shareholders of our Company. Goetze-Werke was succeeded by Goetze AG, which was transformed from a stock corporation into Goetze GmbH, a limited liability company on Nov. 22, 1993, following its acquisition by Ferodo Beral GmbH, a subsidiary of T&N PLC. On October 4, 1994 Goetze GmbH changed its name to Goetze Vermögensverwaltungs GmbH. Subsequent to Federal-Mogul acquiring T&N PLC in 1998, Goetze Vermögensverwaltungs GmbH changed its name to Federal-Mogul Vermögensverwaltungs GmbH.

JIPL acquired the shareholding of Escorts Limited in our Company during 2003. Subsequent to this, FMG, AN (together with his associates) and JIPL were our promoters. In 2006, FMH acquired most of the shareholding of JIPL in our Company and therefore the Federal-Mogul Group, through its affiliates, became our majority shareholder. Subsequently, AN, his associates and JIPL ceased to be declared as our promoters.

Our Company today is controlled by Federal -Mogul Corporation, USA who through two of its entities – Federal -Mogul Vermögensverwaltungs GmbH and Federal -Mogul Holdings Limited holds the majority of the equity shareholding of our Company. For the details of the acquisition of Equity Shares by our Promoters, please refer to page 63 of this Letter of Offer.

Our Company had also undertaken some diversification programmes and initiated a number of joint ventures in this regard. It established a solvent extraction plant for processing mustard, sunflower, and other oil bearing seeds in Alwar during 1991-1992, but the same was closed down as it was found to be uneconomical. Our Company had also commissioned a leather garments business and had set up a 100% export oriented high fashion leather garments unit. After this business found recognition abroad, it was hived off to a separate company called AN GIP Leather (India) Limited in 1998, which became a joint venture with M/s Speith and Wensky of Germany. Our Company also promoted a joint venture during 1991-1992 with Nanz KG of Germany and Marsh Inc., USA to set up a chain of super markets in India for food products retailing in the name of Nanz Food Products Limited ("**NFPL**"). Our Company subsequently divested its equity from these ventures to focus on its core business activities. Currently, our Company's business focus is solely on its core activities and it has no business association or interest in any of these allied businesses.

Pursuant to the acquisition of the majority equity shareholding in our Company by the Federal-Mogul Group in 2006, a resolution of our members was passed at the EGM held on June 16, 2006, wherein it was resolved to change our name from Goetze (India) Limited to Federal-Mogul Goetze (India) Limited. The fresh certificate of incorporation consequent on change of name of our Company was issued by the Registrar of Companies, NCT of Delhi and Haryana on August 3, 2006.

Our Company has its registered and corporate office at A-26/3, Mohan Co-operative Industrial Estate, New Delhi - 110044. The following table sets out the details of the change in our registered office since incorporation:

S.No.	Period	Location of registered office
1.	Since incorporation till 1960	6 Pratap Buildings, Connaught Circus – New Delhi – 110 001
2.	1960 to 1966	26 Faiz Bazaar, New Delhi – 110006
3.	1966 to 1977	Escorts House, Roshanara Road, New Delhi – 110 007
4.	1977 to 1995	H-2 Connaught Circus, New Delhi – 110 001

S.No.	Period	Location of registered office
5.	1995 to 1998	A-36 Mohan Co-operative Industrial Estate, New Delhi – 110 044
6.	1998 to 2000	A-39 Mohan Co-operative Industrial Estate, New Delhi – 110 044
7.	2000 to 2003	52-B Okhla Industrial Estate, Phase-III, New Delhi – 110 020
8.	2003 till present	A-26/3 Mohan Co-operative Industrial Estate, New Delhi – 110 044, which is the present registered office of our Company

The Equity Shares of our Company are currently listed on BSE and NSE. We entered into a listing agreement dated August 24, 1978 pursuant to which our Equity Shares were listed on BSE. Our shares have been listed on NSE since February 8, 1995.

As on the date of filing of this Letter of Offer, our Promoters hold 12,669,437 Equity Shares of our Company, representing 50.1% of our pre-Issue subscribed and paid-up capital. As of like date, the Board of Directors of the Company comprises six (6) directors, which consists of five (5) non-executive directors, two (2) of whom are independent directors. The Chairman of the Company is a non-executive director and one-third of our board comprises of independent directors as required under the listing agreement.

KEY EVENTS AND MILESTONES

Year	Major Event
1954	The Company was incorporated.
1955	The Company entered into a technical collaboration with Goetze-Werke.
1957	Operation of our ring and liner production at our plant in Patiala.
1968	Pins/Ring Carrier production started at Patiala.
1978	Commencement of piston ring production in our Bangalore plant.
1982	Commencement of production of steel rings at our Bangalore plant.
1985	Commencement of Production of light alloy products at Patiala Plant.
1990	Commencement of production of moly coated/IKA/Chrome oil rings at our Patiala plant.
1994	Setting up of a new ring foundry in our Bangalore plant.
1995-1996	Manufacture of sintered metal components under the name of Brico Goetze (India) Limited formed in collaboration with T&N Plc. UK.
1996-1997	Pistons business of the Company and Escorts Limited was transferred to Escorts Mahle Limited, a 50:50 joint venture between Escorts Limited and Mahle GmbH.
1997	Incorporation of Goetze TP (India) Limited.
2001	Merger of Federal-Mogul Sintered Products Limited with our Company.
2001-2002	Acquisition of the entire equity share capital of Escorts Mahle Limited by Coupled Investment Private Limited, a 100% subsidiary of our Company, subsequent to which the name of Escorts Mahle Limited was changed to Escorts Pistons Limited.
2002	Merger of Coupled Investments Private Ltd. and Escorts Pistons Limited with our Company.
2003	Acquisition of majority stake by Joint Investments Private Limited from Escorts Limited.

Year	Major Event
2004	SRCL became a 100% subsidiary of our Company.
2004	Technical tie-up with Federal -Mogul Nuremburg GmbH for gallery cooled technology.
2005	Commencement of commercial production of gallery cooled pistons.
2006	Acquisition of majority stake by Federal-Mogul Group through inter-se transfer from JIPL and cessation of JIPL, AN and his associates as the promoters of our Company.
2006	Disposal of vegetable oil plant at Alwar.
2006	Shut down leather trading business.

AWARDS AND CERTIFICATIONS RECEIVED BY OUR COMPANY SINCE 1998

Year	Award/Certification
1998-1999	Received the best performing supplier award from Tata Cummins Ltd.
1999	Our plant at Bhiwadi received the OHSAS 18001:1999 certificate from TUV Certification Body for Environmental Management Systems of RWTUV Systems GmbH.
2000-2001	Escorts Mahle Ltd. received an award of excellence for performance in quality from Maruti Udyog Limited.
2001-2002	Escorts Mahle Ltd. received a certificate of appreciation from Kinetic Engineering Limited for supply of quality materials and meeting schedules.
2002	Received the best performance vendor award for casting from Yamaha Motors India Pvt. Ltd.
2004	Our plant at Bhiwadi received ISO 14001:2004 certificate from TUV Certification Body for Environmental Management Systems of RWTUV Systems GmbH.
2004-2005	Received the award for QCDDM in Machining Category from Honda Motorcycle & Scooter India (Pvt.) Limited. .
2005 – 2006	Received a certificate of appreciation from Standard Group of Companies for supply of components, maintaining quality and adhering to schedules.
2005 – 2006	Received the best supplier performance award from Mahindra & Mahindra Ltd in the category Proprietary and Electrical.

MERGERS AND AMALGAMATIONS

Amalgamation of Federal -Mogul Sintered Products Limited with our Company

Pursuant to an order of the Delhi High Court dated July 16, 2001 Federal -Mogul Sintered Products Limited was amalgamated with our Company pursuant to a scheme of amalgamation filed under the Companies Act. Pursuant to the said order, all assets and liabilities of Federal -Mogul Sintered Products Limited stood transferred to our Company. While the date of the order of the Delhi High Court was July 16, 2001, the effective date of the merger was January 1, 2001.

Amalgamation of Escorts Pistons Limited and Coupled Investment Private Limited with our Company

Pursuant to an order of the Delhi High Court dated May 13, 2003, Escorts Pistons Limited and Coupled Investment Private Limited were amalgamated with our Company pursuant to a scheme of amalgamation filed under the Companies Act. Pursuant to the said order, all assets and liabilities of Escorts Pistons Limited and Coupled Investment Private Limited stood transferred to our Company. While the date of the order of the Delhi High Court was May 13, 2003, the effective date of the merger was November 1, 2002.

OBJECTS OF OUR COMPANY

The objects of our Company are as follows:

1. To carry on the business of iron-founders, mechanical engineers, manufacturers of tractors, diesel engines, machine tools, motor cars, buses, vans; jeeps, lorries, motor launches, motor cycles, cycles, and spare parts and accessories of these machines and vehicles, tool makers, assemblers, brass founders, metal workers, boiler makers, millwrights, iron and steel converters, smiths, electrical engineers, water works engineers, manufacturers and repairers of atomic power and gas generators, framers, printers, carriers and merchants and to buy, sell, manufacture, repair, convert, alter, let on hire and deal in machinery, implements, rolling stock and hardwares of all kinds.
2. To undertake and execute any contracts for works involving the supply or use of any machinery or other works comprises in such works.
3. To buy, sell, let on hire, repair, alter any machinery, component parts, accessories and fittings of all kinds for things mentioned in clause 1 above or used in, or capable of being used in connection with the manufacture, maintenance and working thereof.
4. To carry on the business of automobile engineers, electrical and mechanical engineers, coach builders, body builders, workshop proprietors, taxicab, omnibus and other private or public conveyance proprietors, repairers, dealers in motor-parts, cycle parts and accessories of all kinds, oils, petrol, grease and other lubricants.
5. To carry on the business of manufacturers, importers, exporters, distributors, agents, chemists, druggists, engineers, contractors, builders, financiers, underwriters, receivers and liquidators.
- 5A. To carry on the business of manufacturers of and dealers in computers, electronic equipment, peripherals and software and accessories thereof and provide services of data processing of all types.
- 5B. To carry on the business of manufacturers and dealers in plastics, PVC and other mouldable and formative products, raw materials and ingredients thereof.
- 5C. To carry on the business of producing, manufacturing, processing and dealing in agricultural and dairy products, aerated, carbonated and mineral waters, fruit juices, pulps and artificially flavoured drinks, malts, hops, grain, yeast, pickles, tinned fruits, sauces and any and all other vegetable, food and fruit products and in connection therewith undertake horticulture, growing of vegetables and fruits.
- 5D. To purchase, sell, export, import, distribute, trade and otherwise deal in all types and description of leather garments, accessories and goods, capable of being conveniently carried on or intended to directly or indirectly benefit the Company.
6. To acquire, construct and maintain factories, establishments, works, buildings and erections for all or any of the purposes aforesaid and to acquire or make machinery, implements and articles required to be used for any such purposes and to carry on as principals or agents any branch of manufacturing or mercantile business for which the Company's lands, monies, establishment, property and servants may be conveniently applicable consistently with all or any of the purposes aforesaid.
7. To carry on any other business, whether manufacturing or otherwise which may seem to the Company capable of being conveniently carried on in connection with the above or calculated directly or indirectly to enhance the value of or render profitable any of the Company's property or rights.
8. To acquire and undertake the whole or any part of the business, property, and liabilities of any person or company carrying on any business which the Company is authorised to carry on or possessed of property suitable for the purpose of the Company.
9. To apply for, purchase, or otherwise acquire, any patents, brevets, d'invention, licenses, concessions, and the like, conferring any exclusive or non-exclusive or limited right to use, or any secret or other information as to any invention which may seem capable of being used for any of the purposes of the Company, or the

acquisition of which may seem calculated directly or indirectly to benefit the Company, and to use, exercise, develop, or grant license in respect of, or otherwise turn to account the property, rights or information so acquired.

10. To enter into partnership or into any arrangement for sharing profits, union of interests, cooperation, joint venture, reciprocal concession, or otherwise, with any person or company carrying on or engaged in, or about to carry on or engage in, any business or transaction which this Company is authorised to carry on or engage in, or any business or transaction capable of being conducted so as directly or indirectly to benefit this Company. And to lend money, to guarantee the contracts of, or otherwise assist, any such person or company, and to take or otherwise acquire shares and securities of any such company, and to sell, hold, reissue, with or without guarantee, or otherwise deal with the same.
11. To take, or otherwise acquire, and hold shares in any other company having objects altogether in part similar to those of this Company, or carrying on any business capable of being conducted so as directly or indirectly to benefit this Company.
12. To enter into any arrangement with any governments or Authorities supreme, Municipal, local or otherwise, that may seem conducive to the Company's objects, or any of them, and to obtain from any such Government or authority, any rights, privileges and concessions which the Company may think it desirable to obtain, and to carry out, exercise, and comply with any such arrangements, rights, privileges, and concessions.
13. To establish and support or aid in the establishment and support of associations, institutions, funds, trusts, and conveniences calculated to benefit employees, or ex-employees of the Company (or its predecessors in business) or the dependents or connection of such persons, and to grant pensions and allowances, and to make payments toward insurance, and subscribe or guarantee money for charitable or benevolent objects, or for any exhibition, or for any public, general or useful objects.
14. To promote any company or companies for the purpose of acquiring all or any of the property, rights and liabilities of this Company, or for any other purpose which may seem directly or indirectly calculated to benefit this Company.
15. Generally to purchase, take on lease or in exchange, hire, or otherwise acquire, any real and personal property, and any rights or privileges which the Company may think necessary or convenient for the purposes of its business and in particular any land, buildings, easements, machinery, plant and stock in-trade.
16. To construct, maintain, and alter any buildings, or works, necessary or convenient for the purposes of the Company.
17. To construct, improve, maintain, develop, work, manage, carry out or control any roads, ways, tramway, railways, branches or sidings, bridges, reservoirs, watercourse, wharves, manufactures, warehouses, electric works, shops, stores and other works and conveniences which may seem calculated directly or indirectly to advance the Company's interests, and to contribute to, subsidies or otherwise assist or take part in the construction, improvement, maintenance, working, management, carrying out, or control thereof.
18. To invest and deal with the monies of the Company not immediately required in such manner as may from time to time be determined.
19. To lend money to such persons or companies and on such terms as may seem expedients, and in particular to customers and others having dealings with the Company, and to guarantee the performance of contracts by any such persons or companies.
20. To borrow or raise or secure the payment of money in such manner as the Company shall think fit, and in particular by the issue of debenture stock, perpetual or otherwise charged upon all or any of the Company's property, both present and future, including its uncalled capital and to purchase, redeem, or pay off any such securities.
21. To draw, make, accept, endorse, discount, execute, and issue promissory notes, bills of exchange, warrants, bills of lading, debentures and other negotiable & transferable instruments.

22. To undertake and execute any trusts the undertaking whereof may seem desirable and either gratuitously or otherwise.
23. To sell or dispose of the undertaking of the Company or any part thereof, for such consideration as the Company may think fit, and in particular for shares, debentures, or securities of any other company having objects altogether or in part similar to those of this Company.
24. To adopt such means of making known the products of the Company as may seem expedient, and in particular by advertising in the press, by circulars, by purchase and exhibition of works of art or interest, by publication of books and periodicals, and by granting prizes, rewards and donations.
25. To sell, improve, manage, develop, exchange, lease, mortgage, enfranchise, dispose of, turn to account or otherwise deal with all or any part of the property and rights of the Company.
26. To do all or any of the above things in any part of the world as principles, agents, contractors, trustees, or otherwise and by or through trustees, agents, or otherwise, either alone or in conjunction with others.
27. To remunerate any person or company for services rendered or to be rendered in placing or assisting to place or guaranteeing the placing of any of the shares in the Company's capital or any debentures or debenture stock or other securities of the Company or in or about the formation or promotion of the Company or the conduct of its business.
28. To pay all the preliminary expenses of any kind and incidental to the formation and incorporation of the Company out of the funds of the Company.
29. To distribute any of the Company's property among the members in specie or in any manner whatsoever.
30. To do all such other things as are incidental or conducive to the attainment of the above objects.

OUR SUBSIDIARIES AND AFFILIATES

Our Company currently has two (2) subsidiaries – FMTPR India and Satara Rubbers & Chemicals Limited. FMTPR India is currently engaged in manufacturing steel rings for bi-wheelers while SRCL is currently not engaged in any business or operations. For more details of our subsidiaries, please refer to page 135 of this Letter of Offer.

CHANGES IN THE MEMORANDUM OF ASSOCIATION

Date of the Shareholders Approval	Changes
July 22, 1955	Change in the authorized share capital from Rs. 5,000,000 divided into 50,000 Equity Shares of Rs. 100 each to Rs. 6,500,000 divided into 50,000 Equity Shares of Rs. 100 each and 15,000 7% redeemable preference shares of Rs. 100 each, by creation of 15,000 7% redeemable preference shares of Rs. 100 each.
April 17, 1961	Removal of the term 'Private' on account of becoming a deemed public company.
April 29, 1963	Shareholders approval for the conversion of the company from a deemed public company to a public company.
June 24, 1963	Change in authorized share capital from Rs. 6,500,000 divided into 50,000 Equity Shares of Rs. 100 each and 15,000 7% redeemable preference shares of Rs. 100 each to Rs. 10,000,000 comprising of 75,000 Equity Shares of Rs. 100 each; 23,000 9% redeemable cumulative preference shares of Rs. 100 each and 2,000 7% redeemable preference shares of Rs. 100 each.
June 27, 1973	Change in authorized share capital from Rs. 10,000,000 comprising of 75,000 Equity Shares of Rs. 100 each, 23,000 9% redeemable cumulative preference shares of Rs. 100 each and 2,000 7% redeemable preference shares of Rs. 100 each to Rs. 30,000,000 divided into 275,000 Equity Shares of Rs. 100 each; 23,000 9% redeemable cumulative preference shares of Rs. 100 each and 2,000 7% redeemable preference shares of Rs. 100 each by

Date of the Shareholders Approval	Changes
	creation of 200,000 Equity Shares of Rs. 100 each.
August 22, 1977	Subdivision of 1 Equity Share of face value Rs. 100 each into 10 Equity Shares of face value Rs. 10 each.
August 22, 1977	Change in authorized share capital from Rs. 30,000,000 divided into 275,000 Equity Shares of Rs. 100 each; 23,000 9% redeemable cumulative preference shares of Rs. 100 each and 2,000 7% Redeemable Preference Shares of Rs. 100 each to Rs. 50,000,000 comprising 4,750,000 Equity Shares of Rs. 10 each; 23,000 9% redeemable cumulative preference shares of Rs. 100 each and 2,000 7% redeemable preference shares of Rs. 100 each by creation of 2,000,000 Equity Shares of Rs. 10 each.
December 30, 1977	Change in authorized share capital from Rs. 50,000,000 divided into 4,750,000 Equity Shares of Rs. 10 each; 23,000 9% redeemable preference shares of Rs. 100 each and 2,000 7% redeemable preference shares of Rs. 100 each to 50,000,000 divided into 5,000,000 Equity Shares of Rs. 10 each.
June 1, 1981	Change in authorized share capital from Rs. 50,000,000 divided into 5,000,000 Equity Shares of Rs. 10 each to Rs. 100,000,000 comprising 10,000,000 Equity Shares of Rs 10 each by creation of 5,000,000 Equity Shares of Rs. 10 each.
December 26, 1986	Amendment of the object clause of our memorandum of association to add clauses 5A, 5B, 5C and 5D in the objects clause of our memorandum of association. [The said amendment was approved by CLB vide order dated 31 st October 1988 with modifications. However the insertion of clause 5B was not approved and clause 5C and 5D were renumbered accordingly]
September 25, 1989	Change in authorized share capital from Rs. 100,000,000 comprising 10,000,000 Equity Shares of Rs 10 each to Rs. 250,000,000 comprising 25,000,000 Equity Shares of Rs. 10 each by creation of 15,000,000 Equity Shares of Rs. 10 each.
December 15, 1995	Change in the authorized share capital from Rs. 250,000,000 divided into 25,000,000 Equity Shares of Rs. 10 each to Rs. 400,000,000 divided into 40,000,000 Equity Shares of Rs. 10 each by creation of 15,000,000 Equity Shares of Rs. 10 each.
July 27, 1999	Amendments made to the language in clauses 5A and insertion of clause 5D in our objects clause in our Memorandum of Association
July 16, 2002	Change in authorized share capital of Rs. 800,000,000 divided into 30,000,000 Equity Shares of Rs. 10 each and 5,000,000 Preference Shares of Rs. 100 each.
September 27, 2003	Change in authorized share capital of Rs. 800,000,000 divided into 30,000,000 Equity Shares of Rs. 10 each and 5,000,000 Preference Shares of Rs. 100 each to Rs. 800,000,000 divided into 80,000,000 Equity Shares of Rs. 10 each.
June 16, 2006	Amendment to the name clause of our Memorandum of Association.

Strategic Partners

The Company has not entered into any strategic partnership agreements.

Financial Partners

The Company has not entered into any financial partnership agreements.

DIVIDENDS

The following are the dividend payouts in the last five years by our Company

(Rs. in Lakhs)

Particulars	June 30, 2007	December 31, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003
Equity share capital (Amount in Rs lakh)	2,528.75	2,528.75	2,528.75	2,528.75	2,528.75	2,528.75
Final dividend in %	NIL	NIL	NIL	40.00	30.00	20.00
Amount of dividend			-	1011.5	758.63	505.75
Dividend tax			-	132.19	97.21	64.80
Preference share capital			-	-	-	1,000.00
Dividend in %			-	-	11.00	11.00
Amount of dividend			-	-	24.11*	27.12
Dividend tax			-	-	3.08	3.47

Note:

The figures disclosed above are based on the unconsolidated restated summary statements of Federal-Mogul Goetze (India) Limited.

* Preference share were redeemed during 2004. Dividend paid is till the date of redemption.

Dividend Policy

We do not have a formal dividend policy. The declaration and payment of dividends are recommended by our Board of Directors and approved by our shareholders, at their discretion, and depends on a number of factors, including but not limited to the earnings, capital requirements, overall financial conditions and other factors prevailing at the time.

The amounts paid as dividends in the past are not necessarily indicative of our dividend policy or dividend amounts, if any, in the future.

OUR BUSINESS

Overview

We are an established auto component manufacturer focusing on pistons and piston rings. Our product ranges include a variety of pistons, piston rings, piston pins, cylinder liners, valve train and structural components, aluminum alloy cylinder blocks, heads and other miscellaneous automobile engine components.

We are part of Federal-Mogul Group, which is a global supplier of vehicular parts, components, modules and systems to customers in the automotive, small engine, heavy-duty and industrial markets. Our Company today is indirectly controlled by Federal-Mogul Corporation, USA who through two of its entities – Federal-Mogul Vermögensverwaltungs GmbH, Germany and Federal-Mogul Holdings Limited, Mauritius, holds the majority of the equity shareholding of our Company.

We believe we are the market leaders in India in the pistons and piston rings business, which are our key products, contributing more than 90% of our net turnover for the fiscal 2006. Our product portfolio in the piston and piston rings segment covers almost the entire range of applications - from small engines for mopeds to large bore locomotives engines. We are also suppliers for piston and piston rings to the armed forces. In terms of range of engines from the type of fuel used, we cater to petrol, diesel, LPG and CNG segments.

We supply our products to most of the leading automobile manufacturers in India. While most of our business so far has been domestic, we are increasingly looking at exports to further expand our business opportunities.

We expect our relationship with Federal-Mogul Group to strengthen due to its acquisition of a majority of our shareholding, and to benefit from its world class business and manufacturing practices.

Our pistons and piston rings range of products are sold under the brand name “Goetze”, while our sintered products are sold under the brand name “Brico Goetze”.

Our Manufacturing

We currently have the following manufacturing facilities:

S. No.	Plant	Products manufactured	Remarks
1	Patiala	Piston Rings, Pistons, Pins, Cylinder Liners and Light Alloy Cylinders	Original FMGIL facility and the balance through merger of Escorts Pistons Ltd.
2	Bhiwadi	Valve Train Components & Structural Components	Acquired through merger of Federal-Mogul Sintered Products Limited with our Company.
3	Bangalore	Piston Rings, Pistons, Pins	Partly original FMGIL facility and the balance acquired through merger of Escorts Pistons Ltd.
4	Bangalore	Steel Piston Rings	Facility of our subsidiary

Land measuring 30 (thirty) acres together with buildings and erections standing located in Yelahanka village, North Taluk Bangalore was transferred to us as a part of merger of Escorts Pistons Limited (formerly known as Escorts Mahle Limited) with us and we are in possession of the same, however, our name has not been mutated in the revenue records. Please refer on page 120 of this Letter of Offer for details.

Manufacturing Process of the major products manufactured by us:

Pistons

A piston is a high precision engine component whose main task is to convert combustion energy into mechanical energy. During this process, substantial pressures exerted on the piston create high rigidity and temperature-resistance demands.

A piston is generally manufactured through gravity die casting and a machining process. The main constituent / raw material for this product is aluminum. Aluminum is melted in an induction furnace and then alloying elements are mixed in. The alloy when prepared is transferred to holding furnaces located near the die casting machines. The alloy metal is poured into the dies manually and after the lapse of time, to permit solidification, the piston is cast. In some of the latest equipment, the casting machines have auto pouring and auto unloading facility. The piston has a runner and a riser, which is trimmed off. To achieve proper hardness in the pistons, they are subjected to age hardening process. However in certain specific equipments solutionizing is done, followed by age hardening. After all checks, cast pistons (now called piston blanks) are delivered to machine shop.

Piston machining is done on special CNC machines, which include processes like fixture seat boring, rough OD turning, rough gudgeon pin hole boring, oil hole grooving, finish ring grooving, finish diameter turning, finish crown facing, finish pin hole boring and circlips grooving. The pistons in process are then subjected to various quality checks, to ensure the good quality of the product. After machining, the pistons are sent to final inspection for checking of various critical and major parameters. After all checks, pistons that require surface coating are sent to the surface treatment section, where these are subjected to specific coating like tin plating, phosphating, graphite coating, and moly coating depending upon the need of customer.

After surface treatment, pistons are once again checked and then delivered to the primary packaging department. The primary packaging department packs the pistons along with the relevant pins and sends to them to the finish shipping department for final delivery to customer.

Raw Material and Components

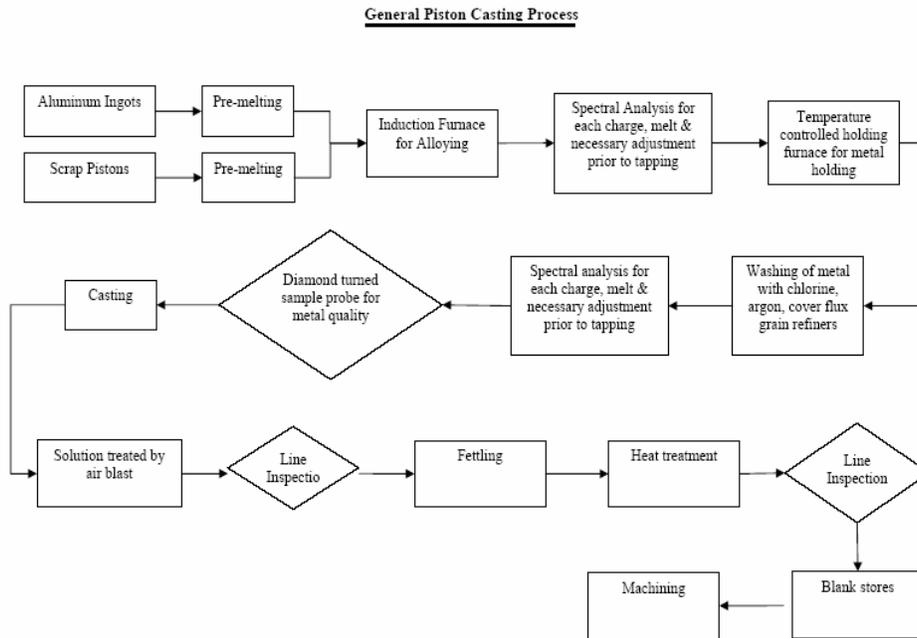
The main raw material in piston manufacturing is aluminum. Typical alloying contents are silicon, magnesium, nickel, copper and manganese. These elements are mixed in a predetermined quantity to aluminum, for preparing the alloy.

The chemicals for surface treatment include sodium stannate, graphite paint, granodine powder, sulphuric acid etc.

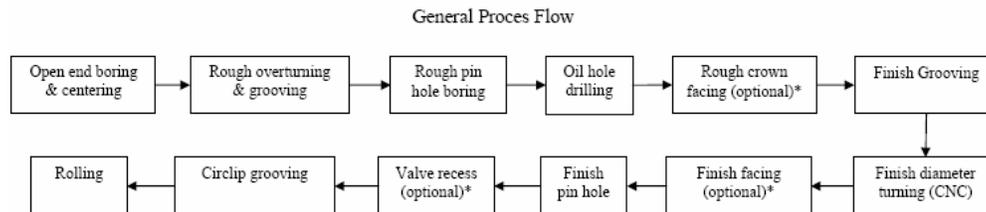
The packaging material includes cardboard boxes, plastic boxes, BOPP tape etc.

Manufacturing Process

The process of piston manufacturing is explained below with the help of a diagram:



Machining



Gudgeon (Piston) Pin

The Gudgeon pin performs in strenuous operating conditions which expose it to extremely high alternating loads. A Gudgeon pin is the part of the piston assembly that holds the small end of the connecting rod to the piston pin bore. Gudgeon pins are manufactured out of alloy steel made of chromium and nickel. The raw material is procured in long bars of various diameters depending upon the requirement of the size of the pin.

The manufacturing process includes two stages: soft machining and finish machining. Soft machining is a process before heat treatment and finish machining is a process after heat treatment.

The soft machining processes include cutting of bars, OD rough grinding, drilling, length facing and inside chamfering. After these processes the pins are subjected to heat treatment to reach the desirable hardness. The finish machining process include finish length grinding, OD grinding (three passes) and super finishing. Smaller diameter pins are produced out of seamless tube material and not passed through a drilling process.

The pins are then put through the machining process and then sent for final inspection, where they are subjected to dimensional and ultrasonic checking. After passing inspection, the pins are sent to the shipping department for delivery to the customer.

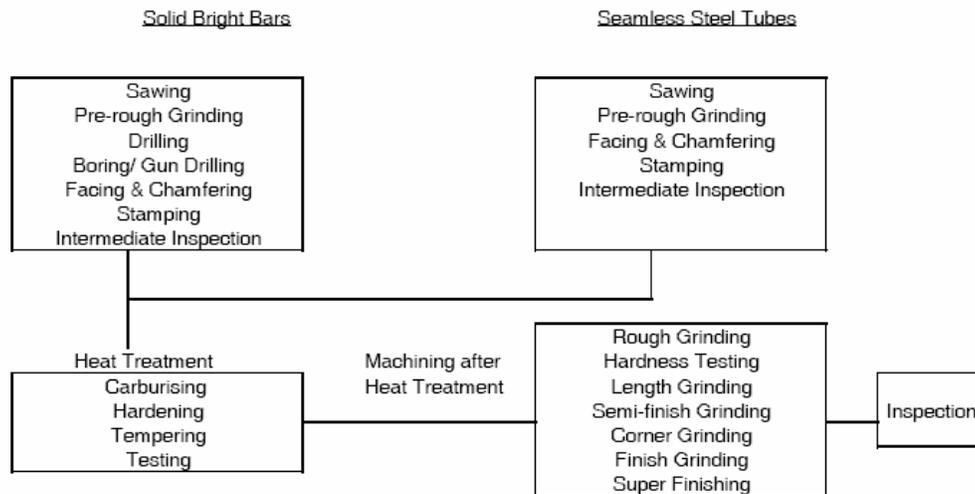
Raw Material and Component

Gudgeon pin are produced out of alloy steel material generally chromium and nickel. The main constituents are 17Cr3, 15CrNi6, SCM415H, SCr415H, 17MnNiCr5 etc.

Manufacturing Process

The process of gudgeon pins manufacturing is explained below with the help of a diagram:

Flow chart for Piston pin/ Crank Pin Machine before Heat Treatment



Piston Rings

Piston rings include the following variety:

- Cast Iron Compression Rings
- Cast Iron Compression Rings are used in light-vehicle petrol, light-vehicle diesel and heavy-duty/truck diesel engines. The main functions of compression rings are to seal the combustion chamber from the crankcase and transfer heat from the piston to the cylinder. However, they also play an important part in controlling engine oil consumption.
- Cast Iron Oil Rings
- Oil-control rings are used in light-vehicle gasoline engines (two- or three-piece), light-vehicle diesel engines (two-piece), and truck diesel engines (two-piece). The main function of the rings in the bottom piston groove is to scrape oil from the cylinder wall, meaning oil-control rings play a major part in regulating an engine's oil consumption.
- Steel Rings
- For heavy duty application and for thin rings, steel wire is used for manufacture of rings in place of Cast Iron.
- Chrome Rings
- To enhance wear resistance property, the running face of the rings are chrome plated.
- Moly Rings

- For certain applications, the running face of the ring is coated with moly powder which besides enhancing wear resistance, also provides for oil retention on the running face hence increasing the life of the rings.

Piston rings are produced from individual oval shaped castings by green sand moulding process. River bed sand is used along with bentonite for preparing moulding sand which has to undergo specific tests relating to permeability, moisture, hardness and bonding, The sand is then transported by conveyor belts to a three station semi automatic moulding machine which is used for making moulds.

A melting furnace is used for the preparation of various alloys. The molten alloy is poured into the moulds for casting. These castings are then stripped and fettled /cleaned before being sent to the machine shop.

Steel rings are produced by coiling imported special alloyed pre profile wire. For those alloys requiring heat treatment, they are sent through an automatic heat treatment oven.

The side flanks of an oval shape casting are ground on precision double disk grinders. These are subsequently machined to the required shape depending on the cross section of ring. The machines used to shape the cross section are automatic CNC ("computer numeric control") machines. These machines are typically imported and include: outside turning machines, auto inside turning machines, auto slotting machines, auto trapeze grinding machines and other special purpose machines.

More than 40% of the rings are required to be coated with chrome or molybdenum plating. This is done by a cell chrome bath or a molybdenum flame spraying process and plasma spray powder.

These rings are subjected to series of stringent quality checks throughout the manufacturing inspection processes.

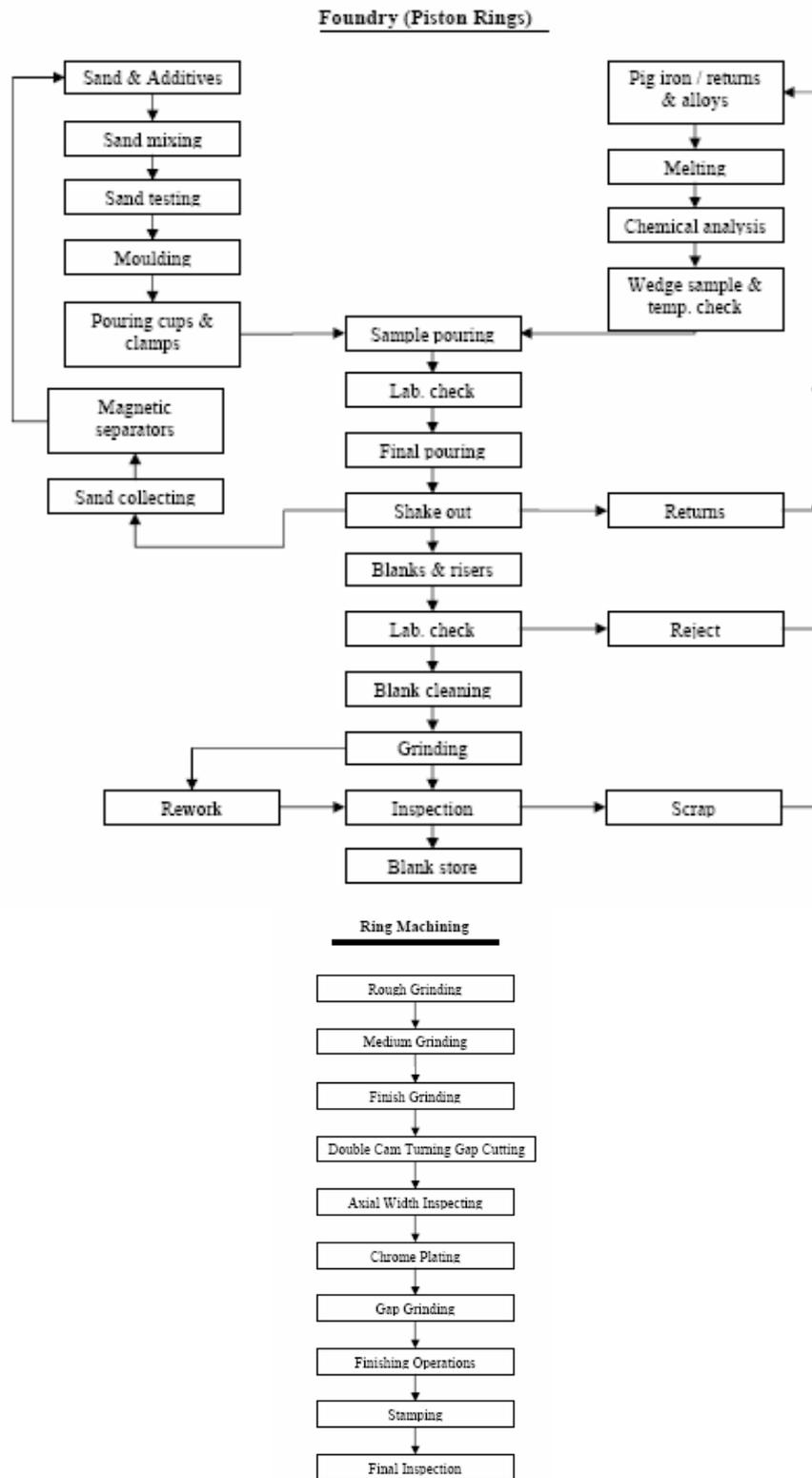
The metallurgical laboratory and the metrology room are equipped with sophisticated instruments viz. metallurgical spectrometer, metallurgical microscope, chromatograph, computerised carbon sulphur detection instrument perthometer, talyron profile checking, computerised face profile checking, tang. checking instruments, contracer and other conventional inspection instruments are used to make these quality checks.

Raw Material

The rings are made with specially alloyed cast iron and alloyed steel. For cast iron rings the main constituent is pig iron. The other alloying contents are silicon, magnesium, vanadium, niobium, nickel, copper, manganese and tungsten etc. These are added in various percentages depending on the type of alloy required.

Manufacturing Process

The process of piston ring manufacturing is explained below with the help of a diagram:



Liners

A liner is a cylindrical component, wherein the piston operates. This cylindrical component is cast through a centrifugal casting process wherein molten metal is poured in a centrifugal casting machine.

After casting the liners are sent for machining wherein both ends are parted. The cylinder liner is then processed through various machining operations, including but not limited to line semi-finish boring, semi-finish turning, length machining, fine boring, chamfering, honing, OD finish and OD chamfering.

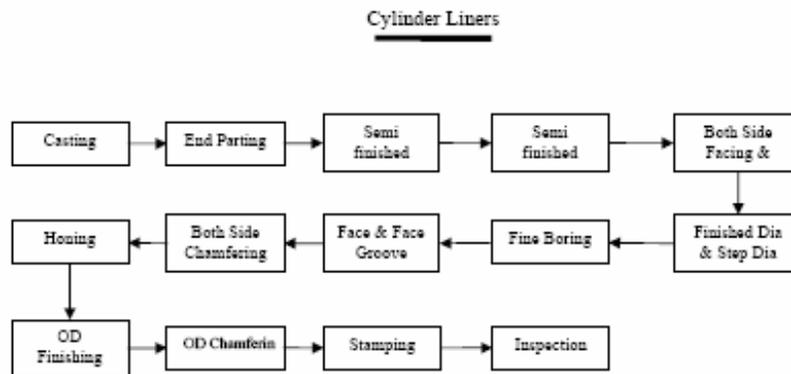
After machining, the liner is sent for inspection and packaging.

Raw Material

The main raw material in Liner manufacturing is grey cast iron with some contents of Ni, Cr, Mo etc. These elements are mixed with grey iron in an induction furnace, where the alloy is prepared and inserted into the molten metal.

Manufacturing Process

The process of Liner manufacturing is explained below with the help of a diagram:



Sintered Products

Sintered products are manufactured so that they are near final shape after the sintering process to make it economical to manufacture them by minimizing the machining operations. This reduces the wastage of material customary in a molten metal feeder system.

Sintered products need to be manufactured in specific compositions so to create the following functionality:

- Resist increased wear and tear
- Have hard and soft phases in same metallurgical structures

Sintered products use various raw materials at predetermined combinations to get the final sintered product with specific properties. The powdered metals are put through a power compaction process where they are stuffed in a cast and then compressed. This cast is then passed through a heat treatment process in a furnace. This powdered metallurgy process creates a solid blank containing 10-20% of interconnected porosity, like a metal sponge. This is filled with copper by a copper infiltration process. During the process, copper melts at high temperatures and fills the porosity by capillary action.

The various materials / elements are selected to be used in the sintering process because of their properties. Sulphide and solid lubricants are used to improve machinability. Copper, an excellent conductor of heat, helps improve heat transfer in an automotive component.

Our Manufacturing locations:

a) Patiala plant

Our Patiala plant is located at Bahadurgarh, Patiala, Punjab and consist of land measuring about 187 bighas, along with buildings thereon. The manufacturing facilities are spread on total covered area of 50,152 square meters. Some of the land was acquired through the merger of Escorts Pistons Ltd. into our Company. For relevant details of the property, please refer to page 109 of this Letter of Offer.

The primary products manufactured at this plant include piston rings, pistons, pins, cylinder liners and light alloy cylinders. The major plant and machineries installed at the Patiala plant includes the following machines:

Piston Rings:

1. Induction furnace.
2. Sand mixer.
3. Heat treatment furnaces.
4. Imported Besley double disc face grinders.
5. Imported grinders.
6. Cam turning machines.
7. ADA machines.
8. Slotting machines.
9. Rotary Baths.
10. Automatic phosphating plant.
11. Vertical Lapping machines.

Liners:

1. Induction furnace.
2. Turning machines.
3. Grinder.
4. Honing machine.
5. Boring machines.

Light Alloy Products:

1. Induction furnace
2. Die casting machines.
3. Sand Mixer.
4. Core shooter machines.
5. Induction Heaters.

Pistons:

1. Induction furnaces.
2. Die casting machines.
3. Heat treatment furnaces.
4. Profile turning machines.
5. Milling, turning, boring machines.
6. Tin coating plant.
7. Moly coating plant.
8. Grooving machines.
9. Heat treatment furnaces.
10. Center less grinders.

The details of installed capacity and actual production of major products manufactured at Patiala plant for the last three years / periods are as follows:

Types of products	Installed Capacity			Actual Production		
	March 2005	March 2006	December 2006*	March 2005	March 2006	December 2006
Piston Rings	2,83,20,000	2,83,20,000	2,65,76,000	2,14,28,645	2,08,58,367	1,43,38,063
Pistons	52,32,000	52,32,000	58,87,792	42,79,001	39,75,830	34,09,031
Pins	45,00,000	51,00,000	78,14,250	44,36,000	42,99,000	35,66,999
Cylinder Liners	3,60,000	3,60,000	6,02,309	4,59,171	4,59,373	2,72,372
Light Alloy Cylinders	2,07,250	2,07,250	3,82,936	1,61,306	2,12,500	1,97,423

*Annualised Installed Capacity

Power

Punjab State Electricity Board has sanctioned a load of 24019 KW for manufacturing facilities of the Patiala plant, which is fully utilized. The plant is also equipped with eight Diesel Generating Sets having total installed capacity of 7815 kVA for captive use. The captive Diesel Generating Sets are operated during load shedding, power shutdowns and power failure periods only to augment the power availability to maintain continuity of operations at the plant.

Water

We have installed deep well turbine pumps with two overheads water storage reservoirs to cater to in-house water requirement and are of adequate capacity. In addition to this, water recirculation systems and cooling towers are installed to conserve water.

Effluent Treatment Facilities at the Patiala Plant

We have installed effluent treatment plants for treatment of trade and domestic effluents. The trade effluents are first treated near the points of generation in the primary effluent treatment plants. All treated effluents are carried to a secondary effluent treatment plant where these are mixed with treated domestic effluent. It is ensured that the parameters are well below the limits prescribed by Punjab Pollution Control Board before disposal of the treated water for agro forestry purposes and on land irrigation inside the plant premises. We have also installed air pollution control devices at all required locations and regular quality monitoring is done.

Human Resources

The details of manpower in the plant as at July 31, 2007 are given below:

Category	No.
Permanent (Assistant Managers & above, Executive trainees & management trainees, Retainers, Supervisors, Staff / Sub-staff and Workers)	2,272
Contractual (Casuals and trainees)	895
Total	3,167

For details of the relevant government approvals, please refer to page 292 of this Letter of Offer.

b) Bhiwadi Plant

Our Bhiwadi plant is located at SPL/1240 to 1244, RIICO Industrial Area, Phase I Extension, Village Ghatal Bhiwadi-301019, District Alwar, Rajasthan and consists of land measuring about 22,270 square meters along with buildings thereon. For relevant details of the property, please refer to page 109 of this Letter of Offer. The

plant was acquired through merger of Federal-Mogul Sintered Products Limited with our Company vide order of the Delhi High Court dated July 16, 2001 with the effective date of the merger being January 1, 2001.

The manufacturing facilities are spread on total covered area of 2,987 square meters. The primary products manufactured at this plant include Valve Train Components & Structural Components. The major plant and machineries installed at the Bhiwadi plant includes the following:

1. Blender
2. Presses
3. Sintering Furnace
4. Steam Tempering Furnace
5. Tempering Furnace
6. Cryogenic Furnace
7. Oil Impregnation Unit
8. Vibrator (Descaling)
9. Grinders
10. Lathe
11. Double Disc Grinder
12. Vibro Finishing Machine

The details of installed capacity and actual production of major products manufactured at Bhiwadi plant for the last three years / periods are as follows:

Types of products	Installed Capacity			Actual Production		
	March 2005	March 2006	December 2006*	March 2005	March 2006	December 2006
Valve Train Components	1,62,00,000	2,70,00,000	2,70,00,000	1,40,27,713	1,91,83,259	1,84,61,997
Structural Components	20,00,000	28,00,000	28,00,000	20,32,505	33,18,874	28,55,721

*Annualised Installed Capacity

Power

Jaipur Vidut Vitran Nigam Ltd. (JVVNL) has sanctioned a load of 1740 KVA for manufacturing facilities of the Bhiwadi plant, with a contracted demand of 750KVA which is fully utilized. The plant is also equipped with two diesel generating sets having total installed capacity of 1500 KVA for captive use. The captive diesel generating sets are operated during load shedding, power shutdowns and power failure periods only to augment the power availability to maintain continuity of operations at the plant.

Water

We have installed three submersible pumps to cater to in-house water requirement and are of adequate capacity. In addition to this, water recirculation systems and cooling towers are installed to conserve water.

Effluent Treatment Facilities at the Bhiwadi Plant

We have installed effluent treatment plants for treatment of trade and domestic effluents. The trade effluents are first treated near the points of generation in the primary effluent treatment plants. All treated effluents are carried to a secondary effluent treatment plant where these are mixed with treated domestic effluent. It is ensured that the parameters are well below the limits prescribed by Rajasthan Pollution Control Board before disposal of the treated water for agro forestry purposes and on land irrigation inside the plant premises. We are also regularly monitoring air pollution control at all required locations.

Human Resources

The details of manpower in the plant as at July 31, 2007 are given below:

Category	No.
Permanent (Assistant Managers & above, Executive trainees & management trainees, Retainers, Supervisors, Staff / Sub-staff and Workers)	97
Contractual (Casuals and trainees)	162
Total	259

For details of the relevant government approvals, please refer to page 292 of this Letter of Offer.

c) Bangalore Plant

Our Bangalore plant is located at Yelahanka, Bangalore, Karnataka and consists of land measuring about 50 acres along with buildings thereon. For relevant details of the property, please refer to page 109 of this Letter of Offer. The plant is partly an original FMGIL facility and includes the facility acquired through merger of Escorts Pistons Ltd.

The manufacturing facilities are spread on total covered area of 70,000 square meters. The primary products manufactured at this plant include pistons rings, pistons and pins. The major plant and machineries installed at the Bangalore plant are the same as disclosed for the Patiala plant above.

The details of installed capacity and actual production of major products manufactured at Bangalore plant for the last three years / periods are as follows:

Types of products	Installed Capacity			Actual Production		
	March 2005	March 2006	December 2006*	March 2005	March 2006	December 2006
Piston Rings	2,34,00,000	2,66,40,000	2,83,84,000	1,93,84,840	2,24,92,508	1,83,89,197
Pistons	55,20,000	76,80,000	76,80,000	37,76,223	39,51,114	31,41,299
Pins	58,80,000	56,64,000	56,64,000	45,90,289	43,70,676	34,82,713

*Annualised Installed Capacity

Power

Karnataka Power Transmission Corporation Limited has sanctioned a contract demand of 11,082 KVA for manufacturing facilities of the Bangalore plant, which is fully utilized. The connected load of the Bangalore plant is presently 24,500 KW. The plant is also equipped with eleven Diesel Generating Sets having total installed capacity of 11,250 KVA for captive use. The captive Diesel Generating Sets are operated only during power interruptions from the grid to maintain continuity of operations at the plant.

Water

We have in-house deep bore wells (4 Nos) with overhead tank facilities that can feed for manufacturing process adequately. For potable purpose, the water is procured from outside agency as the in-house bore-wells are not fit for potable purpose. In addition to this, water re-circulation systems and cooling towers are installed to conserve water. We also have rain water harvesting facilities used at canteen for vessel washing and cleaning purpose.

Effluent Treatment Facilities at the Bangalore Plant

We have installed effluent treatment plants for treatment of trade and domestic effluents. The trade effluents are first treated near the points of generation in the primary effluent treatment plant. All treated effluents are carried to secondary effluent treatment plant where these are mixed with treated domestic effluent. It is ensured that the parameters are well below the limits prescribed by Karnataka Pollution Control Board before disposal of the treated water for agro forestry and on land irrigation inside the plant premises. In the year 2007, we are

augmenting the facilities for the sewage treatment plant due to increased demand. We have also installed air pollution control devices at all required locations and regular quality monitoring is done.

Our subsidiary, FMTPR India, also has a plant at Bangalore and we share common premises and facilities like power, water and effluent treatment plant.

Human Resources

The details of manpower in the plant as at July 31, 2007 are given below:

Category	No.
Permanent (Assistant Managers & above, Executive trainees & management trainees, Retainers, Supervisors, Staff / Sub-staff and Workers)	2,116
Contractual (Casuals and trainees)	1,323
Total	3,439

For details of the relevant government approvals, request to refer page 292 of this Letter of Offer.

In addition to the above, we have purchased land in Pantnagar, Uttarakhand for setting up an assembly unit of pistons and piston rings. This assembly unit is expected to be operational by October 2007. We are installing ring mounting machines with capacity to mount approximately 5,000 pistons and piston rings per shift.

Manufacturing locations of our subsidiaries

In addition to the above, following are the manufacturing facilities of our subsidiaries:

FMTPR India

The plant of our subsidiary is located at Bangalore and we share common premises. Please refer the details of our Bangalore plant for the location details. FMTPR India manufactures only piston rings.

The major plant and machineries installed at the Bangalore plant of FMTPR India include the following:

SPM like Steel wire coiling machines, Nissie grinders, auto honing machines, side rail forming machines, nitriding furnaces, etc.

The details of installed capacity and actual production of major products manufactured at FMTPR India plant at Bangalore for the last three years / periods are as follows:

Types of products	Installed Capacity			Actual Production		
	March 2005	March 2006	December 2006*	March 2005	March 2006	December 2006
Piston rings	1,44,00,000	1,44,00,000	2,48,88,000	89,20,713	1,15,42,710	1,66,11,534

*Annualised Installed Capacity

All other facilities like power, effluent treatment plant, water are shared between our Bangalore plant and plant of our subsidiary

Human Resources

The details of manpower in the plant of our subsidiary as at July 31, 2007 are given below:

Category	No.
Permanent (Assistant Managers & above, Executive trainees & management trainees, Retainers, Supervisors, Staff / Sub-staff and Workers)	103
Contractual (Casuals and trainees)	13
Total	116

For details of the relevant government approvals, request to refer page 292 of this Letter of Offer.

Our other subsidiary, SRCL, does not own / operate any manufacturing facility.

Recruitment Procedure:

The recruitment procedure of the Company is based on nondiscriminatory and unbiased means of selection. Recruitments are done through placement agencies, business schools or at times through recruitment portals.

Our Marketing set-up

Our turnover constitutes income from sale of our products to OEMs, replacement markets and exports. We have separate sales set-up for every segment. The sales from OEMs are handled through our marketing offices located at three major cities of India – New Delhi, Pune, and Chennai. The sales for the replacement segment is handled through the stockists and depots located at 22 locations across India while the exports are handled through our head office.

Our marketing team is in constant touch with the OEMs. They liaise with our technical team to assist the OEMs for development / modification of any products which includes products manufactured by us.

INSURANCE

Our Company has taken out various insurance policies, such as Standard Fire and Special perils policies, Standard Burglary BP, Group Medical Insurance policies, etc., in respect of its business, its assets such as its stocks, machinery, buildings, furniture and its employees for our different offices and factories. The various insurance policies obtained by us are in the usual course of our business and are currently valid and in force.

We have obtained the Directors and Officers Liability Insurance from HDFC Chubb General Insurance Company Limited for a sum of INR 44,900,000 which is valid till December 19, 2007. The premium payable by us under this insurance policy is INR 151,187.

REAL ESTATE AND PROPERTY

We own and have also leased various premises in different locations in India for commercial purposes, residential use and for our warehouses and depots.

LEASED PREMISES

A summary of our leasehold properties is given below:

S. No.	Location of Property	Document	Date	Lessor/Licensor	Key Terms	Amounts Payable	Area
1.	A -26/3, Mohan Co-operative Industrial Estate Ltd., Mathura	Lease Agreement	May 1, 2004	SRCL.	<ul style="list-style-type: none"> ▪ Term of nine (9) years beginning from May 2004. ▪ We are permitted 	<ul style="list-style-type: none"> ▪ Monthly rental of Rs. 500,000 	1617.77 square yards

S. No.	Location of Property	Document	Date	Lessor/Licensor	Key Terms	Amounts Payable	Area
	Rd., New Delhi.				to sub-let to our group companies and associates without the prior consent of Satara Rubbers & Chemicals Limited .	with effect from April 1, 2006.	
2.	SPL/1240 to 1244 RIICO Industrial Area, Phase I Extension, Village Ghatal Bhiwadi, District Alwar, Rajasthan.	<ul style="list-style-type: none"> ▪ Letter of allotment. ▪ Lease agreement between BRICO Goetze and RIICO (as amended on May 22, 2002 and August 22, 2002.) 	<ul style="list-style-type: none"> ▪ February 6, 1996 ▪ March 27, 1997 	Bhiwadi Industrial Development and Investment Corporation Ltd.	<ul style="list-style-type: none"> ▪ We have been leased the property for ninety nine (99) years. ▪ We are not permitted to make any changes/ alterations to the buildings on the plot without prior consent of the lessor and the local authorities. ▪ We are not permitted to sub-let, relinquish, mortgage or assign the property without the prior approval of the lessor. 	Amount paid under allotment letter: Rs. 6,015,800. Annual economic rent: Rs. 900.	22,270 square meters
3.	Plot No. 46, Sector- 11, IIE-Pantnagar, Udham Singh Nagar, Uttarakhand (admeasuring approx. 17, 742.05 sq. m)	Allotment Ref no. 3525/AGM/S IDCUL/06 & 1059/AGM/S IDCUL/06.	May 26, 2006 & August 31, 2006.	State Industrial Development Corporation of Uttaranchal Ltd. (SIDCUL)		Premium of Rs. 125 per sq. m. i.e. Rs. 2,217,756.25.	17,742.05 square meters

WAREHOUSES/DEPOTS

The following table sets out the details of the warehouses/depots taken on lease/license by us:

S. No.	City	Address of Property	Date	Lessor/ Licensor	Key Terms	Amounts Payable	Area (In sq. ft.)
1.	Ahmedabad	Harsh Giri Estate, Opposite Alpha Hotel, Near Patel Roadways, NH-8 Aslali Village, Ahmedabad.	November 30, 2006	M/s. Gujarat Trading Co.	<ul style="list-style-type: none"> ▪ Term of three (3) years from November 1, 2006 to October 31, 2009. ▪ We have the right to sub-let, assign or part with the lease to associate / subsidiary companies without the lessor's approval. ▪ Either party has a right to terminate with a three (3) month notice. 	<ul style="list-style-type: none"> ▪ Monthly rent of Rs. 12,600. ▪ Refundable security deposit paid: Rs. 50,000. 	1800

S. No.	City	Address of Property	Date	Lessor/ Licensor	Key Terms	Amounts Payable	Area (In sq. ft.)
2.	Bangalore	20, Door No. 36, New Timber Yard Layout, RMS Post Office, Bangalore.	February 16, 2005	Mr. BK Somasekhar	<ul style="list-style-type: none"> ▪ Term of three (3) years beginning from November 1, 2004 to October 31, 2007, renewable thereafter with an increase in rent by 10% for the further renewed period of lease. ▪ We have the right to sub-let, assign or part with the lease to associate/ subsidiary companies without the lessor's approval. ▪ Either party has a right to terminate with a two (2) month notice. 	<ul style="list-style-type: none"> ▪ Monthly rent of Rs. 26,450. ▪ Refundable security deposit paid: Rs. 134,810. 	3172
3.	Bhiwandi	Plinth No. 2, Building Plot No. B-7, Serial No. 69, House No. 17P, Pritesh Complex, Anjurphata, Dapoda Rd., Atwal Village, Bhiwandi, District Thane.	January 27, 2005	Ms. Rekha Naresh Gosrani & Mr. Nareshkumar Somchand Gosrani (HUF)	<ul style="list-style-type: none"> ▪ Term of fifty five (55) months beginning from February 1, 2005 to August 31, 2009, renewable with mutual consent. ▪ We have the right to sub-let, the lease to group/ subsidiary companies and successors without the lessor's approval. ▪ We can terminate by giving a notice of three (3) months. The licensor can terminate in case of non payment of license fees for three (3) months or for act or omission leading to criminal liability. ▪ We are not permitted to take any loan or hypothecate the property with any bank financial institution or other person. 	<ul style="list-style-type: none"> ▪ Monthly License Fees of Rs. 10,775. ▪ Refundable security deposit paid: Rs. 32,325. ▪ Maintenance fees: Rs. 4,310. 	2155
4.	Bhiwandi	Plinth No. 3, Building Plot No. B-7, Serial No. 69, House No. 17P, Pritesh Complex, Anjurphata, Dapoda Rd., Atwal Village, Bhiwandi, District Thane.	January 27, 2005	Ms. Ratiaben Somchand Gosrani & Ms. Falguni Hiren Gosrani	<ul style="list-style-type: none"> ▪ Term of fifty five (55) months beginning from February 1, 2005 to August 31, 2009, renewable with mutual consent. ▪ We have the right to sub-let, assign or part with the lease to group/ subsidiary companies and successors without the licensor's approval. ▪ We can terminate by giving a notice of three (3) months. The licensor can terminate in case of non payment of license fees for three (3) months or for act or omission leading to criminal liability. ▪ We are not permitted to 	<ul style="list-style-type: none"> ▪ Monthly License Fees of Rs. 10,775. ▪ Refundable security deposit paid: Rs. 32,325. ▪ Maintenance fees: Rs. 4,310. 	2155

S. No.	City	Address of Property	Date	Lessor/ Licensor	Key Terms	Amounts Payable	Area (In sq. ft.)
					take any loan or hypothecate the property with any bank, financial institution or other person.		
5.	Chandigarh	SCF 243, 2 nd Floor, Motor Market, Manimajra, Chandigarh.	November 1, 2006	Mrs. Chander Lekha Vaid	<ul style="list-style-type: none"> ▪ Term of three (3) years beginning from September 1, 2006 to August 31, 2009, renewable thereafter with a minimum increase in rent by 12.50% for the further renewed period of lease. ▪ We have the right to sublet, assign or part with the lease to associate / subsidiary companies without the lessor's approval. ▪ Either party has a right to terminate with a two (2) month notice. 	<ul style="list-style-type: none"> ▪ Monthly rent of Rs. 4,500. ▪ Refundable security deposit paid: Rs. 4,500. 	750
6.	Chennai	C-13, New No. 17, Muggapair Industrial Estate, Padi Chennai.	Renewed on July 13, 2005	Kailash Shipping Services Pvt. Ltd.	<ul style="list-style-type: none"> ▪ Term of three (3) years from July 1, 2005 to June 30, 2008. 	<ul style="list-style-type: none"> ▪ Monthly rent of Rs. 12,000. 	2396
7.	Cochin	Ground Floor 42/2420 "Thaliyath House", St. Benedict Rd., Ernakulam, Cochin.	October 15, 2003	Mr. TD George	<ul style="list-style-type: none"> ▪ Term of five (5) years beginning from October 15, 2003 to October 14, 2008, renewable with mutual consent. ▪ We have the right to sublet, assign or part with the lease to associate / subsidiary companies without the lessor's approval. ▪ The lessor cannot terminate till expiry of initial three (3) years of tenancy although we have the right to terminate with three (3) months notice. After three (3) years, either party can terminate giving a three (3) month notice. 	<ul style="list-style-type: none"> ▪ Monthly rent of Rs. 7,500 for the first three years and increase @ 15% thereof after first three years. ▪ Refundable security deposit paid: Rs. 45,000. ▪ Maintenance charges: Rs. 2,506. 	1125

S. No.	City	Address of Property	Date	Lessor/ Licensor	Key Terms	Amounts Payable	Area (In sq. ft.)
8.	Cuttack	Holding No.- 338/A, Ward Number 26, Ice Factory Road, PO College Square Cuttack..	August 6, 2007	Mr. Nikhil R Rathor	<ul style="list-style-type: none"> ▪ Term of three (3) years beginning from September 1, 2007 to August 31, 2010, renewable thereafter with a minimum increase in rent by 20% for the further renewed period of lease. ▪ We have the right to sublet, assign or part with the lease to associate/ subsidiary companies without the lessor's approval. ▪ Either party has a right to terminate with a two (2) month notice. 	<ul style="list-style-type: none"> ▪ Monthly rent of Rs. 14,700. ▪ Refundable security deposit paid: Rs. 44,100. 	2100
9.	Dehradun	No. C-21, Chauhan Market, Haridwar Rd., Dehradun.	March 24, 2004	Ms. Jagjit Kaur	<ul style="list-style-type: none"> ▪ Term of three (3) years beginning from February 1, 2004 to January 31, 2007, with an increase in rent by 10% for the further renewed period of lease. Renewal of this lease is under process. ▪ We have the right to sublet, assign or part with the lease to associate/ subsidiary companies without the lessor's approval. 	<ul style="list-style-type: none"> ▪ Monthly rent of Rs. 3,300. 	166.67
10.	Delhi	F1 and F2 (FF) Roshnara Plaza, Roshnara Rd., Delhi.	March 1, 2004	M/s. MPD Builders Pvt. Ltd.	<ul style="list-style-type: none"> ▪ Term of four (4) years beginning from March 1, 2004 to February 28, 2008, renewable thereafter with an increase in rent by 15% for the further renewed period of lease. ▪ We have the right to sublet, assign or part with the lease to associate/ subsidiary companies without the lessor's approval. ▪ The lessor has no right to terminate but we have the right to terminate with a two (2) months notice. ▪ We have a separate agreement of even date for maintenance charge for these properties with the same party 	<ul style="list-style-type: none"> ▪ Monthly rent of Rs. 7,635/- for F2 and 20,045 for F1. ▪ Refundable security deposit paid: Rs. 45,810 for F2 and 104,580/- for F1. ▪ Monthly Maintenance charges: Rs. 2,506. 	1671
11.	Delhi	Warehouse 25-A, Harichand Mela Ram Complex, East	June 19, 2001	M/s. Tajinder Arora and Co.	<ul style="list-style-type: none"> ▪ Term of nine (9) years, from June 1, 2001 to May 31, 2010. ▪ We have the right to sublet any portion of the property 	<ul style="list-style-type: none"> ▪ Monthly rent of Rs. 61,663 (enhanced 	7,660

S. No.	City	Address of Property	Date	Lessor/ Licensor	Key Terms	Amounts Payable	Area (In sq. ft.)
		Gokulpuri, Wazirabad Rd., Delhi.			<p>to any group company.</p> <ul style="list-style-type: none"> The lessor has a right to terminate only if the rent is unpaid for four (4) consecutive months. We have the right to terminate with a four month notice. 	<ul style="list-style-type: none"> by 15% every three years, last enhanced in June 2004) Refundable security deposit paid: Rs. 160,860. 	
12	Delhi	No. 23-A, Bareja Sadan Market, Main Mathura Rd., New Delhi.	June 1, 2006	Mrs. Jagjit Kaur	<ul style="list-style-type: none"> Term of two (2) years from June 1, 2006 to May 31, 2008 renewable thereafter with 10% increase in rent for the further renewed period of lease. Either party has a right to terminate with one month notice. 	<ul style="list-style-type: none"> Monthly rent of Rs. 7,700. 	900
13.	Ghaziabad	No. 791, New Arya Nagar, Meerut Rd., Ghaziabad.	January 28, 2005	Ms. Lata Garg	<ul style="list-style-type: none"> Term of three (3) years beginning from March 1, 2005 to February 28, 2008, renewable thereafter with a 5% increase in rent for the further renewed period of lease. We have the right to sublet, assign or part with the lease to associate/ subsidiary companies without the lessor's approval. Lessor has no right to terminate the lease. We can terminate with one month notice. 	<ul style="list-style-type: none"> Monthly rent of Rs. 27,500. Refundable security deposit paid: Rs. 82,500. 	5,000
14.	Gurgaon	Begumpur Khatola, Behrampur Industrial Area, 39 th Milestone, NH-8, Gurgaon.	November 15, 2004	M/s Sharma Enterprises	<ul style="list-style-type: none"> Term of three (3) years beginning from November 15, 2004 to November 14, 2007, renewable with mutual consent. We have the right to sublet, assign or part with the lease to group companies and successors without the lessor's approval. Either party can terminate the agreement by giving a ninety (90) day notice. 	<ul style="list-style-type: none"> Monthly rent of Rs. 36,000. Advance rent paid: Rs. 98,000. 	3,000
15.	Guwahati	No. 147, 148 Ward No. 16A, Guwahati Municipal Corporation, Ulubari, G S Road, Janpath Lane, Guwahati	June 16, 2005	M/s. Ramesh Kumar Arvind Kumar (HUF)	<ul style="list-style-type: none"> Term of three (3) years beginning from October 1, 2004 to September 30, 2007, renewable with mutual consent. We have the right to sublet, assign or part with the lease to associate/ subsidiary companies without the lessor's 	<ul style="list-style-type: none"> Monthly rent of Rs. 16,680. 	1668

S. No.	City	Address of Property	Date	Lessor/ Licensor	Key Terms	Amounts Payable	Area (In sq. ft.)
					<p>approval.</p> <ul style="list-style-type: none"> Either party has a right to terminate with a three (3) month notice. 		
16.	Indore	29/2 Lasudiamor, A B Road, Indore	March 15, 2005	M/s. Singhal Leasing and Construction (P) Ltd	<ul style="list-style-type: none"> Term of three (3) years beginning from May 1, 2004 to April 30, 2007, renewable thereafter with 10% increase in rent for the further renewed period of lease. Renewal of this lease is under process. We have the right to sublet, assign or part with the lease to associate/ subsidiary companies without the lessor's approval. Either party has a right to terminate with a two (2) month notice. 	<ul style="list-style-type: none"> Monthly rent of Rs. 6,733. Refundable security deposit paid: Rs. 18,363. 	1855
17.	Jaipur	Godown 15, Transport Nagar, Jaipur.	November 1, 2003	Mr. Khairatilal Katiyal	<ul style="list-style-type: none"> Term of nine (9) years beginning from October 1, 2003 to September 31, 2012, renewable with mutual consent. We have the right to sublet, assign or part with the lease to associate/ subsidiary companies without the lessor's approval. The lessor cannot terminate till expiry of six (6) years of tenancy although we can terminate with two (2) months notice. After 6 years, either party can terminate giving a 2 month notice. 	<ul style="list-style-type: none"> Monthly rent of Rs. 15,051 (enhanced by Rs. 1,000 p.m. w.e.f. June 1, 2005) for the first three years and increase @ 10% thereof after every three years. Refundable security deposit paid: Rs. 14,051/-. 	1607.96
18.	Jamshedpur	Plot No. 132/1840, Khata No. 1, Ward No. 13, Jamshedpur.	October 15, 2005	Ms. Sulochana Devi Agarwal and Mr. Gajanand Agarwal	<ul style="list-style-type: none"> Term of three (3) years beginning from October 15, 2005 to October 14, 2008, renewable thereafter with a 10% p.a. increase in rent for the further renewed period of lease. Either party has a right to terminate with a three (3) month notice. 	<ul style="list-style-type: none"> Monthly rent of Rs. 40,000. 	8,000
19.	Kolkata	Flat No. 16 and 17, 5 th Floor, Shantiniketan Building, 8 Camac Street, Kolkata.	June 12, 2003	Ms. Anandi Devi Jalan and Ms. Bimla Devi Jalan	<ul style="list-style-type: none"> Term of three (3) years beginning from May 1, 2003, renewable thereafter with 15% increase in rent for the further renewed period of lease. Renewal of this lease is under process. 	<ul style="list-style-type: none"> Monthly rent of Rs. 20,438 (enhanced by 15% every three years, last enhanced 	1,481

S. No.	City	Address of Property	Date	Lessor/ Licensor	Key Terms	Amounts Payable	Area (In sq. ft.)
					<ul style="list-style-type: none"> ▪ We have the right to sublet, assign or part with the lease to associate/ subsidiary companies without the lessor's approval. ▪ Lessor has no right to terminate the lease. We can terminate with a six (6) month notice. ▪ We also have a hiring agreement for the use of fittings & fixtures with the same party. 	<ul style="list-style-type: none"> ▪ in May, 2006). Refundable security deposit paid: Rs. 213,264. ▪ Monthly hire charges of Rs. 25,547 (enhanced by 15% every three years, last enhanced in May, 2006). ▪ Refundable security deposit paid under hiring agreement: Rs. 266,580 	
20.	Kolkata	55, Canal East Road., Beliaghata, Kolkata.	September 29, 2006	Heilgers Private Limited	<ul style="list-style-type: none"> ▪ Term of two (2) years beginning from October 1, 2006 to September 30, 2008, renewable thereafter with a 10% minimum increase in rent for the further renewed period of lease. ▪ We have the right to sublet, assign or part with the lease to associate/ subsidiary companies without the lessor's approval. ▪ Either party can terminate with a three (3) month notice. 	<ul style="list-style-type: none"> ▪ Monthly rent of Rs. 33,810. ▪ Refundable security deposit paid: Rs. 175,000. 	2,800
21.	Ludhiana	Plot No. 12, Sherpur Chowk, Ludhiana.	March 30, 1998	Mr. Arun Kumar and Mrs. Kailash Rani	<ul style="list-style-type: none"> ▪ Term of three (3) years beginning from April 1, 1998 renewable thereafter with mutual consent.¹ . Renewal of this lease is under process. ▪ We have the right to sublet, assign or part with the lease to group companies without the lessor's approval. ▪ Either party can terminate with one month notice. 	<ul style="list-style-type: none"> ▪ Monthly rent of Rs. 15,525 (enhanced by 15% every three years. ▪ Refundable security deposit paid: Rs. 40,500. 	2,700
22.	Mumbai	303, 3 rd Floor,	April 4,	Mrs. Shilpa D.	<ul style="list-style-type: none"> ▪ Term of thirty six (36) 	<ul style="list-style-type: none"> ▪ Monthly 	870

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¹ We have not executed any agreement for the renewal of the lease which has expired in April, 2001. However, we continue to occupy and use the said premises.

S. No.	City	Address of Property	Date	Lessor/ Licensor	Key Terms	Amounts Payable	Area (In sq. ft.)
		TV Estate, SK Ahire Marg, Worli, Mumbai.	2007	Shah	<p>months beginning from April 1, 2007 to March 31, 2010, renewable with mutual consent.</p> <ul style="list-style-type: none"> ▪ Premises are fully furnished. ▪ Premises can be used by a group or associate company only on a gratuitous basis and for a temporary period and it remains our responsibility to return the premises to the licensor at the expiry of the license. ▪ We are not permitted to part with the possession or sub-let the premises except to a group company for a temporary period and it shall remain our responsibility to hand over the premises to the Licensor. A group company shall mean a company in which at least two directors are in common and in which we own 25% of the shareholding. ▪ Licensor can terminate on breach by us with a one (1) month notice. ▪ We are not tenants and are not entitled to seek protection under the Maharashtra Rent Control Act, 1999. 	<p>license fees of Rs. 55,000</p> <ul style="list-style-type: none"> ▪ Refundable security deposit paid: Rs. 150,000. 	
23.	Mumbai	304, 3 rd Floor, TV Estate, SK Ahire Marg, Worli, Mumbai.	April 1, 2007	Deepak P. Shah (HUF)	<ul style="list-style-type: none"> ▪ Term of thirty six (36) months beginning from April 1, 2007 to March 31, 2010, renewable with mutual consent. ▪ Premises are fully furnished. ▪ Premises can be used by a group or associate company only on a gratuitous basis and for a temporary period and it remains our responsibility to return the premises to the licensor at the expiry of the license. ▪ We are not permitted to part with the possession or sub-let the premises except to a group company for a temporary period and it shall remain our responsibility to hand over the premises to the 	<ul style="list-style-type: none"> ▪ Monthly license fees of Rs. 55,000. ▪ Refundable security deposit paid: Rs. 150,000. 	870

S. No.	City	Address of Property	Date	Lessor/ Licensor	Key Terms	Amounts Payable	Area (In sq. ft.)
					<p>Licensor. A group company shall mean a company in which at least two directors are in common and in which we own 25% of the shareholding.</p> <ul style="list-style-type: none"> ▪ Licensor can terminate on breach by us with a one (1) month notice. ▪ We are not tenants and are not entitled to seek protection under the Maharashtra Rent Control Act, 1999. 		
24.	New Delhi	Plot No. B-11, Khasra No. 120, 121/2 & 122, Village Tajpur, Bareja Sadan Colony, Mehrauli, Badarpur, New Delhi.	April 15, 2004	M/s. Nanda Electrical	<ul style="list-style-type: none"> ▪ Term of three (3) years beginning from April 15, 2004 to April 14, 2007, renewable thereafter with 10% increase in rent for the further renewed period of lease. Renewal of this lease is under process. ▪ We have the right to sublet, assign or part with the lease to associate/ subsidiary companies without the lessor's approval. ▪ Either party can terminate with three (3) month notice. 	<ul style="list-style-type: none"> ▪ Monthly rent of Rs. 8,500. ▪ Refundable security deposit paid: Rs. 25,000. 	1,000
25.	Pune	202, Laxmi Plaza, Survey No. 412 Kasarwadi Bhosari.	November 5, 2005	Mr. Hament Sagavekar	<ul style="list-style-type: none"> ▪ Term of thirty three (33) months beginning from November 5, 2005 to August 8, 2008, renewable with mutual consent. ▪ We have the right to sublet, assign or part with the lease to associate/ subsidiary companies without the lessor's approval. ▪ Either party can terminate with a two (2) month notice. 	<ul style="list-style-type: none"> ▪ Monthly rent of Rs. 7,500. ▪ Refundable security deposit paid: Rs. 75,000. 	495
26.	Pune	Sukhwani Logistics, S No. 5, Near Morya Hospital, Tathwade.	October 18, 2005	Mr. Gurmukh J. Sukhwani	<ul style="list-style-type: none"> ▪ Term of six (6) years from November 1, 2005 to October 31, 2011 renewable thereafter with an increase of 10% in the rent after every two (2) years. ▪ We have the right to sublet, assign or part with the lease to associate/ subsidiary companies without the lessor's approval. ▪ The lessor has no right to 	<ul style="list-style-type: none"> ▪ Monthly rent of Rs. 24,750 for the first two years and thereafter increase @ 10% thereof for every two years. ▪ Refundable security deposit paid: Rs. 	4,500

S. No.	City	Address of Property	Date	Lessor/ Licensor	Key Terms	Amounts Payable	Area (In sq. ft.)
					terminate but we have the right to terminate with a two (2) months notice.	150,000	
27.	Raipur	H. No. 5, Sahkari Marg No. 3, Chobey Colony, Raipur.	September 20, 2004	Mr. Vikas Agrawal	<ul style="list-style-type: none"> ▪ Term of three (3) years beginning from October 1, 2004 to September 30, 2007, renewable thereafter with 10% increase in rent for the further renewed period of lease. ▪ We have the right to sub-let, assign or part with the lease to associate/ subsidiary companies without the lessor's approval. ▪ Either Party can terminate with a three (3) month notice. 	<ul style="list-style-type: none"> ▪ Monthly rent of Rs. 5,500. ▪ Refundable security deposit paid: Rs. 16,500. 	2,400
28.	Rajkot	No. 367, Bhakti Nagar Station Plot, Street No.4, Rajkot.	September 29, 2006	Mr. Bhikhalal Chhaganlal Patel	<ul style="list-style-type: none"> ▪ Term of 2 years beginning from October 1, 2006 to September 30, 2008, renewable with mutual consent. ▪ We have a right to sub-let, assign or part with the lease to associate/ subsidiary companies. ▪ Either Party can terminate with three (3) month notice. 	<ul style="list-style-type: none"> ▪ Monthly rent of Rs. 5,000. ▪ Refundable security deposit paid: Rs. 12,000. 	130
29.	Ranchi	No. 146, HB Road, P.O. Lalpur, Lalpur Chowk, Ranchi.	March 1, 2007	Ms. Sunita Gera	<ul style="list-style-type: none"> ▪ Term of three (3) years beginning from March 1, 2007 to February 28, 2010, renewable thereafter with 10% increase in rent for the further renewed period of lease. ▪ We have the right to sub-let, assign or part with the lease to associate/ subsidiary companies without the lessor's approval. ▪ Either Party can terminate with a two (2) month notice. 	<ul style="list-style-type: none"> ▪ Monthly rent of Rs. 9,075. ▪ Refundable security deposit paid: Rs. 22,500. 	1,300
30.	Rohtak	5, SCF, HUDA Complex, Rohtak.	March 18, 2005	Mrs. Santosh Arora	<ul style="list-style-type: none"> ▪ Term of three (3) years beginning from November 1, 2004 to October 31, 2007, renewable thereafter with 5% increase in rent for the further renewed period of lease. ▪ We have the right to sub-let, assign or part with the lease to associate/ subsidiary companies without the lessor's 	<ul style="list-style-type: none"> ▪ Monthly rent of Rs. 10,900. ▪ Refundable security deposit paid: Rs. 10,560. 	1,168

S. No.	City	Address of Property	Date	Lessor/ Licensor	Key Terms	Amounts Payable	Area (In sq. ft.)
					approval. <ul style="list-style-type: none"> Either Party can terminate with a three (3) month notice. 		
31.	Secunder abad	Krishna Kunj, H No. 3-6-286, Ground Floor, Mutyalaguda Garden, Hyderguda, Hyderabad.	June 9, 2005	Mrs. Sangeetha Rani	<ul style="list-style-type: none"> Term of three (3) years beginning from June 1, 2005 to May 31, 2008, renewable thereafter with 10% increase in rent for the further renewed period of lease. We have the right to sub-let, assign or part with the lease to associate/ subsidiary companies without the lessor's approval. Either Party can terminate with a three (3) month notice. 	<ul style="list-style-type: none"> Monthly rent of Rs. 15,000. Refundable security deposit paid: Rs. 45,000. 	2,160
32.	Patna	Ground Floor, South Chhajju Bagh, Patna.	March 1, 2007	Mr. Shashank Shekhar, Mr. Mrigank Shekhar, Mr. Mayank Shekhar & Mr. Swetank Shekhar	<ul style="list-style-type: none"> Term of three (3) years beginning from March 1, 2007 to February 28, 2010, renewable thereafter with 20% increase in rent for the further renewed period of lease. We have the right to sub-let, assign or part with the lease to associate/ subsidiary companies. Either Party can terminate with a one (1) month notice. 	<ul style="list-style-type: none"> Monthly rent of Rs. 15,840. 	2,200

RESIDENTIAL PREMISES

We have rented various premises in Bangalore, Chennai, Delhi, Gurgaon, Mumbai, Patiala, Patna, Pune and Rohtak for the use of our employees. Typically, these agreements are for a duration of one or two years with an option for renewal on terms mutually agreed. There are no unusual restrictive covenants in the lease agreements for these properties.

OWNED PREMISES

Plants:

- The Yelahanka plant in Bangalore:** Land admeasuring about 20 acres together with buildings and erections standing located in Yelahanka village, North Taluk Bangalore was taken on lease from Karnataka Industrial Area Development Board (KIADB) vide a lease-cum-sale agreement dated February 9, 1977. A sum of Rs. 40,000 was paid as premium and the sum of Rs. 16,000 was paid as yearly rent. We purchased the said land from KIADB vide a deed of sale dated December 17, 1996 for a consideration of Rs. 220,000. 6210 sq. meters of this property has been leased to our subsidiary

FMTPR India vide lease agreement with effect from 4th November, 1997. This lease agreement with FMTPR India is discussed on page 166 of this Letter of Offer.

Land marked as Sy. No. 188/1, 188/2A part, 188/2 B part, 188/3, 189/1, 189/3, 189/7, 190 part, 191/1 part, 191/2, 191/3, 192/1 part, 192/2, 193/6 part, 193/7, 198 part and the old village site of Yelahanka village admeasuring about 30 acres together with buildings and erections standing located in Yelahanka village, North Taluk Bangalore was transferred to us as a part of merger of Escorts Pistons Limited (formerly known as Escorts Mahle Limited) and we are in possession of the same, however, our name has not been mutated in the revenue records.

- **The plant in Patiala:** Land measuring about 187 bighas, along with buildings thereon located partly in the Revenue Estate of Farm Bahadurgarh and partly in the Revenue Estate of Kasba also known as Rorkee. The land along with buildings thereupon was purchased from the Maharaja of Patiala vide conveyance deed dated April 18, 1956, for a consideration of Rs. 297,770 in the form of 3,000 fully paid up shares of Rs. 100/- and vide a sale deed dated June 16, 1971 for a consideration of Rs. 390,500. Approximately, 38 acres of land was transferred to us as a result of the merger with Escorts Pistons Ltd. and we are in possession of the same.

In addition to the plants, we also own the following premises:

- **Bangalore:** Flats 2A, 5A, 5B, and 5C in the Sah Jeevan Apartments Co-operative Housing Society. We acquired these flats under a form of transfer dated March 11, 2004, and acquired 40 equity shares of Rs. 100 each of Sah Jeevan Apartments Co-operative Housing Society. We paid a consideration of a sum of Rs. 600,000 for the same. This form of transfer has been registered with the Sub Registrar, Gandhinagar, Bangalore-9. Flat No. 5A & 5C are being used by us for the purposes of a guest house, and Flat No. 2A & 5B have been provided to our employees for residence.
- **Delhi:** Flat No. 16/603, East end Apartments, Mayur Vihar, Phase I Extension, New Delhi was purchased for Rs. 1,800,000 from Mr. KK Sood by a sale deed dated August 3, 2005.
- **Pune:** Plot No. 2, Gat No. 368 of Survey No. 143A, Village Takve Khurd, Taluka Mawal, District Mawal, Zila Parishad Pune, admeasuring 300 sq. yards was purchased for a consideration of Rs. 216,000 on November 9, 1998 from M/s. Laxmi Investments. The deed of conveyance was registered with the sub-registrar, Mumbai on April 8, 1999.

PROPERTY OF OUR SUBSIDIARIES

The following table sets out the details of the commercial premises taken on lease by our subsidiaries:

1. M/s Satara Rubbers and Chemicals Ltd. (“SRCL”) –

S. No.	Location of Property	Document and date	Lessor/Licens or/Transferor	Key Terms	Amounts Payable	Area
1.	A -26/3, Mohan Co-operative Industrial Estate Ltd., Mathura Rd., New Delhi	Sub lease dated March 28, 1995	Mohan Co-Operative Industrial Estate Ltd. (lessee of the President of India)	<ul style="list-style-type: none"> ▪ SRCL is not permitted to sell, transfer, assign or otherwise part with the possession of the property in any form or manner to a person who is not a member of the Mohan Co-operative Industrial Estate Ltd. and even such transfers require the permission of the Government of India. Such transferee is also bound by the terms and conditions of the sub-lease. 	<ul style="list-style-type: none"> ▪ Rs.362.51 (2.5% of the premium) payable in two equal installments on January 1 and July 1 annually. ▪ Premium paid: Rs. 1,500.51. ▪ Monthly rent of Rs. 10 from 	1617.77 sq. yard

S. No.	Location of Property	Document and date	Lessor/Licens or/Transferor	Key Terms	Amounts Payable	Area
				<ul style="list-style-type: none"> The sub-lessee shall require prior permission from the municipal authority before making any alterations or additions to the building on the plot. The Lt. Governor of Delhi can resume plots if needed for the development of the area or for public and general utility. 	July 24, 1963 to July 1973; and, Rs. 362.51 (2.5% of the premium) from July 24, 1973 onwards as annual rent	

2. FMTPR India

S. No.	Location of Property	Document and date	Lessor/Licens or/Transferor	Key Terms	Amounts Payable	Area
1.	6210 sq. meters of land on Bellary Road, Yelahanka, Bangalore	Lease deed dated September 1, 2006.	The Company	<ul style="list-style-type: none"> Term of nine (9) years although it can be terminated by prior mutual consent. FMTPR India has undertaken not to contravene terms of lease deed between the Company and the KIADB. 	<ul style="list-style-type: none"> Monthly rent of Rs. 650,000, subject to revision upwards of 20% every three years. 	6210 square meters

Intellectual Property

The following are the details of the intellectual property of our Company:

A. Trademarks

(i) Trademarks applied for by our Company:

S.No.	MARK	APPLICATION NUMBER	DATE OF APPLICATION	STATUS
1.	Premium Shakti	01367315	June 28, 2005.	Registration obtained on February 8, 2007 for piston rings for use in tractors included in Class 12.
2.	Goetze	01364963	June 17, 2005.	Pending registration.
3.	Goetze	01364964	June 17, 2005.	Pending registration.
4.	Logo	01365203	June 20, 2003.	Pending registration.

(ii) Trademarks applied for by FMTPR India

S.No.	Mark	Application Number	Date of Application	Status
1.	Logo	1068713	December 24, 2001	Pending Registration

Financial Indebtedness

TERM LOANS

The following table sets out the details of the term loan facilities being availed by our Company: -

S. No.	Name of lender	Date of Agreement	Key Terms	Security	Outstanding as on September 30, 2007 (in Rs.)
1.	The Bank of Rajasthan	September 14, 2007	<ul style="list-style-type: none"> ▪ Amount: Rs. 150,000,000; ▪ Rate of interest – 2.5% below Benchmark Prime Lending Rate subject to minimum of 12% per annum; ▪ Tenure: 2 years; ▪ Repayment schedule: 4 equal quarterly installments starting from December 31, 2008; ▪ Purpose: To meet out ongoing capital expenditure and and long term working capital requirements; ▪ Prior written consent of the lender required to effect any change in the constitution, capital structure ownership, management set up and any scheme of reconstitution or amalgamation*; ▪ Our Company can declare dividend/ profit distribution only after meeting all the financial commitments to the lender and making all necessary provisions; ▪ No withdrawal of the funds brought in by the promoters/ partners/ directors/ shareholders/ their relatives and friends in the business by way of capital/ deposits/ loans/ share application money, etc.; ▪ Our Company requires prior written consent of the lender to enter into any contractual obligation of long term nature affecting financial position significantly; ▪ Our Company cannot sell or dispose off or create any further charge, mortgage, pledge, lien or encumbrance over its assets (fixed/ current) or part thereof, in favor of any financial institution/ bank/ others without prior permission of the lender; ▪ Our Company is required to obtain prior permission of the lender before obtaining further finance from other banks/ financial institutions, etc.; ▪ Our Company cannot divert funds to sister/ associate group concerns for investment and/ or deposits with other companies; ▪ Our Company cannot induct a person who is/ was a director in a company which has been identified as a willful defaulter by the lender/ any other bank/ RBI, on our Company's Board and if 	<ul style="list-style-type: none"> ▪ First pari passu charge over entire fixed assets of our Company. 	150,000,000/-

S. No.	Name of lender	Date of Agreement	Key Terms	Security	Outstanding as on September 30, 2007 (in Rs.)
			<p>such person is on our Company's Board, our Company shall take expeditious and effective steps for removal of such person from our Company's Board;</p>		
2.	Exim. Bank	January 19, 2006	<ul style="list-style-type: none"> ▪ Amount: Rs. 250,000,000; ▪ Purpose: Long term working capital requirement; ▪ Interest: 7.25% per annum; ▪ Repayment schedule – 8 quarterly installments commencing 1 year from the date of first disbursement; ▪ Prepayment of loan may be done by our Company with a prior written notice of thirty (30) days, subject to payment of prepayment premium as determined by the lender; ▪ Prior written consent of the lender is required for the following: <ul style="list-style-type: none"> ○ Entering into any scheme of merger, amalgamation or consolidation; ○ Sale, lease or revaluation of substantial portion of our fixed assets, undertakings or divisions; ○ Effecting any material change in the composition of our board of directors or in the management set up or ownership of our business; ○ Amending our Memorandum and Articles of Association or altering our capital structure or shareholding pattern; ○ Undertaking any diversification / expansion in our business; ○ Allowing the transfer or disposal of the shareholding of any of the promoters in the equity or quasi equity capital; ○ Declaration of any dividend to the shareholders where there has been a default in making payments under the loan agreement. ▪ Our Company is not permitted to induct any person on the board of directors who is a director on the board of a company which has been identified as a willful defaulter by RBI; ▪ On the occurrence of an event of default under the loan agreement, the lender has the right to appoint a nominee director on the board of directors of our Company; 	<ul style="list-style-type: none"> ▪ First charge by way of hypothecation over our moveable fixed assets, present and future, excluding assets exclusively charged to other lenders; ▪ Mortgage over our lands and immoveable properties, present and future, excluding assets exclusively charged to other lenders; ▪ Post dated cheques covering the principal and interest thereon for a period of six (6) months from the date of first disbursement. 	156,250,000/-

S. No.	Name of lender	Date of Agreement	Key Terms	Security	Outstanding as on September 30, 2007 (in Rs.)
			<ul style="list-style-type: none"> ▪ We cannot use the loan facility for investment in shares, debentures and other marketable securities or for investment in real estate or in any speculative activity or for granting loans and inter corporate deposits to a subsidiary or a company under the same management. 		
3.	Industrial Development Bank of India	April 19, 2002; modified on August 27, 2003 to convert a part of the loan of Rs. 69,000,000 into foreign currency loan	<ul style="list-style-type: none"> ▪ Amount: Rs. 155,000,000; ▪ Interest <ul style="list-style-type: none"> ○ For dollar loan: 350 basis points over the 3 months LIBOR for the United States Dollar; ○ For rupee loan: Medium Term Lending Rate + 1.50% p.a ▪ Repayment <ul style="list-style-type: none"> ○ For Dollar Loan: Within 4 years and 6 months from the date of conversion; ○ For Rupee Loan: 20 equal quarterly installments. ▪ We are not permitted to appoint any person as a director on the board of directors of our company who has been identified as a willful defaulter by RBI; ▪ We are not entitled to prepay the loan; ▪ We are not permitted to use the loan proceeds for purchase of shares/debentures, repayment of dues of other banks, extending loans to our subsidiaries or associate companies and making inter corporate deposits; ▪ We require the prior consent of the lender for entering into any forward contract/liability management arrangements to hedge foreign currency exposure ▪ We are not permitted to incur any capital expenditure or undertake any new projects/expansion without the prior approval of the lender; ▪ We are not permitted to declare any dividend during any financial year unless all dues to the lender are paid up to date on which the dividend is proposed. 	<ul style="list-style-type: none"> ▪ First charge and mortgage of all the movable and immovable assets of our Company, both present and future on <i>pari passu</i> basis with existing charge holders. 	3,847,796/-
4.	ING Vysya Bank	December 11, 2004	<ul style="list-style-type: none"> ▪ Amount: Rs. 250,000,000; ▪ Interest: 3.75% below the ING Vysya reference rate with a minimum of 7.5% per annum; ▪ Repayment schedule: 8 quarterly installments commencing from 15 months from the date of first 	<ul style="list-style-type: none"> ▪ First <i>pari passu</i> charge over our movable fixed assets at the following locations – Bhiwadi, Alwar, Bangalore and 	31,250,000/-

S. No.	Name of lender	Date of Agreement	Key Terms	Security	Outstanding as on September 30, 2007 (in Rs.)
			<p>disbursal of the loan;</p> <ul style="list-style-type: none"> ▪ Purpose: To meet financial requirements of ongoing de-bottlenecking and upgradation of plants; ▪ Both parties have a put/call option at the end of one (1) year from the date of draw down of the loan by providing a prior written notice of three (3) working days. Request for prepayment is permissible only at the time of put/call option and thereafter it is at the sole discretion of the lender, which would include prepayment charges not exceeding 2% for the remaining tenor; ▪ We are not permitted to undertake any further expansion or incur any capital expenditure without the prior written consent of the lender; ▪ Any default by any of our promoter directors/partners in the performance of any terms of the agreement executed by such promoter director/partner and the lender and/or a third party shall be an event of default resulting in the principal and the interest becoming immediately due. 	<ul style="list-style-type: none"> ▪ Patiala; ▪ Post dated cheques covering both interest and principal. 	
5.	State Bank of Patiala	July 19, 2005	<ul style="list-style-type: none"> ▪ Amount: Rs. 300,000,000; ▪ Purpose: To augment net working capital position and rectify temporary mismatch of fund flow; ▪ Interest: Floating 3.5% per annum below bank's BPLR; ▪ Repayment: 8 quarterly installments with effect from April 30, 2007; ▪ 2% pre-payment penalty; ▪ Prior written consent of the lender is required for effecting any changes in our Memorandum and Articles of Association; ▪ Our Company is not permitted to call uncalled capital without giving prior notice to the lender and the lender may at its discretion require the monies payable in respect of the call made by our Company to be paid to the lender; ▪ We are not permitted to vary the shareholding of our directors, principal shareholders and promoters without the prior written consent of the lender; ▪ Lender has a right to nominate a director on the board of our 	<ul style="list-style-type: none"> ▪ Mortgage of all our immovable properties, present and future; ▪ First charge by way of hypothecation/pledge of all our goods, movables and other assets, present and future. 	250,000,000/-

S. No.	Name of lender	Date of Agreement	Key Terms	Security	Outstanding as on September 30, 2007 (in Rs.)
			<p>Company in the event of a default being committed by our Company under the loan agreement;</p> <ul style="list-style-type: none"> ▪ Prior consent of the lender is required for the following: <ul style="list-style-type: none"> ○ Alteration of our capital structure; ○ Effecting any scheme of amalgamation or reconstruction; ○ Implementing a new scheme of expansion; ○ Declaration of dividend to our shareholders where any installment remains unpaid; ○ Withdrawing any money brought in by the promoters, directors, or relatives and friends of the promoters and directors; ○ Investing any funds in the share capital of another concern so long as monies are due to the lender; ▪ Under the agreement we have constituted the lender as our attorney to <i>inter alia</i> take over and carry on our business, wind up our business etc. 		
6.	Exim Bank	March 24, 2004	<ul style="list-style-type: none"> ▪ Amount: USD equivalent of Rs. 250,000,000²; ▪ Interest: 9.13% per annum; ▪ Repayment schedule: 16 equal quarterly installments commencing from June 20, 2004; ▪ Purpose: Part finance acquisition of production equipment; ▪ Prepayment of loan may be done by our Company with a prior written notice of thirty (30) days, subject to payment of prepayment premium as determined by the lender; ▪ Prior written consent of the lender is required for the following: <ul style="list-style-type: none"> ○ Entering into any scheme of merger, amalgamation or consolidation; ○ Sale, lease or revaluation of substantial portion of our fixed assets, undertakings or divisions; ○ Effecting any material change in the composition of our board of directors or in the management set up or 	<ul style="list-style-type: none"> ▪ Whole of our movable fixed assets in Patiala, Bangalore and Bhiwadi, both present and future; ▪ Mortgage of our immovable properties and lands situated at Patiala, Bangalore and Bhiwadi both present and future. 	28,183,543/-

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S. No.	Name of lender	Date of Agreement	Key Terms	Security	Outstanding as on September 30, 2007 (in Rs.)
			<p>ownership of our business;</p> <ul style="list-style-type: none"> ○ Amending our Memorandum and Articles of Association or altering our capital structure or shareholding pattern; ○ Undertaking any diversification/expansion in our business; ○ Allowing the transfer or disposal of the shareholding of any of the promoters in the equity or quasi equity capital; ○ Declaration of any dividend to the shareholders where there has been a default in making payments under the loan agreement. <ul style="list-style-type: none"> ▪ Our Company is not permitted to induct any person on the board of directors who is a director on the board of a company which has been identified as a willful defaulter by RBI; ▪ On the occurrence of an event of default under the loan agreement, the lender has the right to appoint a nominee director on the board of directors of our company; ▪ We cannot use the loan facility for investment in shares, debentures and other marketable securities or for investment in real estate or in any speculative activity or for granting loans and inter corporate deposits to a subsidiary or a company under the same management. 		
7.	State Bank of Mysore	February 18, 2005	<ul style="list-style-type: none"> ▪ Amount: Rs. 150,000,000; ▪ Purpose: Short term corporate loan intended to improve NWC and Current Ratio; ▪ Interest: 8.50% per annum (floating); ▪ 8 quarterly installments starting after 12 months from the date of first disbursement ▪ Put and call option at the end of 18 months by giving a prior notice of 30 days by either party; ▪ Prior written consent of the lender is required for the following: <ul style="list-style-type: none"> ○ Entering into any scheme of merger, amalgamation or consolidation; ○ Effecting any change in our capital structure; ○ Undertaking any diversification/expansion in our business; 	<ul style="list-style-type: none"> ▪ Mortgage and charge over the fixed assets of our Company consisting of our immovable and movable fixed assets both present and future. 	37,500,000/-

S. No.	Name of lender	Date of Agreement	Key Terms	Security	Outstanding as on September 30, 2007 (in Rs.)
			<ul style="list-style-type: none"> ○ Withdrawing loans/deposits secured from our promoters, shareholders, directors and depositors; ○ Declaration of any dividend to the shareholders where there has been a default in making payments under the loan agreement. ▪ In the event of any default committed by us, the bank shall have the right to nominate a director on the board of our Company. 		
8.	State Bank of India**	March 1, 2005	<ul style="list-style-type: none"> ▪ Amount: Rs. 350,000,000; ▪ Interest: 2.75% below SBAR; ▪ Repayment: 12 quarterly installments with 1 year moratorium, beginning on April 1, 2006; ▪ Bank is entitled to recover a charge on pre-payments up to a maximum extent of 1% on the pre-paid amount; ▪ Our Company is not permitted to call uncalled capital without giving prior notice to the lender and the lender may at its discretion require the monies payable in respect of the call made by our Company to be paid to the lender; ▪ We are not permitted to vary the shareholding of our directors, principal shareholders and promoters without the prior written consent of the lender; ▪ Prior written consent of the lender is required for effecting any changes in our Memorandum and Articles of Association; ▪ Prior permission of the lender is required for: <ul style="list-style-type: none"> ○ Declaration of dividend where any installments remain unpaid; ○ Investing funds in any other concern so long as monies are due to the lender; ○ Withdrawing any funds brought in by our promoters, directors, or relatives and friends of the promoters and directors. ○ Implementing any scheme of expansion, or taking up an allied line of business; ○ Making any drastic change in our management set up; ○ Effecting any change in remuneration payable to our directors in the form of sitting 	<ul style="list-style-type: none"> ▪ Mortgage over all our immovable property, present and future; ▪ First charge by way of hypothecation of our movables and other assets. 	174,995,000/-

S. No.	Name of lender	Date of Agreement	Key Terms	Security	Outstanding as on September 30, 2007 (in Rs.)
			<p>fees or otherwise.</p> <ul style="list-style-type: none"> Under the agreement we have constituted the lender as our attorney to <i>inter alia</i> take over and carry on our business, wind up our business etc. 		
9.	Axis Bank Limited	January 5, 2007	<ul style="list-style-type: none"> Amount: Rs. 300,000,000; Purpose – Part funding of capital expenditure; Current rate of interest – 3.5 % below banks PLR (PLR at the time of execution of loan agreement is 10%); Repayment schedule: 12 equal quarterly installments of Rs. 25,000,000 commencing from 12 months from the date of first disbursement; Premature Repayment of the loan can only be done at the sole discretion of the lender and upon such terms and conditions stipulated by the lender; Prior written consent of the lender is required for entering into any scheme of amalgamation, merger, or scheme of expansion of business and manufacture to be undertaken by our Company; Prior written consent of the lender is required for change in ownership and control of the Company. Prior consent of the lender is required for amendment in the Memorandum and Articles of Association of the Company. 	<ul style="list-style-type: none"> <i>Pari passu</i> first charge on the entire fixed assets of the Company situated at its plants in Bangalore, Patiala and Bhiwadi. Collateral security-<i>Pari passu</i> second charge over current assets of the Company. 	300,000,000
10.	IDBI	December 22, 2006	<ul style="list-style-type: none"> Amount: Rs. 300,000,000; Interest: 9.25% per Annum; Purpose: Normal capital expenditure and refinancing of short term loans; Repayment: Single bullet payment after one year from the date of first disbursement; The lender is entitled to recover a charge on pre-payments subject to such conditions as the lender may impose including premia for pre-payment; Security given under this agreement shall extend to cover our dues and shall not be discharged by any intermediate payment or any settlement of accounts between the lender and us and is in addition to and not substitution of any other security held by the lender in respect of our dues and obligations under the agreement; Our company is obligated to 	<ul style="list-style-type: none"> First <i>pari-passu</i> charge on the entire assets of the company i.e. movable assets of the company as well as fixed assets in Bahadurgarh, Yelahanka, and Bhiwadi , subject to prior charges created and/ or to be created in favour of our Company's bankers on our stock of raw materials, semi-finished and finished goods, consumable stores, book debts and other such movables as agreed by the lenders for securing the 	300,000,000/-

S. No.	Name of lender	Date of Agreement	Key Terms	Security	Outstanding as on September 30, 2007 (in Rs.)
			<p>inform the lender in writing of any acquisition of immovable property;</p> <ul style="list-style-type: none"> ▪ Our Company is not permitted to call uncalled capital without giving prior notice to the lender and the lender may at its discretion require the monies payable in respect of the call made by our Company to be paid to the lender; ▪ We are not permitted to create any charge on the assets charged under the agreement without the prior consent of the lender under this agreement; ▪ We are obligated to appoint and change to the satisfaction of the lender the managing director, whole time director, suitable technical, financial and executive staff of proper qualifications and experience. The terms of such appointments shall be subject to the prior approval of the lender; ▪ Prior written consent of the lender is required for effecting any changes in our Memorandum and Articles of Association; ▪ Prior permission of the lender is required for: <ul style="list-style-type: none"> ○ Undertaking any new project, modernization, diversification, or substantial expansion; ○ Issuing any debentures, raising any loans, accepting deposits from the public, issuing equity or preferential capital, changing capital structure, creating any charge on the assets or giving any guarantees; ○ Premature repayment of the loan of another party for the project; ○ Payment of commission to its promoters, directors, managers, or other persons for furnishing guarantees, counter-guarantees or indemnities or any other liability in connection with the project; ○ Creation of any subsidiary or permitting any company to become our subsidiary; ○ Undertake or permit any merger, consolidation, re-organisation, arrangement or compromise with its creditors or shareholders; ○ Declaration or payment of dividend when we are in default to the lender under the 	<p>borrowing of working capital.</p> <ul style="list-style-type: none"> ▪ Post dated cheque for the principal and interest amount. ▪ Demand promissory note. ▪ The lender may ask for additional security to cover any inadequacy or deficiency in the security provided under the agreement. 	

S. No.	Name of lender	Date of Agreement	Key Terms	Security	Outstanding as on September 30, 2007 (in Rs.)
			<p>agreement and not in compliance with the stipulated financial covenants;</p> <ul style="list-style-type: none"> ○ Investing funds by way of deposits, loans or in share capital in any other concern so long as monies are due to the lender except during our normal course of business; ○ Re-evaluating our assets during the pendency of the agreement; ▪ The events of default are default in payment of principal, interest, inability to pay debts, attachment of charged assets, and appointment of receiver, sale, disposal and removal of assets, cross default or cross acceleration, submission of misleading information. ▪ In the event of default the lender has a conversion right, and can appoint a whole-time director. 		

* The lender vide its letter bearing reference no.BORL/BO-MGR/2007 dated October 4, 2007 has accorded its consent to the proposed rights issue and the consequent change in the capital structure.

** Our Company is also availing a credit facility from State Bank of India for a total sum of Rs. 184,500,000 comprising of the following:

- (a) Cash Credit of Rs. 169,500,000 and
- (b) Bank Guarantee/Letters of credit of Rs. 15,000,000

The cash credit, bank guarantee and letter of credit facility now form part of the working capital consortium discussed in greater detail hereinbelow. The Company had availed of term loans in USD and Indian Rupees equivalent to Rs. 300,000,000 but these have been paid off on June 4, 2007 and a Form 17 has been filed with the RoC in this regard.

WORKING CAPITAL FACILITIES

Consortium Arrangement

Our Company has entered into a working capital consortium agreement dated March 25, 2006 with the following banks (collectively referred to as the "**Lenders**"/"**Consortium**") - (a) ABN AMRO Bank NV; (b) Standard Chartered Bank; (c) Deutsche Bank AG; (d) HDFC Bank; (e) State Bank of India; (f) State Bank of Patiala; (g) Centurion Bank of Punjab and (h) Axis Bank Limited. ABN Amro Bank by consent of all parties to the agreement has been designated as the lead bank ("**Lead Bank**") of the Consortium.

Under the agreement we have been sanctioned a total working capital facility comprising of a fund based limit of Rs. 1200 million and a non-fund based limit of Rs.110 million The said facility has been secured by a first charge over our current assets, both present and future at our factories and premises and godowns in Patiala, Bhiwadi and Bangalore or wherever else the same maybe. Towards this end, we have executed a joint deed of hypothecation dated March 25, 2006 with the Lenders.

We require the prior written permission of the Lead Bank for the following:

- (a) Effecting any change in our capital structure;
- (b) Formulating any scheme of amalgamation or reconstruction;
- (c) Implementing any scheme of diversification/modernization/expansion;
- (d) Undertaking any guaranteeing obligations on behalf of any third party or other company;
- (e) Making any corporate investments by way of share capital or debentures.

In addition to these covenants, the sanction letters issued by some of the lenders, the terms of which form part of the Consortium Agreement, require us to seek the consent of some of the lenders prior to making any drastic

change in our management set up or allow withdrawal of monies that have been brought in by our principal shareholders, directors and depositors.

Under the agreement, we have constituted each of the Lenders as our attorney *inter alia* for the purposes of taking over our business and completing any arrangements and contracts, realizing our assets, and if considered proper, winding up our business.

An *inter se* agreement dated March 25, 2006 was executed between the Lenders and our Company. This agreement has been entered into for the sake of operational convenience of the Lenders and with a view to define their *inter se* rights in the Consortium.

Arrangement with ING Vysya

Pursuant to an agreement dated February 21, 2006 entered into between our Company and ING Vysya Bank we are availing a letter of credit facility for Rs. 145,000,000 from ING Vysya Bank. The purpose of this facility is to fund the purchase of machinery and other expansion projects of our Company. This facility has been secured by a charge over our movable fixed assets. Under the facility agreement, we require the permission of the bank for *inter alia* (a) a change in controlling ownership and change of business, (b) taking up expansion or diversification activities and (c) withdrawing monies or funds brought into our business by our principal shareholders, directors and/or depositors.

We have also entered into a working capital facility agreement dated October 17, 2006 with ING Vysya Bank for a limit of Rs. 150,000,000, which is proposed to be included in the working capital consortium agreement. The bank has agreed to disburse the said facility on an unsecured basis with the understanding that they will be made part of the working capital consortium in the future.

Arrangement with YES Bank

We have availed of a short term credit facility from YES Bank for a sum of Rs. 250,000,000 which makes available to us short term loans, cash credit, letters of credit, and invoice financing. The facility was modified on December 1, 2006 pursuant to which the limits were reduced to Rs.120,000,000 and the facility of providing bank guarantees was made available. In addition to these limits, another short term credit facility up to Rs. 75,000,000 has been availed for the purpose of working capital which is proposed to be included in the working capital consortium agreement. The facility has been availed by our Company *inter alia* for the purpose of facilitating purchase of capital equipments, raw materials, spares and other items. We amended our facility agreement with Yes Bank on April 10, 2007 pursuant to which the amount was increased to Rs. 140,000,000 for the purpose of working capital requirements, raw materials, spares and converting the existing short term capital loan into medium term loan. We also increased our short term credit limit to Rs. 105,000,000. As security for the facility for Rs. 120,000,000, we have created a subservient charge on our stocks and book debts. In addition to the Rs. 75,000,000 facility, we have created first charge on *pari passu* basis over the current assets of the Company. Some of the key terms and conditions in relation to the above mentioned credit facility have been set out hereunder:

- We are not permitted to without the prior consent of the lender change our existing business;
- We are not permitted to grant any loan, advance or financing to any party other than in the ordinary course of our business; and
- We are not permitted to declare any dividend to our shareholders in case of an event of default without the prior consent of the lender.

We have further availed a Short Term Loan facility from Yes Bank vide Loan Agreement executed on September 27, 2007 for a sum of Rs. 250,000,000 with a repayment period of six months from the date of disbursement with a moratorium period of one month. We have availed of the said facility for the purposes of meeting temporary cash flow mismatch. Our subsidiary, Satara Rubbers and Chemicals Limited shall be creating an exclusive charge over its immovable property situated at A-26/3, Mohan Co-operative Industrial Estate, New Delhi. Some of the key terms and conditions in relation to the above mentioned credit facility have been set out hereunder:

- We are not permitted to enter into any scheme of merger, amalgamation, compromise or reconstruction without the prior consent of the lender;
- We cannot permit any change in the ownership or control of our Company whereby the effective beneficial ownership or control of our Company shall change, with out the prior written consent of the lender;
- We cannot effect any material change in the management of the business of our Company without the prior written consent of the lender;
- We cannot make any amendments in our Company's Memorandum or Articles without the prior written consent of the lender;
- We cannot create, assume or incur any further indebtedness of a long term nature whether on borrowed money or otherwise, except with prior written consent of the lender;

- We cannot declare any dividend if any installment towards principal or interest remains unpaid on its due date;
- We cannot induct a person who is a director on the Board of a company which has been identified as a willful defaulter and that in case, such a person is found to be on our Board, our Company would take expeditious and effective steps for removal of the person from the Board of Directors;

Arrangement with HDFC Bank

We have availed of a revolving facility from HDFC Bank for a sum of Rs. 200,000,000 which makes available to us short term loans. We have further availed of an additional facility from HDFC Bank for a sum of Rs. 200,000,000 vide Loan Agreement executed on September 20, 2007. Some of the key terms and conditions in relation to the above mentioned credit facility have been set out hereunder:

- We have agreed to pay interest at the rate as prescribed by the Bank and to pay an additional 4% on the entire loan amount on default;
- We have agreed to furnish the Bank our unaudited half yearly income statements and copies of audited financial statements within two (2) months of the close of each financial year;
- We are not permitted any change in ownership or control which may change our effective beneficial ownership or control and also not make any material change to the management of the business or make any changes to our Memorandum or Articles of Association without the prior consent of the Bank;
- We are not permitted to utilize the loan for any purpose other than for working capital; and
- We are not permitted to assume guarantee, endorse or in any manner become directly or contingently liable for or in connection with the obligation of any person, firm or corporation except for transactions in the ordinary course of business.

NON-CONVERTIBLE DEBENTURES

Unsecured redeemable non-convertible debentures of face value of Rs. 1,00,00,000 each issued by our Company as on September 30, 2007 is as follows:

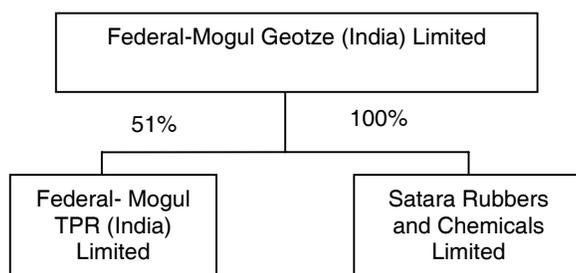
Name of the Debenture holder	No. of debentures	Amount (in Rs. Crores)	Rate of Interest (per annum)	Date of Subscription	Date of Maturity	Interest payment dates
Jeevan Bima Sahayog Asset Management Company Limited – LIC Mutual Fund	40	40.00	9.00%	July 9, 2007	July 7, 2008	At maturity
DBS Chola Asset Management Company Limited	10	10.00	8.50%	September 19, 2007	October 19, 2007	At maturity
ABN Amro Asset Management (India) Limited	15	15.00	9.10%	September 24, 2007	December 20, 2007	At maturity
JM Financial Trustee Company Private Limited	15	15.00	9.10%	September 28, 2007	December 26, 2007	At maturity

MOTOR VEHICLE LOANS

Our Company has also availed of various motor vehicle loans from ICICI Bank. The total amount of motor vehicle loans availed by the Company from ICICI Bank is Rs. 17,865,538 and the current outstanding amount under these loans as on September 30, 2007 is a sum of Rs. 8,117,932.98/-.

OUR SUBSIDIARIES

The following schematic shows the structure of our Company and its subsidiaries:



FEDERAL-MOGUL TPR (INDIA) LIMITED (FORMERLY GOETZE TP (INDIA) LIMITED)

Corporate Structure

FMTPR India was incorporated on May 21, 1997 with the registration number 55-087410 with the Registrar of Companies, NCT of Delhi and Haryana originally under the name of Goetze TP (India) Limited. The name was subsequently changed to the present name on June 15, 2007 vide a fresh Certificate of Incorporation issued by Registrar of Companies, NCT of Delhi and Haryana. The registered office of FMTPR India is situated at A-26/3, Mohan Co-operative Industrial Estate, New Delhi-110044. GTP India has been incorporated *inter alia* with the main objects of manufacturing, assembling, installing, producing, all types of steel compression piston rings, 2/3 piece oil rings for all types of automotive engines, vehicles and all things used in connection with manufacture, maintenance, or otherwise thereof. Currently GTP India is engaged in the manufacture of steel rings for bi-wheelers.

The authorized share capital of FMTPR India is Rs. 200,000,000 (Rupees Two Hundred Million only) divided into 10,000,000 (Ten million) equity shares of Rs. 10/- each and 1,000,000 (One million) 6% redeemable cumulative preference shares of Rs. 100/- each.

Shareholding Pattern

The shareholding pattern of FMTPR India as on date on the date of filing of this Letter of Offer is as follows:

(a) Equity Shareholding

S. No.	Name of Shareholder	Number of Shares
1.	Federal –Mogul Goetze (India) Limited	5,099,940
2.	Federal –Mogul Goetze (India) Limited Jointly with Ms. Bhavana Kaushal	10
3.	Federal –Mogul Goetze (India) Limited Jointly with Mr. Rajan Nanda	10
4.	Federal –Mogul Goetze (India) Limited Jointly with Mr. Arun Anand	10
5.	Federal –Mogul Goetze (India) Limited Jointly with Mr. Mohan Narayanan	10
6.	T&N Investments Limited*	2,450,000
7.	Teikoku Piston Ring Company Limited	2,450,000
8.	Federal –Mogul Goetze (India) Limited Jointly with Mr. Sunil Khemka	10
9.	Federal –Mogul Goetze (India) Limited Jointly with Mr. Rajan Luthra	10
	Total	10,000,000

* T&N Investments Limited is controlled by Federal-Mogul Corporation.

(b) Preference Shareholding

S. No.	Name of Shareholder	Number of shares
1.	Federal-Mogul Goetze (India) Limited	510,000
2.	T&N Investments Limited	245,000
3.	Teikoko Piston Ring Company Limited	245,000
	Total	1,000,000

Board of Directors

As on the date of filing of this Letter of Offer, the board of directors of FMTPR India comprises - Mr. Rustin Murdock, Mr. Hiroshi Takano, Mr. Andreas Kolf, Mr. Mohan Narayanan, Mr. John Derham and Mr. Mukul Gupta.

Financial Performance

The following table sets forth, for the periods indicated, a summary of the financial performance of FMTPR India. These figures are audited as per Indian GAAP.

Particulars	(Rs. In Lakhs)			
	Year ended December 31, 2006 (9 months)	Year ended March 31, 2006	Year ended March 31, 2005	Year ended March 31, 2004
Income	4,207.63	4,912.57	4,036.75	3,511.33
Expenditure	3,523.49	4,353.87	3,511.01	3,078.30
Profit/(Loss) before tax	684.14	558.70	525.74	433.03
Profit/(Loss) after tax	424.87	346.45	327.52	249.30
Share Capital:				
Equity	1,000.00	1,000.00	1,000.00	1,000.00
Preference	1,000.00	1,000.00	1,000.00	1,000.00
Reserve (Excluding revaluation reserves)	714.41	357.96	79.93	237.79
Miscellaneous Exp. not written off	-	-	(33.41)	(62.20)
EPS (In Rs.)	3.56	2.78	0.56	1.68
Net asset value (Rs. per equity share)	17.14	13.58	10.47	11.76

The equity shares of FMTPR India are not listed on any stock exchange and it has not made any public or rights issue in the preceding three (3) years. FMTPR India is not a sick company as defined under the Sick Industrial Companies (Special Provisions) Act, 1985.

SATARA RUBBERS & CHEMICALS LIMITED

Corporate Structure

SRCL was incorporated on April 1, 1986 as Satara Rubbers & Chemicals Private Limited with the registration number 55-023789 with the Registrar of Companies, Delhi and Haryana. Subsequently, vide a special resolution of its shareholders dated February 27, 2004, the name of the company was changed to Satara Rubbers and Chemicals Limited. The fresh certificate of incorporation upon change of name was issued by the Registrar of Companies, NCT of Delhi and Haryana on March 24, 2004. The registered office of SRCL is situated at A-26/3, Mohan Co-operative Industrial Estate, New Delhi-110044. SRCL has been incorporated *inter alia* with the main objects of carrying on business as manufacturers, producers, importers, exporters, traders, distributors, dealers and agents to the State Governments and the Central Government of India, foreign Governments and their agencies, for all types of rubber and plastic products, tyres and tubes for all makes of vehicles, heavy, medium or light, rubber containers and rubber lined vessels, electric products, shoes products and parts thereof, toys, surgical goods, insulating materials and all other blown, moulded, formed, extruded, calendered and dipped goods and articles. Currently SRCL is not engaged in any business or operations.

The authorized share capital of SRCL is Rs. 1,200,000 (Rupees One Million and Two Hundred Thousand only) divided into 120,000 (One Hundred and Twenty Thousand) equity shares of Rs. 10/- each.

Shareholding Pattern

The shareholding pattern of SRCL as on the date of filing of this Letter of Offer is as follows:

S. No.	Name of the Equity Shareholder	Number of Shares
1.	Federal –Mogul Goetze (India) Limited	49,940
2.	Federal –Mogul Goetze (India) Limited Jointly with Ms. Bhavana Kaushal	10
3.	Federal –Mogul Goetze (India) Limited Jointly with Mr. Rajan Luthra	10
4.	Federal –Mogul Goetze (India) Limited Jointly with Mr. Arun Anand	10
5.	Federal –Mogul Goetze (India) Limited Jointly with Mr. Sunil Khemka	10
6.	Federal –Mogul Goetze (India) Limited Jointly with Mr. Ashish Mathur	10
7.	Federal –Mogul Goetze (India) Limited Jointly with Mr. Rajat Bhandari	10
	Total	50,000

Board of Directors

The board of directors of SRCL as on the date of filing of this Letter of Offer comprises of Mr. Rustin Murdock, Mr. Rajan Luthra and Mr. Andreas Kolf.

Financial Performance*

The following table sets forth, for the periods indicated, a summary of the financial performance of SRCL. These figures are audited as per Indian GAAP.

Particulars	(Rs. In Lakhs)		
	Year ended December 31, 2006 (9 months)	Year ended March 31, 2006	Year ended March 31, 2005
Income	45.02	30.00	19.51
Expenditure	127.44	118.72	53.42
Profit/(Loss) before tax	(82.42)	(88.72)	(33.92)
Profit/(Loss) after tax	(82.42)	(88.72)	(37.97)
Equity Share Capital:	5.00	5.00	5.00
Reserve (Excluding revaluation reserves)	(209.11)	(126.69)	(37.97)
EPS (In Rs.)	(164.84)	(177.45)	(75.93)
Net asset value (Rs. per equity share)	(408.22)	(243.38)	(65.93)

The equity shares of SRCL are not listed on any stock exchange and it has not made any public or rights issue in the preceding three (3) years. SRCL has been making losses for the last three years and the provisions of a sick company as defined under the Sick Industrial Companies (Special Provisions) Act, 1985 may become applicable in due course.

* SRCL has become subsidiary of FMGIL during the Financial Year 2004 – 2005.

OUR MANAGEMENT

Board of Directors

As per our Articles of Association, we cannot have less than three (3) and more than twelve (12) Directors. The Board of Directors of the Company presently comprises six (6) Directors, which consists of five (5) non-executive Directors, two (2) of whom are independent Directors. The Chairman of the Company is a non-executive Director and one-third of our Board comprises of independent Directors as required under the listing agreement.

The following table sets forth details regarding our Board of Directors as on the date of filing of this Letter of Offer with SEBI:

S. No.	Details	Age (years)	Other directorships/partnerships	Years of experience in the Industry	Date of Appointment
1.	Name: Mr. Charles B. Grant Designation: Chairman and Non-Executive Director Father's name: Late Mr. Roderick Grant Address: 30845 Oakleaf LN, Franklin, Michigan 48025 Occupation: Service Nationality: United States	62	<ul style="list-style-type: none"> ▪ Dongsuh Industrial Company Limited, South Korea; ▪ Federal-Mogul Assembled Camshafts Inc., USA; ▪ Federal-Mogul Piston Rings, Inc., USA; ▪ United Pistons Rings, Inc., USA ▪ Federal-Mogul KK Japan ▪ Federal-Mogul Dereli Holding A.S. ,Turkey 	28	May 12, 2006 (Designated as Chairman at the meeting of the Board on January 22, 2007)
2.	Name: Mr. Rustin Murdock Designation: Managing Director & CFO Father's name: Robert Murdock Address: 176, Golf Links, 1 st Floor, New Delhi 110003 Occupation: Service Nationality: United States	48	<ul style="list-style-type: none"> ▪ FMTPR (India) Limited; ▪ Satara Rubbers & Chemicals Ltd. 	8	September 24, 2007 (Appointed as Managing Director & Chief Financial Officer at the Board Meeting held on September 24, 2007 in the casual vacancy caused due to resignation of Mr. Arun Anand)
3.	Name: Mr. Charles H. Polzin Designation: Non-Executive Director Father's name: Late Mr. James William Polzin Address: 21610 E, Valley Woods, Beverly Hills, Michigan USA 48025 Occupation: Service Nationality: United States	53	<ul style="list-style-type: none"> ▪ Life Center, Inc., USA; ▪ Federal-Mogul Aftermarket France SAS, France; ▪ Federal-Mogul SA, France; ▪ Federal-Mogul Systems Protection Group SAS, France; and ▪ Curzon Insurance Limited, Guernsey 	7	May 12, 2006
4.	Name: Mr. Mukul Gupta Designation: Independent Director Father's name: Mr. Darshan Lal Address: "Sharnam", R-13/24, Raj Nagar, opposite ALT Centre, Ghaziabad - 201 002, U.P. Occupation: Lawyer	49	<ul style="list-style-type: none"> ▪ FMTPR India 	1	May 12, 2006

	Nationality: Indian				
5.	Name: Mr. Rainer Jueckstock Designation: Non-Executive Director Father's name: Mr. Dieter Jueckstock Address: 322 Vailwood Court, Bloomfield Hills, United States -48302 Occupation: Service Nationality: German	47	<ul style="list-style-type: none"> ▪ Federal –Mogul Dereli Holding Istanbul, Turkey; ▪ Federal - Mogul Powertrain Inc, Southfield, MI/USA. 	17	September 1, 2003
6.	Name: Mr. Vishvjeet Kanwarpal Designation: Independent Director Father's Name: Col. D.N. Kanwarpal, K.C. Address: S-76, Second Floor, Greater Kailash-I, New Delhi – 110 048, India Occupation: Service Nationality: Indian	41	<ul style="list-style-type: none"> ▪ Asia Consulting Group (P) Limited ▪ Global InfraSys (P) Limited 	0.5	January 22, 2007

Expiry of terms of office of our Directors

Our Directors are liable to retire by rotation except for Mr. Rustin Murdock who is due to retire on June 30, 2011.

Brief Biography of our Directors

Mr. Charles B. Grant has been a member of our Board since May, 2006. He has been appointed as the Chairman of the Board with effect from January 22, 2007. He is the vice president, corporate development and strategic planning, for Federal-Mogul Corporation. He is responsible for mergers and acquisitions, strategic alliances and corporate strategic planning. Previously, Mr. Grant was vice president and controller, vice president of corporate development and corporate planning director. Prior to joining Huck Manufacturing in 1979, Mr. Grant was an audit manager with the accounting firm Ernst & Young. At Huck Manufacturing, he held the positions of vice president of finance, vice president – controller, and controller of the fastening systems group. Huck Manufacturing was acquired by Federal-Mogul in 1980. Mr. Grant earned a bachelor's degree in business administration, with a major in accounting, from the Detroit Institute of Technology. He is a certified public accountant and is a member of the Michigan Association of Certified Public Accountants. He is active in various strategic planning and development associations.

Rustin Murdock, graduated from McNeese State University with a bachelors degree in accounting and from Michigan State University with a masters in business administration. Prior to joining our Company, Mr. Murdock was a member of the United States Marine Corps. He later joined Deloitte & Touche CPA, an accounting firm as a senior associate. Subsequently, he became the controller for Olympia Arena Inc. and was then promoted to the position of director, finance. Mr. Murdock operated a small consulting business prior to joining the Federal-Mogul Group, where he worked in the corporate office as an accounting manager and later became the controller for one of their bearing facilities. He was promoted to North American bearings operations controller prior to joining our Company. Mr. Murdock was serving as "Director, Plant Finance and Reporting" before being appointed as the Managing Director and Chief Financial Officer to fill up the casual vacancy caused due to resignation of Mr. Arun Anand in the Board Meeting held on September 24, 2007.

Mr. Charles Polzin has been a member of our Board since May, 2006. A graduate from the University of Michigan (J.D., cum laude, 1979) and an undergraduate from Western Michigan University (B.A., magna cum laude, 1975), he is an associate general counsel of Federal-Mogul Corporation. In this capacity, he is involved in matters related to acquisitions, divestitures, joint ventures, contract negotiation, litigation and insurance. Prior to joining Federal-Mogul Corporation in February 2000, Mr. Polzin was a member of the Michigan law firm Clark Hill PLC, specializing in business transactions and business litigation. In that capacity, Mr. Polzin dealt with a

wide variety of business issues, including mergers and acquisitions, telecommunications, construction, real estate, tax exempt financing, licensing agreements, indemnity obligations, warranties, product liability claims and insurance issues.

Mr. Mukul Gupta has been a Member of our Board since May, 2006. He is a Law Graduate and also has a Bachelors Degree in Economics (Honours) 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 giving Consultancy Services in different areas of tax to large Multinationals as well as Reputed Indian Companies. He is the Joint Secretary (North) and Member 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 as well as Trustee of Bhartiya Shaheed Sainik Vidyalaya.

Mr. Rainer Jueckstock, a graduate engineer from the Military College in Germany, was an army officer before joining Goetze GmbH in 1990 as plant controller. Thereafter, he has held various senior management positions in the Goetze Group, and later in the T&N Group. Presently he is senior vice president, Global – Powertrain, Federal -Mogul Corporation, USA, looking after their global Business unit for Powertrain products (pistons, rings, liners, bearings and others). He is a member of the board of directors of several companies of the Federal - Mogul Group in Turkey and USA. He has been a Director in our Company since September, 2003.

Mr. Vishvjeet Kanwarpal, has been a member of our Board since January 22, 2007. After completing his International Baccalaureate from the United World College of the Atlantic, Wales, U.K. Mr. Kanwarpal was at the St. Stephen's College, Delhi. He then completed a Bachelor of Science degree from the Massachusetts Institute of Technology, Cambridge, USA in the year 1991 in addition to courses at MIT Sloan School of Management and the Kennedy School of Government, Harvard. Thereafter, from 1991 and 1995, he worked as a Senior Consultant at EDS-JSA International Inc., Cambridge, USA. Between 1992-1993 he was deputed as a consultant with JSA Conseil, SA, Paris, France. Presently, he is the Chief Executive Officer and the Managing Director of Asia Consulting Group (P) Ltd. and Global InfraSys (P) Limited wherein he is directing the infrastructure strategy practice in *inter alia* the following sectors – Power, Energy, Transport and Telecommunication.

Details of Borrowing Powers

Vide a resolution passed at the EGM of the Company held on July 16, 2002, consent of the shareholders of the Company has been accorded to increase the limit of the borrowing powers of the Company under Section 293(1) (d) of the Companies Act to Rs. 3,000,000,000.

The Board of Directors of the Company in their meeting held on January 30, 2006 enhanced the working capital limits of the Company from Rs. 985,000,000 to Rs. 1,310,000,000 (Fund Based-Rs. 1,200,000,000 & Non Fund Based – Rs.110,000,000).

Corporate Governance

The guidelines in respect of corporate governance are applicable to the Company as its shares are listed on BSE and NSE. The Company is ensuring on-going compliance with all requirements pertaining to corporate governance.

Due to the sudden demise of one of our directors and the resignation of one other Director, for a brief period in the quarter ending December 31, 2006 and up to January 22, 2007, our Company was not in compliance with respect to the provisions of Clause 49 of the listing agreement relating to the requisite number of independent directors on the Board. However, effective from January 22, 2007 the Company is in compliance with these requirements of clause 49. The following committees of the Board of Directors for compliance with the corporate governance requirements have been constituted:

- Audit Committee;
- Shareholder's Committee/Investor Grievance Committee

- Remuneration Committee; and
- Share Transfer Committee.

Audit Committee

The Audit Committee was constituted vide a resolution passed by the Board at its meeting held on June 17, 1997. The terms of reference of the audit committee covers the matters specified under Section 292A of the Companies Act. The committee is responsible for effective supervision of the financial operations and ensuring that financial, accounting activities and operating controls are exercised as per the laid down policies and procedures.

The current terms of reference of the audit committee fully comply with the requirements of clause 49 of the listing agreement as well as Section 292 A of the Companies Act. 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.

The audit committee consists of the following Directors:

Name of the Director	Designation in the Committee	Nature of Directorship
Mr. Mukul Gupta	Member - Chairman	Independent Director
Mr. Vishvjeet Kanwarpal	Member	Independent Director
Mr. Charles B Grant	Member	Non Executive Director

Shareholders' / Investors' Grievance Committee

The Company has formed a shareholders' / investors' grievance committee pursuant to clause 49 of the listing agreement for looking into the redressal of shareholders' and investors' complaints like transfer of shares, non-receipt of balance sheet etc. The shareholders'/investors' grievance committee was constituted vide a resolution passed by the Board at its meeting held on July 25, 2001. The composition of the shareholders' / investors' grievance committee is as follows:

Name of the Director	Designation in the Committee	Nature of Directorship
Mr. Charles B. Grant	Member - Chairman	Non Executive Director
Mr. Rustin Murdock	Member	Managing Director
Mr. Mukul Gupta	Member	Independent Director
Mr. Vishvjeet Kanwarpal	Member	Independent director

The shareholders/investor grievance committee looks into the redressal of shareholders/investors grievances, if any, like delay in transfer/transmission/dematerialization of shares, loss of share certificates, non-receipt of annual report, dividend warrants etc.

Remuneration Committee

The Company has constituted a remuneration committee pursuant to the requirement of Schedule XIII of the Companies Act for approving remuneration to the executive Directors. This remuneration committee, while approving minimum remuneration under Schedule XIII, takes into account the financial position of the Company, trends in industries, director's qualifications, experience, past performance, past remuneration etc. The remuneration committee was constituted vide a resolution passed by the Board at its meeting held on June 15, 2002. The composition of the remuneration committee is as follows:

Name of the Director	Designation in the Committee	Nature of Directorship
Mr. Vishvjeet Kanwarpal	Member - Chairman	Independent Director
Mr. Mukul Gupta	Member	Independent Director
Mr. Rainer Jueckstock	Member	Non Executive Director
Mr. Charles B. Grant	Member	Non Executive Director

The Remuneration Committee has been constituted to determine and review the remuneration packages of the Managing Director and/or executive Directors.

Share Transfer Committee

The share transfer committee was constituted vide a resolution passed by the Board at its meeting held on August 24, 1978. The composition of the share transfer committee is as follows:

Name of the Director	Designation in the Committee	Nature of Directorship
Mr. Rustin Murdock	Member - Chairman	Managing Director
Mr. Mukul Gupta	Member	Independent Director
Mr. Vishvjeet Kanwarpal	Member	Independent Director

The terms of reference of this committee *inter alia* include issuing of share certificates, approving transfer of shares, consolidation of share certificates and exercising such powers in connection with the transfer, and transmission of shares, consolidation and sub-division of share certificates, issue of share certificates etc.

Shareholding of the Directors

Our Articles of Association do not require our Directors to hold any qualification shares. None of our Directors hold any Equity Shares in the Company as on the date of filing of Letter of Offer.

Interest of our Directors

Mr Rustin Murdock may be deemed to be interested to the extent of the remuneration payable to him by the Company.

Mr. Vishvjeet Kanwarpal and Mr. Mukul Gupta may be deemed to be interested to the extent of fees payable to them for attending meetings of the Board or a committee thereof. For further details regarding the remuneration and sitting fees payable to our Directors, please refer to page 144 of this Letter of Offer.

Except as stated above and transactions disclosed in “Auditors Report and Financial Information – Related Party Disclosures” on page 196 of this Letter of Offer, no amount or benefit has been paid or given to our Directors or officers during the last three years nor is it intended to be paid or given to any Directors or Officers of our Company except normal remuneration and/or disbursement for services as Directors, officers or Employees of our Company.

Remuneration of our Directors

All our non-executive Directors are entitled to sitting fees of Rs. 20,000 per Board meeting and Rs. 10,000 per meeting of a committee of the Board.

Mr. Rustin Murdock

In terms of the Board Resolution dated September 24, 2007, the remuneration payable to Mr. Rustin Murdock which includes the gross salary and perquisites, is subject to the limits of 5% and 10% of net profits of the Company as per Section 309 (3) of the Companies Act and the overall limit of 11% of the net profits as per Section 198 (1) of the Companies Act, the gross salary and perquisites payable to him are set out below:

Base Salary	:	Salary in the scale of US \$ 128,000 – US \$ 160,000 per annum subject to annual review by the Board / Remuneration Committee. The Base Salary will be paid by FMC to Mr. Murdock and the Company shall reimburse such payments to FMC. Payments to FMC would be converted into Indian Rupees as per exchange rates applicable as on date of remittance to FMC,
Indian Allowances	:	Maximum of Rupees 75,00,000/- per annum
Perquisites	:	<ul style="list-style-type: none"> ▪ Residential premises: Our Company will provide to Mr. Murdock furnished residential accommodation including payment of electricity and water charges subject to a maximum of Rs. 45,00,000/- per annum.; ▪ Bonus: Mr. Murdock will be entitled to a bonus from FMC subject to a maximum of US \$ 50,000 per annum, which will be reimbursed by the Company to FMC (to be converted into Indian Rupees as per exchange rates applicable as on date of remittance to FMC); ▪ Mobility Premium: 15% of the base salary per annum, subject to a maximum cap of US Dollar 15,000 per annum which will be paid by FMC and reimbursed by the Company to FMC. (to be converted into Indian Rupees as per exchange rates applicable as on date of remittance to FMC). Hardship Premium: 15% of base salary per annum, subject to a maximum of US \$ 2,000 per pay period which will be paid by FMC and reimbursed by the Company to FMC; ▪ Shipment of personal effects: all reasonable expenses incurred for insuring and shipping a limited amount of Mr. Murdock's personal effects to his home country at the time of his repatriation; ▪ Home Leave: Mr. Murdock and his accompanying dependents will be eligible for reimbursement of actual costs for business class round trip airfare between India and the home country plus the cost of all reasonable enroute expenses, subject to a maximum of Rupees 10,00,000/- per annum; ▪ R&R trip: annual reimbursement of up to US \$ 3,000 per adult (to be converted into Indian Rupees as per exchange rates applicable as on the date of travel) for family members on assignment with him relating to one-week "R&R" trip, subject to a maximum of Rs. 3,00,000/- per annum; ▪ Conveyance – Car facility with driver for official use as per the Company's rules, policies, procedures and practices; ▪ Employee Benefit Plan: Mr. Murdock and his family will participate in all employee benefit plans of FMC which will be paid by the FMC and reimbursed by the Company to FMC, subject to a maximum of US \$ 10,000 per annum; ▪ Business expenses- Reimbursement of reasonable and necessary expenses incurred in performance of services, inclusive but not limited to travel, entertainment professional dues, subscription and dues, fees and expenses associated with membership in various professional, business or civic associations where Mr. Murdock's participation is in the best interest of the Company; and ▪ Vacation- In accordance with Company's rules, policies, procedures and practices.

Mr. Mukul Gupta

Mr. Mukul Gupta is paid a sitting fee of Rs. 20,000 per Board meeting and Rs. 10,000 per meeting of a committee of the Board. He is not paid any salary/remuneration by the Company.

Mr. Vishvjeet Kanwarpal

Mr. Vishvjeet Kanwarpal is paid a sitting fee of Rs. 20,000 per Board meeting and Rs. 10,000 per meeting of a committee of the Board. He is not paid any salary/remuneration by the Company.

Mr. Charles Polzin

Mr. Charles Polzin is not paid any sitting fees and nor does he receive any remuneration from our Company.

Mr. Charles Grant

Mr. Charles Grant is not paid any sitting fees and nor does he receive any remuneration from our Company.

Mr. Rainer Jueckstock

Mr. Rainer Jueckstock is not paid any sitting fees and nor does he receive any remuneration from our Company.

Details as to the remuneration paid to directors for the last three years is laid out below:

Name of the Director	Payment received in 2003-04 (in INR)	Payment received in 2004-05 (in INR)	Payment received 2005-06 (in INR)	Payment received from April 1 to December 31, 2006 (in INR)
Field Marshal Manekshaw Sam M.C**	20000	NIL	NIL	NIL
Mr. L.M. Thapar***	NIL	NIL	NIL	NIL
Mr. Nikhil Nanda****	5000	NIL	NIL	NIL
Dr. Surinder Kapur *****	10000	20000	20000	NIL
Mr. Rajen A. Kilachand*****	5000	NIL	NIL	NIL
Mr. Chakor L Doshi.*****	10000	5000	25000	NIL
Mr. Anil Nanda^	11,361,856	19,159,094	13,178,796	1,463,363
Mr. Arun Anand®	9,594,770	14,945,563	4,787,707	11,980,129
Mr. M.M. Sabharwal*	70,000	45,000	80,000	130,000
Dr. R. C. Vaish*****	60,000	35,000	70,000	70,000
Mr. Mukul Gupta	-	-	-	140,000
Mr. Rustin Murdock @®	-	-	-	-

** Field Marshal Manekshaw has resigned as a Director with effect from March 19, 2004

***Mr. Thapar has resigned as a Director with effect from July 26, 2005

**** Mr. Nikhil Nanda has resigned as a Director with effect from September 23, 2005

***** Dr. Kapur has resigned as a Director with effect from May 10, 2006

***** Mr. Kilachand has resigned as a Director with effect from May 10, 2006

***** Mr. Doshi has resigned as a Director with effect from May 11, 2006

* Mr. Sabharwal has resigned as a Director of our Company with effect from November 1, 2006.

***** Dr. R.C. Vaish has resigned as a Director of our Company with effect from January 19, 2007

^ Mr. Anil Nanda has resigned as a Director of our Company with effect from January 22, 2007. Further, the payment as shown above is upto the period May 12, 2006, the date of him becoming a non-executive director of our Company

® Mr. Arun Anand has resigned from the positions of Vice-Chairman, Managing Director & CEO and Director of the Company at its Board Meeting held on September 24, 2007

@® Mr. Rustin Murdock has been appointed as Managing Director & CFO in the casual vacancy caused due to resignation of Mr. Arun Anand at the Board Meeting held on September 24, 2007 and therefore he did not receive any remuneration as a director during the last three years.

Commission payable to our Directors

Vide a resolution of our shareholders passed at the EGM held on June 16, 2006 it was resolved that a payment of commission for a period of five (5) years commencing from the financial year 2006-2007 at the rate of 1% of the profits of the Company, computed in the prescribed manner, for each of the financial years, shall be made to such Directors, who are neither, Managing nor whole time Directors. In terms of the said resolution, the aggregate amount of money payable by way of commission in any year shall be distributed amongst such Directors, in such manner and in such proportion as may be determined by the Board.

Changes in the Board in the last three years

Name	Date of Appointment	Date of Cessation	Reasons for change
Field Marshal Manekshaw Sam M.C	June 27, 1988	March 19, 2004	Resigned
Mr. L.M. Thapar	March 3, 1978	July 26, 2005	Resigned
Mr. Nikhil Nanda	April 16, 1997	September 23, 2005	Resigned
Dr. Surinder Kapur	December 19, 2003	May 10, 2006	Resigned
Mr. Rajen A. Kilachand	April 16, 1997	May 10, 2006	Resigned
Mr. Chakor L. Doshi	June 29, 1994	May 11, 2006	Resigned
Mr. MM Sabharwal	April 3, 1978	November 1, 2006	Resigned
Mr. Brian L. Ruddy	May 12, 2006	December 20, 2006	Demise
Mr. Anil Nanda	April 7, 1977	January 22, 2007	Resigned
Dr. R. C. Vaish	September 22, 2001	January 19, 2007	Resigned
Mr. Arun Anand	September 24, 2002	September 24, 2007	Resigned from the position of Vice-Chairman, Managing Director and CEO
Mr. Charles H. Polzin	May 12, 2006	Continuing	Nominee Director of Federal -Mogul, Corporation, USA.
Mr. Mukul Gupta	May 12, 2006	Continuing	Independent Director appointed as required by clause 49 of the listing agreement.
Mr. Charles B. Grant	May 12, 2006	Continuing	Nominee Director of Federal- Mogul, Corporation, USA.
Mr. Vishvjeet Kanwarpal	January 22, 2007	Continuing	Independent Director appointed as required by clause 49 of the listing agreement.
Mr. Rustin Murdock	September 24, 2007	Continuing	Appointed as Managing Director and Chief Financial Officer in the casual vacancy caused due to resignation of Mr. Arun Anand.

Brief Profile of our Key Managerial Personnel

Rustin Murdock, Managing Director & Chief Financial Officer

Mr. Murdock was serving as “Director, Plant Finance and Reporting” since July 1, 2006 before being appointed as the Managing Director and Chief Financial Officer to fill up the casual vacancy caused due to resignation of Mr. Arun Anand in the Board Meeting held on September 24, 2007. His profile has been discussed on Page 139 of this Letter of Offer.

Andreas Kolf, Executive Director, Operations, Delhi

Mr. Andreas Kolf, aged 44 years, cleared his first law exam from Westfalische Wilhelms University, Munster, Germany and his second law exam from Landesjustizprüfungsamt Nordrhein, Westfalen, Germany. Prior to joining our Company, Mr. Kolf has worked as a management assistant with Bundesverband NE-Metalhandel and NE-Metallrecyclingwirtschaft, Germany and ATS Bereiligungs GmbH, Germany. Mr. Kolf was then

appointed as the managing director at Stahlschmidt & Maiworm Sp.z.o.o in Poland. Mr. Kolf then served as the chief executive officer with Federal- Mogul, Gorzyce S.A. in Poland. Subsequently, Mr. Kolf went on to work with Borbetgroup, Borbet Thuringen GmbH, Borbet South Africa Pty. Limited, Austria Alu-GuB GmbH, Austria, Federal -Mogul Corporation, USA and Federal -Mogul GmbH, Germany before joining our Company in June 2006. Mr. Kolf's current designation in the Company is – “Executive Director, Operations, Delhi”.

Sunit Kapur, Plant Head, Patiala

Mr. Sunit Kapur, aged 32 years is a mechanical engineer from the Punjab University. He has been with our Company since 1995 and is currently the “Deputy General Manager and Plant Head, Patiala”.

Rajan Luthra, Financial Controller & Company Secretary, Delhi

Mr. Luthra, aged 45 years, is a science graduate from Delhi University. Mr. Luthra is an associate member of the Institute of Company Secretaries and is also an associate member of the Institute of Costs and Works Accountants of India. He also holds a Post Graduate Diploma in Personnel Management from Faculty of Management Studies, University of Delhi. Prior to joining our Company in 1997, Mr. Luthra had sixteen (16) years of experience. He worked for four (4) years at Talbros Automotive Components Limited as the deputy general manager, finance. Mr. Luthra also worked with Taylor Instruments Company Limited as manager, costing and budgeting; with Modern Food Industries Limited as accounts officer and also with Intercraft Limited in the capacity of an accounts supervisor. Mr. Luthra currently serves as the “Financial Controller & Company Secretary”.

Ashok R. Ahuja, Director-Procurement, Delhi

Mr. Ashok, aged 56 years, is a mechanical engineer from the Indian Institute of Technology, Delhi. Prior to joining our Company in 1992, Mr. Ahuja had twenty (20) years of experience. He was the regional manager and profit centre in-charge at Kone Elevators Limited, and also served as resident manager, Uttar Pradesh at Best and Crompton Engineering Limited. Mr. Ahuja has also worked as sales executive and assistant branch manager with SLM Manekalal Industries Limited and as Sales Engineer with Vickers India Private Limited. He also set up his own unit for manufacturing sheet metal pressed components parts. Mr. Ahuja currently serves as the “Director – Procurement, Delhi”.

Mohan Narayanan, Vice President - Corporate & Executive Director - Application Engineering & Sales.

Mr. Narayanan, aged 55 years is a science graduate from Delhi University and has a masters degree in business administration from Faculty of Management Studies, Delhi. Mr. Narayanan has also completed a course in computer programming from the Indian Institute of Technology, Delhi. Mr. Narayanan has been with our Company since 1972 and currently serves as the “Vice President - Corporate & Executive Director - Application Engineering & Sales” with effect from September 24, 2007.

Rakesh Anand, Director-Projects, Patiala

Mr. Anand, aged 55 years has a Bachelor of Technology in Mechanical Engineering [B. Tech (Mechanical)] from the Indian Institute of Technology, Delhi and a Masters in Technology [M. Tech (Hons.)] from the Thapar Institute of Engineering & Technology. Prior to his appointment in 1975, Mr. Anand was working with Punjab Anand Batteries Limited, Mohali for three (3) years as assistant engineer. Mr. Anand has also served as a graduate engineer trainee with Shriram Chemicals, Kota and as a plant trainee with Escorts Limited, Faridabad and Escorts Pistons Limited. Mr. Anand has been with our Company for thirty one (31) years and is currently serving as our “Director, Projects”.

K. Saravaran, General Manager, Operations, Bangalore

Mr. Saravaran aged 40 years, has a diploma in mechanical engineering from Government Polytechnic, Coimbatore. He joined our Company in 1986, prior to which he was a maintenance supervisor trainee with United Glass for a period of two (2) years. Presently, Mr. Saravran is the “General Manager, Operations”.

Kallol Chakraborty, Director – Human Resource & Industrial Relations, Delhi

Mr. Chakraborty, aged 42 years, is an Arts graduate from Jadavpur University. Mr. Chakraborty also holds a Bachelor of Law degree from Calcutta University. He also holds a Post Graduate Diploma in Personnel Management from National Institute of Personnel Management, Calcutta. Prior to joining our Company in February, 2007, Mr. Chakraborty had sixteen (16) years of experience. He worked for about three (3) years at Calcutta Port Trust as Labour Officer. He then joined Hindustan Lever Limited and served there for ten (10) years holding various positions. Thereafter, he joined Delphi Automotive Systems as General Manager, Human Resources and worked there for two years. He then took over as Regional HR Manager in Hindustan Lever Limited and served there for about two years. Mr. Chakraborty currently serves as the “Director – Human Resources and Industrial Relations.

Rajesh Sinha, Director – Quality, Delhi

Mr. Sinha, aged 37 years, is an Engineering graduate from Bhilai Institute of Technology, Bhilai. He also holds a Post Graduate Diploma in Business Management from Institute of Management Technology, Ghaziabad. Prior to joining our Company in 2007, Mr. Sinha had sixteen (16) years of experience. He worked over One (1) year at Gabriel India Limited, Pune, as the deputy general manager, Corporate Quality. Mr. Sinha also worked with Shriram Pistons and Rings Ltd, Ghaziabad as manager, Quality Assurance; with Hero Motors, Ghaziabad as Senior Engineer. Mr. Sinha also worked for a small period of time with Tata Yazaki AutoComp Ltd, Pune and also for Hitech Gears Ltd. Bhiwadi for small period. Mr. Sinha currently serves as the “Director Quality”.

Avinash Bhalla, Director-Manufacturing, Delhi

Mr. Avinash Bhalla, aged 43 years, is a Mechanical Engineering graduate from Manipal Institute of Technology and a professionally qualified as a TPM Instructor from JIPM, Japan and an OHSAS auditor. Mr. Bhalla has twenty one (21) years of experience in Manufacturing, engineering, projects, TPM, quality assurance and general management. He has widely traveled to Germany, Japan, United Kingdom, Singapore on induction of technologies and bench marking exercises. Having worked with various organizations at various levels and prior to joining our Company was working with Hindustan Unilever Ltd. as Head – Bhuj Operations. Mr. Bhalla currently serves as the “Director – Manufacturing, Delhi”.

All our key managerial personnel are permanent employees and on the rolls of our Company.

Shareholding of the Key Managerial Employees

None of our key managerial employees hold any Equity Shares in the Company.

Bonus or Profit Sharing Plan for our Key Managerial Employees

There is no profit sharing plan for our key managerial employees. Our Company also believes and places great importance in efficiency and on the basis of the same, a performance based incentive and award scheme is being followed by the Company.

Changes in the Key Managerial Personnel during last three years

S. No.	Name & Designation	Date of joining	Date of leaving	Reason for change
1.	Mr. S. Ahluwalia, Plant Head – Patiala	October 30, 1978	October 30, 2004	Resignation
2.	Mr. G.S. Rao – Plant Head - Bangalore	July 13, 1991	December 1, 2003	Resignation
3.	Andreas Kolf, Executive Director, Operations- Delhi	June 12, 2006	Continuing	Appointed as Executive Director, Operations- Delhi
4.	Rustin Murdock, Managing Director & Chief Financial Officer	July 1, 2006	Continuing	Appointed as Director, Plant Finance – Delhi. Subsequent to Mr. Arun Anand’s resignation, Mr. Rustin Murdock (who was earlier designated as Director –

S. No.	Name & Designation	Date of joining	Date of leaving	Reason for change
				Plant Finance) was appointed as the Managing Director and CFO in the Board Meeting held on September 24, 2007
5.	Rajesh Sinha, Director - Quality, Delhi	February 2, 2007	Continuing	Appointed as Director, Quality- Delhi
6.	Kallol Chakraborty, Director – HR and IR, Delhi	February 12, 2007	Continuing	Appointed as Director, HR & IR- Delhi
7.	Avinash Bhalla, Director- Manufacturing,, Delhi	June 25, 2007	Continuing	Appointed as Director- Manufacturing, Delhi
8.	Arun Anand. Managing Director, CEO & Vice-Chariman	April 26, 1982	September 24, 2007	Resignation

Payment or benefit to officers of our Company

As part of their total compensation, the key managerial employees are offered a comprehensive and competitive benefit package which includes the following:

- (a) House lease/House Rent allowance;
- (b) Conveyance Allowance
- (c) Education Allowance
- (d) Special allowance;
- (e) Leave travel allowance;
- (f) Medical reimbursement;
- (g) Superannuation;
- (h) Gratuity and provident fund in accordance with the Payment of Gratuity Act, 1972 and Employees Provident Fund and Miscellaneous Provisions Act, 1952;
- (i) Medical Insurance Hospitalization Scheme.

Our Company also believes and places great importance in efficiency and on the basis of the same, a performance based incentive and award scheme is being followed by the Company.

Remuneration paid to Key Managerial Personnel

S No.	Name of Key Managerial Personnel	2003-04	2004-05	2005-06	April 06- December 06
1.	Andreas Kolf, Executive Director, Operations, Delhi	N/A	N/A	N/A	8,408,282
2.	Sunit Kapur, Plant Head, Patiala	86,695	150,760	285,975	5,96,866
3.	Rajan Luthra, Financial Controller & Company Secretary, Delhi	1,320,148	1,467,496	1,963,996	2,892,970
4.	Ashok R. Ahuja, Director-Procurement, Delhi	1,531,799	1,759,800	2,447,242.60	3,389,565
5.	Mohan Narayanan, Vice President - Corporate & Executive Director - Application Engineering & Sales.	1,559,995	2,141,370	2,767,715	1,719,920
6.	Rakesh Anand, Director Projects, Patiala	1,230,680	2,009,138	2,489,688	3,326,350
7.	K. Saravaran, General Manager, Operations, Bangalore	180,840	250,500	834,320	1,204,866

S No.	Name of Key Managerial Personnel	2003-04	2004-05	2005-06	April 06-December 06
8.	Rustin Murdock, Director - Plant Finance, Delhi (till September 24, 2007)	N/A	N/A	N/A	8,484,101
9.	Rajesh Sinha, Director – Quality, Delhi#	N/A	N/A	N/A	N/A
10	Kallol Chakraborty, Director – HR & IR, Delhi#	N/A	N/A	N/A	N/A
11.	Avinash Bhalla, Director- Manufacturing, Delhi#	N/A	N/A	N/A	N/A

#have joined our Company after December 2006

The remuneration paid for nine (9) month period of April 1, 2006 – December 31, 2006, includes salary, leave pay, commission / performance bonus, actual expenditure on rent free accommodation and benefits and amenities, contribution to provident fund, gratuity fund and superannuation fund.

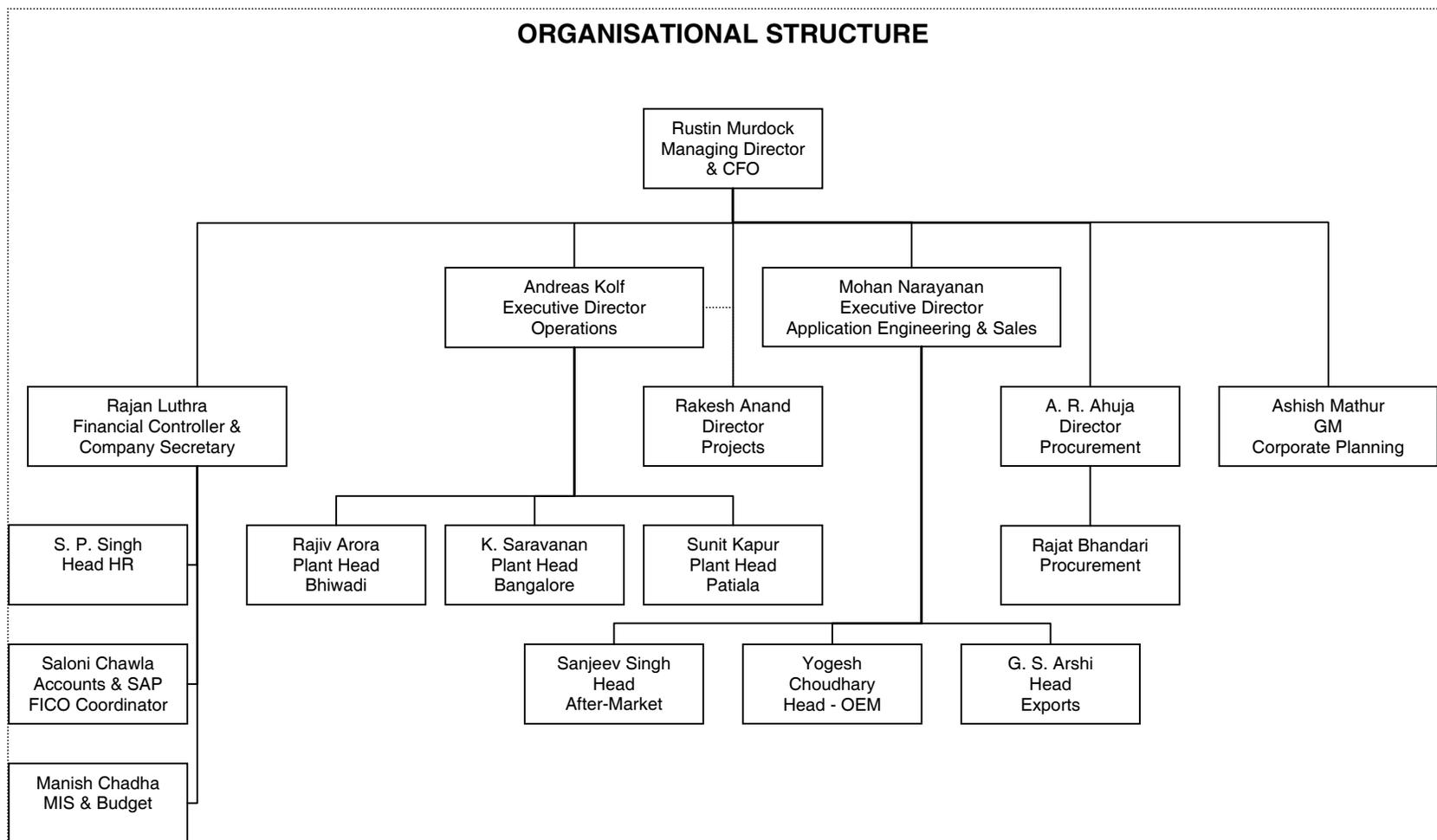
Details of Housing Loans given to our Key Managerial Employees

S. No.	Name of Key Managerial Personnel	Balance on March 31, 2004	Balance on March 31, 2005	Balance on March 31, 2006	Balance on December 31, 2006
1.	Mr. Mohan Narayanan, Vice President - Corporate & Executive Director - Application Engineering & Sales.	482,909	384,765.51	281,600.51	Nil
2.	Mr. Rakesh Anand, Director- Projects, Patiala	-	308,818.13	242,219.13	Nil

Interests of our key managerial employees

None of our key managerial employees have any interest in our Company except as disclosed above and except to the extent of their remuneration and benefits.

ORGANISATIONAL STRUCTURE



OUR PROMOTERS AND PROMOTER GROUP

Our promoters are FM Germany and FM Holdings, who together own a majority of the equity shares issued by us. FM Germany and FM Holdings are indirectly owned and controlled by Federal-Mogul Corporation (“**FMC**”). For purposes of this Letter of Offer, companies which directly or indirectly owned and controlled by FMC shall be referred to as the “Federal-Mogul Group”. FMC is instrumental in formulating our key policies, including those related to this Issue. FMC is therefore considered to be our Promoter. In this Letter of Offer, all the three companies – FMG, FMH and FMC are referred to as our Promoter(s). Details of the Promoter shareholding are discussed on page 63 of this Letter of Offer.

FMC

Corporate structure

FMC was incorporated in 1924 under the laws of Michigan USA as a result of the merger of the Mogul Metal Company and Federal-Bearing and Bushing. In 1955 its name was changed to Federal-Mogul-Bower Bearings, Inc., but in 1965 its name changed back to Federal-Mogul Corporation. FMC is a global manufacturer and distributor of a broad range of vehicular components, for automobiles and light trucks, heavy duty trucks, farm and construction vehicles and industrial products. Such components include powertrain systems components (primarily bearings, rings and pistons), sealing systems components (dynamic seals and gaskets) and general products (primarily camshafts, friction products, sintered products and system protection products). FMC markets its products to many of the world’s major original equipment (“**OE**”) manufacturers. FMC also manufactures and supplies its products and related parts to the aftermarket relating to each of these product segments. Among FMC’s largest customers are Caterpillar, Chrysler, Cummins, Ford, General Motors, Mercedes-Benz, NAPA, Peugeot and Volkswagen/Audi (in alphabetical order).

FMC has traditionally focused on the manufacture and distribution of engine bearings and sealing systems. From 1990 through 1996, FMC pursued a strategy of opening retail auto stores in various domestic and international locations. These geographically dispersed stores proved burdensome to manage and resulted in substantial operating losses. In the fourth quarter of 1996, Federal-Mogul initiated a change of management, following which FMC initiated a significant restructuring program designed to refocus FMC on its core competence of manufacturing. As part of its restructuring, FMC closed or sold substantially all of its retail operations. FMC also began to pursue a growth strategy of acquiring complementary manufacturing companies that enhance FMC’s product base, expand its global manufacturing operations and provide opportunities to capitalize on FMC’s aftermarket distribution network and technological resources.

In connection with its growth strategy, on March 6, 1998, FMC acquired T&N plc (“**T&N**”) a United Kingdom based supplier of engine and transmission products. T&N manufactured and supplied high technology engineered automotive components and industrial materials including pistons, friction products, bearings, systems protection, camshafts and sealing products. On February 24, 1998, FMC acquired Fel-Pro incorporated and certain affiliated entities, which constitute the operating businesses of the Fel-Pro group of companies (“**Fel-Pro**”), a privately owned automotive parts manufacturer. Fel-Pro was a premier gasket manufacturer for the North American aftermarket and OE heavy duty market. On October 9, 1998, FMC acquired from Cooper Industries, Inc. its automotive operations, which included such products as Champion sparkplug, Anco wipers, Moog chassis parts and Wagner brakes.

On October 1, 2001, (the “**Petition Date**”), FMC and all of its wholly owned United States subsidiaries filed voluntary petitions for reorganizations (the “**U.S. Restructuring**”) under Chapter 11 of the United States Bankruptcy Code (the “**Bankruptcy Code**”) in the United States Bankruptcy Court for the District of Delaware (the “**Bankruptcy Court**”). Also on October 1, 2001, certain of FMC’s United Kingdom subsidiaries filed voluntary petitions for reorganization under Chapter 11 of the Bankruptcy Code and petitions for Administration (the “**U.K. Restructuring**”) under the United Kingdom Insolvency Act of 1986 (the “**Act**”) in the High Court of Justice, Chancery division in London, England (the “**High Court**”). In November, 2006, the High Court approved the discharge of the Administration proceedings for those United Kingdom subsidiaries that entered into Company Voluntary Arrangements. FMC and its U.S. and U.K. subsidiaries included in the U.S. Restructuring or the U.K. Restructuring are herein referred to as the Debtors. The U.S. Restructuring and U.K. Restructuring are herein referred to as the “**Restructuring Proceedings**”. The Chapter 11 cases of the Debtors (collectively, the “**Chapter 11 Cases**”) have been consolidated for purposes of joint administration as In re: Federal-Mogul Global Inc., T&N Limited, et. al (Case No. 01-10578(JKF)). Subsidiaries outside of the aforementioned U.S. and U.K. subsidiaries are not party to any insolvency proceeding and, therefore, are not currently provided protection from creditors by any insolvency court and are operating in the normal course.

The Restructuring Proceedings were initiated in response to a sharply increasing number of asbestos-related claims and their demand on FMC's cash flows and liquidity. Under the Restructuring Proceedings, the Debtors expect to develop and implement a plan for addressing the asbestos-related claims against them. This issue has been discussed on page 281 of this Letter of Offer.

FMC currently has operations in 35 countries and has its registered office at 26555 Northwestern Highway Southfield, Michigan.

The company's articles of incorporation authorize the issuance of 260,000,000 shares of common stock. The common stock trades on National Association of Securities Dealers Automated Quotation System (NASDAQ) on over-the-counter bulletin board market under the ticker symbol "FDMLQ.OB", with effect from April 24, 2002. As on August 6, 2007, the traded price was USD 0.66. The highest and lowest market price during the preceding twelve months is USD 1.29 and USD 0.36 respectively.

Subsequent to filing for bankruptcy protection, the price of the of the company's stock fell and stayed at a price below the minimum required level by the New York Stock Exchange. Accordingly from April 24, 2002, the trading was suspended and began to be traded on the over-the-counter bulletin board.

The last public offering by the company closed on December 18, 1998. Fourteen million shares of common stock were offered for the purpose of prepaying a portion of certain loans used for part financing the acquisition of Cooper Automotive. Approximately USD 774,400,000 was raised, and except for costs of issuance, the proceeds were used for the intended purpose.

Shareholding Pattern

The shareholding pattern of FMC as on August 6, 2007, is as follows:

Particulars	No. of Shareholders	% of Total	No. of Shares	% of Total
Individual	3,854	58.4%	1,836,669.88	2.1%
Individual IRA	25	0.4%	35,108.04	0.0%
Individual Fiduciary	511	7.7%	212,482.98	0.2%
Joint Tenants In Common	13	0.2%	6,532.96	0.0%
Joint Tenants In Entirety	5	0.1%	8,407.93	0.0%
Joint Tenants Wros	1,955	29.6%	937,087.28	1.0%
Community Property	5	0.1%	2,793.47	0.0%
Joint Fiduciary	92	1.4%	58,783.27	0.1%
Partnership	79	1.2%	5,175.54	0.0%
Bank	2	0.0%	306	0.0%
Broker	9	0.1%	8,238.92	0.0%
Nominee	7	0.1%	86,318,840.34	96.5%
Corporation	29	0.4%	60,297.37	0.1%
Non-Profit	15	0.2%	3,878.78	0.0%
TOTAL	6,601	100.0%	89,494,602.75	100.0%

Board of Directors

As on the date of filing of this Letter of Offer with SEBI, the board of directors of FMC comprises- Mr. Jose Maria Alapont, Ms. Shirley D. Peterson, Mr. John J. Fannon, Mr. John C. Pope, Mr. Paul S. Lewis, and Sir Geoffrey Whalen C.B.E.

Financial Performance

The following table sets forth, for the periods indicated, a summary of the financial performance

For the year	USD mn		
	31- December -04	31- December -05	31- December -06
Share Capital	(1,925.7)	(2,433.0)	(1,747.9)
Net Sales	6,174.1	6,286.0	6,326.0

Profit After Tax before continuing operations	(325.5)	(334.2)	(549.6)
Earnings per share	(3.83)	(3.75)	(6.15)
Net Asset Value (per share)	-	-	-

For the six months ending 30 June 2006 and 2007, the summary financial performance is as follows:

	30-Jun-06	30-Jun-07
Share capital	(1,747.9)	(1,615.2)
Net Sales	3,231.9	3,479.9
Net Income(Loss)	(85.2)	8.5
Earnings per share	(0.96)	0.09
Net Asset Value (per Share)	-	-

Contingent liability

In accordance with U.S. Generally Accepted Accounting Principles ("US GAAP"), SFAS No. 5, *Commitments and Contingencies*, states that companies must look at whether a contingency exists, the likelihood that the future event or events will confirm the loss or impairment of an asset or the incurrence of a liability can range from probable to remote. (**Probable** - the future event or events are likely to occur, **Reasonable Possible** - the chance of the future event or events occurring is more than remote but less than likely and **Remote** - the chance of the future event or events occurring is slight). Federal-Mogul would disclose in the US GAAP public filing all items that meet the above criteria. Federal-Mogul also assesses whether the contingency, if applicable, is material to the business and the investors of FMC. If it is deemed immaterial, no disclosure would be made. All material contingencies have been disclosed in the 2006 Annual Report Form 10-K, which can be located at www.federalmogul.com/en/Investors/. Material contingent liabilities that have been disclosed include the following:

FMC holds a 50% non-controlling interest in a joint venture located in Turkey. This joint venture was established for the purpose of manufacturing and marketing automotive parts including pistons, pins, piston rings, and cylinder liners, to OE and aftermarket customers. Pursuant to the joint venture agreement, FMC's partner holds an option to put its shares to a subsidiary of FMC at the higher of the current fair value or a guaranteed minimum amount. The guaranteed minimum amount represents a contingent guarantee of the initial investment of the joint venture partner and can be exercised at the discretion of the partner. The term of the contingent guarantee is indefinite, consistent with the terms of the joint venture agreement. However, the contingent guarantee would not survive termination of the joint venture agreement. As of June 30, 2007, the total amount of the contingent guarantee, were all triggering events to occur, approximated \$55 million. Management believes that this contingent guarantee is substantially less than the estimated current fair value of the joint venture partners interest in the affiliate. If this put option is exercised at its estimated current fair value, such exercise would have a material effect on FMC's liquidity. Any value in excess of the minimum guaranteed amount of the put option would be the subject of negotiation between FMC and its joint venture partner.

In accordance with SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*, FMC has determined that its investments in Chinese joint venture arrangements are considered to be "limited-lived" as such entities have specified durations ranging from 30 to 50 years pursuant to regional statutory regulations. In general, these arrangements call for extension, renewal or liquidation at the discretion of the parties to the arrangement at the end of the contractual agreement. Accordingly, a reasonable assessment cannot be made as to the impact of such contingencies on the future liquidity position of FMC. See also Civil Proceedings involving Federal-Mogul Corporation at page 278, Labour Proceedings involving Federal-Mogul Corporation up to September 10, 2007 at page 280, Litigations Involving Statutory and other offences at page 280, Bankruptcy proceeding involving Federal-Mogul Corporation and its subsidiaries at page 282, Environmental Proceedings involving Federal-Mogul Corporation and its subsidiaries at page 281, Roll over language for prior-bankruptcy liabilities of FMC and its subsidiaries at page 288.

FM Germany

Corporate structure

Shortly after its incorporation, our Company entered into collaboration arrangements with Goetzewerke Friedrich A.G. of Germany ("**Goetze-Werke**"). Goetze-Werke was succeeded by Goetze AG, which was transformed from a stock corporation into Goetze GmbH, a limited liability company on Nov. 22, 1993, following its acquisition by Ferodo Beral GmbH, a subsidiary of T&N plc in 1993. Goetze GmbH changed its name on October 4, 1994 to Goetze Vermoegensverwaltungs GmbH. Subsequent to Federal-Mogul acquiring T&N PLC in 1998, Goetze Vermoegensverwaltungs GmbH changed its name to Federal-Mogul Vermoegensverwaltungs GmbH.

FM Germany has its registered office at Buergermeister-Schmidt-Str. 17 in 51399 Burscheid, Germany. The company has an affiliate in Dresden, the Federal-Mogul Dresden Zweigniederlassung der Federal-Mogul Vermoegensverwaltungs, GmbH, having its registered office at An der Schleife 12, 01099 Dresden, Germany.

FM Germany's main business is the administration of the property and the assets of the company and any other administrative duties for the Goetze group and other group companies. The company is authorized to do all businesses and assume all measures suitable to promote the object of the company. The company may found other companies, participate thereon, represent them and establish co-operations and enter into similar contracts insofar as legally permitted.

The object of its affiliate in Dresden is processing of iron, other metals and materials, trade of these products and all other businesses in connection with the processing of iron, other metals and other materials. The authorized share capital of FM Germany is DEM 10,160,000 (€ 5,194,725), comprising of six shares:

1 share for DEM 9,000,000	FM Friction Products GmbH (€ 4,601,626,93)
1 share for DEM 990,000	FM Friction Products GmbH (€ 506,178,96)
1 share for DEM 155,000	FM Friction Products GmbH (€ 79,250,24)
1 share for DEM 10,000	FM Verwaltungs-und Beteiligungs GmbH(€5,112,92)
1 share for DEM 4,000	FM Burscheid GmbH (€ 2,045,17)
1 share for DEM 1,000	FM Burscheid GmbH (€ 511,29)

Shareholding pattern

The shareholding pattern of FM Germany as on date on the date of filing of this Letter of Offer with SEBI is as follows:

1 share for DEM 9,000,000	FM Friction Products GmbH (€ 4,601,626,93)
1 share for DEM 990,000	FM Friction Products GmbH (€ 506,178,96)
1 share for DEM 155,000	FM Friction Products GmbH (€ 79,250,24)
1 share for DEM 10,000	FM Verwaltungs- und Beteiligungs GmbH (€ 5,112,92)
1 share for DEM 4,000	FM Burscheid GmbH (€ 2,045,17)
1 share for DEM 1,000	FM Burscheid GmbH (€ 511,29)

Board of Directors

As on the date of filing of this Letter of Offer with SEBI, the board of directors comprises- Mr. Michael Hedderich, Remscheid, Mr. Friedel Martiny, Lagenfeld, and Mr. Karlheinz Eckel, Geisenheim.

Financial Performance

The following table sets forth, for the periods indicated, a summary of the financial performance (Figures are in Euro's)

For the year	31- December -04	31- December -05	31- December -06
Share Capital	DEM 10,160,000 (EUR 5,194,725)	DEM 10,160,000 (EUR 5,194,725)	DEM 10,160,000 (EUR 5,194,725)
Reserves	62,459,345	59,935,57	57,762,017
Total Income	41,018,487	40,241,432	43,748,170

For the year	31- December -04	31- December -05	31- December -06
Profit After Tax	7,736,908	8,847,698	8,351,638
Earnings per Share	76.15	87.08	82.20
Net Asset Value (Per share)	1,516.87	1,204.09	1,184.13

The equity shares are not listed on any stock exchange and it has not made any public or rights issue in the preceding three (3) years. It is not a sick company.

No material / significant notes to accounts have been reported in the auditors report for the year ended December 31, 2006 except the following:

- (i) Irregularities regarding our Cash-Pooling-Agreement- possible infringement against § 30 GmbHG (Limited Liability Company Law). The company has granted loans for a total amount of KEUR 63.929 (credit balance Cash-Pool) as of the date of balance sheet, by means of continuous transfer of liquidity to the Federal-Mogul Holding Deutschland GmbH, Wiesbaden, within the frame of a Cash-Pooling-Agreement. These loans granted have been paid partially out of assets serving as preservation of the nominal capital, since, in accordance with § 30 article 1 Limited Liability Company Law, the receivables exceed the not bound assets (reserves and profits carried forward) of the company. As per judgment dated 24 November 2003 (AZ: II ZR 171/01) of the Federal-High Court of Justice such loans granted are considered an infringement of § 30 article 1 Limited Liability Company Law even in such cases, in which the receivables towards the shareholder are recoverable.

Contingent Liability

FM Germany has entered into following contingent liabilities:

- FM Germany, along with other Federal-Mogul German companies, may use the credit line issued by Commerzbank. All participants, including FM Germany, are jointly liable for all amounts borrowed with respect to such credit line.
- FM Germany has given a combined collateral (26 million Euro and 18 million Euro) in the land register as security for the whole credit facilities within Germany from Dresdner Bank and Commerzbank. The combined collateral means that the plants in Wiesbaden, Burscheid, Friedberg and Nürnberg have given such security together.

FM Holdings

Corporate Structure

FM Holdings was incorporated on December 30, 2003 as a private company limited by shares in the Republic of Mauritius under the Companies Act, 2001. It holds a Category 1 Global Business License and is regulated by the Financial Services Commission ("FSC"). Its principal activity is investment holding. The authorized share capital of FM Holdings is 36,000,000-, comprising of 36,000,000 shares of no par value.

Shareholding Pattern

The shareholding pattern of FM Holdings as on date on the date of filing of this Letter of Offer with SEBI is as follows:

Name	% of shareholding
Federal-Mogul Corporation	11.11
Federal-Mogul Investments B.V.	88.89

Board of Directors

As on the date of filing of this Letter of Offer with SEBI, the board of directors of FM Holdings comprises- Mr. Javed Aboobakar, Mr. Ken Alan Romine, Mr. Nath Govind, and Mr. Robert Rozycki.

Financial Performance

The following table sets forth, for the periods indicated, a summary of the financial performance

For the year	31- December -04 (USD)	31- December -05 (USD)	31- December -06 (USD)
Share Capital	4,000,000	4,000,000	36,000,000
Reserves & Surplus	(12,988)	(28,765)	17,616
Total Income	-	-	66,581
Profit After Tax	(12,988)	(15,777)	46,381
Earnings per share	-	-	-
Net Asset Value (per share)	0.99	0.99	1.00

Contingent Liability: Nil

We confirm that the Permanent Account Numbers, Bank Account Numbers, the Company Registration Numbers and the address of the Registrar of Companies where FMC, FM Germany and FM Holdings are registered have been submitted to the Stock Exchanges on which securities are proposed to be listed at the time of filing the draft Letter of Offer with them.

PROMOTER GROUP COMPANIES IN INDIA

Federal Mogul Automotive Products India (Private) Limited (“FMAPIPL”)

Corporate structure

FMAPIPL was incorporated on July 16, 1997 and is engaged in the business of manufacturing of auto components - spark plug and wiper blade. FMAPIPL has its manufacturing location at Bhiwadi, Rajasthan. The registered office of FMAPIPL is situated at SP- 812/B-1&2, RIICO Industrial Area, Phase-III, Bhiwadi, Dist. Alwar, Rajasthan-301019, India. The company is also into the business of trading of heavy duty engines parts named under AE brands - such as pistons, liners, gaskets, filters, bushes, seals etc. Apart from manufacturing auto components, FMAPIPL also performs several other business activities such as marketing and global sourcing services for its group companies. The authorized share capital of FMAPIPL is Rs. 50,0,000,000/-, comprising of 5,00,00,000 equity shares of Rs. 10/- each.

Shareholding Pattern

The shareholding pattern of FMAPIPL as on date on the date of filing of this Letter of Offer with SEBI is as follows:

Name	% of shareholding
Federal Mogul Pty. Ltd, Australia along with its nominee, ultimately held by Federal-Mogul Corporation, USA	100%

Board of Directors

As on the date of filing of this Letter of Offer with SEBI, the board of directors of FMAPIPL comprises – Mr. Madhur Aneja, and Mr. Steve Hanley.

Financial Performance

The following table sets forth, for the periods indicated, a summary of the financial performance of the company. These figures are audited as per Indian GAAP.

For the year	(Rs. In lakhs)		
	31-Mar-06	31-Mar-05	31-Mar-04
Share Capital	4007.3	4007.3	4007.3
Reserves & Surplus (Net of Debit balance of Profit & Loss Account and Miscellaneous Expenditure not written off)	(1003.2)	(1407.5)	(1700.3)
Total Income	3818.0	3736.0	3561.7
Profit After Tax	400.0	288.4	78.0
Earnings Per Share (Rs.)	1.00	0.72	0.19
Net Asset Value (Rs. per share)	7.50	6.49	5.76

The material / significant notes to accounts for the year ended March 31, 2006 as reported in the annual report of the company are as follows:

Contingent Liability

Particulars	(Figures. In INR)	
	March 31, 2006	March 31, 2005
Demand raised by Excise Authorities for non-availability of Export Proofs. The company is in process of submitting the same and is of the view that no liability would arise.	1,144,639	1,183,939
Demand raised by sales tax authorities against pending C Forms and Export Proofs. The company is in process of obtaining required proofs, and also, based on consultants' opinion, is of the view that liability would not arise.	-	3,894,049

Guarantees given by FMAPIPL

- Excise & Taxation Officer, Ludhiana (Rs. 15,000)
- Excise & Taxation Officer, Ludhiana (Rs. 15,000)
- Trade Tax Officer, Lucknow (Rs. 50,000)
- Asst. Commissioner Com. Taxes, 6th Circle, Bangalore. (Rs. 75,000)
- Commercial Taxes Officer, Mumbai (Rs. 5,000)
- Assistant/Deputy Commissioner of Customs (Rs. 7,00,000)
- Assistant/Deputy Commissioner of Customs (Rs. 6,80,000)
- Assistant/Deputy Commissioner of Customs (Rs. 5,00,000)
- Assistant/Deputy Commissioner of Customs (Rs. 4,00,000)
- Assistant/Deputy Commissioner of Customs (Rs. 9,00,000)
- Assistant/Deputy Commissioner of Customs (Rs. 2,85,000)
- Assistant/Deputy Commissioner of Customs (Rs. 3,80,000)
- Assistant/Deputy Commissioner of Customs (Rs. 2,86,000)
- Assistant/Deputy Commissioner of Customs (Rs. 3,00,000)
- Rajasthan Pollution Control Board (Rs. 50,000)
- Rajasthan Pollution Control Board (Rs. 50,000)

The company had carried out physical verification of its inventories as at March 31, 2006 and determined net shortages of units in various categories of finished goods, when compared with such physical data with

the records maintained for excise purpose. The net value of above shortage was Rs. 821, 836/- for the year ended March 31, 2006, Rs. 1,799,874/- for the year ended March 31, 2005 and Rs. 539, 975/- for the year ended March 31, 2004.

Transactions between FMAPIPL and FMGIL:

FMAPIPL has made purchases of AE items from FMGIL for Rs. 2,509,605 and Rs. 225,009 in the FY 2004-05 and FY 2005-06 respectively.

Common pursuits:

FMAPIPL and FMGIL are companies belonging in the automotive segment.

The equity shares of the company are not listed on any stock exchange and it has not made any public or rights issue in the preceding three (3) years. The company is not a sick company as defined under the Sick Industrial Companies (Special Provisions) Act, 1985.

Query from Government of India, Ministry of Finance, Department of Economic Affairs, FIPB Unit:

FMAPIPL, received a letter dated June 01, 2007 from Government of India, Ministry of Finance, Department of Economic Affairs, FIPB Unit, enclosing certain correspondence between Talbros Automotive Components Limited (“Talbros”) and Department of Economic Affairs, FIPB. This correspondence relates to alleged violations of FIPB norms by our Promoters. Summary of the matter is as follows:

In April 2007, Talbros lodged objections to the purchase by FMH of shares of our Company from JIPL before the FIPB alleging a violation of Press Note 1 (2005 Series) (“Press Note 1”) issued by the Department of Industrial Policy and Promotion (“DIPP”). Press Note 1 does not permit foreign investors who had an investment, joint venture, technical collaboration existing prior to January 12, 2005 from investing in another company in the same field without the prior approval of the FIPB. Talbros had entered into a technical assistance agreement with Federal-Mogul Sealing Systems (Slough) Limited (“FMSSL”) in 2003 and claimed that due to such agreement, the provisions of Press Note 1 would apply and the purchase of our Company’s shares by FMH without prior approval of the FIPB would violate the law. In response vide letter dated July 06, 2007, it was submitted by FMAPIPL that purchase of our Company’s shares by FMH was not a new investment because FMG had been our Promoter for a long time. It was also submitted that in any event, Talbros had expressly granted permission to FMSSL to invest in any venture vide the agreement between them. FIPB vide letter dated July 19, 2007 addressed to Talbros, rejected the contentions of Talbros, stating that Press Note 1 did not apply and that no prior approval of the FIPB had been necessary for the purchase of shares from JIPL.

Ferodo India Pvt. Ltd. ("FIPL")

Corporate Structure

Ferodo India was incorporated in 1994, for the manufacture of asbestos-free friction material for automotive applications in India. It is indirectly a 100% subsidiary of Federal Mogul Corp., USA. It has its registered office in New Delhi. It commenced commercial production in 1997 at its factory located at Gurgaon, Haryana. However, due to non-viability of operations, the business of the company was closed down in 1999. Since then, the company has been more or less dormant, but does have some amount of ‘other income’. The company has no business relationships with FMGIL.

Shareholding Pattern

The shareholding pattern of FIPL as on date on the date of filing of this Letter of Offer with SEBI is as follows:

Name	% of shareholding
T&N International Ltd., United Kingdom	99.9%
T&N Investments Limited	0.1%

Board of Directors

As on the date of filing of this Letter of Offer with SEBI, the board of directors of FIPL comprises – Mr. Vikrant Sinha, Mr. John Derham and Mr. Raman Sharma

Financial Performance

(Rs. in lakhs)

For the year	2005-06	2004-05	2003-04
Share Capital	3777	3777	3777
Reserves (excl. Revaluation Reserve)	(3543)	(3536)	(3482)
Total Income	62	21	21
Profit After Tax	(7)	(54)	(53)
Earnings Per share (Rs.)	-	-	-
Net Asset value (Rs. per share)	0.02	0.14	0.14

1. Basis of accounting: Since the fundamental accounting assumption of Going Concern is non-existent, the values of respective assets have been substituted by their realizable values, wherever available. Similarly provisions have been made for any additional liabilities arising on account of the Company not being a Going Concern, to the extent ascertainable. Subject to above, the accounts have been maintained at historical cost, on accrual basis of accounting.
2. Customs Demand: In an earlier year, Special Valuation Branch had passed an order imposing loading of 17% on CIF values of all imports made by the Company from related parties, which were fully provided for in the accounts. In view of order dated February 12, 2002 passed by Customs, Excise and Gold (Control) Appellate Tribunal (CEGAT) in favour of the Company, the Company had written back, during the year ended March 31, 2004, liabilities amounting to Rs.12,060,544 (against which Rs.7,966,329 had been deposited with the excise authorities and is appearing in Loans & Advances). However, the Department has filed a Civil Appeal with the Hon'ble Supreme Court against the above order, which is pending decision. In the assessment of the management, amount of Rs. 7,966,329 is good and management is confident of recovery thereof.

The entity has not become a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 or is under winding up or has become a BIFR company or is having a negative net worth.

Transactions with FMGIL:

Nil

Common Pursuits:

Nil

Contingent Liabilities

	Mar.06	Mar.05	Mar.04
a. Demand from BSNL	2,77,916	2,77,916	2,77,916
b. Counter guarantees issued to bank against guarantees issued by bank to Sales Tax authorities.	-	29,75,421	29,75,421

India Pistons Ltd. ("IPL")

For the limited purpose for SEBI definition of promoter group, IPL was considered as part of Promoter Group at the time of filing of the draft Letter of Offer.

Subsequent to filing the Draft Letter of Offer with SEBI, IPL vide letter dated April 26, 2007, addressed to us, expressed its desire to remove all references to IPL as a part of the Promoter Group in the Draft Letter of Offer and asked for the same to be amended accordingly.

IPL was disclosed as a part of the Promoter Group of the Company in accordance with the interpretation of the provisions of Explanation II of Clause 6.8.3.2 of SEBI DIP Guidelines in view of the fact that 30% of the share capital of IPL was held by A E Limited (a U.K. based company) which is an indirect wholly owned subsidiary of FMC (one of the promoters of the Company). This view was communicated by us to IPL and a copy marked to SEBI vide our letter dated May 7, 2007.

FMC proposed to divest its 30% indirect holding in IPL and towards this purpose, FMC and its indirect subsidiary, A E Limited, entered into a share purchase agreement with Simpson & Co. Limited (an existing shareholder of IPL). The transaction was consummated on September 26, 2007 upon fulfillment of certain conditions, including approvals of the bankruptcy court in the US. Accordingly, IPL has ceased to be part of the Promoter Group of our Company.

Corporate Structure

IPL was incorporated on July 30, 1949 and is engaged in the business of manufacture of Pistons for Automotive Applications. IPL has its manufacturing location at Chennai. The registered office of IPL is situated in Huzur Gardens, Sembiam, Chennai, Tamil Nadu.. The authorized share capital of IPL is Rs. 150,000,000, comprising of 10,000,000 Equity Shares of Rs. 10/- each and 500,000 Redeemable Cumulative Preference Shares of Rs. 100 each.

Shareholding Pattern

The shareholding pattern of IPL as on date on the date of filing of this draft Letter of Offer with SEBI was as follows:

S. No.	Name of the Shareholder	Type of Share	No. of Shares	% of Shareholding
1	Simpson & Co. Ltd.	Equity	4059928	69.99876
2	A.E. Ltd.	Equity	1740000	30.00000
3	Mr A Sivasailam	Equity	15	0.000259
4	Mr A Krishnamoorthy	Equity	15	0.000259
5	Mr J Sankaran	Equity	15	0.000259
6	Mr S Srinivasaraghavan	Equity	15	0.000259
7	Associated Printers (M) Pvt. Ltd	Equity	12	0.000208
TOTAL			5800000	100.000000

Board of Directors

As on the date of filing of the draft Letter of Offer with SEBI, the board of directors of IPL comprised – Mr. A Sivasailam, Mr. N. Venkataramani, Mr. A. Krishnamoorthy, Mr. KV Shetty, Dr. R. Mahadevan, Mr. A. Venkataramani, and Mr. N. Gowrishankar.

Financial Performance

The following table sets forth, for the periods indicated, a summary of the financial performance

For the year	31.03.2004	31.03.2005	31.03.2006
Share Capital	108000000	108000000	108000000
Reserves	573546013	611336998	627615003
Sales	2174142725	2378212256	2358441137
Profit After Tax	41762964	54095112	21161957
Earnings per share	4.85	8.49	2.81
Net Asset Value per equity share ¹	108.89	115.40	118.21

For the year	31.03.2004	31.03.2005	31.03.2006

¹ (Equity share capital + reserves) / (no. of equity shares)

Transactions between IPL and FMGIL:

Nil.

Common pursuits:

Presently there are no common pursuits between FMGIL and other Promoter Group companies in India. However, our Promoter FMC intends to either directly or indirectly, through one or more of its affiliates, associates or subsidiaries, engage in business in the 'same' or 'allied' field of business in India as that of our Company, as a green field investment, investment in an Indian company, formation of a joint venture or by entering into an intellectual property license or other technical collaboration with an Indian company.

Towards one such endeavour, an application was filed on August 6, 2007 with the FIPB on behalf of FMC and two of its subsidiaries, including MHL, to undertake the business of manufacturing, distributing and selling sealing and gasket products in India. The products to be manufactured include cover modules, gaskets, heatshields, dynamic seals and unipistons at one or more manufacturing facilities. While technically in the same 'field' as our Company's products, such sealing and gasket products would not compete directly with our Company's product lines.

FMC at present holds 5.15% of the equity shares in Gabriel India Limited ("GIL") and Anand Engine Components Limited ("AECL"). GIL has transferred its bearing business into AECL, through a scheme of arrangement approved by the High Court, Bombay, as a result of which existing shareholders of GIL were issued shares in AECL in the same proportion as their existing holdings in GIL. It is proposed that FMC may reduce its holding of 5.15% in GIL to nil and increase its holding in AECL to 63.8%, through infusion of funds, including proceeds from the sale of its stake in GIL, subject to approval of US Bankruptcy courts.

REGULATIONS AND POLICIES

Companies whose main business is manufacturing automotive parts are *inter alia* subject to the following regulations:

The Factories Act, 1948

The Factories Act, 1948 (“**Factories Act**”) defines a factory to cover any premises which employs ten (10) or more workers and in which the manufacturing process is carried on with the aid of power and any premises where there are at least twenty (20) workers even though there is no electricity aided manufacturing process being carried on.

The Factories Act which is a social legislation provides that an occupier of a factory i.e. the person who has ultimate control over the affairs of the factory and in case of a company, any of the directors, must ensure the health, safety, welfare, working hours, leave and other benefits for workers employed in factories. It was enacted primarily with the object of protecting workers from industrial and occupational hazards. Under this statute, an approval must be granted prior to the setting up of the factory and a license must be granted post the setting up of the same, by the Chief Inspector of Factories. In case of contravention of any provision of the Factories Act or rules framed there under, the occupier and the manager of a factory may be punished with the imprisonment for a term of up to two (2) years or with a fine of up to Rs. 100,000 or with both, and in case of a contravention continuing after conviction, with a fine of up to one thousand rupees per day of the contravention.

The Contract Labour (Regulation and Abolition) Act, 1970

The Contract Labour (Regulation and Abolition) Act, 1970 applies to those establishments where twenty (20) or more workmen are employed or were employed on any day of the preceding twelve (12) months as contract labour and to every contractor or sub-contractor who employs or who employed twenty (20) or more workmen on any day of the preceding twelve (12) months, provided they were not employed in the core activities as notified.

The legislation seeks to regulate the working conditions of the contract labour and to provide for its abolition in certain cases. This statute provides that any employer seeking to employ contract labour must register his establishment to the appropriate authority, which is the Joint Labour Commissioner of that particular state.

The Trade Unions Act, 1926

The Trade Unions Act, 1926 was enacted to provide for the registration of trade unions and for defining the law in relation to trade unions. This legislation sets out the procedure for registration of trade unions and also provides the rights and liabilities of registered trade unions. The statute also provides immunity to registered trade unions from civil suits in certain cases. This legislation is of great significance for those organizations whose workers have organized and formed registered trade unions.

The Employee’s State Insurance Act, 1948

The Employees State Insurance Act, 1948 is applicable to all factories and to such establishments as the Central Government may notify, unless a specific exemption has been granted. The employers in such factories and establishments are required to pay contributions to the Employees State Insurance Corporation, in respect of each employee at the rate prescribed by the Central Government. Companies which are controlled by the Government are exempt from the aforesaid requirement if the employees are receiving benefits which are similar or superior to the benefits prescribed under the Employees State Insurance Act, 1948.

Employee’s Provident Funds and Miscellaneous Provisions Act, 1952

Under the Employee’s Provident Funds and Miscellaneous Provisions Act, 1952, compulsory provident fund, family pension fund and deposit linked insurance is payable to employees in factories and other establishments for their benefit.

The legislation provides that an establishment employing more than twenty (20) persons, either directly or indirectly, in any capacity whatsoever, is either required to constitute its own provident fund or subscribe to the statutory employee’s provident fund. The employer of such establishment is required to make a monthly contribution to the provident fund equivalent to the amount of the employee’s contribution to the provident fund, subject to a minimum contribution of 12% of the basic wages, dearness allowance and retaining allowance, if any payable to each of the employee’s.

Payment of Bonus Act, 1965

An employee in a factory who has worked for at least thirty (30) days in a year is eligible to be paid bonus. 'Allocable surplus' is defined as 67% of the available surplus in the financial year, before making arrangements for the payment of dividend out of profit. The minimum bonus fixed by the statute must be paid irrespective of the existence of any allocable surplus. If allocable surplus exceeds minimum bonus payable, then the employer must pay bonus proportionate to the salary or wage earned during that period, subject to a maximum of twenty per cent of such salary or wage. Contravention of the provision of the legislation is punishable by imprisonment up to six (6) months or a fine up to one thousand rupees or both.

Payment of Gratuity Act, 1972

Under the Payment of Gratuity Act, 1972 an employee in a factory is deemed to be in 'continuous service' for a period notwithstanding that his service has been interrupted during that period by sickness, accident, leave, absence without leave, lay-off, strike, lock out or cessation of work not due to the fault of the employee, or the employee has worked at least two hundred and forty (240) days in a period of twelve (12) months or one hundred and twenty (120) days in a period of six (6) months immediately preceding the date of reckoning.

An employee, who after having completed at least five (5) continuous years of service in an establishment resigns, retires, or is disabled due to an accident or disease, is eligible to receive gratuity. To meet this liability, employers of all establishments to which the legislation applies are liable to contribute towards gratuity.

The Indian Boilers Act, 1923

The Indian Boilers Act, 1923 and the rules made thereunder are meant to regulate and ensure proper design, manufacture, operation and maintenance of boilers, in order to prevent safety hazards. This legislation requires that any boiler in use, in India, must be certified or registered, and that no boiler may function without the same.

The Petroleum Act, 1934

This statute divides petroleum into three classes, A, B and C based upon the flash point of the same, and regulates the import, storage, transport, production, refining and blending of petroleum based upon the same. For the import, transport and storage of petroleum, a license is required, and the provisions in the license as well as the rules made under the Petroleum Act, 1934 must be complied with.

The Indian Explosives Act, 1884

The purpose of the statute is to regulate the manufacture, possession, use, sale, transport and importation of explosives. The Central Government has the power to make rules with respect to regulation or prohibition, the manufacture, possession, use and sale of explosives. The statute requires that any person who intends to engage in any of the above mentioned activities with regard to explosives must apply for a license under the Indian Explosives Act, 1884.

Service Tax

Chapter V of the Finance Act 1994 (as amended), and Chapter V-A of the Finance Act 2003 requires that where provision of certain listed services, whole taxable services exceeds Rs. 400,000, a service tax with respect to the same must be paid. Every person who is liable to pay service tax must register himself for the same.

Central Excise

Excise duty imposes a liability on a manufacturer to pay excise duty on production or manufacture of goods in India. The Central Excise Act, 1944 is the principal legislation in this respect, which provides for the levy and collection of excise and also prescribes procedures for clearances from factory once the goods have been manufactured etc. Additionally, the Central Excise Tariff Act, 1985 prescribes the rates of excise duties for various goods.

Value Added Tax

VAT is a system of multi-point levy on each of the entities in the supply chain with the facility of set-off input tax whereby tax is paid at the stage of purchase of goods by a trader and on purchase of raw materials by a manufacturer. Only the value addition in the hands of each of the entities is subject to tax. VAT is based on the value addition of goods, and the related VAT liability of the dealer is calculated by deducting input tax credit for tax collected on the sales during a particular period.

VAT, is essentially a consumption tax applicable to all commercial activities involving the production and distribution of goods and the provisions of services, and each State that has introduced VAT has its own VAT Act, under which, persons liable to pay VAT must register themselves and obtain a registration number from the Excise Tax Officer of that respective State.

Sales Tax

The tax on sale of movable assets within India is governed by the provisions of the CST Act, or the state legislations depending upon the movement of goods pursuant to such sale. If the goods move inter-state pursuant to a sale arrangement, then the taxability of such sale is determined by the CST Act. On the other hand, when the taxability of an arrangement of sale of movable assets which does not contemplate movement of goods outside the state where the sale is taking place is determined as per the local sales tax/VAT legislations in place within the states

The Income Tax Act, 1961

The Income Tax Act provides that any company deducting tax must apply to the assessing officer for the allotment of a tax deduction account number. Furthermore, the legislation requires every tax payer to apply to the assessing officer for a personal account number.

The Water (Prevention and Control of Pollution) Act, 1974

The Water (Prevention and Control of Pollution) Act, 1974 ("**Water Act**") prohibits the use of any stream or well for disposal of polluting matter, in violation of standards set down by the State Pollution Control Board ("**SPCB**"). This statute provides that prior permission from the relevant SPCB is required for the setting up of any industry, which is likely to discharge effluents. In addition, the Water (Prevention and Control of Pollution) Cess Act, 1977 (Water Cess Act) requires a person carrying on any industry to pay cess in this regard

The Air (Prevention and Control of Pollution) Act, 1981

This statute seeks to prevent and abate the level of air pollution and grants certain powers to the SPCB to ensure the same. Under the provisions of this legislation, every facility has to obtain a consent order from the relevant SPCB in order to carry on its industrial operations. The SPCB is required to grant consent within four (4) months of receipt of the application. The consent may contain conditions relating to specifications of pollution control equipments to be installed.

The Environment (Protection) Act, 1986

The Environment (Protection) Act, 1986 and the rules made thereunder provides for ambient standards in respect of noise for different categories of areas (residential, commercial, and industrial) and silence zones have been notified. Noise limits have been prescribed for automobiles, domestic appliances and construction equipment at the manufacturing stage. The Noise Pollution (Regulation and Control) Rules 2000 (as amended in 2002) provides that the owner of any diesel generator set with upto 1000 KVA requires an acoustic chamber and must have a conformance certificate.

Hazardous Wastes (Management and Handling) Rules, 1989

The Hazardous Wastes (Management and Handling) Rules, 1989 fix the responsibility of the occupier and the operator of the facility that treats hazardous wastes to properly collect, treat, store or dispose the hazardous wastes without adverse effects on the environment. It must also be ensured that the persons working on the site are given adequate training and equipment for performing their tasks.

Trade Marks Act, 1999

The Indian law on trademarks is enshrined in the Trade Marks Act, 1999. Under the existing legislation, a trademark is a mark used in relation to goods so as to indicate a connection in the course of trade between the goods and some person having the right as proprietor to use the mark. A 'mark' may consist of a word or invented word, signature, device, letter, numeral, brand, heading, label, name written in a particular style and so forth. The trademark once applied for, is advertised in the trademarks journal, oppositions, if any are invited and after satisfactory adjudications of the same, a certificate of registration is issued. The right to use the mark can be exercised either by the registered proprietor or a registered user. The present term of registration of a trademark is ten years, which may be renewed for similar periods on payment of prescribed renewal fee.

Export Promotion Capital Goods Scheme ("EPCG")

This scheme framed under the Foreign Trade Policy facilitates import of capital goods at a concessional rate of duty coupled with an appropriate export obligation to be fulfilled by the person availing the benefits under the scheme within a designated period of time.

Foreign Investment

Foreign investment in India is regulated by the FEMA, the regulations framed by the RBI and policy guidelines issued by the Ministry of Commerce and Industry (through various Press Notes issued from time to time). Foreign investment in companies engaged in manufacture of automotive parts is under the automatic route (i.e. prior approval of the FIPB is not required).

Foreign investment by way of subscription to equity shares of a company engaged in production of automotive parts currently does not require the prior approval of the RBI or the FIPB, except for a post subscription filing with the RBI in Form FC-GPR within thirty (30) days from the issue of shares by the company. The Government of India has indicated that in all cases where foreign direct investment is allowed on an automatic basis without FIPB approval, the RBI would continue to be the primary agency for the purposes of monitoring and regulating foreign investment.

Transfers of equity shares previously required the prior approval of the FIPB. However, vide a circular dated October 4, 2004 issued by the RBI, the transfer of shares between an Indian resident and a non-resident does not require the prior approval of the FIPB or the RBI, provided that (i) the activities of the investee company are under the automatic route under the FDI Policy and transfer does not attract the provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (ii) the non-resident shareholding is within the sectoral limits under the FDI policy, and (iii) the pricing is in accordance with the guidelines prescribed by the SEBI/RBI.

MATERIAL AGREEMENTS OF THE COMPANY

1. TECHNICAL ASSISTANCE AND TRADEMARK AGREEMENT WITH FEDERAL -MOGUL SINTERED PRODUCTS LIMITED AND T&N LIMITED

We have entered into a technical assistance and trademark agreement dated June 12, 2002 with Federal -Mogul Sintered Products Limited, UK ("**FMSPL** ") and T&N Limited. In terms of the agreement FMSPL has granted our Company a non-transferable exclusive license to manufacture *inter alia* valve seats, guides, engine timing and transmission parts and such other products as may be agreed to between the parties in writing from time to time ("**Products**") within India as well as the sole license to sell the Products within India. Further, FMSPL being the proprietor of the trademark "Brico", has granted our Company a sole license to use the trademark "Brico" in India in relation to the Products. In terms of the agreement, the sole license entitles our Company to enjoy the benefits of the license within India to the exclusion of all other persons, other than FMSPL and any company within the Federal -Mogul Group.

Under this agreement, FMSPL is also providing our Company with certain technical information on processes, formulae, quality control techniques and specifications which are necessary for the manufacture of the Products. The agreement requires us to seek the prior permission of FMSPL for making any sales in relation to the Products outside India. In terms of the agreement, our Company is not permitted during the term of the agreement or thereafter to use any mark or name confusingly similar to the trademark "Brico" either in respect of any goods similar to the Products or otherwise.

The term of the agreement is for a period of seven (7) years from the date of its execution by the parties and its validation and approval by the Government of India, and will thereafter continue from year to year, subject to any approvals that may be required from the Government of India. Additionally, the agreement may be terminated by either party with a prior written notice of at least six (6) months, the notice to expire only on the date seven (7) years from the effective date of the agreement or the last day of a succeeding year period.

In terms of the agreement, if either party becomes entitled to the benefits of any discoveries or inventions which materially changes the technical information being made available under the agreement and which is covered by a new patent, the same will be made available to the other party on the basis of good faith commercial negotiations between the parties.

Under the agreement, our Company has undertaken not to during the continuance of the agreement or for a period of four (4) years after its termination from any cause, not to directly or indirectly or on behalf of any other person, firm or company, manufacture or sell or be interested in any type of products which compete with the Products, unless otherwise agreed to in writing by FMSPL. Further, our Company has undertaken an obligation during the continuance of the agreement or for a period of four (4) years after its termination from any cause, not to directly or indirectly or on behalf of any other person, firm or company, manufacture or sell the Products outside the territory of India.

We are required to pay royalty to FMSPL for all sales within India at the following rates:

- (a) For the first twelve months from the effective date of the agreement - 1.75% of the net sale value of the products sold;
- (b) For the period between the 13th and the 24th month from the effective date – 2.75% of the net sale value of the products sold;
- (c) For the period from the 25th month onwards – 3.75% of the net sale value of the products sold.

Additionally, for all sales outside India, our Company is required to pay a royalty of 5.75% of the net sales value of the products sold.

FMSPL under the agreement also has the right to terminate the agreement if there is a substantial change in the structure of the ownership of our Company which might prejudice the interest of FMSPL or if the percentage of the issued share capital of our Company held by T&N Investments Limited or any other entity within the Federal -Mogul Group becomes less than 25.1%. Our Company is not permitted to sub-license, assign or otherwise part with its rights or obligations under this agreement, without the prior written consent of FMSPL.

RBI vide its letter dated November 28, 2002 has granted its approval bearing registration number FT 2002 NDR 0037 to the above mentioned agreement, subject to the following terms and conditions:

- (a) The royalty payment for all domestic sales under the agreement will be at the following rates:
 - 1.75% for the 1st year;
 - 2.75% for the 2nd year; and
 - 3.75% for the remainder of the agreement.
- (b) The royalty payment for all export sales will be at the rate of 5.75%;
- (c) The duration of the agreement will be for a period of ten (10) years from the date of the agreement or for a period of seven (7) years from the date of commercial production, whichever is earlier;
- (d) The letter of approval will form a part of the agreement entered into between the parties; and
- (e) Only those provisions of the agreement which are covered by the RBI letter of approval and not in variance with the terms of the approval letter will be binding on the RBI.

Vide an addendum dated February 17, 2003, the aforementioned letter of the RBI has been made an integral part of the above mentioned technical assistance and trademark agreement.

2. TECHNICAL ASSISTANCE AGREEMENT WITH FEDERAL -MOGUL NUREMBURG GmbH

We have entered into a technical assistance agreement with Federal -Mogul Nuremburg GmbH ("**FM Nuremburg**") with effect from October 1, 2004. Under the agreement, FM Nuremburg has granted our Company the non-transferable and exclusive right to design, manufacture, test, use, sell or otherwise deal in all pistons and sub-assemblies of pistons sold by our Company in accordance with the technical know-how supplied by FM Nuremburg ("**Products**") in India without any right to sub-license without the prior written consent of FM Nuremburg. Additionally, our Company has also been granted the non-exclusive right to sell the Products in the territories of Bangladesh, Sri Lanka, Nepal and Bhutan (India, Bangladesh, Sri Lanka, Nepal and Bhutan are collectively referred to as the ("**Territory**"), without any right to sub-license. The exclusive rights granted to our Company in relation to the sale and manufacture of the Products within India is subject to any technical assistance regarding pistons that FM Nuremburg may provide to India Pistons Limited. Under the agreement, our Company will be liable to pay pre-estimated liquidated damages of Rs. 450,000 per day to FM Nuremburg in the event our Company uses any proprietary technology of FM Nuremburg without the authorization of FM Nuremburg after the expiration or termination of this agreement. In the event such claim for liquidated damages cannot be enforced, our Company will continue to pay royalty to FM Nuremburg in accordance with the terms of the agreement.

In terms of the agreement, our Company is required to pay royalty to FM Nuremburg at the following rates:

- (a) 1% of the net sale value of all sales of the Products during the period from April 1 to March 31 ("**Contract Year**") up to INR 1155.32 million ("**Base Sales**");
- (b) Where the net sale value of all sales of the Products in a contact year exceeds the Base Sales, royalty will be paid at 3% of the amount in excess of the Base Sales amount;
- (c) For the first and last Contract Years which will be six month Contract Years, the Base Sales figure will be divided in half to determine whether the net sale value for such period exceeds the adjusted Base Sales figure; and
- (d) Commencing from April 1, 2006, the base royalty for each Contract Year will be increased by 0.25% for each 1% that the profit of our Company's auto component before interest and tax increases as a percentage of sales above the March 31, 2004 profit percentage up to a maximum of 3%.

Our Company has undertaken that under no circumstances will it sell the Products outside the Territory. Any sale by our Company of the Products outside the Territory is to be through FM Nuremburg or one of its affiliates. In terms of the agreement, the export of the Products outside the Territory, whether exported by our Company directly or intended/used for export by the domestic or foreign customer of our Company is required to be approved in advance in writing by FM Nuremburg. In the event of any new invention arising under the agreement, the entitlement for filing of intellectual property rights in respect of such invention is to be settled by mutual agreement. Pricing for sales of the Products to Federal-Mogul global customers, whether for domestic or export sales is to be coordinated with Federal-Mogul.

We have no right to any brands, trademarks or trade names under this agreement and upon the termination or expiration of this agreement we have agreed not to use or benefit from FM Nuremburg's name, trademarks, goodwill, drawings etc. in marketing and exporting our products in any manner whatsoever. Additionally, we have also undertaken that upon termination/expiration of

this agreement, we will not represent to our customers that we had a previous technical collaboration with FM Nuremburg or that our products conformed to FM Nuremburg's technology.

The agreement is valid till September 30, 2009 and may be renewed further till March 31, 2010 or such later date as agreed to between the parties in writing. Either party may terminate the agreement with a prior written notice of six (6) months to the other party. However, in the event we terminate the agreement prior to its term without any cause, we will continue to be liable to pay royalty to FM Nuremburg in accordance with the terms of the agreement. Additionally, the agreement may be terminated with immediate effect by FM Nuremburg in the event there is a substantial change in our ownership structure such that 10% of our shares are acquired directly/indirectly by an entity other than FM Nuremburg that competes with FM Nuremburg with respect to the piston market. We are not permitted to assign or sub-license our rights and obligations under the agreement.

3. **KNOW HOW COLLABORATION AGREEMENT WITH FEDERAL -MOGUL BURSCHIED GmbH**

We have entered into a know-how collaboration agreement with Federal -Mogul Burscheid GmbH ("**FMB**") for a period of ten (10) years from the date of the agreement being taken into the records of the RBI, which for the purposes of the agreement is regarded as the date of execution. Our Company started making royalty payments under the agreement with effect from December 24, 2003. Under the agreement, FMB has agreed to fully disclose to our Company know-how, trade secrets, product designs, process and processing methods and other valuable information relating to the manufacture of piston rings for all application other than bi-wheelers and Cummins applications ("**Products**").

Under the agreement the following rights have been granted to the Company:

- (a) FMB has granted our Company the exclusive right to use the trade mark "Goetze" in relation to the Products in the territory of India;
- (b) FMB Has granted our Company the non-exclusive sales rights for the Products in the territory of Nepal, Bangladesh, Bhutan, Sri Lanka, Mozambique, Mauritius, Angola, Zambia, Tanzania, Uganda and such other country as may be agreed in writing between FMB and our Company from time to time; and
- (c) Our Company has the right to sub-license the technical know-how under the agreement to our subsidiaries, subject to mutual agreement between the parties and the approval of the Government of India.

In terms of the agreement, all offers made by our Company for CKS sales require a release from FMB regarding the customer and the price. Our Company has undertaken not to allow any third party to use the know-how without the prior written approval of FMB. We are required to pay FMB royalty at the following rates for a period of ten (10) years:

- (a) 2.25% for all domestic sales;
- (b) 4.25% for all export sales;
- (c) +1.25% extra charge for CKS sales; and
- (d) 0.25% chrome plating charges for GTP steel rings.

After the expiry of the term of the agreement, either party has the right to terminate the agreement by giving a prior written notice of sixty (60) days.

RBI vide its letter dated July 25, 2003 has granted our Company the approval in relation to the above mentioned know-how collaboration agreement. The agreement has been allotted registration number FT 2003 NDG 0022 vide RBIs letter dated December 24, 2003 issued to our Company.

Some of the key terms contained in the RBI approval in relation to the agreement are as follows:

- (a) Royalty payments will be made by our Company at the following rates:
 - 2.25% for internal sales;
 - 4.25% for exports;
 - 1.25% extra charge for CKS sales; and
 - 0.25% chrome plating charges for GTP rings
- (b) Royalty will be payable for a period of ten (10) years from the date of commencement of commercial production during the period of the agreement;
- (c) The agreement will be valid for a term of thirteen (13) years from the date of the agreement or for a period of ten (10) years from the date of commercial production, whichever is earlier;
- (d) No items that are reserved for the small scale sector will be manufactured without the prior approval of the Government;

- (e) The letter of approval will form a part of the agreement entered into between the parties; and
- (f) Only those provisions of the agreement which are covered by the RBI letter of approval and not in variance with the terms of the approval letter will be binding on RBI.

Vide a supplementary agreement dated August 13, 2003 the aforementioned letter of the RBI has been made an integral part of the above mentioned technical assistance and trademark agreement.

4. LICENSE AGREEMENT WITH TEIKOKU PISTON RING COMPANY LIMITED

Our Company has entered into a license agreement dated May 6, 2003 with Teikoku Piston Ring Company Limited ("**TPR**"). Under the agreement TPR has granted our Company the exclusive right to design and manufacture and the non-exclusive right to sell TPR designed cast iron piston rings for four stroke bi-wheeler engines and other applications using TPR's technical information and patents ("**Products**") through FMTPR India in the territory of India. The rights granted to our Company relate only to cast iron piston rings for four stroke bi-wheelers engines and for such other engines as TPR wishes to include.

The license granted to our Company is non-transferable and non assignable. For the grant of the rights by TPR, we are required to pay TPR 1.5% of the net ex-factory sale price of the Products. For technical assistance provided by TPR exceeding thirty (30) working days in a year our Company is required to pay a per diem fee at the rate of 70,000 Yen per day in addition to reimbursement of travel and living expenses of the TPR personnel.

In the event our Company makes any improvement/invention relating to the Products, it has the right at its own expense to file patent applications covering such invention and TPR will be granted a non-exclusive royalty free license to manufacture outside the Territory and sell in any country in the world. Where any improvement/invention relating to the Products is made jointly, both parties will have the right to file joint patent applications covering such invention and the expenses will be borne equally by the parties in this regard. In the event either of the parties does not file such joint application, the other party has the exclusive right to file a patent application in relation to such invention/improvement. In such case, subject to the agreement of the party filing the patent, the other party may have a non-exclusive right and royalty free license to manufacture, sell and use in any country any such invention/improvement.

The agreement is valid for a period of ten (10) years from the date of the agreement, subject to Government of India approval.

RBI vide its letter dated August 25, 2003 has granted its approval bearing registration number FT 2003 NDR 0027 to the above mentioned agreement subject to the following conditions:

- (a) The royalty payment under the agreement will be at the rate of 1.5%
- (b) The letter of approval will form a part of the agreement entered into between the parties; and
- (c) Only those provisions of the agreement which are covered by the RBI letter of approval and not in variance with the terms of the approval letter will be binding on the RBI.

Vide a supplementary agreement dated August 26, 2003, the aforementioned letter of the RBI has been made an integral part of the above mentioned license agreement.

5. JOINT VENTURE AGREEMENT FOR ESTABLISHING FMTPR INDIA (FORMERLY GOETZE T P INDIA LIMITED)

Our Company has entered into a joint venture agreement dated May 28, 1997 with T&N Investments Limited ("**TN**") and Teikoku Piston Ring Company Limited ("**TPR**") for establishing a joint venture company as the vehicle for carrying on the business of manufacture, sale, marketing and distribution of steel compression piston rings, two-piece and three-piece oil rings.

Under the agreement, it was agreed that the name of the joint venture company will be "Goetze TP (India) Limited" and the authorized share capital of FMTPR India will be INR 100,000,000 divided into 10,000,000 equity shares of INR 10 each. Under the agreement, it was agreed that the shareholding of GTP will be as follows:

- TN – 24.5%;
- TPR – 24.5%;
- Our Company – 51%

In terms of the agreement, so long as our Company holds not less than 51% of the voting equity share capital of GTP India, it will be entitled to appoint a majority of directors on the Board of GTP India. Additionally, so long as TPR and TN each hold not less than 10% of the voting equity share capital of GTP India, they will have the right to nominate one (1) director each on the board of GTP India. Some of the matters which require the affirmative vote of at least one (1) TN director, one (1) TPR director and one (1) director nominated by our Company are as follows:

- Increase in the authorized capital of GTP India;
- Alteration to the charter documents of GTP India;
- Any material change in the geographical are/nature of the business of GTP India; and
- The annual business plan.

While the parties to the agreement are free to dispose off their equity shares to members of their respective groups, they are at all times liable to discharge all their obligations to GTP India and procure that such assignee will comply with the provisions of the joint venture agreement.

In the event either of the parties is desirous of selling their equity shares to a third party, they are required to offer the shares first to the non-selling shareholders in the proportion in which such non-selling shareholders hold equity shares in GTP India. In terms of the agreement, no party is permitted to transfer its equity shares to any party who is in direct or indirect competition with the business of GTP India. Additionally, if either party either transfers its equity shares in contravention of the terms of the agreement or is taken over or becomes a subsidiary/affiliate of a company/body corporate which is in direct or indirect competition with the business of GTP India, the other parties ("**Non Defaulting Parties**") will have the right at their sole discretion to require such party to transfer all or any of its equity shares to the Non Defaulting Parties or alternatively, the non defaulting parties may transfer all or any of the shares held by them to such party at a fair market value determined in accordance with the terms of the agreement.

Neither party is entitled to pledge, mortgage or otherwise encumber its legal or beneficial interest in the equity shares held by it or enter into agreement in respect of the votes attached to such equity shares. Additionally, the parties have also agreed that none of them will, during the period of the joint venture agreement, directly or indirectly, except with the prior written consent of the other parties, engage in directly or indirectly any business which is competitive or potentially competitive with the business of GTP India.

Whenever TPR develops or plans to develop a new product, relating to the manufacture of the products manufactured by GTP India, GTP India will be given the first opportunity for grant of rights in respect of such new product. Under the agreement, GTP India will cease to use the name or trade mark TP in its corporate name, stationery and other materials used by GTP India, if at anytime TPR ceases to hold at least 24.5% of the voting equity share capital of GTP India. Further, GTP India will cease to use the name or trade mark "Goetze" in its corporate name, stationery and other materials used by GTP India, if at anytime TN ceases to hold at least 24.5% of the voting equity share capital of GTP India.

The agreement can be terminated by any party with a prior written notice of sixty (60) days in the event of a material breach by any of the other parties to the agreement and failure of such party to remedy the breach within a period of sixty (60) days after being given notice to remedy such breach. Additionally, the agreement can be terminated by either of the parties in the event the other parties do not comply with the restrictions on transfer of equity shares as set out in the agreement.

RBI vide its letters dated June 27, 1997 and July 15, 1997 granted GTP India its in-principle approval to issue 4,90,000 equity shares each to TN and TPR subject to the following conditions:

- A final approval from the New Delhi Regional office would need to be obtained prior to issue of equity shares; and
- The equity participation of the foreign collaborators should not exceed 49% of the paid up capital of GTP India.

6. LICENSE AGREEMENT BETWEEN GTP INDIA AND TPR

GTP India has entered into a license agreement dated May 29, 1997 with TPR. Under the agreement TPR has granted our Company the exclusive right to design and manufacture and the non-exclusive right to sell in territory of India TPR designed steel compression and oil control piston rings for internal combustion engines, compressors and other applications using TPR's technical information and patents ("**Products**"). The rights granted to GTP India relate only to steel piston rings.

The license granted to GTP India is non-transferable and non assignable. For the grant of the rights by TPR, GTP India is required to pay TPR 3% of the net ex-factory sale price of the Products, exclusive of excise duties, costs of standard bought-put components and the landed cost of imported components irrespective of the source of procurement, including freight, insurance and customs duties. For technical assistance provided by TPR exceeding thirty (30) working days in a year GTP India is required to pay a per diem fee at the rate of 70,000 Yen per day in addition to reimbursement of travel and living expenses of the TPR personnel.

In the event GTP India makes any improvement/invention relating to the Products, it has the right at its own expense to file patent applications covering such invention and TPR be granted a non-exclusive royalty free license to manufacture outside the Territory and sell in any country in the world. In respect of any improvement/invention relating to the Products made jointly, both parties have the right to file joint patent applications covering such invention and the expenses will be borne equally by the parties in this regard. In the event either of the parties does not file such joint application, the other party has the exclusive right to file a patent application in relation to such invention/improvement. In such case, subject to the agreement of the party filing the patent, the other party may have a non-exclusive right and royalty free license to manufacture, sell and use in any country any such invention/improvement.

The agreement is valid for a period of ten (10) years from the date of the agreement, or seven (7) years from the commencement of production, whichever is less, subject to Government of India approval. Either party may terminate the agreement by a prior written notice of three (3) months if the other party defaults in the performance of any material term under the agreement and continues default thereof for ninety (90) days after the notice of default. The effective date of the agreement will be the date on which the last of the approvals required from governmental authorities was obtained.

RBI vide its letter dated June 27, 1997 has granted its approval bearing registration number FCT-97-NDR-0347 to the above mentioned agreement subject to the following conditions:

- (a) The royalty payment under the agreement will be at the rate of 3% for a period of seven years from the date of commencement of commercial production or ten (10) years from the date of the agreement;
- (b) The duration of the agreement will be for a for a period of seven (7) years from the date of commencement of commercial production or ten (10) years from the date of the agreement;
- (c) The letter of approval will form a part of the agreement entered into between the parties; and
- (d) Only those provisions of the agreement which are covered by the RBI letter of approval and not in variance with the terms of the approval letter will be binding on the RBI.

GTP India had entered into a supplementary agreement dated July 11, 2000 with TPR in relation to the above mentioned license agreement. This agreement slightly modified the clause in relation to royalty payments to be made by GTP India to TPR. As per the modified all sales discounts were also to be excluded while determining 3% of the net ex-factory sales price of the Products.

The above mentioned license agreement was renewed vide a fresh agreement dated January 10, 2006 with effect from June 10, 2005 for a period of seven (7) years from the date of its renewal i.e. from June 10, 2005 till June 9, 2012, subject to Government of India approvals. In terms of the revised agreement, GTP India is required to pay TPR royalty at the rate 2% of the net ex-factory sale price of the Products exclusive of all sales discounts, excise duties, costs of standard bought-put components and the landed cost of imported components irrespective of the source of procurement, including freight, insurance, and customs duties. Additionally, GTP India will also pay TPR royalty at the rate of 4% of the net sales value of the physical vapour deposit coated products sold by GTP India from the date of renewal of the agreement.

Vide a supplementary agreement dated September 1, 2006 the six (6) monthly period for calculation of royalty payments has been changed from September 30 and March 31 to June 30 and December 31 of every year.

7. TRADEMARK LICENSE AGREEMENT BETWEEN GTP INDIA AND TPR

GTP India has entered into a license agreement dated May 29, 1997 with TPR. Under the agreement GTP India has been granted a non-exclusive license to use the trademarks – "TP" and "Teikoku Piston Ring Co. Ltd." in the territory of India as part of its corporate business, trading name and trading style. The said license does not confer upon GTP India the right to grant sub-licenses in respect of the rights granted to it under the agreement.

Either party has the right to terminate the agreement by giving the other party a prior written notice of three (3) months. GTP India is not permitted to use any mark, or trading style confusingly similar to the trade marks licensed to it, either during the term of the agreement or at any time thereafter.

8. INDEMNIFICATION AGREEMENT BETWEEN OUR COMPANY, JIPL AND AN

We had entered into an indemnification agreement dated May 8, 2006 with AN, and JIPL under which JIPL and AN have agreed to keep us indemnified against all claims made under undertakings and guarantees given by us in favour of the Indian Renewable Energy Development Agency Limited ("IREDA") for and on behalf of GI Power Corporation Limited in terms of which JIPL agreed to deposit a sum of Rs. 316,240,000 in the Company's bank account which was to be used for paying the beneficiaries of the guarantees given by us.

In terms of the agreement, the agreement was to become effective when JIPL no longer held more than 5% of our equity shares, which event took place on May 12, 2006 and would terminate on whichever was the earlier of the date when all the funds in the bank account have been either paid to the beneficiaries under the guarantees and/or to JIPL in accordance with the terms of the agreement.

IREDA vide letters dated August 7, 2006 and August 8, 2006 agreed to release the undertakings and guarantees given by our Company in its favour for and on behalf of GI Power Corporation Limited.

As a result, there are no guarantees or undertakings that are currently being given by our Company for and on behalf of JIPL and the security deposit of Rs. 316,240,000 stands repaid.

9. MEMORANDUM OF SETTLEMENT WITH THE WORKMEN OF OUR SINTERED PRODUCTS DIVISION IN BHIWADI, RAJASTHAN

The management of our sintered products division in Bhiwadi ("**Management**") entered into a memorandum of settlement dated September 23, 2004, under Section 12(3) Industrial Disputes Act, 1947 with the workmen of our sintered products division in Bhiwadi who were represented through the Rajasthan Goetze India Sharamik Sagathan, a body representing the workmen employed in our sintered products division ("**Union**").

The Union had served a charter of demands numbered, R.G./03/06/04 dated May 6, 2004 on the Management comprising of a number of demands *inter alia* including:

- (a) Making all casual workers who have been working for over one (1) year as permanent workers;
- (b) Providing accident insurance of Rs. 500,000 for all the workers;
- (c) Providing loan facilities upto Rs. 200,000 for the workers;
- (d) Providing canteen facilities for the workers;
- (e) Increasing casual leave from seven (7) days to twelve (12) days;
- (f) Providing medical facilities for all the workers and their families.

The Management replied to the charter of demands by a letter dated September 15, 2004 bearing number GIL: PSA: IR: 04 inviting a discussion between the Union and the Management on *inter alia*, the following points:

- (a) That the settlement should be for a minimum period of five (5) years;
- (b) That the benefits under the proposed settlement are subject to the stipulation that all the agreed conditions including productivity are achieved by each workman;
- (c) That the benefits under the proposed settlement are applicable only to the permanent and confirmed workmen, who are on the pay roll of the sintered products division as on the date of settlement;
- (d) That the workmen will ensure an overall increase of 30% in the productivity levels of all products and the workmen achieving less than the targeted production will not be entitled to wages for that day.

After long discussions the Management and the Union arrived at a consensus on all major issues and the parties had sought the intervention of the Joint Labour Commissioner cum Conciliation Officer, Bhiwadi Alwar for a fair and reasonable settlement ("**Settlement**").

The terms and conditions of the Settlement are applicable to only fifty four (54) permanent confirmed workmen, who were on the pay rolls of the sintered products division as on September 24, 2004.

The terms of the Settlement are not applicable to workman appointed on regular basis after the execution of the Settlement and to the employees who are engaged as temporary, casual, *badli*, ad-hoc, apprentice etc.

It was agreed that the Settlement will be valid is for a period of minimum four (4) years from September 1, 2004 i.e. till August 31, 2008. The settlement is binding on the parties unless validly terminated by either party as provided under the relevant provisions of the Industrial Disputes Act, 1947 and the rules framed there under.

In terms of the Settlement, the monetary benefits contemplated are subject to the achievement of the minimum targeted production by each workman per shift from the execution date. Additionally in the event that the minimum targeted production is not achieved in any shift the monetary benefits as contemplated in the Settlement will automatically be forfeited for that day and it will be construed as a breach of the Settlement.

Under the Settlement the Management has agreed to an increase in the basic wages, house rent allowance, conveyance allowance and children education allowance. The workmen have also agreed to abide to a system of multi-skilling and multi-staging and self inspection/ certification. The workmen to whom the Settlement is applicable will not be entitled for any wage increase during the period of settlement. The Settlement also covers issues like payment of bonus, bank loans, maintenance of machines and factory and various other matters of day to day working.

The Management and the Union have agreed that the settlement is by way of a "package deal" and all the demands raised in the charter are settled, whether specifically dealt with or not. In terms if the Settlement, the Union during the period of settlement is forbidden to raise further demands with respect to the ones enumerated in the charter of demands and that involve direct or indirect financial burden on the Management.

10. MEMORANDUM OF SETTLEMENT WITH THE WORKMEN OF OUR PLANT IN PATIALA

We have entered into a memorandum of settlement dated November 30, 2006, under Section 12(3) Industrial Disputes Act, 1947 with the workmen of our plant at Patiala who were represented by Escorts Goetze Employees Union, Bahadurgarh-Patiala ("**Union**").

Subsequent to the termination of the earlier settlement between the Union and our Company, the Union served a demand notice numbered EGEU/06/33 dated April 3, 2006 and a letter numbered EGEU/ 06/37 dated June 5, 2006 on the plant management ("**Management**") asking the Management to consider *inter alia* the following demands:

- (a) Bonus and *ex-gratia* payments should be given to workmen at the rate of 20% without any cap;
- (b) Basic wages should be increased by Rs. 1,000 per month;
- (c) All workmen should be paid Rs. 50/- per month for every completed year of service as Service Weightage and should be merged with the basic pay;
- (d) The present pay scale should be revised and annual increment rates should be doubled. The promotion policy should be revised in such a manner that the workmen should get a minimum increase of Rs. 200/- to Rs. 250/- per month and the promotion quota should be increased from 16% to 25%;
- (e) Various allowances, such as HRS< LTA, Conveyance, Education etc should be increased;

The Management of the Company replied to the said demands by a letter dated June 12, 2006, submitting *inter alia* the following points for negotiation:

- (a) That the settlement should be for a minimum period of five (5) years;
- (b) That the benefits under the proposed settlement are subject to the stipulation that all the agreed conditions including productivity are achieved by each workman;
- (c) That the benefits under the proposed settlement are applicable only to the permanent and confirmed workmen who are on the rolls of the Company, as on the date of the settlement;

The parties with the assistance of the Assistant Labour Commissioner cum Conciliation Officer agreed to a memorandum of settlement ("**Settlement**"). The Management and the Union have agreed that the Settlement will take effect from December 1, 2006 and will remain valid for a period of four years i.e. up to November 30, 2010. In terms of the Settlement, it will remain binding on the parties thereafter until validly terminated by either party as provided in the relevant provisions of the Industrial Disputes Act, 1947 and the rules framed there under.

The terms and conditions of the Settlement are applicable to only permanent confirmed workmen who were on the pay rolls of the plant as on December 1, 2006. The terms of the Settlement are not applicable to workman appointed on regular basis after the execution of the Settlement and to the workmen who are engaged as temporary, casual, *badli*, ad-hoc, apprentice etc.

In terms of the Settlement, the plant at Patiala is to be regarded as a distinct and separate industrial establishment and there will be no comparison with the wage structure and service conditions of other establishments. The Settlement is not applicable to other workmen on the rolls of other establishments or offices of our Company, either located in India or abroad.

Under the terms of the Settlement, the monetary benefits are available subject to the achievement of minimum targeted production by each workman per shift, from the date of execution of the Settlement. In the event that the minimum targeted production is not achieved, it will be construed as a breach of the Settlement.

The Settlement provides for an increase in certain allowances such as dearness allowance, house rent allowance, education allowance, shoes uniform allowance, night shift allowance, leave travel assistance, etc. In terms of the Settlement, the existing mode of payment of annual bonus and promotion policy are to continue. The Settlement has also incorporated terms on multi-skilling, multi-staging, self inspection/ certification, self material handling, self setting and redeployment etc.

The terms of the Settlement also deal with other issues such as the maintenance of machines and factory and various matters of day to day working.

The Management and the Union have agreed that the Settlement is by way of a "package deal" and all the demands raised in the charter will be deemed to be settled, whether specifically dealt with or not. During the period of Settlement, the Union is forbidden to raise further demands with respect to the demands enumerated in the charter of demands and that involve direct or indirect financial burden on the Company.

11. MEMORANDUM OF SETTLEMENT WITH THE WORKMEN OF OUR PLANT IN BANGALORE

We have entered into a memorandum of settlement dated July 25, 2005, under Section 12(3) read with Section 18(3) Industrial Disputes Act, 1947 with the workmen of our Bangalore plant represented through the Goetze & GTP Employees Association ("**Association**").

Subsequent to the termination of the earlier settlement between the Association and our Company, the Association had served a charter of demands by a letter dated February 24, 2005 on the management of the Bangalore plant ("**Management**") broadly setting out demands in relation to revised incentive amounts payable to the workmen based on the quantity of products produced by such workmen.

The Management of the Company replied to the same by a letter dated March 30, 2005 bearing number PERS: GIL: MD: 05, submitting *inter alia*, the following points for negotiation.

- (a) That the settlement should be for a minimum period of five (5) years;
- (b) Introduction of a three (3) year training scheme to effectively train trainees and new recruits;
- (c) Reduction of sick leave from eighteen (18) days to twelve (12) days;
- (d) All payments to workmen shall be made by bank transfers only and cash payment shall be discontinued.

The memorandum of Settlement ("**Settlement**") was arrived at pursuant to the conciliation proceedings held by the Conciliation Officer. The Management and the Association have agreed that the Settlement will take effect from July 25, 2005 and will remain valid for a period of four (4) years i.e. up to July 24, 2009. In terms of the Settlement, it will remain binding on the parties thereafter until validly terminated by either party as provided in the relevant provisions of the Industrial Disputes Act, 1947 and the rules framed there under.

The terms and conditions of the Settlement are applicable to only the probationers and permanent employees, who were on the pay rolls of the Company as on July 25, 2005. The terms of the Settlement are not applicable to employees, who are engaged as temporary, casual, *badli*, ad-hoc, apprentice etc.

In terms of the Settlement, the Bangalore plant is to be regarded as a distinct and separate industrial establishment and there will be no comparison with the wage structure and service

conditions of other establishments. The Settlement is not applicable to other employees on the roll of other establishments or offices of our Company, either located in India or abroad.

The Settlement provides that the monetary benefits will be available subject to the achievement of minimum targeted production by each employee per shift from the date of execution of the Settlement. In the event that the minimum targeted production is not achieved, it will be construed as a breach of the Settlement.

The Settlement provides for an increase in the basic wages, dearness allowances, house rent allowance, education allowance, conveyance allowance, special allowance, hazardous allowance, casting allowance, leave travel assistance etc. The Management has also enhanced the percentage of promotions under the Settlement. As per the Settlement the payment of bonus will be in accordance with the provisions of the Payment of Bonus Act.

The Settlement also provides for employment opportunities for the dependents of the deceased, relocation and redeployment of employees, outsourcing of certain non core activities, productivity norms and quality check procedure etc.

The Management and the Association have agreed that the settlement is final and all the demands raised in the charter of demands will be deemed to be settled, whether specifically dealt with or not. During the period of settlement, the Association is forbidden to raise further demands with respect to the ones enumerated in the charter of demands and that involve direct or indirect financial burden on the Company.

12. POWER PURCHASE AGREEMENT WITH G.I. POWER CORPORATION LIMITED

We have entered into a power purchase agreement dated April 1, 2004 with G.I. Power Corporation Limited ("**GIPCL**") for purchase of electrical energy for our plant at Yelahanka, Bangalore. In terms of the agreement we are required to pay GIPCL Rs. 4.05 Kwh per unit for the electrical energy supplied by them, or the tariff notified by Karnataka State Power Electricity Board, whichever is lower. The term of the agreement is for a period of ten (10) years effective from the date on which power was first purchased by our Company from GIPCL. Save and except for as provided in the agreement, the power purchase agreement is irrevocable during such term of ten (10) years.

This agreement was amended vide an amendment agreement executed on May 8, 2006. The amendment agreement brought about changes to the clauses related to pricing and termination. In terms of the amendment agreement, we are now required to pay GIPCL, the lowest of - (i) Rs. 4.05 Kwh per unit; or (ii) the price at which power is supplied to the plant by the Karnataka State Power Electricity Board; or (iii) the price at which power would be available to our Company from any other commercial source. The amendment agreement also provides for a right of termination by either party with a prior written notice of six (6) months to the other party.

13. MEMORANDUM OF UNDERSTANDING WITH NANZ INDIA AND CITY PALACE ELECTRONICS PRIVATE LIMITED

Our Company had entered into a memorandum of understanding with Nanz (India) GmbH and Co. Handelskontor KG Germany ("**Nanz**") and City Palace ("**City Palace**") Electronics Private Limited, in terms of which City Palace would acquire the shareholding of our Company and Nanz held in Nanz Food Products Limited ("**NFPL**"). Additionally, in terms of the understanding, our Company was required to invest Rs. 1,000,000 on 9% redeemable cumulative preference shares of NFPL, redeemable at the end of five (5) years from the date of issue. Further, the memorandum of understanding also provides that all assets and liabilities of NFPL prior to the date of completion will be the responsibility of our Company. Pursuant to this memorandum another memorandum of understanding dated June 7, 2002 was executed between our Company, Nanz and City Palace under which the rate of preference dividend on the preference shares was reduced from 9% to 6%.

14. SETTLEMENT AGREEMENT WITH THE WORKMEN AND LABOUR UNION AT BHIWADI

There was a period of labour unrest in our Bhiwadi plant for the period May 18, 2006 to July 23, 2006 which involved the suspension of sixteen (16) workers on account of misbehaviour with the plant management. The Company entered into a settlement with the labour union under which the two (2) main accused workmen were dismissed from service and the remaining fourteen (14) were reinstated. The settlement also provided for a 50% deduction in the wages of workmen who absented themselves from their duties during the period of unrest.

In addition to the above, there are certain agreements concerning us that have been entered into by one of our Promoters, the details of which are as follows:

15. SHAREHOLDERS AGREEMENT BETWEEN FEDERAL –MOGUL HOLDING LIMITED B.V, JOINT INVESTMENTS PRIVATE LIMITED AND MR. ANIL NANDA

Federal - Mogul Holdings Limited ("**FM**"), Joint Investments Private Limited ("**J IPL**") and Mr. Anil Nanda ("**AN**") have entered into a shareholders agreement dated May 8, 2006 to *inter alia* regulate their relationship in relation to certain matters concerning our Company.

Under the Agreement FM has undertaken an obligation that during the term of the agreement to vote in favour of any resolution proposed at any board meeting of the Company in relation *inter alia* to:

- (a) Allowing continued usage by AN of certain assets of our Company; and/or
- (b) Providing AN the right to purchase such assets at the expiry of five (5) years from the date of the agreement; and/or
- (c) Effect a divestiture of the non core businesses of the Company on terms that are not disadvantageous to our Company.

In terms of the Agreement JIPL and AN have undertaken an obligation to vote in favour of or against any resolution to be proposed at any meeting of the Company in accordance with the directions of FM. Further JIPL and AN are obligated to attend the meeting and any adjournment thereof, and on show of hands vote in favour of or against or abstain from such resolution as directed by FM. They are obligated to vote on any resolution as per the directions of FM.

Under the agreement, during AN's tenure as Director of the Company, AN and JIPL have an obligation to obey FM 's written direction, with respect to signing or not signing any written resolution of shareholders or any class of shareholders. Additionally, JIPL and AN have an obligation to obey FM's direction on:

- (a) Giving or withholding their consent on any matter that requires their consent or agreement pursuant to JIPL's or AN's position as a shareholder of the Company whether under the Articles of Association of the Company or any agreement to which they individually or collectively are a party or otherwise;
- (b) Joining or abstaining from joining in making a requisition to convene a meeting of the Company.

Under this agreement, JIPL and AN have undertaken an obligation to use best efforts to cause the Board of Directors of the Company to vote in accordance with FM's direction, subject to the legal obligation of a director to exercise independent judgment in the best interest of the Company. Further, AN has undertaken an obligation to use his second or casting vote at any meeting of the Board of Directors, in accordance with the instructions of FM as long as he remains the non executive Chairman. Also AN has an obligation to sign or initial the minutes of the proceeding of every meeting of the Board of Directors of the Company as per the instructions of FM, during his tenure as the non executive Chairman of the Company.

In terms of the agreement, in the event either AN or JIPL wish to transfer the shares held by them to a third party, the said transfer will always be subject to a right of first refusal in favour of FM. AN or JIPL are not permitted to transfer their shares in contravention of the terms of the shareholders agreement.

The agreement takes effect from such time when FM's shareholdings in our Company along with FM's affiliates exceeds 50% of the total paid up equity share capital of our Company, which happened on May 12, 2006, the effective date of the agreement.

The agreement will terminate on the earlier of – (i) the express written mutual agreement between the parties or (ii) the fifth anniversary of the effective date.

This agreement was superseded by an Amended and Restated Shareholders Agreement ("**Restated Shareholders Agreement**") dated September 25, 2006 executed between FM, JIPL and AN. This agreement will terminate on the earlier of (a) May 8, 2011, or (b) Earlier termination by the mutual written agreement of all the parties to the Restated Shareholders Agreement.

In terms of the Restated Shareholders Agreement, there is no obligation upon AN and JIPL cause the Board of Directors of the Company to vote in accordance with FM's directions and neither are there any restrictions on the transfer of Equity shares held by JIPL and AN.

Under the Restated Shareholders Agreement, FM has undertaken an obligation that during the term of the agreement to vote in favour of any resolution proposed at any board meeting of the Company in relation *inter alia* to:

- (a) Allowing continued usage by AN of certain assets of our Company; and/or
- (b) Providing AN the right to purchase such assets on or prior to May 8, 2011; and/or
- (c) Effect a divestiture of the “**non core businesses**” of the Company on terms that are not disadvantageous to our Company.

For the purposes of the Restated Shareholders Agreement, the non-core businesses refer to the Company’s investments in GTZ Securities Ltd. and GI Power Corporation Limited.

16. SECURITIES PURCHASE AGREEMENT BETWEEN FMH, JIPL AND AN

FMH, JIPL and AN entered into a securities purchase agreement dated May 8, 2006 under which, FMH purchased 6,230,000 equity shares from JIPL constituting 24.64% of the total paid up equity share capital of our Company for a consideration of Rs. 1,386,175,000.

Under the Agreement, AN and JIPL have agreed that neither they nor any person under their control, will directly or indirectly, either on their own or as an agent of any person, for a period of five (5) years from the closing of the share purchase transaction:

- (a) Engage in any business currently conducted by us or by our subsidiaries in India;
- (b) Influence or attempt to influence any customer or potential customer of our Company to not acquire any service offered by our Company or our subsidiaries;
- (c) Affiliate itself, himself or herself with, or own any economic interest of any kind in, any person engaged in any part of the Company’s business in India;
- (d) Solicit or induce or assist another person in soliciting or inducing any employee to leave the Company or any of its subsidiaries or to accept any other employment unless such employee has been terminated by the Company or subsidiary or has resigned from such employment for more than six (6) months prior to such solicitation/inducement;
- (e) Acquire or attempt to acquire any person involved in the Company’s business in India, including the Company

AN and JIPL also agreed not to acquire more than 1% of our Company’s shares without the prior consent of FM.

AN and JIPL have also agreed to assist FMH to expand our business by preferential issues of equity or preference shares, or a rights offering by activities including the exertion of maximum control over counterparties involved in such transaction and by voting as instructed by FM, among other things.

The said Agreement became effective from May 12, 2006, after it was executed and delivered by all the Parties.

SECTION V: AUDITORS REPORT AND FINANCIAL INFORMATION

RESTATED UNCONSOLIDATED SUMMARY STATEMENTS OF ASSETS AND LIABILITIES AND PROFITS AND LOSSES, FOR THE YEARS/ PERIODS ENDED DECEMBER 31, 2006, MARCH 31, 2006, MARCH 31, 2005, MARCH 31, 2004 AND MARCH 31, 2003 AND SIX MONTHS ENDED JUNE 30, 2007

AUDITOR'S REPORT

To,

Board of Directors
Federal-Mogul Goetze (India) Limited (formerly Goetze (India) Limited)
A 26/3 Mohan Cooperative Industrial Estate
New Delhi- 110044

Dear Sirs,

- 1) We have examined the attached Restated financial information of Federal-Mogul Goetze (India) Limited (formerly Goetze (India) Limited), as approved by the Board of Directors of the Company prepared in terms of the requirements of Paragraph B, part II of schedule II of the Companies Act, 1956 (the Act) and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 as amended to date (SEBI Guidelines) and terms of our engagement agreed with you in accordance with our letter dated September 18, 2006 in connection with the proposed rights issue of Equity Shares of the Company.
- 2) These information have been extracted by the management from the financial statements for the periods/ years ending, December 31, 2006, March 31, 2006, March 31, 2005, March 31, 2004 and March 31, 2003. We have examined the Restated financial information of the Company for the aforesaid accounting periods/years prepared and approved by the Board of Directors for the purpose of inclusion in the offer document of the Company. For the purposes of our examination, we did not audit the following financial statements and have solely placed reliance on financial statements audited and reported upon by the previous auditors M/s S.N. Dhawan & Company:
 - i) Nine months ended March 31, 2003
 - ii) Year ended March 31, 2004
 - iii) Year ended March 31, 2005

The auditor's reports have been furnished to us.

- 3) We have also examined the financial information of the Company for the period January 1st to June 30, 2007 prepared and approved by the Board of Directors for the purpose of disclosure in the offer document of the company mentioned in Paragraph-1 above.

The financial information for the above period was examined in accordance with the Auditing Standards issued by the Institute of Chartered Accountants of India. Those standards require that we plan and perform our audit to obtain reasonable assurance, whether the financial information under examination is free of material misstatement.

Based on the above, we report that in our opinion and according to the information and explanations given to us, we have found the same to be correct and the same have been accordingly used in the financial information appropriately.

- 4) In accordance with the requirements of paragraph B of Part II of Schedule II of the Act, the SEBI Guidelines and terms of our engagement agreed with you, we further report that :
 - a) The Restated Summary Statements of assets and liabilities of the Company as on March 31, 2003, 2004, 2005, 2006, December 31, 2006 and June 30, 2007 examined by us, as set out in Annexure II to this report are after making adjustments and regrouping as in our opinion were appropriate and more fully described in Adjustments for Restated Financial Statements, Statement of Significant Accounting Policies, and Statement of Notes to the Restated Summary Statement. (Refer Annexure III, IVA & IVB respectively)
 - b) The Restated Summary Statement of Profit or Loss of the Company for each periods / years ended on March 31, 2003, 2004, 2005, 2006, December 31, 2006 and six months period ended on June 30, 2007 examined by us, as set out in Annexure I to this report are after making adjustments and regrouping as in our opinion were appropriate and more fully described in Adjustments for Restated Financial Statements,

Statement of Significant Accounting Policies, and Statement of Notes to the Restated Summary Statement.
(Refer Annexure III, IVA & IVB respectively)

- c) Based on above, we confirm that the restated financial information has been made after incorporating
- i) Adjustments for the changes in accounting policies retrospectively in respective financial years/periods to reflect the same accounting treatment as per changed accounting policy for all the reporting periods.
 - ii) Adjustments for the material amounts in the respective financial years to which they relate.
 - iii) Further, there are no extra-ordinary items that need to be disclosed separately in the accounts and qualification requiring adjustments.

d) We have also examined the following other financial information of the Company set out in Annexures prepared by the management and approved by the Board of Directors relating to the Company for the periods/years ended on March 31, 2003, 2004, 2005, 2006, December 31, 2006 and six months period ended on June 30, 2007. In respect of the periods/years ended on March 31, 2003, 2004, 2005 these information have been included based on financial statements audited by the previous auditors as referred in Paragraph 2 above.

- (i) Statement of Other Income included in Annexure IV C
- (ii) Statement of Capitalisation as at June 30, 2007 included in Annexure IV D
- (iii) Statement of Secured and Unsecured Loan included in Annexure IV E
- (iv) Statement of Investments included in Annexure IV F
- (v) Statement of Debtors included in Annexure IV G
- (vi) Statement of Loans and Advances included in Annexure IV H
- (vii) Statement of Accounting Ratios included in Annexure IV I
- (viii) Statement of Dividend paid/proposed included in Annexure IV J
- (ix) Statement of Tax Shelter included in Annexure IV K
- (x) Statement of Restated Cash Flows included in Annexure IV L

In our opinion the financial information contained in Annexure I&II respectively of this report read along with the Adjustments for restated financial statements, Statement of Significant Accounting Policies, Statement of Notes to the Restated Summary Statements (Refer Annexure III, IVA & IVB respectively) prepared after making adjustments and regrouping as considered appropriate have been prepared in accordance with Part IIB of Schedule II of the Act and the DIP Guidelines.

This report should not be in any way be construed as a reissuance or relating to any of the previous audit reports issued by us or other auditors mentioned in Paragraph 2 above nor should this report be construed as a new opinion on any of the financial statements referred to herein.

This report is intended solely for your information for inclusion in the Letter of Offer in connection with the proposed Rights Issue of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For S.R. Batliboi & Co.
Chartered Accountants

Sd/-
per Pankaj Chadha
Partner
Membership No. 91813
Place: New Delhi
Date: August 14, 2007

Annexure I: Restated Summary statements of Profits and Losses (unconsolidated)
Amount in Rs lakh

Particulars	Six months	Nine months	Twelve months	Twelve months	Twelve months	Nine months
	period ended	period ended	period ended	period ended	period ended	period ended
	June 30, 2007	December 31, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003
INCOME						
Turnover	34,188.37	45,002.36	51,236.30	49,835.26	44,835.61	25,068.42
Less : Excise duty	4,551.69	6,261.26	6,689.17	6,554.22	5,737.37	3,076.50
Total	29,636.68	38,741.10	44,547.13	43,281.04	39,098.24	21,991.92
Job work income	439.33	526.18	839.53	397.18	381.48	139.15
Other Income	1,487.85	1,130.91	1,151.31	1,295.70	1,368.19	995.67
Total Income	31,563.86	40,398.19	46,537.97	44,973.92	40,847.91	23,126.74
EXPENDITURE						
Raw materials and components consumed	9,950.50	11,799.28	13,453.81	11,367.74	10,151.29	5,420.56
Personnel expenses	6,852.82	9,497.74	11,659.19	10,696.49	10,591.25	5,378.10
Operating and other expenses	11,248.73	14,315.84	19,747.67	15,322.25	13,162.80	7,137.94
Decrease/(increase) in inventories	(722.25)	886.63	(3,603.48)	(916.30)	(896.97)	(245.13)
Depreciation and amortization	2,022.73	2,819.65	3,417.02	2,674.05	2,401.01	1,464.45
Provision for impairment losses on assets held for sale		-	-	-	-	-
Increase of excise duty on finished goods	13.47	(286.94)	466.83	98.34	112.46	152.22
Financial expenses	2,119.98	2,613.34	3,567.55	3,252.29	3,583.42	2,591.33
Less: Expenditure capitalised for self constructed assets	188.96	248.87	604.92	220.05	212.35	75.88
Total Expenditure	31,297.02	41,396.67	48,103.67	42,274.81	38,892.91	21,823.59
Profit/(loss) before tax	266.84	(998.48)	(1,565.70)	2,699.11	1,955.00	1,303.15
Less: Provision for tax		-	(0.00)	254.67	162.94	118.34
Less: Deferred Tax charge/(credit)	(254.24)	(145.52)	1,124.83	645.50	616.98	198.76
Less: Fringe benefit tax	47.00	61.00	150.00	-	-	-
Net Profit/(Loss) for the year/period	474.08	(913.96)	(2,840.53)	1,798.94	1,175.08	986.05
Excess Provision of Income Tax for previous years written back		-				
Brought Forward (Loss) from previous period	(1,848.51)	(934.56)	(153.78)	(17.37)	482.23	2,134.08
Opening Retained earning adjustments arising from restatements	-	-	-	-	-	(1,870.09)
Transferred from Debenture redemption reserve		-		208.33	208.34	833.33
Amount available for appropriation, as restated	(1,374.43)	(1,848.50)	(2,994.31)	1,989.90	1,865.65	2,083.37
Appropriations						
- Proposed dividend on preference shares	-	-	-	-	24.11	27.12
- Proposed dividend on equity shares	-	-	-	1,011.50	758.63	505.75
- Tax on dividends	-	-	-	132.19	100.29	68.27
Adjusted against general reserve	-	-	(2,059.76)	1,000.00	1,000.00	1,000.00
Profit/(Loss) carried to Balance Sheet, as restated	(1,374.43)	(1,848.50)	(934.55)	(153.79)	(17.38)	482.23

Note:

1 The accompanying Significant Accounting Policies (Annexure IV A) and Notes to Accounts (Annexure-IV B) form an integral part of this statement.

Annexure II : Restated Summary statements of Assets and Liabilities (unconsolidated)
Amount in Rs Lakh

	June 30, 2007	December 31, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003
APPLICATION OF FUNDS						
Fixed Assets :						
Gross Block	55,300.33	53,391.43	49,465.98	46,081.73	41,113.57	39,878.80
Less : Depreciation	21,755.27	19,752.36	17,242.72	14,959.36	12,372.16	11,276.91
Net Block	33,545.06	33,639.07	32,223.26	31,122.37	28,741.41	28,601.89
Capital work in progress including capital advances	3,995.51	1,797.31	650.34	1,566.78	1,378.97	794.26
Total	37,540.57	35,436.38	32,873.60	32,689.15	30,120.38	29,396.15
Investments	2,135.18	2,135.18	2,243.40	2,925.26	3,547.75	3,594.93
Deferred tax asset	657.71	403.48	257.96	1,382.79	2,028.29	2,645.27
Current Assets, Loans and Advances:						
Inventories	14,331.02	13,230.85	13,484.75	9,700.17	7,559.46	5,872.78
Sundry Debtors	7,442.03	7,319.80	6,839.04	8,990.21	6,764.14	5,272.85
Cash & Bank Balances	62.30	48.99	105.15	45.25	189.20	132.58
Other current assets	172.57	56.17	103.29	112.63	92.12	75.06
Loans and Advances	4,268.90	3,209.75	3,112.75	2,916.49	2,398.96	3,077.60
Total (A)	26,276.82	23,865.56	23,644.98	21,764.75	17,003.88	14,430.87
Current Liabilities and Provisions:						
Current Liabilities	17,119.35	14,608.36	8,472.10	7,654.68	6,868.04	6,565.01
Provisions	2,760.20	2,515.30	2,400.28	3,380.40	3,234.82	3,074.80
Total (B)	19,879.55	17,123.66	10,872.38	11,035.08	10,102.86	9,639.81
Net Current Assets (A-B)	6,397.27	6,741.90	12,772.60	10,729.67	6,901.02	4,791.06
Total	46,730.73	44,716.94	48,147.55	47,726.86	42,597.44	40,427.41
SOURCES OF FUNDS						
Loan Funds						
Secured Loans	25,852.69	25,379.10	32,942.42	30,160.43	22,126.30	16,509.28
Unsecured loans	12,131.09	11,064.95	6,018.29	5,539.05	9,099.03	11,838.09
Total	37,983.78	36,444.05	38,960.71	35,699.48	31,225.33	28,347.37
Net worth	8,746.95	8,272.89	9,186.84	12,027.38	11,372.12	12,080.06
Represented by						
Equity Share Capital	2,528.75	2,528.75	2,528.75	2,528.75	2,528.75	2,528.75
Preference Share Capital	-	-	-	-	-	1,000.00
Reserves and Surplus	7,592.63	7,592.64	7,592.65	9,652.41	8,860.75	8,069.08
Profit and loss account	(1,374.43)	(1,848.50)	(934.56)	(153.79)	(17.38)	482.23
Revaluation reserve	0.00	0.00	0.00	0.01	0.00	0.00
Net worth	8,746.95	8,272.89	9,186.84	12,027.38	11,372.12	12,080.06

The accompanying Significant Accounting Policies (Annexure IV A) and Notes to Accounts (Annexure-IV B) form an integral part of this statement.

Annexure III: Adjustments for Restated Financial Statements

1. Impact on profits due to restatement and other material adjustments made to the audited financial statements

		Amount in Rs lakh						
S No	Particulars	Six months ended June 30, 2007	Nine months ended December 31, 2006	Twelve months ended March 31, 2006	Twelve months ended March 31, 2005	Twelve months ended March 31, 2004	Nine months ended March 31, 2003	Retained earnings as at June 30, 2002
	Reported profit/ (loss) after tax as per audited Profit and Loss Account	512.91	(631.35)	(5,055.60)	2,203.29	1,553.40	1,018.73	-
	Reported retained earnings as at June 30, 2002							2,134.08
1	Effects of changes in accounting policies							
-	Voluntary retirement expenses expensed off in the year in which they are incurred (refer note 2a(i) below)	-	-	1,599.65	(217.40)	(138.51)	(129.27)	(1,114.48)
-	Commission/ upfront fee expensed off in the year in which incurred (refer note 2a(ii) below)	-	-	428.49	(142.41)	(48.23)	(168.39)	(69.45)
-	Development expenses expensed off in the year in which incurred (refer note 2a(iii) below)	-	-	59.95	40.68	77.65	40.90	(219.20)
-	Technical fee expensed off in the year in which incurred (refer note 2a(iv) below)	-	-	-	-	-	1.97	(1.97)
-	Share issue expenses expensed off in the year in which incurred (refer note 2a(v) below)	-	-	-	-	8.65	6.49	(15.12)
	Other adjustments							-
2	Prior period expenses (refer note 3a below)	157.34	(174.04)	1,117.74	(371.99)	284.25	(34.00)	(979.30)
3	Unspent liabilities/ provisions no longer required written back (refer note 3b below)	-	(1.83)	(114.71)	52.26	(9.86)	(22.48)	96.63
4	Provision for assets held for sale (refer note 3c below)	-	(232.45)	258.07	250.00	-	-	(275.62)
5	Dividend income (refer note 3d below)	(30.60)	-	30.60	(91.80)	30.60	30.60	30.60
6	Income tax interest allocated over various years (refer note 3e below)	(169.81)	(19.81)	21.87	(86.24)	(25.82)	10.64	269.18
7	Impact of change in Accounting Standard 15 applied retrospectively (refer note 3f below)	-	-	(61.76)	1.62	(772.04)	194.95	(562.28)
	Pre-tax impact of adjustments	(43.07)	(428.13)	3,339.90	(565.28)	(593.31)	(68.59)	(2,841.01)
8	Tax impact of adjustments (refer note 3g below)	4.24	145.52	(1,124.83)	160.94	215.01	35.92	970.92
	Total impact of entries	(38.83)	(282.61)	2,215.07	(404.34)	(378.30)	(32.67)	(1,870.09)
	Restated profits after adjustments	474.08	(913.96)	(2,840.53)	1,798.94	1,175.08	986.05	-
	Retained earnings after adjustments	-	-	-	-	-	-	263.99

2. Adjustment resulting from changes in accounting policies

a. Deferred revenue expenses expensed off

During the year ended March 31, 2006, the Company, for better presentation of its financial statements changed its hitherto followed accounting policy of amortizing deferred revenue expenditure over an estimated period of years to amortizing the said amounts to profit and loss account in the year in which the expenditure is incurred. Following adjustments have been made for the purpose of preparation of the restated financial statements:

i) **Voluntary retirement expenses**

The Company changed its hitherto followed policy of amortising voluntary retirement expenses over a period of 60 months to charging off the said expenditure in the year in which these are incurred.

For the purpose of these restated summary statements, the revised policy has been applied retrospectively.

ii) **Commission, upfront fee**

The Company changed its hitherto followed policy of amortising commission, upfront fees, processing and syndication fee on term loans over the period of underlying loans to charging off such expenditure in the year in which these are incurred.

For the purpose of these restated summary statements, the revised policy has been applied retrospectively.

iii) **Development expenses**

The Company changed its hitherto followed policy of amortising development expenses over a period of six years to charging off such expenditure in the year in which these are incurred.

For the purpose of these restated summary statements, the revised policy has been applied retrospectively.

iv) **Technical know how fee**

Pursuant to change in accounting policy as stated in para 2(a) above, technical know how fee amortized in earlier years has been charged off in the year in which these are incurred.

For the purpose of these restated summary statements, the revised policy has been applied retrospectively.

v) **Share issue expenses**

Pursuant to change in accounting policy as stated in para 2(a) above, share issue amortized in earlier years has been charged off in the year in which these are incurred.

For the purpose of these restated summary statements, the revised policy has been applied retrospectively.

b. Revaluation of fixed assets

During the year ended March 31, 2006, the Company, towards better presentation of financial statements changed its hitherto followed policy of showing certain fixed assets at revalued costs to historical cost.

For the purpose of these restated summary statements, the revised policy has been applied retrospectively.

c. Capitalisation of exchange differences

During the period ended June 30, 2007, In view of notification issued by the Ministry of Corporate Affairs dated December 07, 2006 prescribing the Companies (Accounting Standards) Rules 2006, the Company has changed the hitherto accounting policy of adjusting foreign exchange difference, arising on restatement/settlement of foreign exchange liability relating to fixed assets, to the carrying value of assets to recording such differences in the profit and loss account.

For the purpose of these restated summary statements, the revised policy, where material, has been applied retrospectively.

3. Other adjustments

a. Prior period Income and expenses

In the financial statements for the years/ periods ended June 30, 2007, December 31, 2006, March 31, 2006, 2005, 2004 and 2003, certain items of income/ expenses have been identified as prior period items.

For the purpose of these restated summary statements, such prior period items have been appropriately adjusted in the respective years/periods, to which these amounts pertain.

b. Unspent liabilities/ provisions no longer required written back

In the financial statements for the years/ periods ended June 30, 2007, December 31, 2006, March 31, 2006, 2005, 2004 and 2003, certain liabilities/provisions created in earlier years were written back.

For the purpose of these restated summary statements, the said liabilities wherever required have been appropriately adjusted in the respective years/periods in which the same were originally created.

c. Provision for assets held for sale

The Company had a vegetable oil division at Alwar (Rajasthan). The Company discontinued production in this division in 1999. During the year ended June 30, 2000, plant and machinery (cost as on June 30, 1999 Rs 1,017.33 lakh and accumulated depreciation Rs 309.54 lakh) was retired from active use and were reclassified as assets held for sale. These assets were valued at then net realizable value of Rs 525 lakh. Impairment losses of Rs 250 lakh and Rs 258.07 lakh were also provided during the years ended March 31, 2005 and 2006 respectively.

During the period ended December 31, 2006, the Company sold off the entire division and recovered Rs 232.45 lakh for the abovesaid plant and machinery.

For the purpose of these unconsolidated restated summary statements, the amounts of provisions subsequently made against the machinery and the gain on the said machinery have been restated in the period/ year when the provision was first made in the books of accounts.

d. Dividend income

During the year ended March 31, 2005, the Company received dividend from Goetze TP (India) Limited, a subsidiary, on preference shares held in the said Company for the years ended March 31, 2002, 2003, 2004, 2005.

For the purpose of these unconsolidated restated summary statements, the dividend income has been booked in the respective years.

Similarly, during the periods ended December 31, 2006 and June 30, 2007, the Company received dividend from Goetze TP (India) Limited, a subsidiary, on preference shares held in the said Company for the year ended March 31, 2006 and December 31, 2006 respectively.

For the purpose of these unconsolidated restated summary statements, the dividend income has been booked in the said year/ period.

e. Income tax refunds/ provision

Interest received on income tax refunds has been adjusted over the period of interest in the various years.

f. Revision in Accounting Standard 15

During the period ended June 30, 2007, pursuant to the introduction of Accounting Standard 15 (Revised) on Employee Benefits and subsequent guidance issued by the Accounting Standard Board of the Institute of Chartered Accountants of India, the management obtained expert advice and accounted for the reassessed liabilities during the said period.

For the purpose of these unconsolidated restated summary statements, the said liabilities have been adjusted in the years/ periods ended March 31, 2003, 2004, 2005 and 2006.

g. Tax impact of adjustments

Tax impact (both current and deferred) has been computed on Restated Financial Statements for the years/ periods ended June 30, 2007, December 31, 2006, March 31, 2006, 2005, 2004 and 2003 and the balance brought forward in Profit and Loss Account as at June 30, 2002.

4. Material regroupings

- a. Upto the year ended March 31, 2005, customer bills discounted from banks were being netted off against sundry debtors. During the year ended March 31, 2006, customer bills discounted were included in Secured Loans. In the statement of unconsolidated assets and liabilities, as restated, for the years/ periods ended March 31, 2005, 2004 and 2003, such customer bills discounted has been regrouped and disclosed accordingly.
- b. Upto the year ended March 31, 2005, commission payable on sales was being included in operating and other expenses. During the year ended March 31, 2006, the direct commission was reduced from turnover. In the statement of unconsolidated profits and losses, as restated, for the years/ periods ended March 31, 2005, 2004 and 2003, such expense has been regrouped and disclosed accordingly.
- c. Upto the year ended March 31, 2004, interest income of the Company was being netted off against interest expenses. During the year ended March 31, 2006, interest income was included under other income. In the statement of unconsolidated profits and losses, as restated, for the years/ periods ended March 31, 2005, 2004 and 2003, such income has been regrouped and disclosed accordingly.
- d. Upto the period ended March 31, 2003, amount payable on account of gratuity was being grouped under creditors. During the year ended March 31, 2004, this was grouped under provisions. In the statement of unconsolidated assets and liabilities, as restated, for the period ended March 31, 2003, such amount has been regrouped and disclosed accordingly.
- e. Upto the year ended March 31, 2005, the amount payable on account of superannuation was being grouped under current liabilities. During the year ended March 31, 2006, this was grouped under provisions. In the statement of unconsolidated assets and liabilities, as restated, for the years/ periods ended March 31, 2005, 2004 and 2003, such amount has been grouped and disclosed accordingly.
- f. Upto the period ended March 31, 2003, interest accrued on investments was being grouped under Loans and Advances. During the year ended March 31, 2004, such amount was grouped under other current assets. In the statement of unconsolidated assets and liabilities, as restated, for the period ended March 31, 2003, such amount had been regrouped and disclosed accordingly.
- g. Upto the year ended March 31, 2006, balances with Scheduled banks on deposit accounts (pledged with Government Authorities) and on unpaid dividend accounts was being grouped under Cash and Bank balances. During the period ended December 31, 2006, such amount was grouped under Loans and Advances. In the statement of unconsolidated assets and liabilities, as restated, for the years/ period ended March 31, 2006, 2005, 2004 and 2003, such amount had been regrouped and disclosed accordingly.
- h. Upto the year ended March 31, 2006, DEPB benefits receivable and Insurance Claim Receivable were being grouped under Loans and Advances. During the period ended December 31, 2006, such amount was grouped under Other Current Assets. In the statement of unconsolidated assets and liabilities, as restated, for the years/ period ended March 31, 2006, 2005, 2004 and 2003, such amount had been regrouped and disclosed accordingly.

- i. Upto the year ended March 31, 2005, the Income of the Company was being classified as Sale, Business income and Other income. During the year ended March 31, 2006, the Income of the Company was classified into Sale, Job work income and Other income. In the statement of unconsolidated profits and losses, as restated, for the years/ periods ended March 31, 2005, 2004 and 2003, such amounts have been reclassified and disclosed accordingly.
- j. Upto the year ended March 31, 2005, stores, spares and tools consumed, power and fuel, repairs to machinery and repairs to building were being grouped in material, manufacturing and operating expenses. During the year ended March 31, 2006, this has been grouped under Operating and other expenses. In the statement of unconsolidated profits and losses, as restated, for the years/periods ended March 31, 2005, 2004 and 2003, these amounts have been regrouped and disclosed accordingly.
- k. Upto the year ended March 31, 2005, Raw material and components consumed, (Increase)/ decrease in closing stock and Increase/ (decrease) in excise duty on finished goods was being grouped under Material, Manufacturing and Operating expenses. During the year ended March 31, 2006, these amounts were disclosed separately in profit and loss account. In the statement of unconsolidated profits and losses, as restated, for the years/ periods ended March 31, 2005, 2004 and 2003, these amounts have been regrouped and disclosed accordingly.
- l. During the year ended March 31, 2006, expenses being included under sales and administration expenses were reclassified to Operating & other expenses and finance expenses as applicable. In the statement of consolidated profits and losses, as restated for the years/ periods ended March 31, 2005, 2004 and 2003, such amounts have been reclassified and disclosed accordingly.

5. Non adjustment items

a. Write off/ discard of assets

During the year ended March 31, 2006, the Company based on technical evaluation and usability study wrote off/ discarded assets having gross value Rs 1,958.22 lakh and net book value Rs 875.90 lakh.

Adjustment on this account has not been made in the restated summary statements, since, in the opinion of the Company, the assets were identified to be discarded in the said year and not in any of the earlier years/ periods.

b. Bad debts/ amounts written off

In the financial statements for the years/ periods ended June 30, 2007, December 31, 2006, March 31, 2006, 2005, 2004 and 2003, certain amounts have been written off / considered as bad debts

Adjustment on this account has not been made in the consolidated restated summary statements, since, in the opinion of the Company, these amounts became doubtful only in that year/ period in which provisions were made.

c. Provision for diminution in the value of investments

During the year ended March 31, 2006, the Company had created provision for diminution in the value of investments made by the Company in Nanz Food Products Limited, Rs 10 lakh, Satara Rubbers and Chemicals Limited Rs 126.69 lakh and GTZ Securities Limited Rs 46.15 lakh.

During the period ended December 31, 2006, the Company made a further provision of Rs 74.30 lakh for diminution in the value of investments made by the Company in Satara Rubbers and Chemicals Limited.

Adjustment on this account has not been made in the restated summary statements, since, in the opinion of the Company, the amounts were identified to be provided in the said year and not in any of the earlier years/ periods.

- d. Audit qualifications, which do not require any corrective adjustment in the financial information are as follows:**
- 1). Qualifications made in December 31, 2006 in Companies (Auditor's Report) Order (CARO)
- i. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets, *except for certain items of plant and machinery and certain items of furniture at one of its facilities, where the records are maintained for group of similar assets and not for each individual asset.*
 - ii. In respect of a loan granted by the Company to a party covered in the register maintained under section 301 of the Companies Act, 1956, the auditors included the following in the Companies (Auditor's Report) Order (CARO): In our opinion and according to the information and explanations given to us, *interest free loan of Rs 798 lakh granted to one company is prima facie prejudicial to the interest of the company*, other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.
 - iii. The company has employed an external internal auditing firm to carry its internal audit. In our opinion *the scope and coverage of such Internal Auditing can be further enlarged to be commensurate with the size and nature of its business.*
- 2). Qualifications made in March 31, 2006 in Companies (Auditor's Report) Order (CARO)
- i. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets, *except for certain items of plant and machinery and certain items of furniture at one of its facilities, where the records are maintained for group of similar assets and not for each individual asset.*
 - ii. The procedures of physical verification of inventory followed by the management are reasonable, *however require further strengthening to make these adequate in relation to the size of the Company and the nature of its business.*
 - iii. The Company is maintaining proper records of inventory during the year and as informed, *material discrepancies were identified* on such verification. These have been properly dealt with in the books of accounts.
 - iv. In respect of a loan granted by the Company to a party covered in the register maintained under section 301 of the Companies Act, 1956, the auditors included the following in the Companies (Auditor's Report) Order (CARO): In our opinion and according to the information and explanations given to us, *interest free loan of Rs 470.95 lakh to one Company is prima facie prejudicial to the interest of the Company*, other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.
 - v. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for sale of goods/services and for the purchase of inventory and fixed assets *except in respect of certain fixed assets where purchases are made without inviting quotations which, in our opinion, also is a continuing failure to correct major weakness in the internal control system and prevailed at the balance sheet date.*
 - vi. The Company has employed an external internal auditing firm to carry its internal audit. In our opinion *the scope and coverage of such Internal Auditing can be further enlarged to be commensurate with the size and nature of its business.*
 - vii. Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it have been regularly deposited with the appropriate authorities, *though there has been a slight delay in a few cases.*

3). Other qualifications in the main Auditor's Report for the period ended December 31, 2006

i. Excess managerial remuneration

Auditor's report issued for the year December 31, 2006, was qualified on account of inclusion of Rs 99.16 lakh in Personnel costs and Rs 7.89 lakh in Operating and Other expenses towards director's remuneration which was in excess of permissible remuneration determined under Schedule XIII of The Companies Act, 1956. Management had obtained confirmation from these directors that they shall refund these amounts, to the extent of these being not approved by the Central Government, for which the Company was preparing necessary application.

Adjustment on account of the above has not been made in the restated summary statements, as the Company has applied for approval of the Central Government for the excess remuneration paid and is hopeful of receiving the same in view of the past experience, wherein, the Company successfully obtained approval from the Central Government as stated in Para 4(i) below.

4). Other qualifications in the main Auditor's Report for the year ended March 31, 2006

i. Excess managerial remuneration

Auditor's report issued for the year March 31, 2006, was qualified on account of inclusion of Rs 101 lakh in Personnel costs and Rs 12.80 lakh in Operating and Other expenses towards director's remuneration which was in excess of permissible remuneration determined under Schedule XIII of The Companies Act, 1956. Management had obtained confirmation from these directors that they shall refund these amounts, to the extent of these being not approved by the Central Government, for which the Company was preparing necessary application.

Adjustment on account of the above has not been made in the restated summary statements, since the Company has obtained the approval of the Central Government for the excess remuneration paid.

ii. Assets for which cost details are not available

As at March 31, 2006, fixed assets and capital work in progress amounting to Rs 800 lakh were recognized, being assets constructed by the Company, for which cost details were under compilation. This was qualified in the Auditor's report for the year ended March 31, 2006 as the impact that could arise on the completion of the details was unascertainable as at that date.

Adjustment on this account has not been made in the unconsolidated restated summary statements, since in the opinion of the management no impact arises on account of the above in any of the years/ periods.

Annexure IV A: Statement of Significant Accounting Policies

a) Basis of preparation

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention and on an accrual basis. The accounting policies followed by the Company are consistent. The company has adopted all enacted accounting standards for the purpose of preparing the restated summary financial information.

b) Tangible assets and depreciation

- i) Fixed assets are stated at cost less accumulated depreciation less impairment if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use i.e. freight duties, taxes and other incidental expenses excluding Cenvat in so far as this is available for set off against excise duty.

Depreciation

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

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

- iii) Assets above include those acquired from Escorts Mahle Limited.
iv) Plant and Machinery also includes self constructed machinery.
v) Amounts 'added to' / 'deducted from' fixed assets on account of foreign currency fluctuations are considered as additions / deductions of the year in which such fluctuations occur and depreciation thereon is provided /adjusted prospectively from the date the related assets have been put to use.
vi) Depreciation on the amount of adjustment to fixed assets on account of capitalisation of insurance spares is provided over the remaining useful life of related assets.
vii) All assets costing upto Rs 5,000 are fully depreciated in the year of purchase.

c) Impairment

Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the income statement for items of fixed assets carried at cost. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtained from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset, from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if not possible, for the cash generating unit.

Impairment loss recognized for an asset in earlier accounting periods is reversed, to the extent of its recoverable amount, if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized.

d) Intangible assets

Intangible assets are stated at cost less impairment if any. Cost comprises the purchase price and other directly attributable costs.

Acquired design and drawings are valued at cost less accumulated amortization and any impairment losses. These are amortized equally over a period of 5 years.

Software is amortized over a period of 5 years.

e) Leases

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

f) Investments

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

g) Inventories

Inventories are valued as follows:

Raw materials, components, stores and spares and bought out tools.	Lower of cost and net realizable value. Cost represents purchase price and other direct costs and is determined on a moving weighted average cost basis.
Constructed Tools	Lower of cost and net realizable value. Cost represents purchase price and other direct costs and is determined on a moving weighted average cost basis.
Work-in-progress, finished and trading goods.	At cost or net realizable value, whichever is lower. Cost for this purpose includes material, labour and appropriate allocation of overheads. Excise duty on stock lying with Company is added to the cost of the finished goods inventory.
Reusable scrap	At net realisable value.

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

h) Revenue recognition

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

a) Sale of Goods:

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

b) Job work:

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

c) Interest:

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

d) Dividends:

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

e) Commission:

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

f) Export benefits/incentives:

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

g) Management fee:

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

i) Foreign currency transactions

(i) Initial recognition

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

(ii) Conversion

Foreign currency monetary items are reported using the closing rate.

(iii) Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise except where they related to acquisition of fixed assets, from outside India, in which case they are adjusted to the cost of the fixed asset.

(iv) Forward exchange contracts

In respect of forward exchange contracts entered into by the Company, the difference between the contracted rate and the rate at the date of transaction is recognized as gain or loss over the period of the contract except for difference in respect of liabilities incurred for acquiring fixed assets from a country outside India, in which case such difference is adjusted in the carrying amount of the respective fixed assets. Exchange differences arising on forward contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any gain or loss arising on cancellation or renewal of forward exchange contract is recognized as income or as expense for the year, except gain or loss on transactions relating to fixed assets acquired from a country outside India, which is adjusted to the carrying amount of respective fixed assets.

j) Retirement and other employee benefits

- (i) Provident fund contributions are charged to profit and loss account, when contributions paid/payable are due to "Goetze India Limited Provident Fund Trust", administered by the trustees and to the Regional Provident Fund Commissioners,
- (ii) Gratuity liability under the Payment of Gratuity Act is a defined benefit obligation and is accrued and provided on the basis of an actuarial valuation made at the end of each financial year/ period.
- (iii) Short term compensated absences are provided for on based on estimates. Long term compensated absences are provided for based on actuarial valuation.
- (iv) Superannuation Benefit

The Company has superannuation obligations under two separate schemes, administered with Life Insurance Corporation of India (LIC). Liability towards the defined benefit scheme is determined by an independent actuary and shortfall when compared against the contributions made is provided. Contributions to the defined contribution scheme are charged to profit and loss account when contributions paid/ payable are due to such fund.

k) Income taxes

Tax expense comprises of current, deferred and fringe benefit tax.

Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act.

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Virtual certainty tests are applied to entire deferred tax assets in case of unabsorbed losses and depreciation.

l) Earnings per share

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

m) Provisions

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

n) Cash and cash equivalents

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

o) Derivative instruments

The Company uses derivative financial instruments such as forward exchange contracts to hedge its risks associated with foreign currency fluctuations. Accounting policy for forward exchange contracts is given in note i.

p) Segmental information

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

Annexure IV B: Statement of notes to the Restated Summary Statements

1. Amalgamation of Escorts Pistons Ltd. (EPL) and Coupled Investments Pvt. Ltd. (CIPL) with the Company

- a. During the period ended March 31, 2003, the Company purchased 100% shares in Escorts Pistons Limited through its 100% subsidiary Coupled Investments Pvt. Ltd. (CIPL) and consequently EPL became an indirect wholly owned subsidiary of GIL.
- b. Pursuant to the scheme of amalgamation of the erstwhile EPL and CIPL with the Company, as approved by the shareholders and subsequently sanctioned by the Hon'ble High Court of Delhi on 13th May, 2003, the assets and liabilities of the erstwhile EPL and CIPL were transferred to and vested in the Company with effect from the Appointed Date, 1st November, 2002. The scheme has, accordingly, been given effect to in these accounts.
- c. The amalgamation was accounted for under the 'purchase method' as prescribed by Accounting Standard (AS14) issued by The Institute of Chartered Accountants of India. Consequently, 4,35,17,816 Equity Shares of Rs.10/- each and 52,50,000 Redeemable cumulative preference shares of Rs.100/- each of EPL purchased by CIPL during the year and 55,220 Equity Shares of Rs.10/- each of CIPL (including 50,200 bonus shares allotted by CIPL to the Company) amalgamation amounted to Rs.14,820.26 lakh against which net assets of the value of Rs. 14,853.13 lakh had been acquired. The assets and liabilities were incorporated in the books of the Company at their book values except certain fixed assets, the values of which had been adjusted to reflect their fair value.
- d. The difference between the consideration and the value of net identifiable assets acquired, amounting to Rs.32.87 lakh, was transferred to the Capital Reserve.
- e. Pending completion of the relevant formalities for transfer of some of the assets and liabilities acquired pursuant to the scheme of amalgamation, such assets and liabilities continue to be in the name of erstwhile EPL.

2. Reassessment of transfer of risks and rewards

During the year ended March 31, 2006, pursuant to the management reassessment of transfer of risk and rewards on sale of goods, sales of Rs 3,899.42 lakh were derecognized and stock amounting to Rs 2,943.62 lakh was reversed in the books of the Company. The corresponding

impact of the same in previous years is not ascertainable. The same was referred to as a matter of emphasis in the Auditors Report in the year ended March 31, 2006.

3. Contingent liabilities

a) Claims/notices contested by the Company

Amount in Rs lakh

Particulars	June 30, 2007	December 31, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003
Excise duty	830.43	505.88	433.54	325.86	531.49	468.49
Sale Tax	118.87	118.87	97.62	197.30	-	-
ESI Cases	63.30	63.30	75.25	39.34	30.11	37.86
Employee related cases	88.45	88.45	61.23	13.00	13.00	13.00
Electricity Demand	52.24	52.24	52.24	56.87	56.87	56.87
Income tax demand	210.36	320.87	361.09	123.68	134.20	152.84
Consumer cases	64.99	60.91	60.91	60.91	60.91	60.91
Bank Guarantees	493.35	193.18	133.17	112.22	126.81	115.02

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

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

- i) Show cause notice received in respect of excise duty benefit in relation to deduction of Trade Discounts for the period 2000-2001 to 2003-2004. The matter is pending for personal hearing with the Joint Commissioner. The company has taken legal opinion and is advised that it has fair chance of a favorable decision. The amount involved is Rs. 33.74 lakh.
- ii) Matter pending with Central Excise & Service Tax Appellate Tribunal (CESTAT) in respect of valuation rates employed for certain products sold by company for the period 1995-1996 to 2004-2005. The amount involved is Rs.6.42 lakh.
- iii) Matter pending with Additional Commissioner of Central Excise (ADCCE) in respect of excise duty on scrap produced by company for the period 2000-2001 to 2002-2003. The amount involved is Rs.34.11 Lakh.
- iv) Miscellaneous Excise Cases in respect of MODVAT credits being taken pending with Deputy Commissioner Central Excise Patiala (DCCE PTA)/ Addl. Commissioner/Punjab and Haryana Court for the period 1987-1988 to 2001-2002. The Company is of the view that it has reasonable chances of success. Amount involved Rs. 71.09 lakh.
- v) Matters pending with Additional Commissioner, in respect of Service Tax on Royalty & Technical Know how from 1999-00 to 2005-06. Amount involved Rs. 48.54 Lakh.
- vi) Matters pending with Joint Commissioner, Bangalore in respect of Service Tax on Job Work for the period 2004-05. Amount involved Rs. 18.01 Lakh.
- vii) Matters pending with Additional Commissioner, Chandigarh in respect of Service Tax on Transport Services for the period 2005-06 and other Services. Amount involved Rs. 7.59 Lakh.
- viii) Matters pending with Commissioner Chandigarh/ Deputy Commissioner Central Excise (DCCE) Patiala in respect of clearance of reprocessed goods without payment of duty for the period 2004-2005 to 2005-2006. Amount involved Rs. 7.20 Lakh.
- ix) Matters pending with Commissioner Appeals/ Joint Commissioner in respect of interest on reversal of Special Additional Duty (SAD) for 2000-01. Amount involved Rs. 9.37 Lakh.
- x) Matters pending with Supreme Court in respect of conversion of Aluminum Scrap into Ingots from Colts for 2000-01 & 2001-02. Amount involved Rs. 15.14 Lakh.
- xi) Matters pending with CESTAT in respect of excise cases in relation to provisional assessment of excise duty with respect to turnover discount for the period 2001-2002 to 2005-2006. Amount involved is Rs. 328.52 Lakh

- xii) Matters pending with Commissioner- Excise in respect of non saleable pistons removed from RG-1 stock & melted for 2005-06. Amount involved Rs. 250.67 Lakh.

d) In relation of b (ii) Sales Tax cases contested by the company comprise of:

- i) In respect of Assessment Year 1996-97 to 2001-02, on account of differences in sales tax rates, the matter is pending with Karnataka High court. The amount involved is Rs. 59.23 Lakh.
- ii) In respect of Assessment Year 1999-00, on account of non-submission of C- forms and F- Forms, the matter is pending with JCCT. The amount involved is Rs. 38.39 Lakh.
- iii) In respect of Assessment Year 2002-03 to 2006-07, on account of Entry tax, the matter is pending with Additional Commissioner. The amount involved is Rs. 20.65 Lakh.

e) In relation b (iii) above Employee State Insurance claims comprise of:

- i) In respect of demand from Employee State Insurance, relating to non deposit of employee state insurance on certain employee related expenses pending with the Assessing Officer, Amount involved is Rs.63.30 lakh.

f) In relation of b (iv) above Employee related cases comprise of:

- i) Claims against the Company not acknowledged as debt, in respect of demands raised by the workers at amount involved is Rs.88.45 Lakh.

g) In relation to b (v) above Electricity demand relates to:

- i) In respect of a demand raised by Punjab Electricity Board (PSEB) for various years in relation to availment of additional load. Amount involved is Rs. 52.24 Lakh.

h) In relation to b (vi) above Income Tax cases disputed by the company:

- I) In respect of Assessment Year 2002-03 certain additions were made on normal income as well as on book profits. The matter is pending with Commissioner Income Tax (Appeals) and company is of the view that it has reasonable chance of success. The amount involved is Rs.16.37 Lakh.
- II) In respect of A.Y. 2003-04, disallowance was made for carry forward losses as well as certain disallowances. The matter is pending with Commissioner Income Tax (Appeals) and company is of the view that it has reasonable chance of success. The amount involved is Rs.170.20 Lakh.
- III) In respect of Assessment Year 2004-05 certain additions were made on normal income. The matter is pending with Commissioner Income Tax (Appeals) and company is of the view that it has reasonable chance of success. The amount involved is Rs.23.79 Lakh.

For all matters above, company has been advised by experts and based on such opinion/advise, company has fair chance of favorable decision.

i) In relation to b (vii) above Consumer cases filed against the company:

- I) Matter pending with Delhi High Court relating to cases filed by Space 2000 a customer of the company relating to defective goods for the period 1995-1996. Amount involved is Rs. 64.99 Lakh.

4. Related party transactions

During the years/ periods under review, the Company has entered into transactions with related parties. Names of related parties:

- i) Enterprises owned or significantly influenced by key management personnel or their relatives
- AN Enterprises Pvt Ltd (till May 12, 2006)
 - An-Net Infotech Ltd (till May 12, 2006)
 - Escorts Farms Ltd (till May 12, 2006)
 - Hari Raj Investments & Consultants Pvt Ltd (till May 12, 2006)
 - GI Insurance Services Limited (till May 12, 2006)

- Gossini Fashion Limited (earlier AN-GIP Leather (India) Limited) (till May 12, 2006)
- Akme Projects Limited (till May 12, 2006)
- Spade Financial Services Limited (w.e.f. May 12, 2006)
- Escorts Ltd (till May 12, 2006)
- Escorts Mahle Ltd (till May 12, 2006)
- AN Net Europe (till May 12, 2006)
- Joint Investment Pvt. Ltd. (till May 12, 2006)

ii) Key managerial personnel and their relatives

- Mr Anil Nanda (upto May 12, 2006)
- Mr Arun Anand
- Mrs Renu Anand (wife of Mr. Arun Anand)

iii) Co venturers and fellow subsidiaries

- Federal-Mogul Vermögensverwaltungs GmbH, Germany
- Federal-Mogul, Nuremberg, GMBH.
- Federal-Mogul Sintered Products Ltd.
- Federal-Mogul Wiesbaden GMBH, Germany
- Federal-Mogul Power Train System.
- Federal-Mogul Automotive Product India Pvt. Ltd.
- Federal-Mogul, Burschied, U.K.
- Federal-Mogul Freidberg, Germany
- Federal-Mogul Powertrain
- Federal-Mogul Corporation Powertrain

ii) Associates

- GI Power Corporation Limited (w.e.f. October 13, 2005)
- GTZ Securities Limited

v) Subsidiaries

- Goetze TP (India) Limited
- Satara Rubbers and Chemicals Limited

(Numbers in the adjoining schedule of Related Parties are in Rs. Lakh)

**Federal-Mogul Goetze India Limited
Related Party Disclosures**

Amount in Rs. Lakh

Particulars	Fellow subsidiary Federal Mogul Vermögensverwaltungs GmbH, Germany						Fellow subsidiary Federal Mogul, Burschield,U.K					
	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003
	Sales	-	-	(60.62)	-	-	-	-	-	-	-	-
Purchases of raw materials, intermediaries and finished goods	-	-	200.12	27.52	-	-	-	-	-	-	-	-
Purchase of fixed asset/stores spares	600.63	1,408.94	1,120.20	-	-	-	-	-	-	-	-	-
Fund Paid	(24.91)	(829.40)	-	-	-	-	-	-	-	-	-	-
Royalty expense	144.68	179.69	355.35	324.37	331.62	52.58	-	-	107.61	73.59	47.97	-
Balance outstanding as at the end	(1,472.24)	(896.52)	(318.69)	0.70	(117.49)	-	-	-	-	-	(11.99)	-

Particulars	Fellow subsidiary Federal Mogul,Nurnberg,GMBH						Fellow subsidiary Federal Mogul Freidberg Germany					
	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003
	Purchase of fixed asset/stores spares	738.45	73.62	-	-	-	-	201.35	15.83	-	-	-
Fund Paid	-	(27.40)	-	-	-	-	-	-	-	-	-	-
Royalty expense	142.03	124.30	-	-	-	-	-	-	-	-	-	-
Balance outstanding as at the end	(786.82)	(48.37)	-	-	-	-	(217.18)	(15.83)	-	-	-	-

Particulars	Fellow subsidiary Federal Mogul Wiesbaden GmbH, Germany						Fellow subsidiary Federal Mogul Power train System					
	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003
Sales	-	-	-	-	-	-	-	(24.32)	-	-	-	-
Purchase of fixed asset/stores spares	36.15	40.60	-	-	-	-	4.96	5.46	-	-	-	-
Fund Paid	(40.97)	(9.01)	-	-	-	-	-	-	-	-	-	-
Fund Received	-	-	-	-	-	-	-	49.19	-	-	-	-
Balance outstanding as at the end	(26.77)	(31.59)	-	-	-	-	0.50	5.46	-	-	-	-

Particulars	Fellow subsidiary Federal-Mogul Gorzyce						Other Fellow subsidiary					
	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003
Sales	(271.67)	(0.65)	-	-	-	-	(21.44)	(15.93)	-	-	-	-
Purchases of raw materials, intermediaries and finished goods	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of fixed asset/stores spares	-	-	-	-	-	-	77.25	12.38	-	-	-	-
Fund Paid	-	-	-	-	-	-	(28.11)	(10.88)	-	-	-	-
Fund Received	-	-	-	-	-	-	15.93	-	-	-	-	-
Royalty expense	-	-	-	-	-	-	73.71	99.65	-	-	-	-
Balance outstanding as at the end	272.32	0.65	-	-	-	-	(29.19)	14.43	-	-	-	-

Particulars	Federal-Mogul Holding Deutschland					
	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003
Rendering of Services	52.15	40.18	-	-	-	-
Balance outstanding as at the end	(92.32)	(40.18)	-	-	-	-

Particulars	Fellow subsidiary Federal Mogul Automotive Product						Fellow subsidiary Total					
	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003
Sales	(15.07)	(10.21)	-	-	-	-	(308.18)	(51.11)	(60.62)	-	-	-
Purchases of raw materials, intermediaries and finished goods	-	-	-	-	-	-	-	-	200.12	27.52	-	-
Purchase of fixed asset/stores spares	-	-	-	-	-	-	1,581.54	1,556.83	1,120.20	-	-	-
Fund Paid	-	-	-	-	-	-	(93.99)	(876.69)	-	-	-	-
Fund Received	17.25	5.66	-	-	-	-	33.18	54.85	-	-	-	-
Royalty expense	-	-	-	-	-	-	360.42	382.95	462.96	397.96	379.59	52.58
Rendering of services	-	-	-	-	-	-	52.15	40.18	-	-	-	-
Balance outstanding as at the end	2.37	4.55	-	-	-	-	(2,349.83)	(1,007.40)	(318.69)	0.70	(129.48)	-

Particulars	Holding Company Federal-Mogul Corporation					
	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003
Sales	(1,085.31)	(334.87)	-	-	-	-
Purchases of raw materials, intermediaries and finished goods	-	6.12	-	-	-	-
Purchase of fixed asset/stores spares	1,440.73	571.39	-	-	-	-
Fund Paid	(114.96)	-	-	-	-	-
Fund Received	-	2,371.03	-	-	-	-
Interest	56.90	-	-	-	-	-
Royalty expense	-	-	-	-	-	-
Balance outstanding as at the end	(3,131.94)	(2,614.22)	-	-	-	-

Particulars	Associate						Associate					
	G.I Power Corporation Ltd.						G.I Wind Farm Ltd.					
	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003
Purchase of fixed asset/stores spares	-	-	-	9.53	-	-	-	-	-	-	-	-
Purchase of power	139.82	486.77	677.00	874.47	681.00	300.58	-	-	-	-	-	-
Fund paid	(207.67)	(419.94)	(678.63)	(878.22)	(397.00)	(321.63)	-	-	-	-	(20.65)	(160.29)
Dividend income	-	-	-	-	-	(10.15)	-	-	-	-	-	(110.23)
Expense incurred on behalf of Other	13.28	-	9.37	-	-	-	-	-	-	-	-	-
Sale of investment	-	-	(33.84)	-	-	-	-	-	-	-	-	-
Purchase of investment	-	-	34.00	-	-	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	56.45	-	-	-	-	-	-
Interest income	-	-	-	-	-	(89.33)	-	-	-	-	-	(15.15)
Guarantees given / (obtained)	-	-	1,170.00	1,170.00	-	-	-	-	-	-	-	-
Investment Outstanding	1,138.61	1,138.61	1,138.61	1,138.45	-	-	-	-	-	-	-	-
Balance outstanding as at the end	(13.29)	(67.87)	0.01	14.13	(49.27)	(307.76)	-	-	-	-	20.65	(278.00)

Particulars	Associate						Associate					
	An Net InfoTech Ltd.						GTZ Securities Ltd.					
	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003
Purchase of fixed asset/stores spares	-	-	-	-	10.32	-	-	-	-	-	-	-
Fund paid	-	-	-	-	-	-	-	-	-	(1,458.00)	(3,526.27)	
Fund received	-	-	-	-	-	-	-	-	-	5,032.08	2,692.09	
Loans/ICD given/repayment	-	-	-	-	-	-	-	-	(40.00)	(40.70)	-	-
Sale of investment	-	-	-	-	-	-	-	-	(123.56)	-	-	-
Purchase of investment	-	-	-	-	-	-	-	-	123.56	-	-	-
Interest expense	-	-	-	-	-	-	-	-	-	3.89	17.64	-
Interest income	-	-	-	-	-	-	-	-	-	-	-	(10.11)
Investment Outstanding	-	-	-	-	-	-	46.15	46.15	46.15	46.15	-	-
Balance outstanding as at the end	-	-	-	-	(0.40)	-	-	-	0.70	40.70	(8.97)	(619.25)

Particulars	Associate						Associate					
	An Net Europe						Escorts Mahle					
	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003
Sale Of Goods	-	-	-	-	-	-	-	-	-	-	-	(672.22)
Sale of fixed Assets	-	-	-	-	-	-	-	-	-	-	-	(700.00)
Fund received	-	-	-	-	3.85	-	-	-	-	-	-	-

Particulars	Associate					
	Total					
	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003
Purchase of fixed asset/stores spares	-	-	-	9.53	10.32	-
Purchase of power	140.00	487.00	677.00	874.47	681.00	972.80
Sale Of Goods	-	-	-	-	-	(672.22)
Sale of fixed Assets	-	-	-	-	-	(700.00)
Fund paid	(208.00)	(420.00)	(678.63)	(878.22)	(1,875.65)	(4,008.19)
Fund received	-	-	-	-	5,035.93	2,592.09
Dividend income	-	-	-	-	-	(120.38)
Expense incurred on behalf of Other	13.00	-	9.37	-	-	-
Loans/ICD given/repayment	-	-	(40.00)	(40.70)	-	-
Sale of investment	-	-	(157.40)	-	-	-
Purchase of investment	-	-	157.56	-	-	-
Interest expense	-	-	-	3.89	17.64	56.45
Interest income	-	-	-	-	-	(114.59)
Guarantees given / (obtained)	-	-	1,170.00	1,170.00	-	-
Investment Outstanding	1,184.76	1,184.76	1,184.76	1,184.60	-	-
Balance outstanding as at the end	(13.00)	(68.00)	0.71	54.83	(37.99)	(927.01)

Particulars	Enterprise owned / significantly influenced by key management personal						Enterprise owned / significantly influenced by key management personal					
	Escorts Ltd						Escorts farms Ltd					
	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003
Purchases of raw materials, intermediaries and finished goods	-	-	-	-	1.63	-	-	-	-	-	-	-
Sale of Goods	-	-	-	-	(806.98)	(583.00)	-	-	-	-	-	-
Dividend income	-	-	-	-	-	(12.43)	-	-	-	-	-	-
Loans/ICD taken	-	-	-	-	-	-	-	185.00	1,846.17	-	-	-
Loans/ICD given/repayment	-	-	-	-	-	-	-	(70.00)	(1,957.17)	-	-	-
Sale of fixed assets	-	-	-	-	-	-	-	-	(2.12)	-	-	-
Interest expense	-	-	-	-	-	-	-	-	13.85	-	-	-
Balance outstanding as at the end	-	-	-	-	102.84	-	-	-	2.12	102.83	-	-

Particulars	Enterprise owned / significantly influenced by key management personal Hari Raj Investment Pvt. Ltd.						Enterprise owned / significantly influenced by key management personal Gossni Fashion Ltd/ ANGIP Leather India Ltd.					
	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003
	Purchases of raw materials, intermediaries and finished goods	-	-	-	-	-	-	-	45.13	988.09	1,077.72	2,281.18
Professional Services Rendered	-	-	-	-	-	-	-	-	-	-	3.00	-
Fund paid	-	-	-	-	-	-	-	-	-	-	-	(33.16)
Fund received	-	-	-	-	-	-	-	-	1,075.96	1,045.00	-	-
Expense incurred on behalf of Other	-	-	-	-	-	-	-	1.50	5.61	-	-	-
Loans/ICD taken	-	-	467.00	9.50	-	-	-	-	-	-	-	-
Loans/ICD given/repayment	-	-	(467.00)	(9.50)	-	-	-	-	-	-	-	-
Interest expense	-	-	-	0.27	2.60	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	-	-	(59.18)	(29.47)	(57.32)	(30.91)
Balance outstanding as at the end	-	-	-	-	-	-	-	0.36	57.70	35.89	79.29	606.02

Particulars	Enterprise owned / significantly influenced by key management personal G.I INSURANCE Services Ltd						Enterprise owned / significantly influenced by key management personal AN-ENTERPRISES (P) LTD					
	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003
	Fund paid	-	-	-	(1.91)	-	-	-	-	-	-	-
Fund received	-	-	-	-	1.91	-	-	-	-	-	1.30	-
Expense incurred on behalf of Other	-	-	-	-	-	-	-	-	(0.23)	-	-	-
Balance outstanding as at the end	-	-	-	-	(1.91)	-	-	-	-	-	-	-

Particulars	Enterprise owned / significantly influenced by key management personal						Enterprise owned / significantly influenced by key management personal					
	Joint Investment Pvt. Ltd						Total					
	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003
Purchases of raw materials, intermediaries and finished goods	-	-	-	-	-	-	-	45.13	988.09	1,077.72	2,282.81	1,803.12
Sale Of Goods	-	-	-	-	-	-	-	-	-	-	(806.98)	(583.00)
Professional Services Rendered	-	-	-	-	-	-	-	-	-	-	3.00	-
Fund paid	-	-	-	-	(302.59)	-	-	-	-	(1.91)	(302.59)	(33.16)
Fund received	-	-	-	-	559.75	-	-	-	1,075.96	1,045.00	562.96	-
Dividend income	-	-	-	-	-	-	-	-	-	-	-	(12.43)
Expense incurred on behalf of Other	-	-	-	-	-	-	-	-	5.38	-	-	-
Remuneration	-	-	-	-	-	-	-	(1.50)	-	-	-	-
Loans/ICD taken	-	3,165.00	215.90	374.00	-	-	-	3,350.00	2,529.07	383.50	-	-
Loans/ICD given/repayment	-	(3,165.00)	(215.00)	(374.00)	-	-	-	(3,235.00)	(2,639.17)	(383.50)	-	-
Sale of fixed assets	-	-	-	-	-	-	-	-	(2.12)	-	-	-
Rent expense	-	8.00	48.00	48.00	48.00	-	-	8.00	48.00	48.00	48.00	-
Interest expense	-	-	-	2.47	-	-	-	-	13.85	2.74	2.60	-
Interest income	-	-	-	-	-	-	-	-	(59.18)	(29.47)	(57.32)	(30.91)
Balance outstanding as at the end	-	2.31	2.90	-	-	(27.16)	-	2.67	62.72	138.72	180.22	578.86

Particulars	Key management personal						Key management personal					
	Key Managerial Person						Renu Anand					
	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003
Remuneration	47.72	138.19	213.38	366.46	214.41	79.06	-	-	-	-	-	-
Rent expense	-	-	-	-	-	-	7.20	10.80	25.44	17.10	12.17	10.17
Interest expense	-	-	-	0.30	-	-	-	-	-	-	-	-

Particulars	Key management personal					
	Total					
	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003
Remuneration	47.72	138.19	181.61	341.05	214.41	79.06
Rent expense	7.20	10.80	25.44	17.10	12.17	10.17
Interest expense	-	-	-	0.30	-	-

Particulars	Subsidiary						Subsidiary					
	Federal-Mogul TPR (India) Ltd						Satara Rubbers & Chemicals Ltd					
	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003
Purchases of raw materials, intermediaries and finished goods	1,740.61	1,780.21	1,902.50	1,309.68	861.98	240.48	-	-	-	-	-	-
Sale	(812.86)	(1,101.71)	(1,469.65)	(1,046.78)	(939.65)	(615.39)	-	-	-	-	-	-
Dividend Received	(30.60)	(30.60)	-	(122.40)	(36.64)	-	-	-	-	-	-	-
Management Fees Received	(20.46)	(29.23)	(36.85)	(32.21)	(29.28)	(19.96)	-	-	-	-	-	-
Job Work Income	(439.33)	(526.18)	(767.20)	(397.18)	(381.47)	(139.14)	-	-	-	-	-	-
Fund Paid	(3,041.93)	(3,742.69)	(4,358.79)	(2,552.96)	-	-	-	-	-	-	-	-
Fund Received	3,883.79	4,053.07	3,453.79	-	2,568.38	1,234.25	-	-	-	-	-	-
Expenses Incurred on Behalf of Other	-	-	-	-	-	177.64	49.66	89.96	3.51	-	-	-
Operating expenses(Common Sharing)	225.98	243.44	276.36	237.51	536.14	184.86	-	-	-	-	-	-
Sole Selling Commission	(132.88)	(169.21)	(201.40)	(155.64)	(132.73)	(73.29)	-	-	-	-	-	-
Rent Income	(39.00)	(39.50)	(32.40)	(32.40)	(27.00)	(20.25)	-	-	-	-	-	-
Loans/ICD taken	-	-	-	-	-	-	-	1,225.00	1,500.00	-	-	-
Loan Repayment	-	-	-	-	-	-	(1,000.00)	(1,500.00)	(1,982.64)	-	-	-
Rent Expense	-	-	-	-	-	-	30.00	45.00	30.00	19.50	-	-
Interest expense	-	-	-	-	-	10.49	-	-	3.06	-	-	-
Investment Outstanding	1,020.00	1,020.00	1,020.00	1,020.00	1,020.00	1,020.00	201.00	201.00	201.00	201.00	-	-
Gurantee Given/ Obtained	-	-	-	-	-	-	-	1,500.00	1,500.00	1,500.00	-	-
Balance outstanding as at the end	(2,226.08)	(1,578.77)	(1,867.28)	(1,640.35)	(1,433.12)	(54.25)	1,824.43	798.00	470.95	-	-	-

Annexure IV C: Details of other income, as restated
Amount in Rs lakh

Sources of Income	Six months period ended June 30, 2007	Nine months period ended December 31, 2006	Twelve months period ended March 31, 2006	Twelve months period ended March 31, 2005	Twelve months period ended March 31, 2004	Twelve months period ended March 31, 2003	Nature	Related/ not related to business activity
Other income as restated	1,487.85	1,130.91	1,151.31	1,295.70	1,368.19	995.67		
Net profit before tax, as per summary statement of Profits and Losses, as restated	266.84	(998.48)	(1,565.70)	2,699.11	1,955.00	1,303.15		
Percentage	557.58	-	-	48.00	69.98	76.40		
Interest received on								
- Bank Deposits	4.55	4.15	6.70	6.70	8.06	6.08	Recurring	Related
- Income tax refund *	3.22	13.84	21.87	22.03	27.28	29.64	Non recurring	Not related
- Intercorporate deposits		-	-	38.75	59.62	358.71	Recurring	Not related
- Others	0.31	23.25	68.48	26.17	41.95	21.55	Recurring	Not related
Dividend income								
- Trade investments		-	-	-	12.44	12.44	Non recurring	Not related
- Investment in subsidiaries - long term		30.60	30.60	30.60	67.23	30.60	Recurring	Not related
- Non trade investments - long term		-	-	-	-	120.37	Non recurring	Not related
Foreign exchange fluctuation (net)	583.60	-	-	-	323.36	-	Non recurring	Not related
Lease Rent/lease equilization		-	-	-	53.59	80.64	Non recurring	Not related
Sale of scrap	594.79	628.65	504.65	528.09	514.05	152.98	Recurring	Related
Commission received from subsidiary	132.88	169.21	202.43	155.64	132.73	89.07	Recurring	Related
Duty drawback/ exim scrip realisation		7.95	18.46	127.53	3.50	-	Recurring	Not related
Cash Discount	31.31	54.33	84.47	70.42	46.77	26.92	Recurring	Related
Management fees	20.46	29.23	35.43	32.21	29.28	22.20	Recurring	Related
Miscellaneous income	116.73	169.70	178.22	257.58	48.33	44.46	Recurring	Not related
Total	1,487.85	1,130.91	1,151.31	1,295.70	1,368.19	995.67		

* Non recurring as earned when taxes assessed lower than taxes paid. Considered not related as this is not arising out of normal business activities The classification of income as recurring/ non recurring and related/ not related to business activity is based on the current operations and business activity of the Company and is as determined by the management.

The figures disclosed above are based on Restated Summary Statements of Federal-Mogul Goetze (India) Limited

Annexure IV D: Capitalisation statement as at June 30, 2007

	Amount in Rs lakh	
	Pre Issue	Post issue
Long term debt	16,799.88	16,799.88
Short term debt	12,122.34	12,122.34
Working capital loans from banks	9,061.56	9,061.56
Total debt	37,983.78	37,983.78
Shareholders' funds		
- Equity Share capital	2,528.75	3,262.09
- Reserves and surplus account	7,592.64	17,492.72
- Profit and Loss Account	(1,374.44)	(1,374.44)
Total shareholders' funds	8,746.95	19,380.37
Long term debt / equity	1.92	0.87

Notes

1. Short term debt represents debts, which are due within twelve months
2. Long term debt represents debt other than short term debt, as defined above
3. Long term debt/equity
4. The figures disclosed in the above table are based on the Restated Summary Statements of Federal-Mogul Goetze (India) Limited
5. The post issue numbers have been determined assuming the Proposed Issue size is Rs. 10,633.41 lakhs.

Annexure IV E: Details of secured and unsecured loans
Amount in Rs lakh

Particulars	June 30, 2007	December 31, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003
SECURED LOANS						
On Term loans Account						
1) From banks						
Secured by a first charge ranking pari-passu inter-se on the immovable and movable fixed assets of the Company	6,864.82	5,668.16	8,134.38	11,742.09	3,669.00	4,415.98
Secured / to be secured by a first charge on the movable fixed assets of the Company	-	-	412.50	7,300.00	3,251.00	-
Secured by first charge over all borrower's goods, book debts and all other moveable assets (including plant and machinery)	-	-	-	-	-	-
Secured by first pari passu hypothecation charge on current assets of the company	-	-	-	-	-	-
Secured by a first pari-passu charge on the immovable and movable fixed assets consisting of plant and machinery, land and building, stores and spares of the Company's factories situated at Patiala (Punjab) and Bangalore (Karnataka)	-	-	229.82	604.86	980.00	1,357.00
Hypothecation charge on whole of moveable properties situated at Patiala, Banglore and Bhiwadi	-	-	-	-	-	1,500.00
Secured by a second subservient charge on the movable fixed assets of the Company situated at Patiala (Punjab), Bangalore (Karnataka) and Bhiwadi (Rajasthan).	-	-	2,000.00	2,500.00	3,000.00	-
Secured by subservient charge on entire current assets of the company and second charge on the moveable fixed assets of the company	-	-	-	-	2,000.00	-
Secured by first pari passu charge on the entire block of fixed assets and second charge over current assets to cover the uncovered portion	1,250.00	3,750.00	5,000.00	-	-	-
First charge on moveable fixed assets of the Piston division situated at Patiala and Banglore	-	-	-	-	1,368.03	4,084.00
Secured by first pari passu charge with all secured lenders on the entire assets of the Company	2,041.67	2,624.50	3,208.00	-	-	-
Secured by first pari passu charge on all fixed assets excluding land, buildings and vehicles, with other term lenders	-	-	1,497.82	-	-	-

Particulars	June 30, 2007	December 31, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003
Secured by first pari passu mortgage and charge on the entire movable and immovable fixed assets excluding specific items of fixed assets having exclusive charge, if any	1,875.00	2,500.00	2,500.00	-	-	-
Secured by second subservient charge on fixed assets of the company	-	-	-	-	1,720.00	1,000.00
Secured by first pari passu charge on current assets and second pari passu charge on fixed assets	625.00	1,250.00	2,187.50	-	-	-
Secured against hypothecation of stocks of raw materials, stores, semi finished goods, finished goods and book debts both	1,000.00	1,000.00	-	-	-	-
Secured by first pari-passu charge on the gross block of the Company i.e. fixed movable assets of the Company in Bahadurgarh, Yahlanka, Bhiwaid and Alwar, subject to prior charges created and / or to be created in favour of our Company's bankers on our stock of raw materials, semi finished and finished goods, consumable stores, book debts.	3,000.00	3,000.00	-	-	-	-
	16,656.49	19,792.66	25,170.02	22,146.95	15,988.03	12,356.98
Debentures						
First charge on entire fixed assets at Patiala, Banglore and Pune	-	-	-	-	833.33	1,666.67
Vehicle loans from banks						
Secured by way of hypothecation of the underlying vehicles	104.15	149.00	179.33	0.96	66.00	148.00
Working capital loans						
1) From banks						
Secured against hypothecation of stocks of raw materials, stores, semi finished goods, finished goods and book debts both present and future.	9,031.07	5,413.53	7,175.70	7,499.08	5,238.94	2,337.63
Maintained in an escrow account with the lending bank as per agreement entered into by the Company with a customer under which amounts receivable from the said customer are maintained in the said escrow account with the lending bank.	-	-	400.00	500.00	-	-
Secured by first pari passu charge over all borrower's goods, book debts and all other moveable assets (including plant and machinery etc)						
Intt accrued and due	61.00	23.91	17.37	13.44	-	-
Total	9,196.22	5,586.44	7,772.40	8,013.48	5,304.94	2,485.63
	25,852.69	25,379.10	32,942.42	30,160.43	22,126.30	16,509.28

Particulars	June 30, 2007	December 31, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003
UNSECURED LOANS						
Fixed Deposits						
1) From others	8.75	8.75	18.29	39.05	1,952.03	3,977.09
Foreign Currency Loan						
1) From banks	-	-	-	-	-	-
Short term loans						
1) From banks	1,122.34	2,556.20	2,000.00	-	-	367.00
Short term loans						
1) From others		-	-	-	-	-
Commercial Papers						
1) From banks	11,000.00	6,000.00	4,000.00	5,500.00	7,000.00	2,500.00
Short Term redeemable non convertible Debentures						
	-	2,500.00	-	-	-	4,900.00
Sales Tax Loan						
1) From others	-	-	-	-	147.00	94.00
	12,131.09	11,064.95	6,018.29	5,539.05	9,099.03	11,838.09

Note: The figures disclosed in the above table are based on the Restated Summary Statements of Federal-Mogul Goetze (India) Limited

Annexure IV F: Details of investments
Amount in Rs Lakh

		As at June 30, 2007	As at December 31, 2006	As at March 31,2006	As at March 31,2005	As at March 31,2004	As at March 31,2003
	Particulars	Rs (in lakh)	Rs (in lakh)	Rs (in lakh)	Rs (in lakh)	Rs (in lakh)	Rs (in lakh)
Long term investments							
	Trade Investments (Quoted)						
	Escorts Limited						
	Nil equity shares of Rs.10 each fully paid .	-	-	-	-	1,125.29	1,172.43
Subsidiary Companies							
	Unquoted fully paid up						
i.	51,00,000 equity shares of Rs 10 each in Goetze TP (India) Ltd	510.00	510.00	510.00	510.00	510.00	510.00
ii.	5,10,000 6% redeemable cumulative preference shares of Rs.100 each						
	in Goetze TP (India) Ltd	510.00	510.00	510.00	510.00	510.00	510.00
iii.	50,000 equity shares of Rs. 10 each in Satara Rubbers & Chemicals Ltd	201.00	201.00	201.00	201.00		
	Less : Provision for diminution in the value of investment	(201.00)	(201.00)	(126.69)	-	-	-
		-	-	74.31	201.00	-	-
Government Securities							
	National Savings Certificates (Pledged with sales tax authorities)	1.42	1.42	1.42	1.42	1.42	1.46
Other investments							
i.	GI Power Corporation Limited						
	38,89,600 equity shares of Rs 5 each, fully paid	194.48	194.48	194.48	36.92	36.92	36.92
	2,030,600 10% redeemable cumulative preference shares of Rs.5 each fully paid	33.78	33.78	67.69	101.53	101.53	101.53
	17,528,800 8% cumulative convertible redeemable preference shares of Rs.5 each fully paid	876.44	876.44	876.44	1,000.00	-	-
ii.	GTZ Securities Limited						
	9,23,000 equity shares of Rs 5 each fully paid	46.15	46.15	46.15	46.15	46.15	46.15
	Less : Provision for diminution in the value of investment	(46.15)	(46.15)	(46.15)	-	-	-
			-	-	46.15	46.15	46.15

		As at June 30, 2007	As at December 31, 2006	As at March 31,2006	As at March 31,2005	As at March 31,2004	As at March 31,2003
	Particulars	Rs (in lakh)	Rs (in lakh)	Rs (in lakh)	Rs (in lakh)	Rs (in lakh)	Rs (in lakh)
iii.	GI Wind Farms Limited						
	1,00,20,000 Equity Shares of Rs.10 each fully paid	-	-	-	-	1,002.00	1,002.00
iv.	Nanz Food Products Limited						
	1,00,000 6% redeemable cumulative preference shares of Rs.10 each fully paid	10.00	10.00	10.00	10.00	10.00	10.00
	Less : Provision for diminution in the value of investment	(10.00)	(10.00)	(10.00)	-	-	-
		-	-	-	10.00	10.00	10.00
v	Unit Trust of India						
	174,058 6.75% Taxfree US 64 Bonds of 100 each fully paid *	-	-	-	-	174.06	286.37
	Less : Provision for diminution in the value of investment	-	-	-	-	-	(112.31)
		-	-	-	-	174.06	174.06
vi	Sardar Sarovar Narmada Ltd						
	56 12.35% Bonds of Rs.50,000/- each	-	-	-	-	30.38	30.38
	Current investments (quoted)						
i.	Unit Trust of India						
	9,058 6.75% Taxfree US 64 Bonds of Rs 100 each fully paid in Unit Trust of India	9.06	9.06	9.06	9.06	-	-
ii.	Escorts Limited						
	529,486 equity shares of Rs 10 each fully paid	-	-	-	499.18	-	-
		2,135.18	2,135.18	2,243.40	2,925.26	3,547.75	3,594.93

Note:

The figures as disclosed above are based on the unconsolidated restated summary statements of Federal-Mogul Goetze (India) Limited.

Annexure IV G : Details of sundry debtors
Amount in Rs lakh

	As at June 30, 2007	As at December 31, 2006	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003
Debtors outstanding for a period exceeding six months						
- considered good	-	-	218.02	460.81	117.24	145.05
- considered doubtful	36.56	24.69	19.72	-	-	-
	36.56	24.69	237.74	460.81	117.24	145.05
Other Debts						
- secured, considered good	191.32	178.41	167.92	152.73	139.82	136.41
- unsecured, considered good	7,250.71	7,141.39	6,453.10	8,376.67	6,507.08	4,991.39
	7,442.03	7,319.80	6,621.02	8,529.40	6,646.90	5,127.80
Less : Provision for Doubtful Debts	36.56	24.69	19.72	-	-	-
Total	7,442.03	7,319.80	6,839.04	8,990.21	6,764.14	5,272.85

Note:

The figures disclosed above are based on the unconsolidated restated summary statements Federal-Mogul Goetze (India) Limited.

Annexure IV H: Summary of details of loans and advances
Amount in Rs Lakh

	As at June 30, 2007	As at December 31, 2006	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003
Unsecured considered good, except where stated otherwise						
Advances recoverable in cash or in kind or for value to be received	489.45	354.95	374.44	1,186.30	1,222.32	1,125.96
Advance to Satara Rubbers & Chemicals Limited	1824.44	798.00	470.95	-	-	-
Advance to Escorts Farms Limited	-	-	2.12	-	-	-
Advance to Gossini Fashion Limited (earlier AN-GIP Leather (India) Limited)	-	-	57.70	35.89	79.30	675.81
Advance to GI Power Corporation Limited	-	-	-	14.13	-	28.95
Advance to GI Wind Farm Limited	-	-	-	-	20.65	-
Advance to Escorts Auto Components Limited	-	-	-	-	-	0.15
Intercompany deposits to Escorts Auto Components Limited	-	-	-	-	-	30.00
Intercompany deposits to GI Power Corporation Limited	-	-	-	-	-	33.50
Intercompany deposits to GTZ Securities Limited	-	-	-	-	-	12.25
Housing loans to employees	6.17	14.10	26.08	135.33	45.47	61.81
Advance to vendors	-	28.73	28.50	42.11	162.13	179.71
Balances with Schedules Banks:						
on Deposit accounts (pledged with Government Authorities)	80.78	83.71	80.63	70.65	71.70	71.01
on Unpaid Dividend Accounts	26.2	26.20	34.36	30.22	28.98	26.87
Balances with excise authorities	753.43	748.51	1,040.68	631.78	13.42	10.87
Advance payments of Income-Tax (net of provision)	759.97	827.62	661.00	401.91	302.93	367.41
Security Deposits	328.46	327.93	336.29	368.17	452.06	453.30
	4,268.90	3,209.75	3,112.75	2,916.49	2,398.96	3,077.60

Notes: The figures disclosed above are based on the unconsolidated restated summary statements of Federal-Mogul Goetze (India) Limited.

Annexure IV I: Summary of accounting ratios

	Six months period ended June 30, 2007	Nine months period ended December 31, 2006	Twelve months period ended March 31, 2006	Twelve months period ended March 31, 2005	Twelve months period ended March 31, 2004	Twelve months period ended March 31, 2003
Basic and Diluted Earnings per share (Rs.)	1.87	(3.61)	(11.23)	7.11	4.65	3.90
Cash Earnings per share (Rs.)	8.87	6.96	6.73	20.24	16.58	10.48
Return on net worth (%)	5.42	(11.05)	(30.92)	14.96	10.33	8.90
Net asset value per equity share (Rs)	34.59	32.72	36.33	47.56	44.97	43.82

For the above:

Notes:

(a)

Weighted average number of equity shares outstanding during the year/period	25,287,549	25,287,549	25,287,549	25,287,549	25,287,549	25,287,549
Total number of shares outstanding at the end of the year / period	25,287,549	25,287,549	25,287,549	25,287,549	25,287,549	25,287,549

(b) The ratios have been computed as below:

The ratios have been computed as below :

$$\text{Basic and Diluted Earnings per share (Rs)} = \frac{\text{Net profit/(loss) (after tax, before exceptional item) attributable to equity shareholders}}{\text{Weighted average number of equity shares outstanding during the year}}$$

$$\text{Cash Earnings per share (Rs)} = \frac{\text{Net profit/(loss) (after income tax, before depreciation/amortisation and deferred taxes) attributable to equity shareholders}}{\text{Weighted average number of equity shares outstanding during the year}}$$

$$\text{Return on net worth (\%)} = \frac{\text{Net profit/(loss) after tax as per Profit and Loss Account}}{\text{Net worth (excluding preference share capital) at the end of the year}}$$

$$\text{Net asset value per equity share (Rs)} = \frac{\text{Net worth (excluding preference share capital) at the end of the year}}{\text{Weighted average number of equity shares outstanding at the end of the year}}$$

2. The figures disclosed above are based on the unconsolidated restated summary statements of Federal-Mogul Goetze (India) Limited. The Company has not reported any exceptional item in the Restated Summary Statements

3 Earnings per share calculations are done in accordance with Accounting Standard 20 'Earnings Per Share' issued by the Institute of Chartered Accountants of India.

4. Net worth means Equity share capital + Reserves and Surplus

Annexure IV J: Details of rates of dividend

Particulars	June 30, 2007	December 31, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003
Equity share capital (Amount in Rs lakh)	2528.75	2,528.75	2,528.75	2,528.75	2,528.75	2,528.75
Final dividend in %	Nil	NIL	NIL	40.00	30.00	20.00
Amount of dividend		-	-	1011.5	758.63	505.75
Dividend tax		-	-	132.19	97.21	64.80
Preference share capital		-	-	-	-	1,000.00
Dividend in %		-	-	-	11.00	11.00
Amount of dividend		-	-	-	24.11	27.12
Dividend tax		-	-	-	3.08	3.47

Note:

The figures disclosed above are based on the unconsolidated restated summary statements of Federal-Mogul Goetze (India) Limited.

* Preference share were redeemed during 2004. Dividend paid is till the date of redemption.

Annexure IV K: Statement of Tax shelter

Particulars	Six months period ended June 30, 2007	Nine months period ended December 31, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	June 30, 2002
Profit before tax as per summary statement of profit and loss account (See note 1)	266.84	(998.48)	(1,565.70)	2,699.12	1,955.00	1,303.15	535.28
Applicable tax rate (%) (Refer Note 1)	33.83	33.66	33.66	36.59	35.88	36.75	36.75
Tax on actual rate on book profits	90.26	(336.09)	(527.01)	987.61	701.45	478.91	196.72
Adjustments:							
Permanent differences							
- Charity and donation	0.02	0.09	10.62	12.25	4.54	7.13	4.38
- Tax free income - interest on UTI bonds			(6.14)	(47.67)	(9.80)		
- Dividend Income	(30.60)	(30.60)		(122.40)	(49.07)	-	(55.96)
- Charity and donation written back		-	(10.00)	-	-	-	-
- Provision for diminution (assets / investments)		74.30	440.52	250.00	-	-	
- Loss on impairment/sales of assets / investments (Net)	254.25	(81.21)	985.30	34.86	497.77	2.46	(45.10)
- Security transaction tax u/s 40(a)(ib)			0.50	0.50	-	-	-
- Disallowance under section 40A				0.65			

Particulars	Six months period ended June 30, 2007	Nine months period ended December 31, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	June 30, 2002
- Penalty						0.27	0.37
- Share Issue expenditure					8.65	6.49	
Total permanent differences	223.67	(37.42)	1,420.79	128.18	452.08	16.36	(96.30)
Temporary differences							
- Depreciation	333.88	286.20	532.20	(582.38)	(331.96)	(371.22)	(332.09)
- Deferred revenue expenditure (VRS)	(179.22)	(546.14)	(110.21)	197.43	251.18	432.34	585.63
-Lease Equalization Reserve					(413.84)	(105.07)	(78.21)
- Exchange fluctuation		-	282.55	-	(269.20)	(77.35)	64.00
-Provision for Diminution in Units of UTI					(112.82)		112.81
- Disallowance under section 43B	736.34	192.04	625.89	123.74	545.13	420.56	39.18
- Claim under section 43B	(61.53)	(161.66)	(504.38)	(545.13)	(124.15)	(696.78)	(41.06)
- Provision for doubtful debts	33.23	5.70	19.72	-	-	-	-
- Disallowance under section 40(a)			227.45	0.32	-	-	-
- Deduction u/s 35D/35AC	(0.53)	(1.05)	(2.20)	(2.20)	(5.20)	(2.20)	(1.35)
- Allowance under section 40(a)	(34.00)						
Total temporary differences	828.18	(224.91)	1,071.02	(808.22)	(460.86)	(399.72)	348.91
Net adjustments	1,051.85	(262.33)	2,491.81	(680.03)	(8.78)	(383.36)	252.61
Tax savings thereon	355.79	(88.30)	838.74	(248.82)	(3.15)	(140.89)	92.83
Tax liability after considering the adjustments	446.05	(424.39)	311.73	738.78	698.30	338.02	289.55
Tax adjustment due to unabsorbed losses	446.05	(424.39)	311.73	738.78	698.30	338.02	289.55
Tax payable under MAT (Refer Note 1)	21.34	0.00	0.00	198.43	113.95	102.62	30.68
Actual Tax Paid	21.34	0.00	0.00	241.76	149.19	126.76	68.35

Note1 : The effective tax rate has been increased from April 1, 2007, therefore the average rate has been considered

Note2 : Profits for each year has been reinstated after considering debit for deferred revenue expenditures and prior period expenses in the year of incurring.

Annexure IVL : Summary statements of Restated Cash Flows
Amount in Rs lakh

	For the period ended June 30, 2007	For the period ended December 31, 2006	For the year ended March 31, 2006	For the year ended March 31, 2005	For the year ended March 31, 2004	For the period ended March 31, 2003
		Rs	Rs	Rs	Rs	Rs
A. Cash flow from operating activities						
Profit after exceptional item but before tax	266.84	(998.48)	(1,565.70)	2,699.11	1,955.01	1,303.15
Adjustments for:						
Depreciation and amortization	2,002.91	2,819.65	3,417.02	2,674.05	2,401.01	1,464.45
Loss on sale / discard of fixed assets (net)	257.22	151.62	108.67	33.77	24.29	5.06
Provision for obsolescence of fixed assets	-	-	875.91	-	-	-
Loss on sale of trade investments	-	-	2.40	-	-	-
Provision for doubtful debts	33.23	4.97	19.72	-	-	-
Advances/ Bad debts written off	13.11	69.10	19.27	-	-	-
Provision for diminution in the value of investments	-	74.30	182.84	-	-	-
Interest income	(4.86)	(61.05)	(97.05)	(93.55)	(136.92)	(415.97)
Dividend income	-	(30.60)	-	(30.60)	(79.67)	(163.41)
Interest expense	2,055.74	2,556.69	3,226.00	2,663.07	3,148.53	2,323.52
Operating profit before working capital changes	4,624.19	4,586.20	6,189.13	7,945.81	7,312.25	4,516.80
Movements in working capital :						
Decrease / (Increase) in sundry debtors	(155.46)	(485.73)	2,114.64	197.16	853.02	(1,528.13)
Decrease / (Increase) in current assets	(116.40)	47.24	41.44	(20.80)	(54.52)	-
Decrease / (Increase) in inventories	(1,100.17)	253.90	(3,722.82)	(2,142.33)	(914.64)	519.04
Decrease / (Increase) loans and advances	(1,125.86)	(87.69)	18.98	(418.37)	575.86	3,112.82
Increase / (Decrease) in current liabilities	2,786.48	5,930.49	943.11	642.73	(616.48)	(75.55)
Cash generated from operations	4,912.78	10,244.41	5,584.48	6,204.20	7,155.49	6,544.97
Direct taxes paid (net of refunds)	(24.00)	(227.62)	(387.22)	(439.89)	(124.28)	69.49
Net cash from operating activities	4,888.78	10,016.79	5,197.26	5,764.31	7,031.21	6,614.46
B. Cash flows from investing activities						
Purchase of fixed assets/ Intangibles Assets	(4,375.67)	(5,999.83)	(4,542.49)	(5,339.41)	(3,934.87)	(1,972.18)
Proceeds from sale of fixed assets	11.35	698.35	(43.57)	62.83	839.83	708.33
Purchase of investments	-	-	(157.56)	(1,201.00)	-	(30.66)
Intercorporate Deposits Placed	-	-	-	-	75.75	4,684.35
Sale / maturity of investments	-	33.92	654.18	1,823.49	44.59	-
Interest received	4.86	60.92	67.77	179.79	162.74	405.33
Dividends received	-	30.60	-	30.60	79.67	163.41
Net cash from investing activities	(4,359.46)	(5,176.04)	(4,021.67)	(4,443.70)	(2,732.29)	3,958.58

	For the period ended	For the period ended	For the year ended	For the year ended	For the year ended	For the period ended
	June 30, 2007	December 31, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003
		Rs	Rs	Rs	Rs	Rs
C. Cash flows from financing activities		-				
Proceeds/(Redemption) from/of Issue of Preferences Share Capital	-	-	-	-	(1,000.00)	3.06
Movement in borrowings	1,539.73	(2,516.66)	3,261.23	2,054.34	533.65	(8,359.25)
Interest paid	(2,055.74)	(2,380.25)	(3,233.23)	(2,663.07)	(3,148.53)	(2,323.52)
Lease rental received	-	-	-	-	0.92	1.83
Dividends paid	-	-	(1,011.50)	(758.63)	(628.34)	(252.88)
Tax on dividend paid	-	-	(132.19)	(97.20)	-	-
Net cash used in financing activities	(516.01)	(4,896.91)	(1,115.69)	(1,464.56)	(4,242.30)	(10,930.76)
Net increase in cash and cash equivalents (A + B + C)	13.31	(56.16)	59.90	(143.95)	56.62	(357.72)
Cash and cash equivalents at the beginning of the year	48.99	105.15	45.25	189.20	132.58	271.83
Cash and cash equivalents taken over on amalgamation		-	-	-	-	218.47
Cash and cash equivalents at the end of the year	62.30	48.99	105.15	45.25	189.20	132.58
Components of cash and cash equivalents as at	June 30, 2007	December 31, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003
			Rs	Rs	Rs	Rs
Cash and cheques on hand	2.56	4.55	11.38	6.94	57.15	63.76
With banks - on current account	59.74	44.44	93.77	38.31	131.94	68.71
-Post Office Saving bank Account	-	-	-	-	0.11	0.11
	62.30	48.99	105.15	45.25	189.20	132.58

RESTATED CONSOLIDATED SUMMARY STATEMENTS OF ASSETS AND LIABILITIES AND PROFITS AND LOSSES, FOR THE YEARS/ PERIODS ENDED DECEMBER 31, 2006, MARCH 31, 2006, MARCH 31, 2005, MARCH 31, 2004, MARCH 31, 2003 AND SIX MONTHS ENDED JUNE 30, 2007

AUDITOR'S REPORT

To,

Board of Directors
Federal-Mogul Goetze (India) Limited (formerly Goetze (India) Limited)
A 26/3 Mohan Cooperative Industrial Estate
New Delhi- 110044

Dear Sirs,

- 1) We have examined the attached Consolidated Restated financial information of Federal-Mogul Goetze (India) Limited (formerly Goetze (India) Limited) and its subsidiaries and associates, as approved by the Board of Directors of the Company prepared in terms of the requirements of Paragraph B, part II of schedule II of the Companies Act, 1956 (the Act) and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines ,2000 as amended to date (SEBI Guidelines) and terms of our engagement agreed with you in accordance with our letter dated September 18, 2006 in connection with the proposed rights issue of Equity Shares of the Company.

- 2) These information have been extracted by the Management from the financial statements for the periods/ years ending December 31, 2006, March 31, 2006, March 31, 2005, March 31, 2004 and March 31, 2003. We have examined the Restated financial information of the Company for the aforesaid accounting periods/years prepared and approved by the Board of Directors for the purpose of inclusion in the offer document of the Company. For the purposes of our examination, we did not audit the following financial statements and have solely placed reliance on:
 - (i) The consolidated financial statements of Federal-Mogul Goetze (India) Limited (formerly Goetze (India) Limited) as at and for the following years/ periods mentioned below, which have been audited and reported upon by the Company's previous auditors M/s S.N. Dhawan & Company:
 - i) Nine months ended March 31, 2003
 - ii) Year ended March 31, 2004
 - iii) Year ended March 31, 2005

 - (ii) The financial statements of Goetze TP (India) Limited, a subsidiary of the Company, as at and for the following years/ periods mentioned below, which have been audited and reported upon by the said subsidiary's previous auditors M/s S.N. Dhawan & Company:
 - i) Nine months ended March 31, 2003
 - ii) Year ended March 31, 2004
 - iii) Year ended March 31, 2005
 - iv) Year ended March 31, 2006

 - (iii) The financial statements of Satara Rubbers and Chemicals Limited, a subsidiary of the Company, as at and for the following years mentioned below, which have been audited and reported upon by the said subsidiary's auditors M/s S.N. Dhawan & Company:
 - i) Year ended March 31, 2005
 - ii) Year ended March 31, 2006
 - iii) Period ended December 31, 2006

 - (iv) The financial statements of GI Power Corporation Limited, an associate of the Company, as at and for the year ended March 31, 2006 which has been audited by M/s S. R. Dinodia & Co.

 - (v) The financial statements of GTZ Securities Limited, an associate of the Company, as at and for the following years mentioned below, which have been audited and reported upon by the said associate's auditors M/s S. R. Dinodia & Co.

- i) Year ended March 31, 2003
- ii) Year ended March 31, 2004
- iii) Year ended March 31, 2005
- iv) Year ended March 31, 2006

(vii) The financial statements of GI Wind Farms Limited, an associate of the Company, as at and for the following years/ periods mentioned below, which have been audited and reported upon by the said associate's auditors M/s S. R. Dinodia & Co.

- i) Nine months ended March 31, 2003
- ii) Year ended March 31,

The auditors report has been furnished to us and management has performed restatements, to the extent considered necessary for the purposes of consolidation, on these audited financial statements.

In addition to above, the financial statement and other financial information of GI Power Corporation Limited and GTZ Securities Limited, for the period ended 31st December 2006 have been relied upon, as certified by management in view of the statutory year end of the associates being March 31.

3) We have also examined the consolidated financial information of Federal-Mogul Goetze India Limited (formerly Goetze (India) Limited) and its subsidiaries and associates of the Company for the period January 1 to June 30, 2007 prepared and approved by the Board of Directors for the purpose of disclosure in the offer document of the company mentioned in Paragraph-1 above. For this purpose, we did not examine the following financial statements and have solely placed reliance on:

- i) The financial statements of Satara Rubbers and Chemicals Limited, an subsidiary of the Company, as at and for the period ended June 30, 2007, which have been audited and reported upon by the said subsidiary's auditors M/s S.N. Dhawan & Company. The auditors report has been furnished to us.
- ii) The financial information of GI Power Corporation Limited, an associate of the company, as at and for the period ended June 30, 2007 has been relied upon, as certified by management in view of the statutory year end of the associate being March 31.
- iii) The financial information of GTZ Securities Limited, an associate of the company, as at and for the period ended June 30, 2007 has been relied upon, as certified by management in view of the statutory year end of the associate being March 31.

The financial information for the above period was examined in accordance with the Auditing Standards issued by the Institute of Chartered Accountants of India. Those standards require that we plan and perform our audit to obtain reasonable assurance, whether the financial information under examination is free of material misstatement.

Based on the above, we report that in our opinion and according to the information and explanations given to us, we have found the same to be correct and the same have been accordingly used in the financial information appropriately.

4) In accordance with the requirements of paragraph B of Part II of Schedule II of the Act, the SEBI Guidelines and terms of our engagement agreed with you, we further report that:

- a) The Restated Consolidated Summary Statement of assets and liabilities of the Company and its subsidiaries and associates for the periods/years as on March 31, 2003, 2004, 2005, 2006, December 31, 2006 and June 30, 2007 examined by us, as set out in Annexure II to this report are after making adjustments and regrouping as in our opinion were appropriate and more fully described in Adjustments for Restated Consolidated Financial Statements, Statement of Significant Accounting Policies and Statement of Notes to the Restated Summary Consolidated Financial Statement.(Refer Annexure III, IVA & IVB respectively)
- b) The Restated Consolidated Summary Statement of Restated of Profit and Loss of the Company and its subsidiaries and associates for the periods/ years as on March 31, 2003, 2004, 2005, 2006, December 31, 2006 and six months period ended on June 30, 2007 examined by us, as set out in Annexure I to this report are after making adjustments and regrouping as in our opinion were appropriate and more fully described in Adjustments for Restated Consolidated Financial

Statements, Statement of Significant Accounting Policies and Statement of Notes to the Restated Summary Consolidated Financial Statement.(Refer Annexure III, IVA & IVB respectively)

- c) Based on above , we confirm that the restated financial information has been made after incorporating
- i) Adjustments for the changes in accounting policies retrospectively in respective financial years/periods to reflect the same accounting treatment as per changed accounting policy for all the reporting periods.
 - ii) Adjustments for the material amounts in the respective financial years to which they relate.
 - iii) Further, there are no extra-ordinary items that need to be disclosed separately in the accounts and qualification requiring adjustments.
- d) We have also examined the other financial information in the form of Restated Consolidated Summary Statement of Cash Flows set out in Annexure IVC prepared by the management and approved by the Board of Directors relating to the Company for the periods/years ended on March 31, 2003, 2004, 2005, 2006, December 31, 2006 and six months period ended on June 30, 2007. This information is based on financial statement for certain years/periods audited by previous/other auditors or as certified by management as stated in Paragraph 2 and 3 above.

In our opinion the financial information contained in Annexure I&II respectively of this report read along with the Adjustments for Restated Consolidated Financial Statements, Statement of Significant Accounting Policies and Statement of Notes to the Restated Summary Consolidated Financial Statement (Refer Annexure III, IVA & IVB respectively) prepared after making adjustments and regrouping as considered appropriate have been prepared in accordance with Part IIB of Schedule II of the Act and the DIP Guidelines.

This report should not be in any way be construed as a reissuance or relating to any of the previous audit reports issued by us or other auditors mentioned in paragraph 2 and 3 above nor should this report be construed as a new opinion on any of the financial statements referred to herein.

This report is intended solely for your information for inclusion in the Letter of Offer in connection with the proposed Rights Issue of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For S.R. Batliboi & Co.
Chartered Accountants

Sd/-
per Pankaj Chadha
Partner
Membership No. 91813
Place: New Delhi
Date: August 14, 2007

Annexure I: Restated Consolidated Summary statement of Profits and Losses
Amount in Rs lakh

Particulars	Six months	Nine months	Twelve months	Twelve months	Twelve months	Nine months
	period ended	period ended	period ended	Period ended	period ended	period ended
	June 30, 2007	December 31, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003
INCOME						
Turnover	35,734.74	52,446.71	53,932.08	52,254.35	47,103.11	26,636.47
Less : Excise duty	4,803.46	7,342.33	7,054.68	6,896.00	6,047.98	3,314.73
Total	30,931.28	45,104.38	46,877.40	45,358.35	41,055.13	23,321.74
Other Income	1,334.38	1,093.46	855.83	1,083.24	1,199.43	874.13
Total Income	32,265.66	46,197.84	47,733.23	46,441.59	42,254.56	24,195.87
EXPENDITURE						
Raw materials and components consumed	8,287.53	14,393.77	12,170.56	10,644.90	9,781.63	7,659.06
Personnel expenses	7,046.62	9,776.32	11,881.95	10,876.22	10,735.01	5,429.55
Operating and other expenses	12,754.25	16,078.17	21,254.59	16,573.07	14,252.39	7,528.03
Decrease/(increase) in inventories	(690.91)	1,026.19	(3,996.52)	(937.42)	(889.90)	(2,432.50)
Depreciation and amortization	2,220.84	3,106.38	3,722.33	2,949.92	2,540.86	1,552.64
Increase of excise duty on finished goods	48.66	(354.10)	509.70	122.28	137.41	139.20
Financial expenses	2,259.12	2,828.88	3,758.88	3,399.52	3,714.01	2,663.13
Less: Expenditure capitalised for self constructed assets	188.96	248.87	604.92	220.05	223.90	82.10
Total Expenditure	31,737.15	46,606.74	48,696.57	43,408.44	40,047.51	22,457.01
Profit before tax	528.51	(408.90)	(963.34)	3,033.15	2,207.05	1,738.86
Provision for tax	149.01	244.00	78.46	303.06	198.94	142.09
Deferred Tax charge/(credit)	(245.58)	(147.76)	1,236.28	789.86	771.28	281.62
Fringe benefit tax	50.00	65.09	174.50	-	-	-
Net Profit/(Loss) for the year/period	575.08	(570.23)	(2,452.58)	1,940.23	1,236.83	1,315.15
Minority Interest	(133.48)	(163.91)	(151.07)	(46.54)	(67.53)	(80.04)
	441.60	(734.14)	(2,603.65)	1,893.69	1,169.30	1,235.11
Brought Forward (Loss) from Previous Period	(1,640.34)	(837.79)	(225.48)	(57.05)	492.77	1,959.07
Opening Retained earning adjustment		-	-	-	-	(1,932.24)
Adjustment for Subsidiary Interest		-	-	22.21	-	(1.37)
Transferred from Debenture Redemption Reserve		-	-	208.33	208.34	833.33
Amount available for appropriation	(1,198.74)	(1,571.93)	(2,829.13)	2,067.18	1,870.41	2,093.90
Appropriations						
- Proposed dividend on preference shares	-	60.00	-	-	59.33	27.11
- Proposed dividend on equity shares	-	-	60.00	1,129.10	758.64	505.75
- Tax on dividends	-	8.41	8.42	163.56	109.49	68.27
Adjusted against general reserve		-	(2,059.76)	1,000.00	1,000.00	1,000.00
Profit/(Loss) carried to Balance Sheet	(1,198.74)	(1,640.34)	(837.79)	(225.48)	(57.05)	492.77
Basic and Diluted Earnings per share (Rs.)	2.27	(2.25)	(9.70)	7.67	4.89	5.20
Cash Earnings per share (Rs.)	10.09	9.44	9.91	22.46	17.99	12.45
Return on net worth %	5.37	(5.62)	(22.75)	15.00	10.08	10.15
Net asset value per equity share (Rs)	42.38	40.10	42.63	51.15	48.51	51.24

Note:-

1. The accompanying Significant Accounting Policies (Annexure IV A) and Notes to Accounts (Annexure-IV B) and Adjustments for Restated Financial Statements (Annexure III) form an integral part of this statement.

Annexure II: Restated Consolidated Summary statement of Assets and Liabilities
Amount in Rs lakh

Particulars	June 30, 2007	December 31, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003
APPLICATION OF FUNDS						
Fixed Assets :						
Gross Block	60,814.35	58,849.85	54,652.09	51,181.77	44,038.08	42,518.91
Less : Depreciation	23,456.37	21,255.36	18,479.67	15,891.00	13,027.93	11,792.83
Net Block	37,357.98	37,594.49	36,172.42	35,290.77	31,010.15	30,726.08
Capital work in progress including capital advances	4,153.18	1,910.80	697.40	1,587.78	1,378.97	794.43
Total	41,511.16	39,505.29	36,869.82	36,878.55	32,389.12	31,520.51
Investments:	1,382.39	1,501.50	1,474.99	1,704.26	2,696.38	2,743.56
Deferred tax asset	290.41	406.28	258.90	1,133.36	1,923.22	2,694.49
Current Assets, Loans and Advances:						
Inventories	15,364.52	14,337.12	14,572.59	10,264.00	7,972.36	6,208.06
Sundry Debtors	7,901.88	7,551.17	7,375.29	9,545.20	7,255.51	5,894.86
Cash & Bank Balances	74.37	82.54	182.88	47.61	358.09	177.25
Other current assets	172.88	56.48	103.29	51.43	55.49	75.06
Loans and Advances	2,499.91	2,537.39	2,858.73	3,018.13	2,346.78	3,087.82
Total (A)	26,013.56	24,564.70	25,092.78	22,926.37	17,988.23	15,443.05
Current Liabilities and Provisions:						
Current Liabilities	15,272.47	13,463.87	6,892.11	6,723.76	5,781.07	7,263.04
Provisions	2,779.98	2,606.42	2,508.49	3,464.82	3,167.30	2,437.61
Total (B)	18,052.45	16,070.29	9,400.60	10,188.58	8,948.37	9,700.64
Net Current Assets (A-B)	7,961.11	8,494.41	15,692.18	12,737.79	9,039.86	5,742.40
Total	51,145.07	49,907.48	54,295.89	52,453.96	46,048.58	42,700.96
SOURCES OF FUNDS						
Deferred Tax Liabilities	-	361.43	361.81	-	-	-
Loan Funds						
Secured Loans	28,296.33	28,338.25	36,711.42	33,572.80	24,683.65	17,906.36
Unsecured loans	12,132.52	11,066.65	6,442.83	5,945.47	9,099.03	11,838.09
Total	40,428.85	39,404.90	43,154.25	39,518.27	33,782.68	29,744.45
Net worth	10,716.22	10,141.15	10,779.83	12,935.69	12,265.90	12,956.51
Represented by						
Equity Share Capital	2,528.75	2,528.75	2,528.75	2,528.75	2,528.75	3,528.75
Reserves and Surplus	7,957.80	7,957.80	7,957.80	9,652.41	8,860.74	8,069.08
Profit and loss account	(1,198.74)	(1,640.34)	(837.79)	(225.48)	(57.05)	492.77
Minority Interest	1,428.41	1,294.94	1,131.06	979.99	933.45	865.92
Net worth	10,716.22	10,141.15	10,779.83	12,935.67	12,265.90	12,956.52

The accompanying Significant Accounting Policies (Annexure IV A) and Notes to Accounts (Annexure-IV B) and Adjustments for Restated Financial Statements (Annexure III) form an integral part of this statement.

Annexure III: Adjustments for Restated Consolidated Financial Statements

2. Below mentioned is the summary of results of restatement made in the audited consolidated accounts for the respective years and its impact on the profits/ losses of the Company

S No.	Particulars	Six months ended June 30, 2007	Nine months ended December 31, 2006	Twelve months ended March 31, 2006	Twelve months ended March 31, 2005	Twelve months ended March 31, 2004	Nine months ended March 31, 2003	Retained earnings as at June 30, 2002
	Reported profit/ (loss) after tax and minority interest as per audited Profit and Loss Account	447.30	(440.33)	(4,834.16)	2,186.44	1,593.74	1,282.17	
	Reported retained earnings as at June 30, 2002							1,959.07
1	Effects of changes in accounting policies							
-	Voluntary retirement expenses expensed off in the year in which they are incurred (refer note 2a(i) below)	-	-	1,599.65	(217.40)	(138.51)	(129.27)	(1,114.48)
-	Commission/ upfront fee expensed off in the year in which incurred (refer note 2a(ii) below)	-	-	461.90	(124.37)	(99.68)	(168.39)	(69.45)
-	Development expenses expensed off in the year in which incurred (refer note 2a(iii) below)	-	-	59.95	40.68	77.65	40.90	(219.20)
-	Technical fee expensed off in the year in which incurred (refer note 2a(iv) below)	-	-	-	10.75	29.75	24.60	(64.98)
-	Share issue expenses expensed off in the year in which incurred (refer note 2a(v) below)	-	-	-	-	8.65	6.49	(15.12)
-	Preliminary expenses (refer note 2a(vi) below)	-	-	-	-	0.42	0.59	(1.01)
2	Prior period expenses (refer note 3a below)	160.33	(151.57)	1,092.28	(371.93)	284.32	(29.35)	(984.08)
3	Unspent liabilities/ provisions no longer required written back (refer note 3b below)	-	(34.23)	(82.31)	52.08	(10.26)	(28.21)	102.93
4	Provision for assets held for sale (refer note 3c below)	-	(232.45)	258.07	250.00	-	-	(275.62)
5	Income tax interest allocated over various years (refer note 3d below)	(169.81)	(19.81)	21.87	(86.24)	(25.82)	10.64	269.18
6	Impact of adjustments on minority interest	(1.47)	10.76	(14.84)	(19.02)	14.92	(15.59)	58.87
7	Adjustment on account of revision in AS 15 (refer note 3e below)			(64.54)	2.23	(774.32)	198.21	(572.21)
	Pre-tax impact	(10.94)	(427.30)	3,332.03	(463.22)	(632.89)	(89.39)	(2,885.18)
8	Tax impact of adjustments (refer note 3f below)	5.26	133.49	(1,101.52)	170.47	208.45	42.34	953.05
	Total	(5.69)	(293.81)	2,230.51	(292.74)	(424.44)	(47.05)	(1,932.13)
	Adjusted profits, as restated	441.60	(734.14)	(2,603.65)	1,893.69	1,169.30	1,235.11	26.94

2. Adjustment resulting from changes in accounting policies

a. Deferred revenue expenses expensed off

During the year ended March 31, 2006, the Company, for better presentation of its financial statements changed its hitherto followed accounting policy of amortizing deferred revenue expenditure over an estimated period of years to amortizing the said amounts to profit and loss account in the year in which the expenditure is incurred. Following adjustments have been made for the purpose of preparation of the restated summary consolidated financial statements:

ii) Voluntary retirement expenses

The Company changed its hitherto followed policy of amortising voluntary retirement expenses over a period of 60 months to charging off the said expenditure in the year in which these are incurred.

For the purpose of these restated summary consolidated financial statements, the revised policy has been applied retrospectively.

ii) Commission, upfront fee

The Company changed its hitherto followed policy of amortising commission, upfront fees, processing and syndication fee on term loans over the period of underlying loans to charging off such expenditure in the year in which these are incurred.

For the purpose of these restated summary consolidated financial statements, the revised policy has been applied retrospectively.

iii) Development expenses

The Company changed its hitherto followed policy of amortising development expenses over a period of six years to charging off such expenditure in the year in which these are incurred.

For the purpose of these restated summary consolidated financial statements, the revised policy has been applied retrospectively.

v) Technical know how fee

Pursuant to change in accounting policy as stated in para 3(a) above, technical know how fee amortized in earlier years has been charged off in the year in which these are incurred.

For the purpose of these restated summary consolidated financial statements, the revised policy has been applied retrospectively.

v) Share issue expenses

Pursuant to change in accounting policy as stated in para 3(a) above, share issue amortized in earlier years has been charged off in the year in which these are incurred.

For the purpose of these restated summary consolidated financial statements, the revised policy has been applied retrospectively.

vi) Preliminary expenses

The Company changed its hitherto followed policy of amortising preliminary expenses over a period of six years to charging off the said expenses in the year in which the same are incurred.

For the purpose of these restated summary consolidated financial statements, the revised policy has been applied retrospectively.

b. Revaluation of fixed assets

During the year ended March 31, 2006, the Company, towards better presentation of financial statements changed its hitherto followed policy of showing certain fixed assets at revalued costs to original/historical cost.

For the purpose of these restated summary consolidated financial statements, the revised policy has been applied retrospectively.

c. Capitalisation of exchange differences

During the period ended June 30, 2007, In view of notification issued by the Ministry of Corporate Affairs dated December 07, 2006 prescribing the Companies (Accounting Standards) Rules 2006, the Company has changed the hitherto accounting policy of adjusting foreign exchange difference, arising on restatement/settlement of foreign exchange liability relating to fixed assets, to the carrying value of assets to recording such differences in the profit and loss account.

For the purpose of these restated summary statements, the revised policy, where material, has been applied retrospectively.

3. Other adjustments

a. Prior period Income and expenses

In the restated summary consolidated financial statements for the years/ periods ended June 30, 2007, December 31, 2006, March 31, 2006, 2005, 2004 and 2003, certain items of income/ expenses have been identified as prior period items.

For the purpose of these restated summary consolidated financial statements, such prior period items have been appropriately adjusted in the respective years/periods, to which these amounts pertain.

b. Unspent liabilities/ provisions no longer required written back

In the restated summary consolidated financial statements for the years/ periods ended June 30, 2007, December 31, 2006, March 31, 2006, 2005, 2004 and 2003, certain liabilities/provisions created in earlier years were written back.

For the purpose of these restated summary consolidated financial statements, the said liabilities wherever required have been appropriately adjusted in the respective years/periods in which the same were originally created.

c. Provision for assets held for sale

The Company had a vegetable oil division at Alwar (Rajasthan). The Company discontinued production in this division in 1999. During the year ended June 30, 2000, plant and machinery (cost as on June 30, 1999 Rs 1,017.33 lakh and accumulated depreciation Rs 309.54 lakh) was retired from active use and were reclassified as assets held for sale. These assets were valued at then net realizable value of Rs 525 lakh. Impairment losses of Rs 250 lakh and Rs 258.07 lakh were also provided during the years ended March 31, 2005 and 2006 respectively.

During the period ended December 31, 2006, the Company sold off the entire division and recovered Rs 232.45 lakh for the abovesaid plant and machinery.

For the purpose of these consolidated restated summary statements, the amounts of provisions subsequently made against the machinery and the gain on the said machinery

have been restated in the period/ year when the provision was first made in the books of accounts.

d. Income tax refunds/ provision

Interest received on income tax refunds has been adjusted over the period of interest in the various years.

e. Revision in Accounting Standard 15

During the period ended June 30, 2007, pursuant to the introduction of Accounting Standard 15 (Revised) on Employee Benefits and subsequent guidance issued by the Accounting Standard Board of the Institute of Chartered Accountants of India, the management obtained expert advice and accounted for the reassessed liabilities during the said period.

For the purpose of these unconsolidated restated summary statements, the said liabilities have been adjusted in the years/ periods ended March 31, 2003, 2004, 2005 and 2006.

f. Tax impact of adjustments

Tax impact (both current and deferred) has been computed on Consolidated Restated Financial Statements for the years/ periods ended June 30, 2007, December 31, 2006, March 31, 2006, 2005, 2004 and 2003 and the balance brought forward in Profit and Loss Account as at June 30, 2002.

4. Material regroupings

- a.** Up to the year ended March 31, 2005, customer bills discounted from banks were being netted off against sundry debtors. During the year ended March 31, 2006, customer bills discounted were included in Secured Loans. In the statement of consolidated assets and liabilities, as restated, for the years/ periods ended March 31, 2005, 2004 and 2003, such customer bills discounted has been regrouped and disclosed accordingly.
- b.** Up to the year ended March 31, 2005, commission payable on sales was being included in operating and other expenses. During the year ended March 31, 2006, the direct commission was reduced from turnover. In the statement of consolidated profits and losses, as restated, for the years/ periods ended March 31, 2005, 2004 and 2003, such expense has been regrouped and disclosed accordingly.
- c.** Up to the year ended March 31, 2004, interest income of the Company was being netted off against interest expenses. During the year ended March 31, 2006, interest income was included under other income. In the statement of consolidated profits and losses, as restated, for the years/ periods ended March 31, 2005, 2004 and 2003, such income has been regrouped and disclosed accordingly.
- d.** Up to the period ended March 31, 2003, amount payable on account of gratuity was being grouped under creditors. During the year ended March 31, 2004, this was grouped under provisions. In the statement of consolidated assets and liabilities, as restated, for the period ended March 31, 2003, such amount has been regrouped and disclosed accordingly.
- e.** Up to the year ended March 31, 2005, the amount payable on account of superannuation was being grouped under current liabilities. During the year ended March 31, 2006, this was grouped under provisions. In the statement of consolidated assets and liabilities, as restated, for the years/ periods ended March 31, 2005, 2004 and 2003, such amount has been grouped and disclosed accordingly.
- f.** Up to the period ended March 31, 2003, interest accrued on investments was being grouped under Loans and Advances. During the year ended March 31, 2004, such amount was grouped under other current assets. In the statement of consolidated assets and liabilities, as restated, for the period ended March 31, 2003, such amount has been regrouped and disclosed accordingly.

- g. Upto the year ended March 31, 2006, balances with Scheduled banks on deposit accounts (pledged with Government Authorities) and on unpaid dividend accounts was being grouped under Cash and Bank balances. During the period ended December 31, 2006, such amount was grouped under Loans and Advances. In the statement of consolidated assets and liabilities, as restated, for the years/ period ended March 31, 2006, 2005, 2004 and 2003, such amount had been regrouped and disclosed accordingly.
- h. Upto the year ended March 31, 2006, DEPB benefits receivable and Insurance Claim Receivable were being grouped under Loans and Advances. During the period ended December 31, 2006, such amount was grouped under Other Current Assets. In the statement of consolidated assets and liabilities, as restated, for the years/ period ended March 31, 2006, 2005, 2004 and 2003, such amount had been regrouped and disclosed accordingly.
- i. Up to the year ended March 31, 2005, the Income of the Company was being classified as Sale, Business income and Other income. During the year ended March 31, 2006, the Income of the Company was classified into Sale, Job work income and Other income. In the statement of consolidated profits and losses, as restated, for the years/ periods ended March 31, 2005, 2004 and 2003, such amounts have been reclassified and disclosed accordingly.
- j. Up to the year ended March 31, 2005, stores, spares and tools consumed, power and fuel, repairs to machinery and repairs to building were being grouped in material, manufacturing and operating expenses. During the year ended March 31, 2006, this has been grouped under Operating and other expenses. In the statement of consolidated profits and losses, as restated, for the years/periods ended March 31, 2005, 2004 and 2003, these amounts have been regrouped and disclosed accordingly.
- k. Up to the year ended March 31, 2005, Raw material and components consumed, Increase / decrease in closing stock and Increase/ decrease in excise duty on finished goods was being grouped under Material, Manufacturing and Operating expenses. During the year ended March 31, 2006, these amounts were disclosed separately in profit and loss account. In the statement of consolidated profits and losses, as restated, for the years/ periods ended March 31, 2005, 2004 and 2003, these amounts have been regrouped and disclosed accordingly.
- l. During the year ended March 31, 2006, expenses being included under sales and administration expenses were reclassified to Operating & other expenses and finance expenses as applicable. In the consolidated summary statement of profits and losses, as restated for the years/ periods ended March 31, 2005, 2004 and 2003, such amounts have been reclassified and disclosed accordingly.
- m. Upto the year ended March 31, 2005, the share in profits/ (losses) of associates was being disclosed separately in the Profit and Loss account. During the year ended March 31, 2006, this was included in operating and other expenses. In the statement of consolidated assets and liabilities, as restated, for the years/ periods ended March 31, 2005, 2004 and 2003, such amount has been regrouped and disclosed accordingly.

5. Non adjustment items

a. Write off/ discard of assets

During the year ended March 31, 2006, the Company based on technical evaluation and usability study wrote off/ discarded assets having gross value Rs 1,958.22 lakh and net book value Rs 875.90 lakh.

Adjustment on this account has not been made in the restated summary statements, since, in the opinion of the Company, the assets were identified to be discarded in the said year and not in any of the earlier years/ periods.

b. Bad debts/ amounts written off

In the financial statements for the years/ periods ended June 30, 2007, December 31, 2006, March 31, 2006, 2005, 2004 and 2003, certain amounts have been written off / considered as bad debts

Adjustment on this account has not been made in the consolidated restated summary statements, since, in the opinion of the Company, these amounts became doubtful only in that year/ period in which provisions were made.

c. Provision for diminution in the value of investments

During the year ended March 31, 2006, the Company had created provision for diminution in the value of investments made by the Company in Nanz Food Products Limited, Rs 10 lakh.

For the purpose of these restated summary statements, upon reassessment of the financial position of the investee company during the years /periods ended March 31, 2006, 2005, 2004 and 2003, the provision for diminution in the value of investments has been adjusted in the years in which such diminution arose.

Adjustment on this account has not been made in the consolidated restated summary statements, since, in the opinion of the Company, the amounts were identified to be provided in the said year and not in any of the earlier years/ periods.

6. Auditor's qualifications

A) Auditors qualification which require corrective action

- a.** The Company has held 23.67% shares in GTZ Securities Limited since April 2000. The statutory auditors have qualified their opinion on the consolidated financial statements for the year ended March 31, 2006 on account of not accounting for investment in associate in Consolidated Financial Statements in accordance with Accounting Standard 23, Accounting for investments in Associates in Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.

Accordingly, adjustments have been made to these restated consolidated financial statements for the period ended March 31, 2003 as the above Accounting Standard came into effect in respect of accounting periods commencing on or after April 1, 2002.

- B)** Audit qualifications, which do not require any corrective adjustment in the financial information are as follows:

1. Qualifications in the main Auditor's Report for the period ended December 31, 2006

i. Excess managerial remuneration

Auditor's report issued for the year December 31, 2006, was qualified on account of inclusion of Rs 99.16 lakh in Personnel costs and Rs 7.89 lakh in Operating and Other expenses towards director's remuneration which was in excess of permissible remuneration determined under Schedule XIII of The Companies Act, 1956. Management had obtained confirmation from these directors that they shall refund these amounts, to the extent of these being not approved by the Central Government, for which the Company was preparing necessary application.

Adjustment on account of the above has not been made in the restated summary statements, as the Company has applied for approval of the Central Government for the excess remuneration paid and is hopeful of receiving the same in view of the past experience, wherein, the Company successfully obtained approval from the Central Government as stated in Para 2(i) below.

2. Qualifications in the main Auditor's Report for the period ended March 31, 2006

i. Excess managerial remuneration

Auditor's report issued for the year March 31, 2006, was qualified on account of inclusion of Rs 101 lakh in Personnel costs and Rs 12.80 lakh in Operating and Other expenses towards director's remuneration which was in excess of permissible remuneration determined under Schedule XIII of The Companies Act, 1956. Management had obtained confirmation from these directors that they shall refund these amounts, to the extent of these being not approved by the Central Government, for which the Company was preparing necessary application.

Adjustment on account of the above has not been made in the restated summary statements, since the Company has obtained the approval of the Central Government for the excess remuneration paid.

ii. Assets for which cost details are not available

As at March 31, 2006, fixed assets and capital work in progress amounting to Rs 800 lakh were recognized, being assets constructed by the Company, for which cost details were under compilation. This was qualified in the Auditor's report for the year ended March 31, 2006 as the impact that could arise on the completion of the details was unascertainable as at that date.

Adjustment on this account has not been made in the restated summary statements, since in the opinion of the management; no impact arises on account of the above in any of the years/ periods.

Annexure IV A: Statement of significant accounting policies

a) Basis of preparation

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention and on an accrual basis. The accounting policies followed by the Company are consistent. The company has adopted all enacted accounting standards for the purpose of preparing the restated summary consolidated financial information.

The restated summary consolidated statements of assets and liabilities and restated summary consolidated statements of profits and losses ('restated summary consolidated financial statements') have been prepared in accordance with Accounting Standard 21 (AS 21) "Consolidated Financial Statements" and Accounting Standard 23 (AS 23) "Accounting for investments in Associates in Consolidated Financial Statements".

The companies (which along with Goetze India Limited, the parent, constitute the Group) considered in the preparation of these consolidated financial statements are:

Name	Relationship	%age	June 30, 2007	December 31, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003
Goetze TP (India) Limited	Subsidiary	51 %	✓	✓	✓	✓	✓	✓
Satara Rubbers and Chemicals limited	Subsidiary	100 %	✓	✓	✓	✓	-	-
Coupled Investments Pvt. Ltd.	Subsidiary	100%	-	-	-	-	-	-
GI Power Corporation Limited	Associate	26%	✓	✓	✓	-	-	-
GTZ Securities Limited	Associate	23.67%	✓	✓	✓	✓	✓	✓
GI Windfarms	Associate	49.98%	-	-	-	-	✓	✓

- (i) These Consolidated Financial Statements are based on audited accounts in so far as they relate to amounts included in respect of subsidiaries and on basis of un-audited accounts in so far as they relate to amounts included in respect of associates.

The accounting policies followed by the Company are consistent with those used in the previous year.

b) Tangible assets and depreciation

- viii) Fixed assets are stated at cost less accumulated depreciation less impairment if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use i.e. freight duties, taxes and other incidental expenses excluding Cenvat in so far as this is available for set off against excise duty.

Depreciation

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

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

- x) Assets above include those acquired from Escorts Mahle Limited.
- xi) Plant and Machinery also includes self constructed machinery.
- xii) Amounts 'added to' / 'deducted from' fixed assets on account of foreign currency fluctuations are considered as additions / deductions of the year in which such fluctuations occur and depreciation thereon is provided /adjusted prospectively from the date the related assets have been put to use.
- xiii) Depreciation on the amount of adjustment to fixed assets on account of capitalisation of insurance spares is provided over the remaining useful life of related assets.
- xiv) All assets costing upto Rs 5,000 are fully depreciated in the year of purchase.

c) Impairment

Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the income statement for items of fixed assets carried at cost. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtained from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset, from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if not possible, for the cash generating unit.

Impairment loss recognized for an asset in earlier accounting periods is reversed, to the extent of its recoverable amount, if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized.

d) Intangible assets

Intangible assets are stated at cost less impairment if any. Cost comprises the purchase price and other directly attributable costs.

Acquired design and drawings are valued at cost less accumulated amortization and any impairment losses. These are amortized equally over a period of 5 years.

Software is amortized over a period of 5 years.

e) Leases

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

f) Investments

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

g) Inventories

Inventories are valued as follows:

Raw materials, components, stores and spares and bought out tools.	Lower of cost and net realizable value. Cost represents purchase price and other direct costs and is determined on a moving weighted average cost basis.
Constructed Tools	Lower of cost and net realizable value. Cost represents purchase price and other direct costs and is determined on a moving weighted average cost basis.
Work-in-progress, finished and trading goods.	At cost or net realisable value, whichever is lower. Cost for this purpose includes material, labour and appropriate allocation of overheads. Excise duty on stock lying with Company is added to the cost of the finished goods inventory.
Reusable scrap	At net realizable value.

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

h) Revenue recognition

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

a) Sale of Goods:

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

b) Interest:

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

c) Dividends:

Dividend income is recognised when the shareholders' right to receive payment is established.

d) Export benefits/incentives:

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

i) Foreign currency transactions

(i) Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign

currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Conversion

Foreign currency monetary items are reported using the closing rate.

(iii) Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise except where they related to acquisition of fixed assets, from outside India, in which case they are adjusted to the cost of the fixed asset.

(iv) Forward exchange contracts

In respect of forward exchange contracts entered into by the Company, the difference between the contracted rate and the rate at the date of transaction is recognized as gain or loss over the period of the contract except for difference in respect of liabilities incurred for acquiring fixed assets from a country outside India, in which case such difference is adjusted in the carrying amount of the respective fixed assets. Exchange differences arising on forward contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any gain or loss arising on cancellation or renewal of forward exchange contract is recognized as income or as expense for the year, except gain or loss on transactions relating to fixed assets acquired from a country outside India, which is adjusted to the carrying amount of respective fixed assets.

j) Retirement and other employee benefits

(ii) Provident fund contributions are charged to profit and loss account, when contributions paid/payable are due to "Goetze India Limited Provident Fund Trust", administered by the trustees and to the Regional Provident Fund Commissioners,

(ii) Gratuity liability under the Payment of Gratuity Act is a defined benefit obligation and is accrued and provided on the basis of an actuarial valuation made at the end of each financial year/ period.

(iii) Short term compensated absences are provided for on based on estimates. Long term compensated absences are provided for based on actuarial valuation.

(iv) Superannuation Benefit

The Company has superannuation obligations under two separate schemes, administered with Life Insurance Corporation of India (LIC). Liability towards the defined benefit scheme is determined by an independent actuary and shortfall when compared against the contributions made is provided. Contributions to the defined contribution scheme are charged to profit and loss account when contributions paid/ payable are due to such fund.

k) Income taxes

Tax expense comprises of current, deferred and fringe benefit tax.

Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act.

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Virtual certainty tests are applied to entire deferred tax assets in case of unabsorbed losses and depreciation.

l) Earnings per share

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

m) Provisions

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

n) Cash and cash equivalents

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

o) Derivative instruments

The Company uses derivative financial instruments such as forward exchange contracts to hedge its risks associated with foreign currency fluctuations. Accounting policy for forward exchange contracts is given in note i.

p) Segmental information

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

Annexure IV B: Statement of notes to restated summary consolidated financial statements

1. Amalgamation of Escorts Pistons Ltd. (EPL) and Coupled Investments Pvt. Ltd. (CIPL) with the Company

- a. During the period ended March 31, 2003, the Company purchased 100% shares in Escorts Pistons Limited through its 100% subsidiary Coupled Investments Pvt. Ltd. (CIPL) and consequently EPL became an indirect wholly owned subsidiary of GIL.
- b. Pursuant to the scheme of amalgamation of the erstwhile EPL and CIPL with the Company, as approved by the shareholders and subsequently sanctioned by the Hon'ble High Court of Delhi on 13th May, 2003, the assets and liabilities of the erstwhile EPL and CIPL were transferred to and vested in the Company with effect from the Appointed Date, 1st November, 2002. The scheme has, accordingly, been given effect to in these accounts.
- c. The amalgamation was accounted for under the 'purchase method' as prescribed by Accounting Standard (AS14) issued by The Institute of Chartered Accountants of India. Consequently, 4,35,17,816 Equity Shares of Rs.10/- each and 52,50,000 Redeemable cumulative preference shares of Rs.100/- each of EPL purchased by CIPL during the year and 55,220 Equity Shares of Rs.10/- each of CIPL (including 50,200 bonus shares allotted by CIPL to the Company) amalgamation amounted to Rs.14,820.26 lacs against which net assets of the value of Rs. 14,853.13 lacs had been acquired. The assets and liabilities were incorporated in the books of the Company at their book values except certain fixed assets, the values of which had been adjusted to reflect their fair value.
- d. The difference between the consideration and the value of net identifiable assets acquired, amounting to Rs.32.87 lakh, was transferred to the Capital Reserve.
- e. Pending completion of the relevant formalities for transfer of some of the assets and liabilities acquired pursuant to the scheme of amalgamation, such assets and liabilities continue to be in the name of erstwhile EPL.

2. Reassessment of transfer of risks and rewards

During the year ended March 31, 2006, pursuant to the management reassessment of transfer of risk and rewards on sale of goods, sales of Rs 3,899.42 lakh were derecognized and stock amounting to Rs 2,943.62 lakh was reversed in the books of the Company. The corresponding impact of the same in previous years is not ascertainable.

3. Contingent liabilities

a. Claims/notices contested by the Company

Particulars	Amount in Rs lakh					
	June 30, 2007	December 31, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003
Excise duty	835.19	508.6	447.78	338.09	542.53	478.48
Sale Tax	118.87	118.87	97.62	197.3	-	-
ESI Cases	63.3	63.3	75.25	39.34	30.11	37.86
Employee related cases	88.45	88.45	61.23	13	13	13
Electricity Demand	52.24	52.24	52.24	56.87	56.87	56.87
Income tax demand	210.36	320.87	361.09	123.68	134.2	152.84
Consumer cases	64.99	60.91	60.91	60.91	60.91	60.91
Bank Guarantees	493.35	193.18	133.17	112.22	126.81	115.02

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

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

- i) Show cause notice received in respect of excise duty benefit in relation to deduction of Trade Discounts for the period 2000-2001 to 2003-2004. The matter is pending for personal hearing with the Joint Commissioner. The company has taken legal opinion and is advised that it has fair chance of a favorable decision. The amount involved is Rs. 33.74 lakh.
- ii) Matter pending with Central Excise & Service Tax Appellate Tribunal (CESTAT) in respect of valuation rates employed for certain products sold by company for the period 1995-1996 to 2004-2005. The amount involved is Rs.6.42 lakh.
- iii) Matter pending with Additional Commissioner of Central Excise (ADCCE) in respect of excise duty on scrap produced by company for the period 2000-2001 to 2002-2003. The amount involved is Rs.34.11 Lakh.
- iv) Miscellaneous Excise Cases in respect of MODVAT credits being taken pending with Deputy Commissioner Central Excise Patiala (DCCE PTA)/ Addl. Commissioner/Punjab and Haryana Court for the period 1987-1988 to 2001-2002. The Company is of the view that it has reasonable chances of success. Amount involved Rs. 71.09 lakh.
- v) Matters pending with Additional Commissioner, in respect of Service Tax on Royalty & Technical Know how from 1999-00 to 2005-06. Amount involved Rs. 48.54 Lakh.
- vi) Matters pending with Joint Commissioner, Bangalore in respect of Service Tax on Job Work for the period 2004-05. Amount involved Rs. 18.01 Lakh.
- vii) Matters pending with Additional Commissioner, Chandigarh in respect of Service Tax on Transport Services for the period 2005-06 and other Services. Amount involved Rs. 7.59 Lakh.
- viii) Matters pending with Commissioner Chandigarh/ Deputy Commissioner Central Excise (DCCE) Patiala in respect of clearance of reprocessed goods without payment of duty for the period 2004-2005 to 2005-2006. Amount involved Rs. 7.20 Lakh.
- ix) Matters pending with Commissioner Appeals/ Joint Commissioner in respect of interest on reversal of Special Additional Duty (SAD) for 2000-01. Amount involved Rs. 9.37 Lakh.
- x) Matters pending with Supreme Court in respect of conversion of Aluminum Scrap into Ingots from

Colts for 2000-01 & 2001-02. Amount involved Rs. 15.14 Lakh.

- xi) Matters pending with CESTAT in respect of excise cases in relation to provisional assessment of excise duty with respect to turnover discount for the period 2001-2002 to 2005-2006. Amount involved is Rs. 333.28 Lakh.
- xii) Matters pending with Commissioner- Excise in respect of non saleable pistons removed from RG-1 stock & melted for 2005-06. Amount involved Rs. 250.67 Lakh.

f) In relation of b (ii) Sales Tax cases contested by the company comprise of:

- i) In respect of Assessment Year 1996-97 to 2001-02, on account of differences in sales tax rates, the matter is pending with Karnataka High court. The amount involved is Rs. 59.23 Lakh.
- ii) In respect of Assessment Year 1999-00, on account of non-submission of C- forms and F- Forms, the matter is pending with JCCT. The amount involved is Rs. 38.39 Lakh.
- iii) In respect of Assessment Year 2002-03 to 2006-07, on account of Entry tax, the matter is pending with Additional Commissioner. The amount involved is Rs. 20.65 Lakh.

g) In relation b (iii) above Employee State Insurance claims comprise of:

- i) In respect of demand from Employee State Insurance, relating to non deposit of employee state insurance on certain employee related expenses pending with the Assessing Officer, Amount involved is Rs.63.30 lakh.

h) In relation of b (iv) above Employee related cases comprise of:

- i) Claims against the Company not acknowledged as debt, in respect of demands raised by the workers at amount involved is Rs.88.45 Lakh.

i) In relation to b (v) above Electricity demand relates to:

- l) In respect of a demand raised by Punjab Electricity Board (PSEB) for various years in relation to availment of additional load. Amount involved is Rs. 52.24 Lakh.

j) In relation to b (vi) above Income Tax cases disputed by the company:

- I) In respect of Assessment Year 2002-03 certain additions were made on normal income as well as on book profits. The matter is pending with Commissioner Income Tax (Appeals) and company is of the view that it has reasonable chance of success. The amount involved is Rs.16.37 Lakh.
- II) In respect of A.Y. 2003-04, disallowance was made for carry forward losses as well as certain disallowances. The matter is pending with Commissioner Income Tax (Appeals) and company is of the view that it has reasonable chance of success. The amount involved is Rs.170.20 Lakh.
- III) In respect of Assessment Year 2004-05 certain additions were made on normal income. The matter is pending with Commissioner Income Tax (Appeals) and company is of the view that it has reasonable chance of success. The amount involved is Rs.23.79 Lakh.

For all matters above, company has been advised by experts and based on such opinion/advise, company has fair chance of favorable decision.

k) In relation to b (vii) above Consumer cases filed against the company:

- l) Matter pending with Delhi High Court relating to cases filed by customers of the company relating to defective goods for the period 1995-1996. Amount involved is Rs. 64.99 Lakh.

4. Related party transactions

During the years/ periods under review, the Company has entered into transactions with related parties.

Names of related parties:

i) Enterprises owned or significantly influenced by key management personnel or their relatives

- AN Enterprises Pvt Ltd (till May 12, 2006)
- An-Net Infotech Ltd (till May 12, 2006)
- Escorts Farms Ltd (till May 12, 2006)
- Hari Raj Investments & Consultants Pvt Ltd (till May 12, 2006)
- GI Insurance Services Limited (till May 12, 2006)
- Gossini Fashion Limited (earlier AN-GIP Leather (India) Limited) (till May 12, 2006)
- Akme Projects Limited (till May 12, 2006)
- GI Power Corporation Limited (upto October 12, 2005)
- Escorts Ltd (till May 12, 2006)

- Escorts Mahle Ltd (till May 12, 2006)
- AN Net Europe (till May 12, 2006)
- Spade Financial Services Limited (w.e.f. May 12,2006)

ii) Key managerial personnel and their relatives

- Mr Anil Nanda (upto May 12, 2006)
- Mr Arun Anand
- Mrs Renu Anand (wife of Mr. Arun Anand)

iii) Co venturers and fellow subsidiaries

- Federal-Mogul Vermögensverwaltungs GmbH, Germany
- Joint Investments Private Limited
- Federal-Mogul, Nuremberg, GMBH.
- Federal-Mogul Sintered Products Ltd.
- Federal-Mogul Wiesbaden GMBH, Germany
- Federal-Mogul Power Train System.
- Federal-Mogul Automotive Product India Pvt. Ltd.
- Federal-Mogul, Burschied, U.K.
- Federal-Mogul Freidberg, Germany
- Federal-Mogul Powertrain
- Federal-Mogul Corporation Powertrain

iv) Associates

- GI Power Corporation Limited (w.e.f. October 13, 2005)
- GTZ Securities Limited

(Numbers in the adjoining schedule of Related Parties are in Rs. Lakh)

Federal Mogul Goetze India Limited
Consolidated Related Party Disclosures

Particulars	Fellow subsidiary Federal Mogul Vermögensverwaltungs GmbH, Germany					Fellow subsidiary Federal Mogul, Burschield, U.K						
	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003
Sales	-	-	(60.62)	-	-	-	-	-	-	-	-	-
Purchases of raw materials, intermediaries and finished goods	-	-	200.12	27.52	-	-	-	-	-	-	-	-
Purchase of fixed asset/stores spares	600.63	1,408.94	1,120.20	-	-	-	-	-	-	-	-	-
Fund Paid	(24.91)	(829.40)	-	-	-	-	-	-	-	-	-	-
Royalty expense	144.68	179.69	355.35	324.37	331.62	52.58	-	-	107.61	73.59	47.97	-
Balance outstanding as at the end	(1,472.24)	(896.52)	(318.69)	0.70	(117.49)	-	-	-	-	-	(11.99)	-

Particulars	Fellow subsidiary Federal Mogul,Nurnberg,GMBH					Fellow subsidiary Federal Mogul Freidberg Germany						
	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003
Purchase of fixed asset/stores spares	738.45	73.62	-	-	-	-	201.35	15.83	-	-	-	-
Fund Paid	-	(27.40)	-	-	-	-	-	-	-	-	-	-
Royalty expense	142.03	124.30	-	-	-	-	-	-	-	-	-	-
Balance outstanding as at the end	(786.82)	(48.37)	-	-	-	-	(217.18)	(15.83)	-	-	-	-

Particulars	Fellow subsidiary						Fellow subsidiary					
	Federal Mogul Wiesbaden GmbH, Germany						Federal Mogul Power train System					
	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003
Sales	-	-	-	-	-	-	-	(24.32)	-	-	-	-
Purchase of fixed asset/stores spares	36.15	40.60	-	-	-	-	4.96	5.46	-	-	-	-
Fund Paid	(40.97)	(9.01)	-	-	-	-	-	-	-	-	-	-
Fund Received	-	-	-	-	-	-	-	49.19	-	-	-	-
Balance outstanding as at the end	(26.77)	(31.59)	-	-	-	-	0.50	5.46	-	-	-	-

Particulars	Fellow subsidiary						Other Fellow subsidiary					
	Federal-Mogul Gorzyce											
	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003
Sales	(271.67)	(0.65)	-	-	-	-	(21.44)	(15.93)	-	-	-	-
Purchases of raw materials, intermediaries and finished goods	-	-	-	-	-	-	77.25	-	-	-	-	-
Purchase of fixed asset/stores spares	-	-	-	-	-	-	-	12.38	-	-	-	-
Fund Paid	-	-	-	-	-	-	(28.11)	(10.88)	-	-	-	-
Fund Received	-	-	-	-	-	-	15.93	-	-	-	-	-
Royalty expense	-	-	-	-	-	-	73.71	99.65	-	-	-	-
Balance outstanding as at the end	272.32	0.65	-	-	-	-	(29.19)	14.43	-	-	-	-

Particulars	Federal-Mogul Holding Deutschland						
	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003	31.03.2003
Rendering of Services	52.15	40.18	-	-	-	-	-
Balance outstanding as at the end	(92.32)	(40.18)	-	-	-	-	-

Particulars	Fellow subsidiary											
	Federal Mogul Automotive Product					Total						
	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003
Sales	(15.07)	(10.21)	-	-	-	-	(308.18)	(51.11)	(60.62)	-	-	-
Purchases of raw materials, intermediaries and finished goods	-	-	-	-	-	-	-	-	200.12	-	-	-
Purchase of fixed asset/stores spares	-	-	-	-	-	-	1,658.79	1,556.83	1,120.20	-	-	-
Fund Paid	-	-	-	-	-	-	(93.99)	(876.69)	-	-	-	-
Fund Received	17.25	5.66	-	-	-	-	33.18	54.85	-	-	-	-
Royalty expense	-	-	-	-	-	-	360.42	382.95	462.96	397.96	379.59	52.58
Rendering of services	-	-	-	-	-	-	52.15	40.18	-	-	-	-
Balance outstanding as at the end	2.37	4.55	-	-	-	-	(2,349.83)	(1,007.40)	(318.69)	0.70	(129.48)	-

Particulars	Holding Company						
	Federal-Mogul Corporation						
	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003	
Sales	1,085.31	(334.87)	-	-	-	-	
Purchases of raw materials, intermediaries and finished goods	-	6.12	-	-	-	-	
Purchase of fixed asset/stores spares	1,440.73	571.39	-	-	-	-	
Fund Paid	(114.96)	-	-	-	-	-	
Fund Received	-	2,371.03	-	-	-	-	
Interest	56.90	-	-	-	-	-	
Royalty expense	-	-	-	-	-	-	
Balance outstanding as at the end	(3,131.94)	(2,614.22)	-	-	-	-	

Particulars	Associate							Associate						
	G.J Power Corporation Ltd.							G.J Wind Farm						
	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003		30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003	
Purchase of fixed asset/stores spares	-	-	-	9.53	-	-		-	-	-	-	-	-	
Purchase of power	139.82	486.77	677.00	874.47	681.00	300.58		-	-	-	-	-	-	
Fund paid	(207.67)	(419.94)	(678.63)	(878.22)	(397.00)	(321.63)		-	-	-	-	(20.65)	(160.29)	
Dividend income	-	-	-	-	-	(10.15)		-	-	-	-	-	(110.23)	
Expense incurred on behalf of Other	13.28	-	9.37	-	-	-		-	-	-	-	-	-	
Sale of investment	-	-	(33.84)	-	-	-		-	-	-	-	-	-	
Purchase of investment	-	-	34.00	-	-	-		-	-	-	-	-	-	
Interest expense	-	-	-	-	-	56.45		-	-	-	-	-	-	
Interest income	-	-	-	-	-	(89.33)		-	-	-	-	-	(15.15)	
Guarantees given / (obtained)	-	-	1,170.00	1,170.00	-	-		-	-	-	-	-	-	
Investment Outstanding	1,138.61	1,138.61	1,138.61	1,138.45	-	-		-	-	-	-	-	-	
Balance outstanding as at the end	(13.29)	(67.87)	0.01	14.13	(49.27)	(307.76)		-	-	-	-	20.65	(278.00)	

Particulars	Associate						Associate					
	An Net InfoTech						GTZ Securities Ltd.					
	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003
Purchase of fixed asset/stores spares	-	-	-	-	10.32	-	-	-	-	-	-	-
Fund paid	-	-	-	-	-	-	-	-	-	(1,458.00)	(3,526.27)	-
Fund received	-	-	-	-	-	-	-	-	-	5,032.08	2,692.09	-
Loans/ICD given/repayment	-	-	-	-	-	-	-	(40.00)	(40.70)	-	-	-
Sale of investment	-	-	-	-	-	-	-	(123.56)	-	-	-	-
Purchase of investment	-	-	-	-	-	-	-	123.56	-	-	-	-
Interest expense	-	-	-	-	-	-	-	-	3.89	17.64	-	-
Interest income	-	-	-	-	-	-	-	-	-	-	(10.11)	-
Investment Outstanding	-	-	-	-	-	-	46.15	46.15	46.15	46.15	-	-
Balance outstanding as at the end	-	-	-	-	(0.40)	-	-	0.70	40.70	(8.97)	(619.25)	-

Particulars	Associate											
	An Net Europe					Associate Escorts Mahle						
	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003
Sale Of Goods	-	-	-	-	-	-	-	-	-	-	-	(672.22)
Sale of fixed Assets	-	-	-	-	-	-	-	-	-	-	-	(700.00)
Fund received	-	-	-	-	3.85	-	-	-	-	-	-	-

Particulars	Associate Total										
	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003	30.06.2007	31.03.2006	31.03.2005	31.03.2004	31.03.2003
Purchase of fixed asset/stores spares	-	-	-	9.53	10.32	-	-	-	-	-	-
Purchase of power	140.00	487.00	677.00	874.47	681.00	972.80	-	-	-	-	-
Sale Of Goods	-	-	-	-	-	(672.22)	-	-	-	-	-
Sale of fixed Assets	-	-	-	-	-	(700.00)	-	-	-	-	-
Fund paid	(208.00)	(420.00)	(678.63)	(878.22)	(1,875.65)	(4,008.19)	-	-	-	-	-
Fund received	-	-	-	-	5,035.93	2,592.09	-	-	-	-	-
Dividend income	-	-	-	-	-	(120.38)	-	-	-	-	-
Expense incurred on behalf of Other	13.00	-	9.37	-	-	-	-	-	-	-	-
Loans/MCD given/repayment	-	-	(40.00)	(40.70)	-	-	-	-	-	-	-
Sale of investment	-	-	(157.40)	-	-	-	-	-	-	-	-
Purchase of investment	-	-	157.56	-	-	-	-	-	-	-	-
Interest expense	-	-	-	3.89	17.64	56.45	-	-	-	-	-
Interest income	-	-	-	-	-	(114.59)	-	-	-	-	-
Guarantees given / (obtained)	-	-	1,170.00	1,170.00	-	-	-	-	-	-	-
Investment Outstanding	1,184.76	1,184.76	1,184.76	1,184.60	-	-	-	-	-	-	-
Balance outstanding as at the end	(13.00)	(68.00)	0.71	54.83	(37.99)	(927.01)	-	-	-	-	-

Particulars	Enterprise owned / significantly influenced by key management personal						Enterprise owned / significantly influenced by key management personal					
	Escorts Ltd						Escorts farms Ltd					
	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003
Purchases of raw materials, intermediaries and finished goods	-	-	-	-	1.63	-	-	-	-	-	-	-
Sale of Goods	-	-	-	-	(806.98)	(583.00)	-	-	-	-	-	-
Dividend income	-	-	-	-	-	(12.43)	-	-	-	-	-	-
Loans/CD taken	-	-	-	-	-	-	-	185.00	1,846.17	-	-	-
Loans/CD given/repayment	-	-	-	-	-	-	-	(70.00)	(1,957.17)	-	-	-
Sale of fixed assets	-	-	-	-	-	-	-	-	(2.12)	-	-	-
Interest expense	-	-	-	-	-	-	-	-	13.85	-	-	-
Balance outstanding as at the end	-	-	-	-	102.84	-	-	-	2.12	102.83	-	-

Particulars	Enterprise owned / significantly influenced by key management personal						Enterprise owned / significantly influenced by key management personal					
	Hari Raj Investment Pvt. Ltd.						Gossni Fashion Ltd/ ANGIP Leather India Ltd.					
	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003
Purchases of raw materials, intermediaries and finished goods	-	-	-	-	-	-	-	45.13	988.09	1,077.72	2,281.18	1,803.12
Professional Services Rendered	-	-	-	-	-	-	-	-	-	-	3.00	-
Fund paid	-	-	-	-	-	-	-	-	-	-	-	(33.16)
Fund received	-	-	-	-	-	-	-	-	1,075.96	1,045.00	-	-
Expense incurred on behalf of Other	-	-	-	-	-	-	-	1.50	5.61	-	-	-
Loans/CD taken	-	-	467.00	9.50	-	-	-	-	-	-	-	-
Loans/CD given/repayment	-	-	(467.00)	(9.50)	-	-	-	-	-	-	-	-
Interest expense	-	-	-	0.27	2.60	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	-	-	-	-	-	-
Balance outstanding as at the end	-	-	-	-	-	-	-	0.36	57.70	35.89	(57.32)	(30.91)
											79.29	606.02

Particulars	Enterprise owned / significantly influenced by key management personal						Enterprise owned / significantly influenced by key management personal					
	G.J INSURANCE Services Ltd			AN-ENTERPRISES (P) LTD			G.J INSURANCE Services Ltd			AN-ENTERPRISES (P) LTD		
	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003
Fund paid	-	-	-	(1.91)	-	-	-	-	-	-	-	-
Fund received	-	-	-	-	1.91	-	-	-	-	-	1.30	-
Expense incurred on behalf of Other	-	-	-	-	-	-	-	(0.23)	-	-	-	-
Balance outstanding as at the end	-	-	-	-	(1.91)	-	-	-	-	-	-	-

Particulars	Enterprise owned / significantly influenced by key management personal						Enterprise owned / significantly influenced by key management personal					
	Joint Investment Pvt. Ltd						Total					
	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003
Purchases of raw materials, intermediaries and finished goods	-	-	-	-	-	-	-	45.13	988.09	1,077.72	2,282.81	1,803.12
Sale Of Goods	-	-	-	-	-	-	-	-	-	-	(806.98)	(583.00)
Professional Services Rendered	-	-	-	-	-	-	-	-	-	-	3.00	-
Fund paid	-	-	-	-	(302.59)	-	-	-	(1.91)	(302.59)	(33.16)	-
Fund received	-	-	-	-	559.75	-	-	1,075.96	1,045.00	562.96	-	-
Dividend income	-	-	-	-	-	-	-	-	-	-	-	(12.43)
Expense incurred on behalf of Other	-	-	-	-	-	-	-	5.38	-	-	-	-
Remuneration	-	-	-	-	-	-	-	(1.50)	-	-	-	-
Loans/ICD taken	-	3,165.00	215.90	374.00	-	-	-	2,529.07	383.50	-	-	-
Loans/ICD given/repayment	-	(3,165.00)	(215.00)	(374.00)	-	-	-	(2,639.17)	(383.50)	-	-	-
Sale of fixed assets	-	-	-	-	-	-	-	(2.12)	-	-	-	-
Rent expense	-	8.00	48.00	48.00	-	-	-	48.00	48.00	48.00	-	-
Interest expense	-	-	-	2.47	-	-	-	13.85	2.74	2.60	-	-
Interest income	-	-	-	-	-	-	-	(59.18)	(29.47)	(57.32)	-	(30.91)
Balance outstanding as at the end	-	2.31	2.90	-	-	(27.16)	-	2.67	62.72	138.72	180.22	578.86

Particulars	Key management personal						Key management personal					
	Key Managerial Person						Renu Anand					
	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003
Remuneration	47.72	138.19	213.38	366.46	214.41	79.06	-	-	-	-	-	-
Rent expense	-	-	-	-	-	-	7.20	10.80	25.44	17.10	12.17	10.17
Interest expense	-	-	-	0.30	-	-	-	-	-	-	-	-

Particulars	Key management personal Total						
	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003	
Remuneration	47.72	138.19	181.61	341.05	214.41	79.06	
Rent expense	7.20	10.80	25.44	17.10	12.17	10.17	
Interest expense	-	-	-	0.30	-	-	

Particulars	Coventurers T & N Investments						Coventurers Teikoku Piston Rings					
	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003	30.06.2007	31.12.2006	31.03.2006	31.03.2005	31.03.2004	31.03.2003
Dividend Paid	14.70	14.70	29.40	47.00	-	-	14.70	14.70	29.40	47.00	-	-
Royalty Expense	-	-	-	-	-	-	49.09	63.07	106.78	86.75	73.50	53.00
Shareholding Balance outstanding as at the end	490.00	490.00	490.00	490.00	490.00	490.00	490.00	490.00	490.00	490.00	490.00	490.00

Annexure IV C : Restated Consolidated Summary statement of Cash Flows
Amount in Rs lakh

	For the six months ended	For the nine months ended	For the year ended	For the year ended	For the year ended	For the period ended
	June 30, 2007	December 31, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003
A. Cash flow from operating activities						
Profit before tax	528.51	(408.90)	(963.34)	3,033.15	2,207.05	1,738.86
Adjustments for:		-	-			
Depreciation and amortisation	2,201.01	3,106.38	3,722.33	2,949.92	2,540.86	1,552.64
Loss on sale / discard of fixed assets (net)	257.22	165.35	108.67	33.77	24.29	5.06
Provision for obsolescence of fixed assets		-	875.91	-	-	-
Loss on sale of trade investments		-	2.40	-	-	-
Provision for doubtful debts	36.83	5.36	19.72	-	-	-
Advances written off	13.11	69.10	19.27	-	-	-
Provision for diminution in the value of investments		-	10.00	-	-	-
Interest income	(177.89)	(61.05)	(97.15)	(93.56)	(136.95)	(415.97)
Share of losses in associate companies	119.11	-	85.41	168.63	-	-
Dividend income		-	-	118.37	(12.44)	(132.81)
Lease rent paid		-	-	-	43.88	48.82
Lease rentals net of lease adjustments		-	-	-	(53.59)	(80.64)
Interest expense	2,183.22	2,766.51	3,408.33	2,800.80	3,277.97	2,394.88
Reserve against Unrealised Profits on stock		-	-	(33.94)	89.89	(27.72)
		-	-			
Operating profit before working capital changes	5,161.12	5,642.75	7,191.55	8,977.15	7,980.96	5,083.12
Movements in working capital :		-	-			
Decrease / (Increase) in sundry debtors	(387.54)	(181.24)	2,133.38	133.18	1,591.47	(3,415.58)
Decrease / (Increase) in current assets	(116.40)	47.24	(21.62)	3.77	-	-
Decrease / (Increase) in inventories	(1,027.40)	235.47	(4,308.59)	(2,223.76)	(1,854.19)	708.62
Decrease / (Increase) loans and advances	12.69	448.35	382.77	(486.60)	23.02	(13.40)
Increase / (Decrease) in current liabilities	1,982.15	6,362.97	361.56	833.03	(1,076.43)	(500.83)
Cash generated from operations	5,624.62	12,555.54	5,739.05	7,236.77	6,664.83	1,861.94
Direct taxes paid (net of refunds)	(187.33)	(453.01)	(474.96)	(438.21)	(119.10)	53.52
Interest on income tax refund		-	-	22.02	27.28	29.64
Net cash from operating activities	5,437.29	12,102.53	5,264.09	6,820.58	6,573.01	1,945.10
			-			
B. Cash flows from investing activities						
Purchase of fixed assets/ Intangibles Assets	(4,475.43)	(6,597.99)	(4,654.63)	(7,518.73)	(4,219.11)	(2,401.07)
Proceeds from sale of fixed assets	11.35	923.24	(43.57)	62.83	839.84	708.34
Purchase of investments		-	(157.56)	(1,000.00)	-	(30.66)
Intercompany Deposits Placed		-	-	-	75.75	-
Sale / maturity of investments		(26.51)	654.18	1,823.49	44.59	-
Interest received	177.89	60.61	69.73	71.53	109.66	386.33
Dividends received		30.60	-	(118.37)	12.44	132.81
Net cash from investing activities	(4,286.19)	(5,610.05)	(4,131.85)	(6,679.25)	(3,136.83)	(1,204.25)
C. Cash flows from financing activities						
Proceeds from Issue of pref. Shares	-	-	-	-	(1,000.00)	3.06
Movement in borrowings	1,023.95	(3,749.35)	3,635.98	3,315.74	1,693.92	1,578.83
Repayment of Finance Lease		-	-	-	(43.88)	(48.82)

Liabilities						
Interest paid	(2,183.22)	(2,773.05)	(3,414.78)	(2,800.80)	(3,277.97)	(2,394.88)
Lease rentals received		-	-	-	0.92	1.83
Dividends paid		(60.00)	(1,070.30)	(852.68)	(628.35)	(252.88)
Tax on dividend paid		(8.42)	(147.87)	(114.08)	-	-
Net cash used in financing activities	(1,159.27)	(6,590.82)	(996.97)	(451.82)	(3,255.36)	(1,112.86)
Net increase in cash and cash equivalents (A + B + C)	(8.17)	(98.34)	135.27	(310.49)	180.83	(372.01)
Cash and cash equivalents at the beginning of the year	82.54	180.88	47.61	358.09	177.26	332.07
Cash and cash equivalents Taken over on amalgamation			-	-	-	217.20
Cash and cash equivalents at the end of the year	74.37	82.54	182.88	47.61	358.09	177.26
Components of cash and cash equivalents as at						
Cash and cheques on hand	2.59	4.67	11.38	6.95	57.16	65.12
With banks - on current account	71.78	77.87	171.50	40.66	300.82	112.03
Post office savings account	-	-	-	-	0.11	0.11
	74.37	82.54	182.88	47.61	358.09	177.26

ADDITIONAL FINANCIAL INFORMATION

UNSECURED LOANS AS ON SEPTEMBER 30, 2007

S. No.	Name of Lender	Amount (Rs. In Lakhs)	Interest Rate	Days	Received date	Maturity date
Commercial Papers						
1.	Canara Bank Trustee Company Limited	1000	6.80%	91	24 th July, 07	23 rd Oct, 07
2	Canara Bank Trustee Company Limited	1000	6.80%	91	27 th July, 07	26 th Oct, 07
3	UTI Mutual Fund	1000	7.35%	90	10 th September, 07	8 th Nov, 07
4	UTI Mutual Fund	1000	7.45%	91	13 th September, 07	12 th Nov, 07
Non-Convertible Debentures						
1	Jeevan Bima Sahayog Asset Management Company Limited – LIC Mutual Fund	4000	9.00%	364	9 th July 07	7 th July 08
2	DBS Chola Asset Management Company Limited	1000	8.50%	30	19 th Sept 07	19 th Oct 07
3	ABN Amro Asset Management (India) Limited	1500	9.10%	87	24 th Sept, 2007	20 th Dec 2007
4	JM Financial Trustee Company Private Limited	1500	9.10%	89	28 th Sept 2007	26 th Dec 2007

ADVANCE BY FMC FOR MALDEN

In the month of December, 2006, we have received an amount of USD 5,000,000 (USD Five Million) as advance from FMC on payment for export of goods to cater to the after-sales market in North America.

OUTSTANDING TO SMALL SCALE INDUSTRIES (SSIs) AS ON JUNE 30, 2007

Name of SSI Vendors	Amount(Rs)
Arun Gases Ltd.	62,338
A.K.S. Packaging Co. Pvt. Ltd.	208,797
Lotus Polymers Industries,	106,754
J.K. Old Dhoti Suppliers	175,000
Balaji Industries	213,247
Devaki Reinforced Plastics	312,338
Electronic & Engineering Services P	28,467
Giliyal Industries,	19,541
Halidon Industries	231,353
In-Com	373,188
Indian Industrial Clutches	20,011
Indome Appliance Co.,	44,338
Maruthi Machine Tools Pvt.Ltd.	142,008
Namitter Industries,	8,214
Perfect Industries (Automats)	201,336
Precision Engg. Accessories,	-5,748
R.V.S. Machine Tools,	321,581
Shilpa Latex Products,	9,281
Shree Pla Private Limited.,	129,186
Sujatha Hydraulics	124,237
Sumuka Packaging Industries	1,675,810
Sunikh Precision (P) Ltd.,	26,100
V.R.S. Graphite Electronics	66,857
Vaishnavi Packaging Pvt. Ltd.,	83,343
Dhawan Enterprise	344,111
Forace Polymers (P) Ltd.	327,240
Gurmeet Furniture House	71,322
Mahajan Packaging Industries	86,670
Navketan Fasteners Pvt Ltd	482,618
Patiala Packing Industries	58,811
Rajpal Industries,	208,161
Tinchem Enterprises.	944,814
Arti Spring & Rings Ind. (P) Ltd.	643,226
Bajaj Chemical Industries	494,294
Electro Ferro Alloys Pvt. Ltd.	214,644
Jai Suprabha Protective Products P.	6,215
Jyoti Enterprise	97,500
Perfect Springs Private Limited	574,183
Rachna Overseas Private Limited	18,392
S.V.Packaging	1,000,003
Star Circlips & Engineering Limited	53,724
United Technologists	407,510
Srb Machines Pvt. Ltd.	184,001
10,795,016	

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND THE RESULTS OF OPERATIONS

You should read the following discussion of our financial condition and results of operations together with our unconsolidated audited restated financial statements for the fiscal years ended March 31, 2003, 2004, 2005, 2006 December 31, 2006 (9 months) and period ended June 2007 (6 months) including the Schedules, Annexure and Notes thereto and the Reports thereon which appear in the section titled "Auditors Report and Financial Information" –beginning on page 178 of this Letter of Offer.

The aforesaid financial statements have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI DIP Guidelines as described in the Auditor's report of M/s S R Batliboi & Co., Chartered Accountants dated August 14, 2007 in the section titled "Auditors Report and Financial Information" – beginning on page 178 of this Letter of Offer .

Overview

We are an established auto component manufacturer focusing on pistons and piston rings. Our product ranges include a variety of pistons, piston rings, piston pins, cylinder liners, valve train and structural components, aluminum alloy cylinder blocks, heads and other miscellaneous automobile engine components.

We are part of Federal-Mogul Group, which is a global supplier of vehicular parts, components, modules and systems to customers in the automotive, small engine, heavy-duty and industrial markets. Our Company today is indirectly controlled by Federal-Mogul Corporation, USA who through two of its entities – Federal-Mogul Vermögensverwaltungs GmbH, Germany and Federal-Mogul Holdings Limited, Mauritius, holds the majority of the equity shareholding of our Company.

We believe we are the market leaders in India in the pistons and piston rings business, which are our key products contributing more than 90% of our net turnover for the fiscal 2006. Our product portfolio in the piston and piston rings segment covers almost the entire range of applications - from small engines for mopeds to large bore locomotives engines. We are also suppliers for piston and piston rings to the armed forces. In terms of range of engines from the type of fuel used, we cater to petrol, diesel, LPG and CNG segments.

We supply our products to most of the leading automobile manufacturers in India. While most of our business so far has been domestic, we are increasingly looking at exports to further expand our business opportunities.

We expect our relationship with Federal-Mogul Group to strengthen due to its acquisition of a majority of our shareholding, and to benefit from its world class business and manufacturing practices.

Our piston and piston rings range of products are sold under the brand name "Goetze", while our sintered products are sold under the brand name "Brico Goetze".

Our manufacturing facilities are located at Patiala, Bhiwadi and Bangalore. The Patiala and Bangalore plants are primarily engaged in the production of pistons and piston rings. The Bhiwadi plant focuses on sintered products.

Factors Affecting our Financial Results

Our business is subject to various risks and uncertainties, including those discussed in the section titled "Risk Factors" beginning on page 9 of this Letter of Offer.

Some of the important factors that have affected and we expect will continue to affect our results of operations, financial condition and cash flows are discussed in this section.

Health of the Automobile Industry

Our financial performance is very closely linked to the performance of the automobile industry, which is our primary market. Various factors impact the performance of the automobile industry – economic and industrial activity, road infrastructure, income levels, availability of vehicle finance & lending rates, oil and fuel prices etc. The automobile industry is also governed by various norms and regulations. Changes in these norms and regulations also have an impact on component manufacturers like us who have to modify their products to be in line with the revised regulations.

Raw Material Prices

Ours is a manufacturing industry and therefore our profitability and cost competitiveness are directly linked to the costs of our raw materials and other inputs as well as our ability to manage procurement at the optimum prices.

Availability of capital for capital expenditure

Ours is a capital intensive business and we need to constantly upgrade our plants and equipment to continue meeting the demands of our customers. We also need to add equipments for expansion and for balancing. Investments made in a certain technology might not give the commensurate results if the norms governing technology are reversed. Thus investment in research and development and the ability to modify products to meet the changing needs of customers is essential for survival and growth in the industry. Timely availability of adequate funding is important for us to meet our capital expenditure requirements. Further, any adverse movement of interest rates would add to our borrowing costs.

Working capital availability

We also have a relatively longer working capital cycle, wherein we are required to buy the bulk of our raw materials (aluminium, copper, silicon, nickel etc) in spot markets, where the payment is required to be either made in advance or against delivery while we have to accept credit periods ranging from 15 to 90 days from our customers. We therefore need to block a large part of funds into working capital and availability of bank funding is therefore critical. Further, any adverse movement of interest rates would add to our working capital costs.

Competition

The OEM business, wherein we supply pistons and piston rings, to vehicle and engine manufacturers, forms a significant portion (approximately 60 %) of our business. We have a limited set of customers, for whose business, all piston and piston ring manufacturers compete. As a result, we face intense competition and failure to retain our market share at profitable margins can result in erosion of margins and impact the results of our operations. Currently, the industry practice is not to have long term supply orders and therefore we have to quote for each order, as and when a letter of intent or an enquiry is floated.

In the aftermarket business, which is a relatively smaller market, we face intense competition from the unorganized sector, including cheaper imports. An important risk associated with the unorganized sector is that associated with sale of counterfeit products sold under the Company's brand name. It may have adverse effect on our credibility thereby damaging our goodwill.

Summary of Financial Results for the Past 5 Years containing significant items of Income & Expenditure

(Rs. In lakhs)

Particulars	Six months	Nine months	Twelve months	Twelve months	Twelve months	Nine months
	Period ended	period ended	period ended	period ended	period ended	period ended
	June 30, 2007	December 31, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003
INCOME						
Turnover	34,188.37	45,002.36	51,236.30	49,835.26	44,835.61	25,068.42
Less : Excise duty	4,551.69	6,261.26	6,689.17	6,554.22	5,737.37	3,076.50
Total	29,636.68	38,741.10	44,547.13	43,281.04	39,098.24	21,991.92
Job work income	439.33	526.18	839.53	397.18	381.48	139.15
Other Income	1,487.85	1,130.91	1,151.31	1,295.70	1,368.19	995.67
Total Income	31,563.86	40,398.19	46,537.97	44,973.92	40,847.91	23,126.74
EXPENDITURE						
Raw materials and components consumed	9,950.50	11,799.28	13,453.81	11,367.74	10,151.29	5,420.56
Personnel expenses	6,852.82	9,497.74	11,659.19	10,696.49	10,591.25	5,378.10
Operating and other expenses	11,248.73	14,315.84	19,747.67	15,322.25	13,162.80	7,137.94
Decrease/(increase) in inventories	(722.25)	886.63	(3,603.48)	(916.30)	(896.97)	(245.13)
Depreciation and amortization	2,022.73	2,819.65	3,417.02	2,674.05	2,401.01	1,464.45
Provision for impairment losses on assets held for sale		-	-	-	-	-
Increase of excise duty on finished goods	13.47	(286.94)	466.83	98.34	112.46	152.22
Financial expenses	2,119.98	2,613.34	3,567.55	3,252.29	3,583.42	2,591.33
Less: Expenditure capitalised for self constructed assets	188.96	248.87	604.92	220.05	212.35	75.88
Total Expenditure	31,297.02	41,396.67	48,103.67	42,274.81	38,892.91	21,823.59
Profit/(loss) before tax	266.84	(998.48)	(1,565.70)	2,699.11	1,955.00	1,303.15
Less: Provision for tax		-	(0.00)	254.67	162.94	118.34
Less: Deferred Tax charge/(credit)	(254.24)	(145.52)	1,124.83	645.50	616.98	198.76
Less: Fringe benefit tax	47.00	61.00	150.00	-	-	-
Net Profit/(Loss) for the year/period	474.08	(913.96)	(2,840.53)	1,798.94	1,175.08	986.05
Excess Provision of Income Tax for previous years written back		-				
Brought Forward (Loss) from previous period	(1,848.51)	(934.56)	(153.78)	(17.37)	482.23	2,134.08
Opening Retained earning adjustments arising from restatements	-	-	-	-	-	(1,870.09)
Transferred from Debenture redemption reserve		-		208.33	208.34	833.33
Amount available for appropriation, as restated	(1,374.43)	(1,848.50)	(2,994.31)	1,989.90	1,865.65	2,083.37

Revenues

Turnover

Turnover represents revenue generated from the sale of pistons, piston rings and sintered products to customers. The revenues generated are a factor of the quantity supplied and the rate at which we supply to our customers. The quantity and rates are based on purchase orders received from customers.

Job Work Income

Job work income accrues to us on account of job work carried out for our subsidiary.

Other income

Other income is mainly on account of interest in bank deposits, sale of scrap, cash discounts, dividend & commissions from subsidiaries and other miscellaneous income.

Costs

Raw Materials and Components Consumed

Raw materials and components consumed represent costs of raw materials such as aluminum, steel, copper, nickel, magnesium as well as other bought out components which are used in the manufacture of our products. Consumption costs are a function of the quantity of materials consumed depending on the type of automotive component manufactured by us and the prevailing costs of materials. Due to the regular increase in the prices of raw materials like aluminum, lubricants etc., the overall input costs are increasing. The metal costs are as quoted on the London Metal Exchange and no hedging is available on these fluctuations in the prices. This will affect our overall profitability as it is difficult to completely recover such costs, specially from the OEM customers. Further, even if we manage to obtain price escalation it may come after a time lag during which period, we have to fully absorb the increased costs. Increase input costs can be more easily passed on in the aftermarket segment, albeit this may reduce our cost competitiveness.

Personnel Expenses

Our employee emoluments apart from salaries and wages include contribution to provident and other funds, and staff welfare expenses. We also employ casual labour at our plants and a part of their wages is also part of the personnel expenses. We had 7,290 employees as on July 31, 2007, including casual employees. We do not foresee significant growth in our manpower strength in the future. As a part of cost reduction measures, we have periodic voluntary retirement schemes for our employees. We usually have long term (approximately four years) wage settlement agreement with the workmen, which also include productivity benchmarks. Officers and administrative staff have annual performance linked increments.

Operating and Other Expenses

Major components of these include consumption of stores & spares, power & fuel, rent, freight, insurance, advertising & sale promotion expenses, royalty, administrative and general expenses. We continuously make efforts to increase productivity, control wastage on account of scrap, reduce power & fuel expenses and other overheads.

Depreciation and amortisation

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

Financial expenses

Financial expenses are paid for debts / loans taken by the Company for working capital funding, short-term borrowings like commercial paper, debentures and long term loans. Because we have a predominance of short term borrowings in our debt portfolio, we are more exposed to the effects of interest rate changes.

Performance for the period from January 1, 2007 to June 30, 2007

Major Events from January 1, 2007 to June 30 2007

For details of major events during the period from January 1, 2007 to June 30 2007, refer the heading titled "Material Developments after June 30, 2007" in this section on page 263 of this Letter of Offer.

Turnover:

Turnover from January 1, 2007 to June 30 2007 was Rs. 34,188.37 lakhs.

Job work income:

Job work income from January 1, 2007 to June 30 2007 was Rs. 439.33 lakhs.

Other Income:

Other income from January 1, 2007 to June 30 2007 was Rs. 1,487.85 lakhs.

Raw Materials and components consumed:

Raw Materials and components consumed from January 1, 2007 to June 30 2007 was Rs. 9950.50 lakhs.

Personnel Expenses:

Personnel Expenses from January 1, 2007 to June 30 2007 was Rs. 6,852.82 lakhs.

Operating and other expenses :

Operating and other expenses from January 1, 2007 to June 30 2007 was Rs. 11,248.73 lakhs.

Depreciation & Amortisation:

Depreciation and amortisation from January 1, 2007 to June 30 2007 was Rs. 2,022.73 lakhs.

Financial expenses:

Financial expenses from January 1, 2007 to June 30, 2007 was Rs. 2,119.98 lakhs.

Performance for the financial year ended December 31, 2006 (9 months).

The financial year ended December 31, 2006 (9 months) results are not comparable to the previous financial year ended March 31, 2006, since the the periods differ.

Turnover:

Turnover for the financial year ended December 31, 2006 (9 months) was Rs. 45,002.36 lakhs.

Job work income:

Job work income for the financial year ended December 31, 2006 (9 months) was Rs. 526.18 lakhs.

Other Income:

Other income for the financial year ended December 31, 2006 (9 months) was Rs. 1,130.91 lakhs.

Raw Materials and components consumed:

Raw Materials and components consumed for the financial year ended December 31, 2006 (9 months) were Rs. 11,799.28 lakhs.

Personnel Expenses:

Personnel Expenses for the financial year ended December 31, 2006 (9 months) were Rs. 9,497.74 lakhs.

Operating and other expenses :

Operating and other expenses for the financial year ended December 31, 2006 (9 months) were Rs. 14,315.84 lakhs.

Depreciation & Amortisation:

Depreciation and amortisation for the financial year ended December 31, 2006 (9 months) were Rs. 2,819.65 lakhs.

Financial expenses:

Financial expenses for the financial year ended December 31, 2006 (9 months) were Rs. 2,613.34 lakhs.

Further, the significant increase in the Capital Work in Progress, Rs. 1,797.31 lakhs, as on December 31, 2006 as compared to Rs. 650.34 lakhs, as on March 31, 2006 was on account of delayed commissioning of a few machines.

Comparison of Performance and Analysis of Developments for the financial year ended March 31, 2006 vis-à-vis Financial year ended March 31, 2005

Turnover:

Turnover increased by 3% from Rs. 49,835.26 lakhs in fiscal 2005 to Rs. 51,236.30 lakhs in fiscal 2006. During the year the Company has recorded the sales on delivery to customer as against dispatch of sales. Due to this the gross sales are lower by Rs. 3,899.4 lakhs, loss is higher by Rs. 955.8 lakhs and inventory is higher by Rs. 2,943.6 lakhs. During fiscal 2006, there was a marginal decrease of 3% in pistons sales volume and 1.9% increase in piston rings sales volume, over fiscal 2005. Products for Euro III compliant engines are value added products and give us better price realizations.

Job work income:

Job work income increased by 111% from Rs. 397.18 lakhs in fiscal 2005 to Rs. 839.53 lakhs in fiscal 2006, primarily because we had increased the prices by more than 30 % and also on account of higher volumes of GTP.

Other Income:

Other income decreased by 12% from Rs. 1,295.70 lakhs in fiscal 2005 to Rs. 1,151.31 lakhs in fiscal 2006. This was because we were in receipt of interest on income tax refund during fiscal 2005 and arrears of preference dividend from subsidiary in fiscal 2005.

Raw Materials and components consumed:

Raw Materials and components consumed increased by 18% from Rs. 11,367.74 lakhs in fiscal 2005 to Rs. 13,453.81 lakhs in fiscal 2006, primarily reflecting the higher operating levels and our inability to pass on the full input increase in a timely manner to our customers.

Personnel Expenses:

Personnel Expenses increased by 9% from Rs. 10,696.49 lakhs in fiscal 2005 to Rs. 11,659.19 lakhs in fiscal 2006, primarily on account of annual increments.

Operating and other expenses :

Operating and other expenses increased by 29% from Rs.15,322.25 lakhs in fiscal 2005 to Rs. 19,747.67 lakhs in fiscal 2006, primarily reflecting increase in packing, freight, write off of impaired assets and investments, which are one time items.

Depreciation & Amortisation:

Depreciation and amortisation increased by 28% from Rs. 2,674.05 lakhs in fiscal 2005 to Rs. 3,417.02 lakhs in fiscal 2006, primarily on account of capital expenditure during the year and also increase in rate of depreciation on some items of plants & machinery.

Financial expenses:

Financial expenses increased by 10% from Rs. 3,252.29 lakhs in fiscal 2005 to Rs. 3,567.55 lakhs in fiscal 2006, because of marginal increase in the interest rates. The borrowing levels did not change significantly over the previous year.

Comparison of Performance and Analysis of Developments for the financial year ended March 31, 2005 vis-à-vis financial year ended March 31, 2004

Turnover:

Turnover increased by 11% from Rs. 44,835.61 lakhs in fiscal 2004 to Rs. 49,835.26 lakhs in fiscal 2005, primarily on account of increase in sale volume and also change in product mix. During fiscal 2005, the

piston sales volume went up by approximately 17% and that of piston rings by 5%, as compared to fiscal 2004.

Job work income:

Job work income increased marginally by 4% from Rs. 381.48 lakhs in fiscal 2004 to Rs. 397.18 lakhs in fiscal 2005.

Other Income:

Other income decreased by 5% from Rs. 1,368.19 lakhs in fiscal 2004 to Rs. 1,295.70 lakhs in fiscal 2005, primarily because in fiscal 2004 there was a one time income of approx Rs. 320 lakhs on account of exchange rate fluctuations.

Raw Materials and components consumed:

This increased by 12% from Rs. 10,151.29 lakhs in fiscal 2004 to Rs. 11,367.74 lakhs in fiscal 2005, on account of increased sales volume and the product mix.

Personnel expenses

This increased by 1% from Rs. 10,591.25 lakhs in fiscal 2004 to Rs. 10,696.49 lakhs in fiscal 2005, primarily reflecting the annual increments.

Operating and other expenses

This increased by 16% from Rs. 13,162.8 lakhs in fiscal 2004 to Rs. 15,322.25 lakhs in fiscal 2005, primarily reflecting the increased sales volume, increase in royalty and exchange rate fluctuations.

Depreciation and amortization:

Depreciation and amortisation increased by 11% from Rs. 2,401.01 lakhs in fiscal 2004 to Rs. 2,674.05 lakhs in fiscal 2005, primarily reflecting the additional capital expenditure.

Financial expenses:

Financial expenses decreased by 9% from Rs. 3,583.42 lakhs in fiscal 2004 to Rs. 3,252.29 lakhs in fiscal 2005, due to a reduction in the overall cost of borrowing, in spite of increase in the borrowing levels.

Performance for the financial year ended March 31, 2004.

The financial year ended March 31, 2004 results are not comparable to the previous financial year ended March 31, 2003 (9 months), since the periods differ.

Turnover:

Turnover from the financial year ended March 31, 2004 was Rs. 44,835.61 lakhs.

Job work income:

Job work income from the financial year ended March 31, 2004 was Rs. 381.48 lakhs.

Other Income:

Other income from the financial year ended March 31, 2004 was Rs. 1,368.19 lakhs.

Raw Materials and components consumed:

Raw Materials and components consumed from the financial year ended March 31, 2004 was Rs. 10,151.29 lakhs.

Personnel Expenses:

Personnel Expenses from the financial year ended March 31, 2004 was Rs. 10,591.25 lakhs.

Operating and other expenses :

Operating and other expenses from the financial year ended March 31, 2004 was Rs. 13,162.80 lakhs.

Depreciation & Amortisation:

Depreciation and amortisation from the financial year ended March 31, 2004 was Rs. 2,401.01 lakhs.

Financial expenses:

Financial expenses increased from the financial year ended March 31, 2004 was Rs. 3,583.42 lakhs.

Significant Accounting Policies

a) Basis of preparation

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention and on an accrual basis. The accounting policies followed by the Company are consistent with those used in previous year.

b) Tangible assets and depreciation

- a) Fixed assets are stated at cost less accumulated depreciation less impairment if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use i.e. freight duties, taxes and other incidental expenses excluding Cenvat in so far as this is available for set off against excise duty.

Depreciation

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

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

- c) Assets above include those acquired from Escorts Mahle Limited.
d) Plant and Machinery also includes self constructed machinery.
e) Amounts 'added to' / 'deducted from' fixed assets on account of foreign currency fluctuations are considered as additions / deductions of the year in which such fluctuations occur and depreciation thereon is provided /adjusted prospectively from the date the related assets have been put to use.
f) Depreciation on the amount of adjustment to fixed assets on account of capitalisation of insurance spares is provided over the remaining useful life of related assets.
g) All assets costing upto Rs 5,000 are fully depreciated in the year of purchase.

c) Impairment

Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the income statement for items of fixed assets carried at cost. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtained from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset, from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if not possible, for the cash generating unit.

Impairment loss recognized for an asset in earlier accounting periods is reversed, to the extent of its recoverable amount, if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized.

d) Intangible assets

Intangible assets are stated at cost less impairment if any. Cost comprises the purchase price and other directly attributable costs.

Acquired design and drawings are valued at cost less accumulated amortization and any impairment losses. These are amortized equally over a period of 5 years.

Software is amortized over a period of 5 years.

e) Leases

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

f) Investments

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

g) Inventories

Inventories are valued as follows:

Raw materials, components, stores and spares and bought out tools.	Lower of cost and net realizable value. Cost represents purchase price and other direct costs and is determined on a moving weighted average cost basis.
Constructed Tools	Lower of cost and net realizable value. Cost represents purchase price and other direct costs and is determined on a moving weighted average cost basis.
Work-in-progress, finished and trading goods.	At cost or net realizable value, whichever is lower. Cost for this purpose includes material, labour and appropriate allocation of overheads. Excise duty on stock lying with Company is added to the cost of the finished goods inventory.
Reusable scrap	At net realisable value.

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

h) Revenue recognition

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

a) Sale of Goods:

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

b) Job work:

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

c) Interest:

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

d) Dividends:

Dividend income is recognised when the shareholders' right to receive payment is established.

e) Commission:

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

f) Export benefits/incentives:

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

g) Management fee:

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

i) Foreign currency transactions

(i) Initial recognition

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

(ii) Conversion

Foreign currency monetary items are reported using the closing rate.

(iii) Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise except where they related to acquisition of fixed assets, from outside India, in which case they are adjusted to the cost of the fixed asset.

(iv) Forward exchange contracts

In respect of forward exchange contracts entered into by the Company, the difference between the contracted rate and the rate at the date of transaction is recognized as gain or loss over the period of the contract except for difference in respect of liabilities incurred for acquiring fixed assets from a country outside India, in which case such difference is adjusted in the carrying amount of the respective fixed assets. Exchange differences arising on forward contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any gain or loss arising on cancellation or renewal of forward exchange contract is recognized as income or as expense for the year, except gain or loss on transactions relating to fixed assets acquired from a country outside India, which is adjusted to the carrying amount of respective fixed assets.

j) Retirement and other employee benefits

i) Provident fund contributions are charged to profit and loss account, when contributions paid/payable are due to "Goetze India Limited Provident Fund Trust", administered by the trustees and to the Regional Provident Fund Commissioners,

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

iii) Liability for leave encashment is determined on the basis of Company policy and recorded on the basis of valuation by an independent actuary at the end of the financial year.

iv) Superannuation Benefit

The Company has superannuation obligations under two separate schemes, administered with Life Insurance Corporation of India (LIC). Liability towards the defined benefit scheme is determined by an independent actuary and shortfall when compared against the contributions made is provided. Contributions to the defined contribution scheme are charged to profit and loss account when contributions paid/ payable are due to such fund.

k) Income taxes

Tax expense comprises of current, deferred and fringe benefit tax.

Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act.

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Virtual certainty tests are applied to entire deferred tax assets in case of unabsorbed losses and depreciation.

l) Earnings per share

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

m) Provisions

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

n) Segmental information

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

Material Developments after June 30, 2007

There have been no material developments after the date of the last balance sheet, i.e. June 30, 2007.

Opportunities and capex requirements

The Company sees business opportunity due to introduction of Euro III norms for engines. The emission norms have become more stringent and adherence to Euro III norms for new vehicle registrations have been made compulsory in most parts of India. Euro III norms require technically superior engine components including higher strength pistons for diesel engines. To meet these enhanced technical requirements and potentially higher demand, we have plans to upgrade some of the machinery at our plants at Bangalore and Patiala. We also intend to increase the existing capacity at our plants at Bangalore and Patiala.

Another business opportunity for us is in the aftermarket business segment of North America. During the twelve months ended December 2005, total aftermarket sales of cast and forged pistons, by FMC, for North America was approximately USD 21 million and were USD 28 million for the eleven months ended November 2006. Considering the low production cost in India and the easy availability of skilled manpower, FMC has decided to shift much of its manufacturing of cast and forged pistons for its aftermarket business for North America to India. The products manufactured will be exported to FMC for sales in the North American market. To manufacture these products, we have purchased from FMC used equipment formerly located at its Malden, Missouri facility (the "Malden Equipment"), which has been closed. Part of the Malden Equipment has already been shifted to our plant at Patiala. The entire process of transferring the Malden Equipment has been completed. The average age of these machines is around 10 years and the residual life is at least 10 years.

We will continue to incur periodic capex for improvements in the manufacturing processes and for improving quality, safety and pollution control.

Considering the above, our Board of Directors in its meeting held on July 31, 2006 passed a resolution approving capital expenditure budget of Rs.8,680 lakhs, for the accounting period April 2006 - December 2006. We have already incurred Rs 5,163.47 lakhs for the capital expenditure upto December 31, 2006 and the balance would be incurred in the next calendar year. We anticipate that our total capital expenditure upto December 2007 would be approximately Rs.12,500 lakhs, including the above capital expenditure. The proposed capital expenditure is primarily to be incurred for purchase of machineries, some of which have been procured from / are to be provided by companies belonging to the Federal-Mogul Group worldwide.

Other than as stated herein our directors hereby state that in their opinion there is no material development after the date of the last financial statements disclosed in this Letter of Offer which is likely to materially and adversely affect or is likely to affect our trading or profitability of our Company or the value of our assets, or our ability to pay our liabilities within the next twelve months.

Information required as per clause 6.10.5.5(a) of the SEBI Guidelines:

Unusual or infrequent events or transactions:

There have been no unusual or infrequent transactions that have taken place during the last three years, other than those mentioned in the section titled "Management's Discussion and Analysis of Financial Conditions and Results of Operations" on page 253 of the Letter of Offer and "Our History and Main Objects" on page 89 of the Letter of Offer.

Significant economic changes that materially affected or are likely to affect income from continuing operations:

Government policies governing the sector in which we operate or in sectors in which our clients operate as well as the overall growth of the Indian economy have a significant bearing on our operations. Major changes in these factors can significantly impact income from continuing operations.

Except as detailed in the preceding paragraph and as described in the section titled "Risk Factors" beginning on page 9 and "Management's Discussion and Analysis of Financial Conditions and Results of Operations" beginning on page 253 of this Letter of Offer, there are no known factors that will have a material adverse impact on our operations, our income from continuing operations and our finances.

Known trends or uncertainties

- Decreasing aftermarket sales - people preferring newer vehicles as replacements: Because of the newer models of vehicles introduced, easy availability of finance and increase in the income levels, people now prefer to have new vehicles rather than go for replacements. Accordingly, demand for our products in the aftermarkets may be impacted.
- Outsourcing to India: The low cost of labour, availability of well trained manpower when compared with its peers in low cost manufacturing countries, has encouraged foreign vehicle manufacturers to increase sourcing of automotive components and automobiles from India.
- Rising inputs costs and inability to pass on the full costs in view of customer resistance and competition.
- Impact of Free Trade Agreements: Indian Government is entering into Free Trade Agreements with neighbouring countries under which tariffs are expected to progressively come down and this may also include products manufactured by us. This may result in increased competition which could result in a decrease in our turnover and/ or pressure on our margins. Similarly, easy availability of counterfeit products in the domestic markets may impact our turnover and / or our margins.

Apart from the risks as disclosed in the section titled "Risk factors" beginning on page 9 of this Letter of Offer, there are no other known trends or uncertainties that have had or are expected to have a material adverse impact on revenue or income from continuing operations.

The extent to which material increases in net sales or revenue are due to increased sales volume, introduction of new products or services or increased sales prices:

Changes in revenues during the last 3 years are as explained above under the paragraph "Comparison of Performance and Analysis of Developments for the financial year ended March 31, 2006 vis-à-vis financial

year ended March 31, 2005” and “Comparison of Performance and Analysis of Developments for the financial year ended March 31, 2005 vis-à-vis financial year ended March 31, 2004”.

Future relationship between costs and revenues

Except as discussed in this section there are no known relationships between our costs and revenues. However, on account of the competition in the industry, if there are any unforeseen changes in input costs, we might not be able to pass on the same to our customers which may result in a change in future relationships between costs and revenues.

Total turnover of each major Industry segment in which we operate

Relevant published data, as available, for the industry has been included in the section entitled “Our Industry” beginning on page 82 of this Letter of Offer.

Status of any publicly announced new products or business segment:

We have not announced any new products or business segment other than those disclosed under paragraph “Material Developments after June 30, 2007” in the section titled “Management’s Discussion and Analysis of Financial Conditions and Results of Operations” in the Letter of Offer.

The extent to which business is seasonal:

A marginal element of seasonality is observed which can be attributed to the seasonality of the automobile industry, which is the key customer segment for us. Typically the sales of two wheelers peak during the festive season (October to December) while the sales for tractors increase during the monsoon season. Increased sales of goods & passenger vehicles are observed closer to September & March and also during the festive season.

Any significant dependence on a single or few suppliers or customers:

Customer and supplier concentration for our business has been disclosed under the section titled “Risk factors” in this Letter of Offer.

Competitive conditions:

Competitive conditions are as described under the section titled “Our Industry” section and under the section titled “Risk Factors” in this Letter of Offer.

Our business is subject to severe competition. Some of the factors that are critical for success in our business include:

- **Technical capabilities:** Keeping abreast with technological changes in the industry and investing in new technology are essential to meeting the ever changing requirements of customers.
- **Support from the collaborators:** Federal-Mogul is our collaborator and also the promoter. FM is a world leader in the piston and piston rings business. We benefit from their technical support and also the brand name.
- **Past track record of execution capabilities:** To be eligible for fresh orders, having a strong track record of orders executed in a timely manner and adherence to quality standards become key criteria for selection.

SECTION VI: LEGAL AND OTHER INFORMATION OUTSTANDING LITIGATIONS & DEFAULTS

Subject to the limitations set out below, there are no outstanding litigations, suits, criminal or civil prosecutions, proceedings or tax liabilities against our Company, our Directors, our Promoters, our Promoter Group companies and subsidiaries and there are no defaults, non payment of statutory dues, over-dues to banks/financial institutions, defaults against banks/financial institutions, rollover/re-scheduling of loans or any other liability, defaults in dues payable to holders of any debenture, bonds and fixed deposits and arrears of preference shares issued by the Company, defaults in creation of full security as per terms of issue/other liabilities, proceedings initiated for economic/civil/any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (l) of Part 1 of Schedule XIII of the Companies Act) other than unclaimed liabilities of the Company and no disciplinary action has been taken by SEBI or any stock exchanges against the Company, our Promoters or Directors, our Promoter Group companies and subsidiaries. Except as stated below, there have not been any litigation proceedings, claims or actions instituted against our Company, Directors or Promoters, our Promoter Group companies and subsidiaries.

With respect to litigations concerning our Promoter FMC, such information has been disclosed as is required in accordance with US GAAP SFAS No.5, Commitments and Contingencies.

We have specifically mentioned when provisions have been made for the liability that may arise in various litigations against the Company. We have not made provision for the majority of the liability that may arise in respect of litigations against the Company.

Litigations/Claims/Notices instituted against our Company

I. Civil Proceedings

- (a) Shriram Pistons & Rings Limited had instituted a recovery suit bearing number 104 of 2004 before the Additional District Judge, Tis Hazari Courts, New Delhi in April, 2004 against Mr. Yogesh Choudhary, an employee of our Company who had earlier worked for Shriram Pistons & Rings Limited. The suit pertains to recovery of damages for breach of Secrecy clause and termination of the service agreement between Mr. Choudhary and Shriram Pistons & Rings Limited. Shriram Pistons & Rings Limited had claimed a sum of Rs. 339,807 in damages along with 18% interest p.a. from the date of filing of suit till realization of amount. While the suit was successfully defended before the Additional District Judge, Tis Hazari Courts, Shriram Pistons & Rings Limited has filed an appeal bearing number 508 of 2005 in August, 2005 against the order dated April 6, 2005 of the Additional District Judge, Tis Hazari Courts before the Delhi High Court. The said Appeal has been admitted to regular hearing and is pending. It may be noted that although the case has been filed in the name of the employee, pursuant to an oral understanding between the Company and Mr. Chaudhary, liability, if any, that arises would be that of our Company.
- (b) Shriram Pistons & Rings Limited had instituted a recovery suit bearing number 103 of 2004 before the Additional District Judge, Tis Hazari Courts, New Delhi in April, 2004 against Mr. D. Sampath Kumar, an employee of our Company who had earlier worked for Shriram Pistons & Rings Limited. The suit pertains to recovery of damages for breach of Secrecy clause and termination of the service agreement between Mr. Kumar and Shriram Pistons & Rings Limited. Shriram Pistons & Rings Limited had claimed a sum of Rs. 358,131 in damages along with 18% interest p.a. from the date of filing of suit till realization of amount. While the suit was successfully defended before the Additional District Judge, Tis Hazari Courts, New Delhi, Shriram Pistons & Rings Limited has filed an appeal bearing number 510 of 2005 against the order of the Additional District Judge, Tis Hazari Courts dated April 6, 2005 before the Delhi High Court. The said Appeal has been admitted to regular hearing and is pending. It may be noted that although the case has been filed in the name of the employee, pursuant to an oral understanding between the Company and Mr. Kumar, liability, if any, that arises would be that of our Company.
- (c) Space 2000 S.P.A. has filed a suit bearing number 37 of 1999 before the Delhi High Court in April, 1999 against our Company alleging that the leather goods supplied by our Company were defective. Space 2000 S.P.A. has claimed Rs. 6,091,134 along with 24% interest p.a. from the date of payment in the year 1995 till the date of realization. The matter is currently pending before the Delhi High Court.
- (d) Mr. Anil Kumar Singh, an employee of the Company has filed a suit bearing number ESIC-88/05 before Senior Civil Judge, Tis Hazari Courts, New Delhi in September, 2005 against our Company. Mr. Singh was permanently disabled in an accident and thereafter claimed the permanent disabled

benefit from our Company. Our Company has granted the benefit to Mr. Singh from the date of his application to the Company, however, Mr. Singh has claimed the benefit from the date of his accident. Mr. Singh has also claimed recovery of the amount of Rs. 2000 per month being deducted from his salary from September, 2003 along with a disablement benefit at a higher rate than actually given to him. The matter is currently pending before the Senior Civil Judge, Tis Hazari Courts, New Delhi.

- (e) Mr. Y R Mehta, a former employee of our Company has filed a civil suit bearing no. 211 of 1999 before the Civil Judge, Tis Hazari Courts, Delhi in August, 1999 against our Company on the grounds that the voluntary retirement scheme as applied for was not granted by our Company in addition to his services being terminated illegally. Mr. Mehta has also alleged that our Company has deducted an excess amount of Rs. 20,000 towards an outstanding car loan while settling his accounts. Mr. Mehta has claimed a sum of Rs. 20,000 along with interest thereon at the rate of 18% in damages. The matter is currently pending before the Civil Judge, Tis Hazari Courts, New Delhi.
- (f) M/s. Maheshwari Bros. instituted a civil suit bearing number 7 of 1998 before the Civil Judge, District Court, Bhawani Mandi, Rajasthan in November, 1998 against our Company pursuant to a dispute that arose between the parties in relation to purchase of soyabean seeds. The District Court decreed the suit against our Company vide its order dated August 13, 2003 and passed a decree in favour of M/s Maheshwari Bros. for a sum of Rs. 27,142 along with 10% interest from the date of filing of suit till the date of realization of amount. The matter was transferred to Senior Civil Judge, Tis Hazari Courts, New Delhi for execution and the Company has paid the decreed amount of Rs. 27,142 along with 10% interest to M/s Maheshwari Bros. M/s Maheshwari Bros. have filed an appeal no. CA – 22 of 2004 before the Additional District Judge, Jhalawar, Rajasthan in October, 2004 praying for a decree of Rs. 49,641 being the full amount claimed by them in the suit. Our Company has also filed an appeal before the said court in September, 2003, seeking a cancellation of the decree passed by the lower court. The matter is currently pending before the Additional District Judge, Jhalawar Rajasthan.
- (g) Escorts & Goetze Labourers Hitarakshana Horata Sangha has filed a Civil Writ Petition No. 12888 of 2006 (L-RES) under Article 226 of the Constitution of India before the Karnataka High Court in October, 2006 against our Company. A dispute Ref. No. 1/1993 was raised regarding regularization of 1200 contractual workmen. The said dispute was referred to the Labour Court, Bangalore by an Order bearing No. SWC-343-LID-92 dated December 26, 1992. A settlement was reached and it was decided under settlement to regularize only 100 contractual workmen. Some of the aggrieved workmen have alleged that the settlement was unauthorized and was done without the knowledge of the all involved workmen and got a new Union registered and filed a petition before Deputy Labour Commissioner & Conciliation Officer, Bangalore for the reinstatement of terminated 385 contractual workmen from the date on which 100 workmen were reinstated. The Labour Court vide its order Ref. No. 83/97 dated July 21, 2005 rejected the reference. The Petitioner has now filed the Writ Petition before Karnataka High Court and the matter is pending before it.

II. Labour Proceedings

Employee related claims

Mr. Aman Kumar filed a petition no. 19 of 2003 before the Second Labour Court, Kolkata in April, 2003 against the erstwhile Escorts Pistons Limited (since merged with our Company) for termination of services by Escorts Pistons Limited. Mr. Kumar was employed as senior sales and marketing executive and his services were terminated on grounds of unsatisfactory performance. The petitioner has prayed for a reinstatement of services with full back wages from the date of termination viz. February 4, 2002 till the date of passing of Order. The matter is currently pending before the Second Labour Court, Kolkata.

Labour matters related to our Bangalore plant

With respect to our plant at Bangalore, there are approximately sixteen (16) cases relating to different labour matters that are pending before various forums for amounts aggregating to approximately Rs. 7,600,000.

There are also six (6) cases pending in respect of employees' state insurance contributions being claimed by the employees' state insurance authorities before various forums for an amount aggregating approximately Rs. 1,901,235 . This amount excludes statutory interest of 15% and penalty of 25% which may be imposed in cases of delayed payment which may be payable should the Company lose the cases.

Labour matters related to our Bhiwadi plant

A matter involving the termination of one Mr. Mahavir Prasad is currently pending before the Labour Court, Alwar. The matter arose as a result of the dismissal of Mr. Prasad by the Company, which was challenged by Mr. Prasad. Since conciliation was not possible the matter was referred to the Additional Labour Commissioner who referred the matter to the Labour Court, Alwar. Mr. Prasad raised a demand on the Company of Rs. 200,000 at the time of conciliation at Joint Labour Commissioner Alwar, as full and final settlement for all his dues.

Labour matters related to our Patiala plant

With respect to our plant at Patiala, there are approximately twenty eight (28) cases relating to various labour matters which pending before various forums, the liability in respect of which cannot be quantified.

There are also five (5) cases pending in respect of employees' state insurance contributions being claimed by the employees' state insurance authorities, one of the cases is pending before the Supreme Court, for an amount aggregating approximately Rs. 2,267,797. This amount is inclusive of interest amounting to Rs. 1,230,100.

All liabilities that may arise against the Company in relation to the above mentioned labour disputes have been captured under the head "contingent liabilities" in our financial statements.

III. Statutory proceedings

Excise Matters

- (a) We have received a demand notice from the Superintendent Central Excise, Patiala dated August 28, 1998 bearing number GL/3/IAD/GIL/2/98/135 for a sum of Rs. 696,681, in respect of a dispute in the classification of light metal cylinder casting. Our Company has filed a reply dated November 2, 1998 to the said notice. The proceedings in this matter are currently pending before the Assistant Commissioner Central Excise, Patiala for personal hearing.
- (b) Our availment of MODVAT credit on a Bill of Entry amounting to Rs. 118,457 was rejected by the Superintendent of Central Excise Patiala vide its order no V-MOD (30) 38/T.II/92/4088 dated 14.06.1995. We filed an appeal before Commissioner (Appeals), Chandigarh against the aforesaid order of Superintendent Central Excise Patiala, which was rejected. We filed an appeal before CESTAT against the order of Commissioner (Appeals), Chandigarh. CESTAT vide its final order No A/974/2000 NB (SM) dated May 12, 2000 remanded back the matter to the adjudicating authority. The proceedings in the matter are currently pending before the Assistant Commissioner of Central Excise, Patiala.
- (c) The erstwhile Escorts Pistons Limited (since merged with our Company) received a demand notice dated August 3, 1995 bearing number IV (HQRS) PREV/12/61/95/1393 from the Additional Commissioner (Preventive), Chandigarh in respect of MODVAT credits availed on disputed inputs and capital goods like foundry chemicals, machinery spares, electrical spares, motors etc for the period January, 1995 to June, 1995. The amount demanded by Additional Commissioner (Preventive), Chandigarh was a sum of Rs. 96,462. Escorts Pistons Limited filed a reply dated October 7, 1995 to the said notice. The proceedings in this matter are currently pending before the Assistant Commissioner Central Excise for personal hearing.
- (d) The erstwhile Escorts Pistons Limited (since merged with our Company) received a demand notice dated August 1, 1997 bearing number CE/20/DEMAND/ESCORTS/96-97/1386 from the Superintendent Central Excise, Patiala in respect of MODVAT credits availed on disputed inputs and capital goods like foundry chemicals, machinery spares, electrical spares, motors etc for the period January 1997 to March 1997. The amount demanded by Superintendent Central Excise, Patiala was a sum of Rs. 184,409. Escorts Pistons Limited filed a reply dated September 29, 1997 to the said notice. The proceedings in this matter are currently pending before the Assistant Commissioner Central Excise for personal hearing.
- (e) Our Company received a demand notice dated June 24, 2005 bearing number V(15)SCN/99/05/454 from the Joint Commissioner Central Excise, Chandigarh in respect of demand of interest on special additional duty during the period 2000 – 2001. Our Company filed a reply to the said notice on July 6, 2005. The amount claimed in the said notice is a sum of Rs. 937,338. Personal hearing in the

matter was held before the Joint Commissioner Central Excise Chandigarh. An order in the said matter is currently awaited.

- (f) The erstwhile Escorts Pistons Limited (since merged with our Company) received a demand notice dated September 8, 1998 bearing number CE-5/DEMAND/ESCORTS/1/PTL/96/169 from the Superintendent Central Excise, Patiala in respect of MODVAT credits availed on inputs like foundry chemicals for the period April, 1998 to July, 1998. The amount demanded by Superintendent Central Excise, Patiala was a sum of Rs. 80,406. Escorts Pistons Limited filed a reply dated September 24, 1998 to the said notice. The proceedings in this matter are currently pending before the Assistant Commissioner Central Excise for personal hearing.
- (g) The erstwhile Escorts Pistons Limited (since merged with our Company) received a demand notice dated July 4, 2002 bearing number CE-13/PREV/ESC/6/2002/2302 from the Assistant Commissioner, Patiala in respect of demand on sale of various types of scraps such as M.S. Scraps, PVC Sheets, empty drums, iron hoop etc for the period of June, 1997 to March, 2001. The amount demanded by Assistant Commissioner, Patiala was a sum of Rs. 332,920. Escorts Pistons Limited filed a reply dated September 14, 2002 to the said notice. The proceedings in this matter are currently pending before the Additional Commissioner (Preventive), Chandigarh for personal hearing.
- (h) The erstwhile Escorts Pistons Limited (since merged with our Company) received three (3) demand notices in the year 1996 for amounts aggregating Rs. 902,552.94 in respect of MODVAT credits availed on account of capital goods and inputs. All of these notices were adjudicated by vide adjudication order nos. 101/D/CE/AC/PTA/2000 dated June 9, 2000 wherein a sum of Rs. 136,946.55 was confirmed and the balance demand amount of Rs. 765,606.39 was vacated. Further, the Commissioner (Appeals) vide its order dated April 30, 2003 bearing number 328/CE/CHD/2003 allowed us a further credit of Rs. 121,433.55 in respect of the amounts demanded by the excise authorities. The Excise Authorities filed an appeal before the CESTAT on July 29, 2003 against the order of the Commissioner (Appeals). CESTAT vide its order dated March 10, 2004 bearing number – A/709/04-NB/SM has remanded the matter back to the adjudicating authority where this matter is currently pending.
- (i) Our Company has received a demand notice dated March 18, 2005 bearing number V(STC)SCN/1/2005/171-73 from the Deputy Commissioner Central Excise, Patiala in respect of payment of service tax on royalty and technical know how for the period 1999 – 2003. The amount being claimed in the notice is a sum of Rs. 2,316,335. Our Company filed a reply dated May 12, 2005 to the said notice. Personal hearing for the matter was held before the Additional Commissioner (P&V) Chandigarh. The order in relation to the matter is awaited.
- (j) Our Company has received a demand notice dated December 6, 2005 bearing number V(15)/SCN/ADC/P&A/12/05/2002 from the Deputy Commissioner, Patiala in respect of payment of service tax on royalty and technical know how for the period 2004-2005. The amount being claimed in the notice is a sum of Rs. 1,679,082. Our Company filed a reply dated January 12, 2006 to the said notice. The proceedings are currently pending before the Additional Commissioner, Central Excise, Chandigarh.
- (k) We have received a demand notice dated March 24, 2006 bearing number V(Ch.84)D/24/2005/371 from the Deputy Commissioner, Patiala in respect of clearance of reprocessed goods without payment of excise duty for the period April, 2005 to December, 2005. The amount being claimed in the notice is a sum of Rs. 132,019. Our Company has filed a reply dated April 18, 2006 to the said notice. Personal hearing for the matter was held before the Joint Commissioner Central Excise, Chandigarh. The order in this matter is currently awaited.
- (l) We have received a demand notice dated May 4, 2006 bearing number V(15)SCN/JC/19/05/1983 from the Joint Commissioner Central Excise, Patiala in respect of clearance of reprocessed goods without payment of duty for the period 2004 - 2005. The amount being claimed in the notice is a sum of Rs. 588,069. Our Company has filed a reply dated May 31, 2006 to the said notice. Personal hearing for the matter was held before the Joint Commissioner Central Excise, Chandigarh. The order in this matter is currently awaited.
- (m) Commissioner, Central Excise, Chandigarh has filed an appeal bearing no. E/1880-81/05/NB/A dated June 20, 2005 before CESTAT against the order no. 67/CE/CHD/2005 dated February 28, 2005 passed by the Commissioner (Appeals), Chandigarh. The dispute was relating to finalisation of Provisional Assessment on account of Turn Over Discount for the period 2003-04. The amount

being involved in the matter is Rs. 6,172,599. Our Company has already deposited an amount of Rs 1,829,376 on June 2, 2004. The matter is currently pending before CESTAT for personal hearing.

- (n) Commissioner, Central Excise, Chandigarh has filed an appeal bearing no. E/1877/05/EX dated November 25, 2005 before CESTAT against the order no. 63-66/CE/CHD/2005 dated February 28, 2005 passed by the Commissioner (Appeals), Chandigarh. The dispute was relating to finalisation of Provisional Assessment on account of Turn Over Discount for the period 2002-03. The amount being involved in the matter is Rs. 1,775,618. However, Our Company has claimed a refund of Rs. 45,832 /- which has not been received by us. The matter is currently pending before CESTAT.
- (o) Commissioner, Central Excise, Chandigarh has filed an appeal bearing no. E/1878/05/EX dated November 25, 2005 before CESTAT against the order no.63-66/CE/CHD/2005 dated February 28, 2005 passed by the Commissioner (Appeals), Chandigarh. The dispute was relating to finalisation of Provisional Assessment on account of Turn Over Discount for the period 2002-03. The amount being involved in the matter is Rs. 1,835,873. Our Company has already deposited an amount of Rs. 177,150/- on July 26, 2005. The matter is currently pending before CESTAT.
- (p) Commissioner, Central Excise, Chandigarh has filed an appeal bearing no. E/1876/05/EX dated November 25,2005 before CESTAT against the order no.63-66/ CE/CHD/2005 dated February 28,2005 passed by the Commissioner (Appeals), Chandigarh. The dispute was relating to finalisation of Provisional Assessment on account of Turn Over Discount for the period 2001-02. The amount being involved in the matter is Rs. 1,304,107 plus an equal amount of penalty and Interest. The matter is currently pending before CESTAT.
- (q) Commissioner, Central Excise, Chandigarh has filed an appeal bearing no. E/1879/05/EX dated November 25, 2005 before CESTAT against the order no. 63-66/CE/CHD/2005 dated February 28 2005 passed by the Commissioner (Appeals), Chandigarh. The dispute was relating to finalisation of Provisional Assessment on account of Turn Over Discount for the period 2001-02. The amount being involved in the matter is Rs. 1,197,907 plus an equal amount of penalty and Interest. The matter is currently pending before CESTAT.
- (r) Commissioner, Central Excise, Chandigarh has filed an appeal bearing no. E/1640/06/EX dated September 12, 2006 before CESTAT against the order no. 14/CE/CHD/06 dated February 17, 2006 passed by the Commissioner (Appeals), Chandigarh. The dispute was relating to finalisation of Provisional Assessment on account of Turn Over Discount for the period 2004-05. The amount being involved in the matter is Rs. 4,517,878. Our Company has already deposited an amount of Rs. 105,551 on May 17, 2005. The matter is currently pending before CESTAT.
- (s) On October 5, 1999, the CESTAT, Chandigarh vide order no. R/21/99-NB(DB) referred on a point of law a dispute regarding the availment of MODVAT credit on Grinding Wheels/Honning Sticks/Stone/Graphite Crusibles to the Punjab & Haryana High Court, The amount being involved in the matter is Rs. 934,115. The matter is currently pending before Punjab & Haryana High Court, Chandigarh.
- (t) On March 11, 1997, the CESTAT, on appeal by the Commissioner of Central Excise Chandigarh, vide order no. R/18/07-NG referred a dispute regarding availment of MODVAT Credit on Grinding Wheels etc to the Punjab & Haryana High Court on a point of law, The amount being involved in the matter is Rs. 3,066,780. The matter is currently pending before Punjab & Haryana High Court, Chandigarh.
- (u) On March 16, 2000, the CESTAT on appeal of the Commissioner of Central Excise, Chandigarh vide order no. R/89/2000/NB referred a dispute regarding availment of MODVAT Credit on endorsed gate passes prior to the period April 1, 1994 to the Punjab & Haryana High Court on a point of law, The amount being involved in the matter is Rs. 35,640. The matter is currently pending before Punjab & Haryana High Court, Chandigarh.
- (v) The Commissioner, Central Excise, Chandigarh has filed civil appeal no. 3840/41 before the Supreme Court, New Delhi against the order no. 1423-1424 dated December 17, 2004 passed by CESTAT for the period 2000-01 & 2001-02. The dispute is regarding conversion of Aluminum Scrap into Ingots. The amount being involved in the matter is Rs. 1,085,521 & Rs. 428,154 for the period 2000-01 & 2001-02 respectively. The matter is currently pending before the Supreme Court, New Delhi.
- (w) The Commissioner, Central Excise, Bangalore has filed an appeal before CESTAT against the order no. 195/2004-CE dated January 04, 2005 passed by the Commissioner (Appeals), Bangalore. The

dispute was relating to finalisation of Provisional Assessment on account of Turn Over Discount for the period July 2000 to March 2002. The matter is currently pending before CESTAT, Bangalore. The duty payable has not yet been quantified and no penalty appears to be prescribed at this stage.

- (x) The Commissioner of Central Excise, Bangalore vide his OIO no. 65/2005 has raised a demand of Rs. 684,205 being the balance amount payable against the demand raised by the department during 2004. The dispute relates to the finalization of Provisional Assessment on account of Turn Over Discount for the period 2003-2004. The matter is currently pending with the CESTAT Bangalore.
- (y) The Asst. Commissioner of Central Excise, Bangalore vide OIO No. 23/2006 has raised a demand of Rs. 4,361,018. The dispute relates to finalization of Provisional Assessment on account of Turn Over Discount for the period 2004-2005. The matter is currently pending with the Commissioner of Central Excise (Appeals) Bangalore.
- (z) We have filed an appeal no. 195/2006 before Commissioner Central Excise (Appeals), Bangalore against the order no. 45/2006 dated July 13, 2006 passed by the Commissioner Central Excise, Bangalore. The dispute was relating to finalisation of Provisional Assessment on account of Turn Over Discount & Trade Discount for the period 2005-2006. The amount being involved in the matter is Rs. 2,085,319. The matter is currently pending before Commissioner Central Excise (Appeals), Bangalore.
- (aa) We have received a demand notice being demand notice no. SCN IV/16/76/2003ADJ dated September 1, 2003 from the Joint Commissioner Central Excise, Bangalore raising a demand of Rs. 989,833. The dispute relates to the finalisation of Provisional Assessment on account of Trade Discount for the period 2000-2002. The matter is currently pending before Joint Commissioner Central Excise, Bangalore.
- (ab) We have received a demand notice being demand notice no. SCN IV/16/74/2003ADJ dated September 15, 2003 from the Joint Commissioner Central Excise, Bangalore raising a demand of Rs. 854,221. The dispute relates to the finalisation of Provisional Assessment on account of Trade Discount for the period 2000-2002. The matter is currently pending before Joint Commissioner Central Excise, Bangalore.
- (ac) We have received a demand notice being demand notice no. SCN IV/16/74/2003ADJ dated March 18, 2004 from the Joint Commissioner Central Excise, Bangalore raising a demand of Rs. 906,890. The dispute relates to the finalisation of Provisional Assessment on account of Trade Discount for the period 2002-2003. The matter is currently pending before Joint Commissioner Central Excise, Bangalore.
- (ad) We have received a demand notice being demand notice no. SCN V/87/15/59/04 dated August 25, 2005 from the Joint Commissioner Central Excise, Bangalore raising a demand of Rs. 622,579. The dispute relates to the finalisation of Provisional Assessment on account of Trade Discount for the period 2003-2004. The matter is currently pending before Joint Commissioner Central Excise, Bangalore.
- (ae) We have received a demand notice being demand notice no. SCN V/84/15/102/03 dated June 10, 2004 from the Additional Commissioner Central Excise, Bangalore raising a demand of Rs. 3,411,419. The dispute relates to Ni Resist Scrap sold from Escorts Mahle Ltd to Goetze (India) Ltd for the period 2000-2003. The matter is currently pending before Additional Commissioner Central Excise, Bangalore.
- (af) We have received a demand notice being demand notice no. SCN V/16/15/2006 dated February 28, 2006 from the Deputy Commissioner Central Excise, Bangalore raising a demand of Rs. 83,448. The dispute relates to Sales Returns by Depots for the period 2004-2005. The matter is currently pending before Deputy Commissioner Central Excise, Bangalore.
- (ag) The Commissioner of Central Excise, Chandigarh has filed an appeal bearing no. E/3607/06/EX before CESTAT against Order No, 701/CE/CHD/06 passed by the Commissioner (Appeals) Chandigarh. The dispute was related to finalization of provisional assessment on account of turnover discount for the period 2005-06. The amount being involved in the matter is Rs. 4,078,991. the matter s currently pernding before the CESTAT.
- (ah) We had filed appeal No. 998/2007 before CESTAT, New Delhi involving a duty amount of Rs. 551, 089 in respect of cleranaces made during April-May 2006 relaring to deduction of Turn Over

discount. The appeal filed by the Company has been allowed by the CESTAT remanding the matter back to the Commissioner of Central Excise (Appeals). The matter is currently pending before the Commissioner of Central Excise (Appeals).

- (ai) The Deputy Commissioner of Central Excise, Bangalore vide his demand notice no. SCN V/16/56/2007 dated May 30, 2007 has raised a demand of Rs. 93,084. The dispute relates to clearance of duty suffered goods which have been rejected and returned by our depots for the period 1.08.2005 to 31.12.2005. The matter is currently pending before the Assistant Commissioner of Central Excise (Bangalore).
- (aj) The Commissioner of Central Excise, Bangalore vide his demand notice no. SCN V/84/15/13/2007 dated June 19, 2007 has raised a demand of Rs. 24,974,270. The dispute relates to demand on removal non saleable stock removed from RG -1 from the period July 2005 to December 2005. The matter is currently pending before the Commissioner of Central Excise (Bangalore).
- (ak) The Commissioner of Central Excise, Bangalore vide his OIO nos. 60/2007 has raised a demand of Rs. 2,085,319. The dispute relates to finalization of provisional assessment on account of Turn Over Discount for the period 2005-06. The matter is currently pending before CESTAT Bangalore).
- (al) We have received a demand of interest amounting to Rs. 13,184 vide SCN no. V (CH84) D/PTL/12/2006/3174 dated November 21, 2006, on the payment of excise duty made at the end of the month on the fifth as prescribed in the Central Excise Rules 2002, on the removal of inputs and capital goods cleared as such. The reply to the SCN was filed on December 12, 2006. The adjudicating authority confirmed the demand vide OIO No. 11/CE/AC/B/PTA/2007 dated June 29, 2007/ July 4, 2007. An appeal/stay application against the OIO has been filed before the Commissioner (appeals) Chandigarh on July 19, 2007. A personal hearing is awaited in the case.
- (am) This matter pertains to finalization of provisional assessment vide order of final assessment C no. V (30) Val./ PA/Goetze/2/ 2006/475 dated January 31, 2007 for the period 2006-07 (April- May 2006), disallowing their deduction of Turn Over Discount and demanded excise duty amounting to Rs. 551,089 involved thereon along with interest. Against the order we filed an appeal before the Commissioner (Appeals) Chandigarh who rejected the same vide Order in Appeal no. 45/CE/CHD/2007 dated February 20, 2007. A appeal/ stay application was filed before CESTAT, New Delhi. The CESTAT vide final order no. 219/07-EX, S.O no. 563/07EX dated May 15, 2007 remanded the matter to the Commissioner for reconsideration.

Except where specifically indicated in this section III, the liability specified in these cases excludes interest of 13% imposed by the Central Excise Act, 1944 which may be imposed by the adjudicating authority should the matters be decided in favor of the revenue.

All liabilities that may arise against the Company, excluding the statutory interest and penalty, in relation to the above mentioned excise matters have been captured under the head "contingent liabilities" in our financial statements.

Income Tax Matters

- (a) The Joint Commissioner of Income Tax, Delhi vide its order dated January 13, 1999 has disallowed a deduction of Rs. 2,668,328 while computing the total income of our Company in respect of the assessment year 1996 – 1997. Against this order, our Company instituted an appeal on March 8, 1999 bearing number 175/1999-2000 before the Commissioner of Income Tax (Appeals), who vide its order dated November 2, 1999 upheld the order of the Joint Commissioner of Income Tax, Delhi in substance. Subsequently, our Company instituted an appeal bearing number ITA No. 322/Del/2000 before the Income Tax Appellate Tribunal, Delhi, who vide its order dated January 6, 2004 allowed the deductions being claimed by our Company, save and except the deductions in respect of bonus issue expenses and entertainment expenses. The Joint Commissioner of Income Tax, Delhi has filed an appeal under Section 260A of the IT Act against the said order before the High Court of Delhi, where the matter is currently pending.
- (b) The Joint Commissioner of Income Tax, Delhi vide its order dated February 29, 2000 has disallowed a deduction of Rs. 4,320,885 while computing the total income of our Company in respect of the assessment year 1997 - 1998. Against this order, our Company instituted an appeal on April 24, 2000 bearing number 40/2000-2001 before the Commissioner of Income Tax (Appeals), who vide its order dated February 26, 2001 upheld the order of the Joint Commissioner of Income Tax, Delhi in substance. Subsequently, our Company instituted an appeal bearing number ITA No. 2118/Del/2001 before the Income Tax Appellate Tribunal, Delhi, who vide its order dated February

5, 2005 allowed the deductions being claimed by our Company, save and except the deductions in respect of entertainment expenses. The Joint Commissioner of Income Tax, Delhi has filed an appeal against the said order before the High Court of Delhi, where the matter is currently pending.

- (c) The Deputy Commissioner of Income Tax, Delhi vide its order dated February 28, 2003 has disallowed a deduction of Rs. 55,077,607 while computing the total income of our Company in respect of the assessment year 2000 - 2001. Against this order, our Company instituted an appeal before the on April 8, 2003 bearing number 10/2003-2004 before the Commissioner of Income Tax (Appeals), who vide its order dated November 16, 2003 upheld the order of the Assistant Commissioner of Income Tax, Delhi in substance. We have now filed an appeal against this order before the Income Tax Appellate Tribunal, Delhi where the matter is currently pending. Additionally, the original assessment order dated February 28, 2003 was revised by the Commissioner of Income Tax, Delhi vide an order dated December 22, 2004, which order is also being appealed by us in proceedings currently pending before the Income Tax Appellate Tribunal, Delhi.
- (d) The Additional Commissioner of Income Tax, Delhi vide its order dated March 29, 2004 has disallowed a deduction of Rs. 14,026,635 while computing the total income for our Company in respect of the assessment year 2001-2002. We have filed an appeal before the Commissioner of Income Tax (Appeals), Delhi against this order which gave a relief of Rs. 4,878,842 vide appeal no. 61/04-05 dated November 30, 2006. We have filed an appeal to the ITAT for the disallowance of Rs. 9,147,793 and the matter is currently pending.
- (e) The Additional Commissioner of Income Tax, Delhi vide its order dated March 30, 2005 has disallowed a deduction of Rs. 40,816,403 while computing the total income for our Company in respect of the assessment year 2002 - 2003. We have filed an appeal before the Commissioner of Income Tax (Appeals), Delhi against this order where the matter is currently pending.
- (f) The Deputy Commissioner of Income Tax, Delhi vide its order dated March 31, 2006 has disallowed a deduction of Rs. 63,814,378 while computing the total income for our Company in respect of the assessment year 2003-2004. We have filed an appeal before the Commissioner of Income Tax (Appeals), Delhi against this order where the matter is currently pending.
- (g) The Asstt. Commissioner of Income Tax, Central Circle-3, New Delhi vide its order dated 27th December, 2006 has made disallowance of expenses amounting to Rs. 46,23,555/- while framing the tax assessment u/s/ 143(3) for the assessment year 2004-05. An appeal has been filed before the Commissioner of Income Tax (Appeals) II, Delhi against this order which is still pending.

The liability specified in these cases excludes statutory interest under the Income Tax Act, 1961 which may be imposed by the adjudicating authority should the matters be decided in favor of the revenue.

All liabilities that may arise against the Company in relation to the above mentioned income tax matters, excluding the statutory interest and penalty, have been captured under the head "contingent liabilities" in our financial statements.

Service Tax Matters

- (a) We have received a show cause notice dated October 3, 2003 issued by Asstt. Commissioner, Service Tax, Faridabad pertaining to the non-payment of service tax on the management fee paid by Goetze TP (India) for providing Management Consultancy Services. The Asstt. Commissioner, Service Tax, Faridabad vide its order number 55/RKT/2004 dated November 16, 2004 held that the services rendered by us to Goetze TP (India) Limited come under the preview of the Service Tax and confirmed the demand of Rs. 1,693,800. We filed appeal no. 29-CE/APPEAL/S-TAX/D-I/05 in February, 2005 before Commissioner, Central Excise (Appeals), Delhi-I which vide its order dated March 21, 2006 set aside the order passed by the Asstt. Commissioner, Service Tax, Faridabad. The Asstt. Commissioner, Service Tax, Faridabad filed an application for the stay bearing number 1704 of 2006 and application for appeal bearing number 243 of 2006 against the order passed by Commissioner, Central Excise (Appeals), Delhi-I before Customs, Excise & Service Tax Appellate Tribunal, New Delhi in June, 2006. The Tribunal vide its order no. S/345/06-ST dated August 7, 2006 has rejected the stay application but has allowed the appeal of Asstt. Commissioner, Service Tax, Faridabad. The amount involved in the case is Rs. 1,693,800. The matter is currently pending before Customs, Excise & Service Tax Appellate Tribunal, New Delhi.
- (b) We have received a demand notice being demand notice no. SCN IV/16/4/2006 dated July 04, 2006 issued by the Joint Commissioner Central Excise, Bangalore raising a demand of Rs. 1,801,370.

The dispute was relating to the Service Tax on Job-work for the period 2004-2005. The matter is currently pending before Joint Commissioner Central Excise, Bangalore.

- (c) We have filed an appeal no. 1650/2007 before CESTAT, New Delhi involving a duty amount of Rs. 103, 995 denying credit of service tax, The stay application filed by us has been allowed by the CESTAT and the appeal is currently pending before the CESTAT.
- (d) The Joint Commissioner of Central Excise, Bangalore vide his demand notice no. SCN V/84/15/14/2007 dated June 12, 2007 has raised a demand of Rs. 858,132. The dispute relates to demand on service tax on royalty payment made for technical collaboration for the period 2005-06. The matter is currently pending before the Joint Commissioner of Central Excise-Service Tax, Bangalore.

The liability specified in these cases excludes statutory interest as may be imposed by the adjudicating authority should the matters be decided in favor of the revenue.

All liabilities that may arise against the Company in relation to the above mentioned service tax matters, excluding the statutory interest and penalty, have been captured under the head "contingent liabilities" in our financial statements.

Sales Tax Matters

- (a) Our Company had filed a Special Review Petition for seeking exemption of tax on the sale of GI Sleeves before Karnataka High Court against the order passed by the Karnataka Appellate Tribunal for charging tax on sale of Groove Insert (GI) sleeves @ 2% on local purchase of cast iron scrap and 4% on sale of GI sleeves after giving set off against local purchases for the period 1996-97. The original demand, which was reduced by the order of the Karnataka Appellate Tribunal, was for Rs. 14,154,000. The company had deposited Rs. 7,508,000 earlier. A revised assessment office order was also passed by Karnataka Appellate Tribunal and an objection against excess tax @ 4% amounting Rs. 1,805,000 collected under section 18AA on the sale of GI Sleeves from Escorts Ltd. has been filed before Deputy Commissioner, Sales Tax, Bangalore, which is presently pending. The amount of balance refund received has been partly adjusted with the entry tax of Rs. 3,108,000 and the remaining amount of Rs 5,922,000 was received by the Company in April 2006. There is a net refund of Rs. 219,000. The Special Review Petition has been dismissed by the Karnataka High Court and we are in the process of filing a writ petition in the matter. No further amounts are pending from our Company in this matter.
- (b) As per the assessment order passed by Deputy Commissioner, Sales Tax, Bangalore, for the period 1997-98 the sale of GI Sleeves was exempted from charging tax. The assessment has been completed and no liability arises. The Sales Tax Department has filed a Suo Moto Revision Petition before the Joint Chief Commissioner, Sales Tax (Appeals), Bangalore against this order passed by Deputy Commissioner, Sales Tax, Bangalore which is pending before Joint Chief Commissioner, Sales Tax (Appeals), Bangalore
- (c) Our Company had filed a Special Review Petition for seeking exemption of tax on the sale of GI Sleeves before Karnataka High Court against the order passed by the Karnataka Appellate Tribunal for charging tax on sale of GI sleeves @ 2% on local purchase of cast iron scrap and 4% on sale of GI sleeves after giving set off against local purchases for the period 1998-99. The initial demand which was set aside by the order of the Karnataka Appellate Tribunal, was for Rs. 9,990,000. The Company had already deposited Rs. 4,995,000 earlier. The Karnataka Appellate Tribunal held that the net liability based on 2% tax on GI sleeves shall be Rs 1,067,000. The Special Review Petition has been dismissed by the Karnataka High Court and we are in the process of filing a writ petition in the matter. No further amounts are pending from our Company in this matter.
- (d) The Department of Sales Tax, Bangalore charged a tax on sale of GI sleeves @ 10% & applicable surcharge for the period 1999-2000 and demanded a total amount of Rs. 9,948,000. Our Company had deposited Rs. 3,965,000. We have filed an appeal with the Joint Chief Commissioner Tax (Appeals) challenging the demand on the basis of the order passed by the Karnataka Appellate Tribunal by which tax would be payable @ 2%. The net liability based on 2% tax on GI sleeves shall be Rs. 1,765,000. The Company had filed a Special Review Petition for seeking exemption of tax on the sale of GI Sleeves before Karnataka High Court which has been dismissed by the Karnataka High Court and we are in the process of filing a writ petition in the matter.
- (e) The Department of Sales Tax, Bangalore charged a tax on sale of GI sleeves @ 10% & applicable surcharge for the period 2000-01 and demanded a total amount of Rs. 10,240,000. The Company

has already deposited Rs. 5,119,000. Our Company filed an appeal before Joint Chief Commissioner Tax (Appeals), which was dismissed by him. As a result, the Company filed an appeal before Karnataka Appellate Tribunal against the order of Joint Chief Commissioner Tax (Appeals). The case is pending before Karnataka Appellate Tribunal. The net liability based on 2% tax on GI sleeves shall be Rs. 1,505,000.

- (f) The Department of Sales Tax, Bangalore charged a tax on sale of GI sleeves @ 2% on local purchase of cast iron scrap and 4% on sale of GI sleeves after giving set off against local purchases for the period 2001-02 and demanded a total amount of Rs. 1,383,000. The Company had deposited Rs. 692,000 earlier. Our Company has filed an appeal before Joint Chief Commissioner, Sales Tax, Bangalore against the order passed by the Sales Tax Department, and Joint Chief Commissioner, Sales Tax, Bangalore has settled the matter by charging 2% tax on GI Sleeves. The net liability based on 2% tax on GI sleeves is Rs. 1,586,000.
- (g) The Sales Tax Department, Bangalore has instituted a complaint against our Company for non-submission of C forms & F forms with the Department for the period 1999-00 and demanded an amount of Rs. 3,839,000. Our Company has filed an appeal before Joint Chief Commissioner, Sales Tax (Appeals), Bangalore for modification of order. The case has been remanded back to Deputy Commissioner, Sales Tax and it is still pending.

The liability specified in these cases excludes interest and penalty which may be imposed by the adjudicating authority as a consequence of the Karnataka Sales Tax Act should the matters be decided in favor of the revenue.

All liabilities that may arise against the Company in relation to the above mentioned sales tax matters, excluding the statutory interest and penalty, have been captured under the head "contingent liabilities" in our financial statements.

Other statutory proceedings against our Company

- (a) Prosecution proceedings under the Prevention of Food Adulteration Act, 1954 have been instituted against our Company before the Civil Court, Patiala as a result of loose samples of Haldi being recovered from our canteen in our plant at Patiala. The authorities have contended that our Company has violated Rules 24 and 49 of the Prevention of Food Adulteration Rules, 1955 which mandate that no person shall sell powder spices except in a packed condition and hence the samples in our canteen contravened the provisions of the Prevention of Food Adulteration Act, 1954. The matter is pending before Civil Court, Patiala and has been fixed for the presentation of the prosecution evidence.
- (b) The Punjab State Electricity Board has raised a demand note for Rs. 5,224,000 in the name of Escorts Ltd. vide their office memo No. 2168 dated July 28, 1997 towards 17.5% surcharge for having availed an additional load of 2500 KW on 11 KV System voltage in the year 1995. We have challenged the same on the ground that since we had paid the entire cost of 66 KV line, the delay in releasing the additional load on 66 KV line was due to the reason that Punjab State Electricity Board was not ready with the jobs falling in their scope for which we had paid the entire cost. The Company had already confirmed our readiness to receive supply on 66 KV whereas Punjab State Electricity Board could not complete the job of laying 66 KV line. Our representation is under consideration of Punjab State Electricity Board. This liability excludes interest. All liabilities that may arise against the Company in relation to the above mentioned dispute, excluding interest, have been captured under the head "contingent liabilities" in our financial statements.

IV. Consumer Proceedings

Mr. Harkirat Singh instituted a complaint bearing number 81/16-5-05 before the District Consumer Disputes Redressal Forum, Mansa in December, 2005 against our Company. Mr. Singh has alleged that piston and piston ring spare parts purchased by him from a retailer for his tractor were of inferior quality which caused problems for the tractor engine. Mr. Singh has averred that as a result of the inferior quality of the products he has suffered a loss of agricultural income and mental agony. The sum being claimed by Mr. Singh is Rs. 407,875 along with 18% interest p.a. from the date of purchase of spare parts till the actual date of payment of damages. The consumer forum disposed of the complaint with the observation that the complainant may seek remedy through the civil court in accordance with law. The Complainant filed an appeal no. 287/07 before State Consumer Disputes Redressal Commission, Punjab against the order passed by the District Consumer Disputes Redressal Forum, Mansa. The matter is currently pending before the State Consumer Disputes Redressal Commission, Punjab.

Litigations/Notices/Claims instituted by our Company

I. Criminal Proceedings

- (a) The erstwhile Escorts Mahle Limited (later known as Escorts Pistons Limited, since merged with our Company) had filed a criminal complaint bearing number 456 of 1999 before the Additional Chief Judicial Magistrate, Faridabad in the year 1999 under Section 630 of the Companies Act against Mr. Sachin Puri, a former employee of our Company. Mr. Puri had requested our Company to issue a comfort letter to the Escorts Heart Institute for the treatment of his father and our Company also settled the medical bill on behalf of Mr. Puri. However, at the time of Mr. Puri leaving the services of our Company, no deductions were made on account of the said bill, as a result of which the Company initiated proceedings under the Companies Act. The claim involved in this matter is a sum of Rs. 72,715. Mr. Puri filed a Criminal Miscellaneous Petition No. 58509-M of 2004 before the Punjab and Haryana High Court in December, 2004 for quashing of the complaint filed by our Company. The Punjab and Haryana High Court has stayed all proceedings in the District Court at Faridabad for the time being. The claim involved in this matter has been written-off by the Company from its books.
- (b) Our Company has filed a criminal complaint No. CC/875/1/05 before the Additional Chief Metropolitan Magistrate, Patiala House Courts, New Delhi in May, 2005 against M/s Amar Trading Company under the Negotiable Instruments Act, 1881. M/s Amar Trading Company was appointed as a sub-stockist of the Company and our Company supplied goods to M/s Amar Trading Company against which M/s Amar Trading Company had issued a cheque in favour of our Company dated March 14, 2005 drawn on State Bank of Patiala, Auto Market, Hissar for a sum of Rs. 113,231. The said cheque was dishonoured on presentation due to insufficiency of funds in the account of M/s Amar Trading Company. After complying with the procedures prescribed under the Negotiable Instruments Act, 1881, our Company instituted the complaint against M/s Amar Trading Company. The amount involved in the matter is Rs. 113,231. The matter is currently pending before the Additional Chief Metropolitan Magistrate, Patiala House Courts, New Delhi. Our Company has made a provision in its books for the claim involved in this matter.
- (c) Our Company has filed three (3) criminal complaints before the Additional Chief Metropolitan Magistrate, Patiala House Courts, New Delhi in October, 2003 under the Negotiable Instruments Act, 1881 against M/s Global Trading Corporation. M/s Global Trading Corporation was appointed as a stockist of the Company and our Company supplied goods to M/s Global Trading Corporation against which M/s Global Trading Corporation had issued seven (7) cheques in favour of our Company of different dates drawn on Canara Bank, Kashmere Gate, Delhi-110006 for a sum aggregating Rs. 1,965,688. The said cheques were dishonoured on presentation due to insufficiency of funds in the account of M/s Global Trading Corporation. After complying with the procedures prescribed under the Negotiable Instruments Act, 1881, our Company instituted the complaint against M/s Global Trading Corporation. The amount involved in the matter is Rs. 1,965,688. The matter is currently pending before the Additional Chief Metropolitan Magistrate, Patiala House Courts, New Delhi. Our Company has made a provision in its books for the claim involved in this matter.
- (d) Our Company has filed three (3) criminal complaints, being complaint cases 207, 208 and 209, before the Metropolitan Magistrate involving the bouncing of six (6) cheques worth an aggregate of Rs. 3,000,000 under the Negotiable Instruments Act, 1881 before the Patiala House Courts, New Delhi against M/s Premier Vinyl Flooring Limited. Our Company gave inter corporate deposits to M/s Premier Vinyl Flooring Limited and M/s Premier Vinyl Flooring Limited for the repayment of principal and interest amount had issued six (6) cheques in favour of our Company of different dates drawn on Canara Bank, S. D. Area Branch, New Delhi-110016 for a sum aggregating Rs. 3,000,000. The said cheques were dishonoured on presentation due to insufficiency of funds in the account of M/s Premier Vinyl Flooring Limited. After complying with the procedures prescribed under the Negotiable Instruments Act, 1881, our Company instituted the complaint against M/s Premier Vinyl Flooring Limited. These cases were dismissed by the court on the ground of limitation. Our Company filed three (3) revision petitions with the Delhi High Court and Delhi High Court vide its order dated October 20, 2004 decided in favour of the Company and sent the cases back to the Patiala House Courts, New Delhi for trial. The matter was dismissed by the Patiala House Courts, New Delhi and we are currently in the process of filing an application for restoration of the same.

Our Company has also filed a civil suit No. 32/2001 under Order 37 of Civil Procedure Code, 1860 in Delhi High Court for the recovery of Rs. 7,282,713/- from M/s Premier Vinyl Flooring Limited. The

matter is currently pending before the Delhi High Court. The Company has written off the entire amount from its Books of Accounts.

II. Civil Proceedings

- (a) Our Company has instituted a creditors winding up petition no. 25 of 1998 before Rajasthan High Court in the year 1998 under the Companies Act, against Parasrampuriah Synthetics Limited on the grounds that inter corporate deposits sanctioned by our Company in favour of Parasrampuriah Synthetics Limited were not repaid. The amount involved in this matter is a sum of Rs. 22,500,000. In the interim, Parasrampuriah Synthetics Limited was registered by the Board of Industrial and Financial Reconstruction under the Sick Industrial Companies Act, 1985. As a result of the pendency of proceedings before the Board of Industrial and Financial Reconstruction, the proceedings initiated by our Company have been suspended for the time being. The Company has written off the entire amount of Rs. 22,500,000 from its Books of Accounts.
- (b) Our Company has instituted a creditors winding up petition no. 143 of 1998 before the Allahabad High Court in November, 1998 under the Companies Act against Rajinder Steel Limited on the grounds that an inter corporate deposit sanctioned by our Company in favour of Rajinder Steel Limited was not repaid. The amount involved in this matter is a sum of Rs. 7,500,000. A winding up order by the Allahabad High Court was passed on May 17, 1999 and the Official Liquidator has taken possession of the assets of Rajinder Steel Limited and the formalities regarding the sale of assets are in the process of being completed. The Company has written off the entire amount of Rs. 7,500,000 from its Books of Accounts.
- (c) Our Company has instituted a civil suit bearing number 175 of 2003 before the Additional District Judge, Tis Hazari Courts, Delhi in October, 2003 against M/s Allcast Metals Private Limited for recovery and specific performance. Our Company had ordered a mobile degassing unit from M/s Allcast Metals Private Limited which had commissioning problem and could not be commissioned successfully. Our Company has filed a suit for specific performance and also for recovery of Rs. 1,756,710.64 along with 14% interest. from the date of filing of suit till the date of realization of amount. The matter is currently pending before the Senior Civil Judge, Tis Hazari Courts, New Delhi. The Company has written off an amount of Rs. 1,129,575 from its Books of Accounts.
- (d) Our Company has lodged a claim to support a creditors winding up petition against M/s The Mysore Kirloskar Ltd.. Our Company had placed an order for four(4) CNC turning machines of Rs. 7,100,000 on which an advance payment of Rs. 1,065,000 was paid by our Company. M/s The Mysore Kirloskar Ltd. only delivered one (1) machine and that machine had several defects. As a result, our Company had claimed a refund to the tune of Rs. 799,026, which has not been satisfied and our Company has therefore lodged a claim for the creditors winding up against M/s The Mysore Kirloskar Ltd. The Board of Industrial and Financial Reconstruction vide its letter dated January 5, 2004 have forwarded its opinion for the winding up of M/s The Mysore Kirloskar Ltd. to the High Court of Karnataka. The Company has written off an amount of Rs. 799,026 from its Books of Accounts.
- (e) Our Company, along with Mr. Anil Nanda has filed a suit being C S (OS) 1372 of 2005 in the Hon'ble High Court of Delhi against M/s. Escorts Ltd. And Escorts Heart Institute and Research Centre Ltd. for a declaration that the merger between Escorts Heart Institute and Research Centre Ltd, Delhi and Escorts Heart Institute and Research Centre Ltd, Chandigarh is non-est in view of the Societies Registration Act, 1860 as well as for a mandatory injunction restraining the defendants from transferring or alienating shares in Escorts Heart Institute and Research Centre Ltd. The matter was heard on September 30, 2005 and the Hon'ble High Court of Delhi passed an interim order holding that the plaintiffs were able to establish a prima facie case for an interim order in their favour and directed status quo until the next hearing. The plaintiffs were permitted to amend their pleadings vide Order dated March 5, 2006 and have filed an amended complaint. The matter is still pending.

Litigations/Claims/Penalties involving our Promoters

FMC is involved in other legal actions and claims, directly and through its subsidiaries. After taking into consideration legal counsel's evaluation of such actions, management believes that the outcomes of the matters described in subsections I, II, and III below are not likely to have a material adverse effect on FMC's financial position, operating results, or cash flows. They are shown here for informational purposes only.

The claims shown below are without considering the interest component and provisions have been made in accordance with US Generally Accepted Accounting Principles (“US GAAP”), SFAS No. 5, Commitments and Contingencies for these litigations.

I. Civil Proceedings involving Federal -Mogul Corporation

- (a) Robert and Jennifer Pavelka as parents to Alex Pavelka filed a suit in 2006, in the Supreme Court of the State of New York, County of Suffolk. In their complaint, they seek damages for personal injuries and property in the amount of USD 5,150,000, allegedly occurring from a defective fuel pump.
- (b) Carfel Inc. brought an action in the United States District Court for the Southern District of Florida in 2001, alleging that Fel-Pro (subsequently acquired by Federal-Mogul) had breached a supply agreement. Carfel Inc.’s complaint seeks damages in excess of USD 1,000,000 in this matter.
- (c) Four Star Incorporation filed a complaint against Federal-Mogul Corporation in the 190th Judicial District, Harris City, Texas in 2001 seeking in excess of USD 1,000,000 in damages for breach of contract.
- (d) Douglas W. Blakemore filed a suit in 1999, against Federal-Mogul Corporation in the United States District Court in Virginia for personal injuries allegedly arising from a defective transmission shield. His motion for judgment seeks damages in the amount of USD 750,000 in this matter.
- (e) Melling Tool Company brought an action in the Fourth Judicial Circuit Court for the County of Jackson, Michigan in 2001. Its complaint seeks damages in the amount of USD 646,510 for breach of a supply contract.
- (f) Natalie Giustini along with family members and other passengers riding in her automobile filed an action in 2001, in the Ontario Superior Court of Justice, Toronto, Canada claiming they incurred injuries resulting from brakes failed, allegedly due to a defective brake line hose clamp. The complaint seeks damages of CDN 7,200,000.
- (g) Jeffrey McLeer filed suit in 2001 against Federal-Mogul in the Supreme Court of the State of New York, County of Nassau, seeking damages of USD 450,000 to compensate him for the amputation of his finger when installing a transmission pan manufactured by Federal-Mogul.
- (h) DeVlieg-Bullard is seeking cancellation charges and other damages with respect to two machines that Federal-Mogul cancelled due to quality problems and late delivery with respect to similar machines. The case was filed in 2004 and is pending in the U.S. Bankruptcy Court, District of Delaware. DeVlieg-Bullard’s complaint alleges damages of USD 260,000 in this matter.
- (i) Hernando F. Escobar & CIA LTDA filed a suit in the 29th Judicial Circuit Court of Bogota, Columbia in 2003. They are alleging that their distributorship agreement was improperly terminated by Federal-Mogul. The complaint seeks approximately USD 220,000.
- (j) Betech Inc. filed an action in 2001, in the Superior Court of Henderson County, North Carolina to recover moneys owing with respect to a machine it built on behalf of Federal-Mogul. The complaint seeks damages in the amount of USD 134,169.
- (k) Karen Eichenbaum filed an action in the Circuit Court for the City of Roanoke Virginia. The action was filed in 2001 and is seeking damages arising from an automobile accident involving a Federal-Mogul employee. She is seeking USD 125,000 in damages.
- (l) Shirley Swift filed suit in 2000, in the United States District Court for the Eastern District of Pennsylvania seeking damages in an amount in excess of USD 75,000, alleging that a machine created by Federal-Mogul was defective, resulting in the amputation of her finger.
- (m) DFB Holdings Inc. filed a complaint in Bexar County Court, Texas in 2001, seeking USD 70,843.55 in damages resulting from an allegedly defective seal.
- (n) Southeastern Michigan Shop Inc. and John Evans filed a claim in the United States District Court for the District of South Carolina in 2001. They are seeking damages to recover expenses for a machine that the claim did not work. Damages sought are USD 63,000.

- (o) TDL Tool, Inc. sued Federal-Mogul in the Common Pleas Court of Greene County, Ohio. The suit was filed in 2000, seeking the final moneys owing on a machine it built in the amount of USD 57,875.20.
- (p) Donald Nelson filed a suit in the Circuit Court of Baldwin County, Alabama. The suit was filed in 2002 for USD 55,000, alleging that Federal-Mogul sold him defective pistons and liners.
- (q) John and Mary Canty filed a suit in the Court of Common Pleas, State of South Carolina, County of Clarendon, in 2002. They are seeking compensation for damages for claims that industrial waste entered the water system from a Federal-Mogul facility and in doing so backed up into their home causing damage to personal property. The claim seeks USD 50,000 in damages.
- (r) Michael Spellman filed a suit in the Circuit Court of Cook County, Illinois. The suit was filed in 2000, seeking damages in the amount in excess of USD 50,000 from Federal-Mogul for injuries sustained when he was struck by a forklift.
- (s) Mid States Diesel filed an action in Vanderburgh Superior Court, Indiana for USD 20,000. The action was filed in 2000, alleging that Federal-Mogul had supplied it with defective diesel engine parts.
- (t) Newport Service & Leasing have filed a suit in 2002, in the District Court for the County of Suffolk, New York, seeking damages of USD 3,000 resulting from an allegedly defective gasket.
- (u) Kenneth Helgren seeks USD 256 in damages for an allegedly defective fuel pump. The action was filed in 2001, District Court 95 B, Iron Mountain, Michigan.
- (v) Anthony Automotive has sought contribution from Federal-Mogul Corporation for an allegedly defective bearing. The action was filed in the 327th Judicial District Court of El Paso County, El Paso, Texas in 2002, seeking unspecified damages.
- (w) Tanya Herden has filed an action in the Circuit Court for Manitowac County, Wisconsin. The action was filed in 2003 for unspecified damages arising out of an automobile accident allegedly caused by a Federal-Mogul employee.
- (x) Leon Little & Sons filed a suit in 2000, in the Superior Court for Aroostook Maine, for unspecified damages allegedly arising from a defective cylinder kit.
- (y) Hummy Madara has filed an action in the Superior Court of New Jersey, Hackensack, New Jersey. The action was filed in 1999, for wrongful death, allegedly arising from a defective master brake cylinder. Damages of an unspecified amount are being sought.
- (z) Wilfred J. Morin filed an action in 2001, against Federal-Mogul in the Windsor County Superior Court, Vermont seeking unspecified damages resulting from an allegedly defective U-cup, causing the braking system of the forklift he was driving, to lose fluid.
- (aa) Collins & Aikman filed a complaint in May, 2007 in the United States District Court of Michigan seeking to avoid certain allegedly preferential transfers made to Federal-Mogul Corporation prior to the commencement of the Collins & Aikman bankruptcy. The amount claimed is \$859,517.71.
- (bb) Truck-Lite Co. Inc. filed a negligent misrepresentation claim in 2007 against FMC in the United States District Court for the Western District of New York alleging damages in excess of \$150,000. The claim relates to who owns the UCC code prefixes related to certain aftermarket products as a result of the sale of FMC's Signal Stat business to Truck-Lite.
- (cc) Lydall Thermal/Acoustical, Inc. and Lydall Thermal/Acoustical Sales LLC brought a case in 2007 against FMC for alleged patent infringement in the United States District Court for the Eastern District of Michigan in June, 2007. Plaintiff seeks an accounting with unspecified damages.
- (dd) Lance Frederic brought an action against an entity known as Federal-Mogul Inc., in 2006 in the United States District Court for the Eastern District of Michigan seeking damages for breach of contract and infringement of trade secrets. Plaintiff subsequently amended his pleadings naming the Defendant as Federal-Mogul Corporation. Plaintiff seeks damages in excess of \$75,000.

II. Labour Proceedings involving Federal -Mogul Corporation

- (a) Federal-Mogul and its affiliated companies in the United States have approximately 700 open litigated workers compensation claims filed against them at its various locations, pursuant to which employees seek compensation with respect to injuries which occur on the job or occupational illnesses. Some of the claimants have commenced court proceedings to recover amounts they claim are due, but most of the claims are merely filed with the employer company and the claims are handled by the appropriate workers compensation administrator.
- (b) Preston Pearcey filed a suit in 2001, in the United States District Court Eastern District of Tennessee, claiming to have been discharged in retaliation for filing a worker's compensation claim. He seeks USD 50,000 in compensatory damage and USD 500,000 in punitive damages.
- (c) Carrie Gilley filed an employment discrimination claim in 2003, in the La Porte Superior Court, Michigan City, Indiana, seeking unspecified damages.
- (d) Salvadore Del Priore has filed a suit in the United States District Court in New Jersey in 2006. He is claiming he was improperly denied benefits under the pension plan for the Signal Stat division of Federal-Mogul. The complaint seeks damages in the amount of USD 255,165.
- (e) Ben James filed a claim in the United States District Court, Southern Ohio, Western Division alleging employment discrimination in 2001. He is seeking USD 200,000 in damages.
- (f) Michelle Smith filed suit alleging sexual harassment and constructive discharge. The case was filed in 2001 and is being heard in the United States District Court of Northern Indiana. She seeks back pay in the amount of USD 25,000 per year and additional damages in the approximate amount of USD 135,000.
- (g) Christian Gubbler claims employment discrimination in the French Court system in 2006. His claim is for 100,000 Euros.
- (h) Mary Ann Young filed a suit in the United States District Court Eastern District of Tennessee. The suit was filed in 2001. She is alleging violations of Family and Medial Leave Act and LMA and Employee Retirement Income Security Act and seeks damages in the amount of USD 50,000.
- (i) Debra Stilwell in 2003 filed a suit in the Circuit Court of Calhoun County, Alabama for workers' compensation benefits and retaliatory discharge. She is seeking in excess of USD 10,000.
- (j) Becky Bacckus has filed an appeal in 2000 with the Michigan Court of Appeals after her claim for sexual harassment was denied by the trial court. She seeks damages in excess of USD 25,000.
- (k) Eric Bankes filed a claim for damages in excess of USD 25,000 in the Court of Common Pleas, Morgan County, Ohio. The claim was filed in 2001, arising out of an allegedly intentional workplace injury.
- (l) Glenda Ann Ledford filed a wrongful discharge claim in the Circuit Court of DeKalb County, Tennessee. The case was filed in 2000 for unspecified damages.
- (m) Julian Osinski filed an action in the United States District Court of Eastern Pennsylvania in 2004. He is claiming that he was improperly denied pension benefits and seeks damages for unspecified retirement benefits.
- (n) Lisa Rector filed an action in the Circuit Court for Clay County Tennessee in 2003. She is claiming denied workers' compensation benefits of an unspecified amount.
- (o) Robert Williams filed a long-term disability benefit case. The case was filed in 2003, in the Circuit Court of Benton County, Mississippi. Damages being sought are not specified.

III. Litigations Involving Statutory and other offences

- (a) The United States Department of Customs seeks the repayment of approximately USD 700,000 in customs duties that it claims were improperly returned to Federal-Mogul.

IV. Environmental Matters involving Federal-Mogul Corporation and its subsidiaries

FMC is a defendant in lawsuits filed, or the recipient of administrative orders issued, in various jurisdictions pursuant to the Federal Comprehensive Environmental Response Compensation and Liability Act of 1980 ("CERCLA") or other similar national, provincial or state environmental laws. These laws require responsible parties to pay for remediating contamination resulting from hazardous substances that were discharged into the environment by them, by prior owners or occupants of their property, or by others to whom they sent such substances for treatment or other disposition. In addition, FMC has been notified by the United States Environmental Protection Agency, other national environmental agencies, and various provincial and state agencies that it may be a potentially responsible party ("PRP") under such laws for the cost of remediating hazardous substances pursuant to CERCLA and other national and state or provincial environmental laws. PRP designation requires the funding of site investigations and subsequent remedial activities.

At most of the sites that are likely to be the costliest to remediate, which are often current or former commercial waste disposal facilities to which numerous companies sent wastes, FMC's exposure is expected to be limited. Despite the joint and several liability which might be imposed on FMC under CERCLA and some of the other laws pertaining to these sites, FMC's share of the total waste sent to these sites has generally been small. The other companies that sent wastes to these sites, often numbering in the hundreds or more, generally include large, solvent publicly owned companies and in most such situations the government agencies and courts have imposed liability in some reasonable relationship to contribution of waste.

FMC has also identified certain other present and former properties at which it may be responsible for cleaning up environmental contamination, in some cases as a result of contractual commitments. FMC is actively seeking to resolve these actual and potential statutory, regulatory, and contractual obligations. Although difficult to quantify based on the complexity of the issues, FMC has accrued amounts corresponding to its best estimate of the costs associated with such regulatory and contractual matters on the basis of factors such as available information from site investigations and consultants.

FMC records asset retirement obligations in accordance with SFAS No. 143, *Accounting for Asset Retirement Obligations* and Financial Interpretation No. 47 ("FIN 47"), *Accounting for Conditional Asset Retirement Obligations*, when the amount can be reasonably estimated, typically upon decision to close or sell an operating site. FMC has identified sites with contractual obligations and several sites that are closed or expected to be closed and sold in connection with Restructuring 2006. In connection with these sites, FMC has accrued \$25.7 million and \$25.3 million as of June 30, 2007 and December 31, 2006, respectively, for conditional asset retirement obligations, primarily related to anticipated costs of asbestos removal.

FMC has additional asset retirement obligations, also primarily related to asbestos removal costs, for which it believes reasonable cost estimates cannot be made at this time because FMC does not believe it has a reasonable basis to assign probabilities to a range of potential settlement dates for these retirement obligations. Accordingly, FMC is currently unable to determine amounts to accrue for conditional asset retirement obligations at such sites.

For those sites that FMC identifies in the future for closure or sale, or for which it otherwise believes it has a reasonable basis to assign probabilities to a range of potential settlement dates, FMC will review these sites for both impairment issues in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, and for conditional asset retirement obligations in accordance with SFAS No. 143 or FIN 47.

Total environmental reserves, including reserves for conditional asset retirement obligations, were \$ 82.6 million and \$82.1 million at June 30, 2007 and December 31, 2006, respectively, and are included in the consolidated balance sheets as follows:

	June 30, 2007	December 31, 2006
	(Millions of Dollars)	
Current liabilities:		
Environmental liabilities	\$ 6.3	\$ 6.6
Asset retirement obligations	9.0	8.6

Long-term accrued liabilities:		
Environmental liabilities	23.6	23.5
Asset retirement obligations	16.7	16.7
Liabilities subject to compromise - Environmental	27.0	26.7
	\$ 82.6	\$ 82.1

Management of FMC believes that recorded environmental liabilities will be adequate to cover FMC's estimated liability for its exposure in respect to such matters. In the event that such liabilities were to significantly exceed the amounts recorded by FMC, FMC's results of operations and financial condition could be materially affected. At June 30, 2007, management estimates that reasonably possible material additional losses above and beyond management's best estimate of required remediation costs as recorded approximates \$77 million.

Environmental liabilities subject to compromise include those related to claims that may be reduced in FMC's bankruptcy proceeding because obligations underlying such claims may be determined to be "dischargeable debts" incurred prior to FMC's filing for bankruptcy. Such liabilities generally arise at either: (1) commercial waste disposal sites to which FMC and other companies sent wastes for disposal; or (2) sites in relation to which FMC has a contractual obligation to indemnify the current owner of a site for the costs of cleanup of contamination that was released into the environment before FMC sold the site.

Environmental liabilities determined not to be subject to compromise include those which arise from a legal obligation of FMC, under an administrative or judicial order to perform cleanup at a site. Such obligations are normally associated with sites which FMC owns and/or operates.

The best estimate of environmental liability at a site may change from time to time during a bankruptcy proceeding even if the liability relating to that site is subject to compromise and FMC's responsibility to make payments is stayed. Notwithstanding the stay of legal proceedings against FMC regarding such a site, activities such as further site investigation and/or actual cleanup work often continue to be performed, generally by parties other than FMC. Such activities may produce new and better information that requires FMC to revise its best estimate of total site cleanup costs and its own share of such costs.

V. Bankruptcy proceeding involving Federal -Mogul Corporation

FMC's Chapter 11 and Administration Proceedings

On October 1, 2001, (the "Petition Date"), Federal -Mogul Corporation ("FMC") and all of its wholly owned United States subsidiaries filed voluntary petitions for reorganizations (the "Restructuring Proceedings") under Chapter 11 of the United States Bankruptcy Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). Also on October 1, 2001, certain of FMC's United Kingdom subsidiaries filed voluntary petitions for reorganization under Chapter 11 of the Bankruptcy Code and petitions for Administration (the "U.K. Restructuring") under the United Kingdom Insolvency Act of 1986 (the "Act") in the High Court of Justice, Chancery division in London, England (the "High Court"). The High Court, in November 2006, approved the discharge of the Administration proceedings for those United Kingdom subsidiaries that entered into company voluntary arrangements ("CVAs").

FMC and its U.S. and U.K. subsidiaries included in the Restructuring Proceedings are herein referred to as the Debtors. The Chapter 11 cases of the Debtors (collectively, the "Chapter 11 Cases") have been consolidated for purposes of joint administration as In re: Federal-Mogul Global Inc., T&N Limited, et. al (Case No. 01-10578(JKF)). Subsidiaries outside of the aforementioned U.S. and U.K subsidiaries are not party to any insolvency proceeding and, therefore, are not currently provided protection from creditors by any insolvency court and are operating in the normal course.

The Restructuring Proceedings were initiated in response to a sharply increasing number of asbestos-related claims and their demand on FMC's cash flows and liquidity. Under the Restructuring Proceedings, the Debtors expect to develop and implement a plan for addressing the asbestos-related claims against them.

The Debtors are operating their businesses as debtors-in-possession subject to the provisions of the Bankruptcy Code. All vendors are being paid for goods furnished and services provided after the Petition Date. However, as a consequence of the Restructuring Proceedings, pending litigation against the Debtors as of the Petition Date is stayed (subject to certain exceptions in the case of governmental authorities), and no party may take any action to pursue or collect pre-petition claims

except pursuant to an order of the Bankruptcy Court or the High Court, as applicable. It is the Debtors' intention to address pending and future asbestos-related claims and other pre-petition claims through plans of reorganization under the Bankruptcy Code.

In the U.S., four committees, representing asbestos claimants, asbestos property damage claimants, unsecured creditors and equity security holders (collectively, the "Committees") have been appointed as official committees in the Chapter 11 Cases and, in accordance with the provisions of the Bankruptcy Code, have the right to be heard on all matters that come before the Bankruptcy Court. The Committees, together with the legal representative for the future asbestos claimants, play important roles in the Restructuring Proceedings.

Solicitation packages containing the Third Amended Plan of Reorganization and Disclosure Statement, (the "Third Amended Plan") various supporting documents and a ballot, if appropriate, were mailed on July 12, 2004 to known creditors of FMC and to holders of common and preferred stock interests in FMC. The overwhelming majority of the classes of claims and interests voted to accept the Third Amended Plan. For the few classes of claims that voted to reject the Third Amended Plan, the Unsecured Creditors Committee, the Asbestos Claimants Committee, the Future Asbestos Claimants Representative, the Agent for the Pre-petition Bank Lenders and the Equity Security Holders Committee (collectively referred to as the "Plan Proponents") intended to either amend the Third Amended Plan so as to obtain such classes' accepting votes or seek to confirm the Third Amended Plan over the objection of such classes.

On November 21, 2006, the Fourth Amended Joint Plan of Reorganization (the "Plan") for FMC and the other U.S. and U.K. Debtors, together, with a supplemental disclosure statement (the "Supplemental Disclosure Statement"), was filed with the Bankruptcy Court. The Plan was jointly proposed by FMC and the Plan Proponents. On February 2, 2007, the Supplemental Disclosure Statement was approved by the Bankruptcy Court to be used in soliciting votes to accept or reject the Plan from those classes of creditors whose treatment under the Plan has changed since the last solicitation under the Third Amended Plan. Voting on the Plan concluded in May 2007, with all classes of creditors and interest holders entitled to vote on the Plan voting to accept the Plan.

The confirmation hearing relating to the Plan began on June 18, 2007. Although all major constituencies in the Chapter 11 Cases support confirmation of the Plan, and the Plan has been accepted by all classes of creditors and interest holders, certain parties have objected to confirmation of the Plan, and those objections were addressed as part of the confirmation hearing. After six days of hearings before the Bankruptcy Court, the presentation of evidence in connection with the confirmation hearing ended on July 10, 2007. The Bankruptcy Court has asked for additional briefing relating to the confirmation hearing to be submitted, and has scheduled closing arguments for the confirmation hearing on October 1, 2007. While the outcome of the confirmation hearing and the timetable for confirmation of the Plan resides with the Bankruptcy Court, FMC anticipates that the Plan will be confirmed reasonably promptly after completion of the closing arguments.

The Plan provides that asbestos personal injury claimants, both present and future, will be permanently channeled to a trust or series of trusts established pursuant to Section 524(g) of the Bankruptcy Code (the "US Asbestos Trust"), thereby protecting FMC and its affiliates in the Chapter 11 Cases from existing and future asbestos liability. The Plan provides that all currently outstanding stock of FMC will be cancelled, 50.1% of newly issued common stock of reorganized Federal-Mogul will be distributed to the asbestos trust, and 49.9% of the newly issued common stock will be distributed pro rata to the note holders and holders of unsecured claims against the U.S. Debtors that elected to have their claims satisfied by receiving shares of common stock of reorganized FMC rather than cash. The holders of currently outstanding common and preferred stock of FMC, at the time those shares are cancelled, will receive warrants that may be used to purchase shares of common stock of reorganized Federal-Mogul at a predetermined exercise price. These warrants will only be of value if the market price of the shares of reorganized Federal-Mogul exceeds the pre-determined exercise price during the 7 year term during which the warrants will be saleable or exercisable.

The Plan also provides: i) the US Asbestos Trust will make a payment to the reorganized FMC (or pay a portion of the stock in the reorganized FMC to be issued to the US Asbestos Trust in lieu thereof) for the agreed amounts that will be used by the U.K. Administrators to provide distributions on account of U.K. asbestos personal injury claims; ii) the US Asbestos Trust will provide an option to Mr. Carl Icahn for the purchase of the remaining shares of the reorganized FMC held by the US Asbestos Trust; and iii) if Mr. Carl Icahn does not exercise such option, he or one of his entities will provide certain financing to the Asbestos Trust.

Unsecured creditors, including trade creditors, of the U.S. Debtors are projected to have the option to either receive shares of reorganized Federal-Mogul or cash distributions under the Plan equal to 35% of their allowed claims, payable in three annual installments, provided that the aggregate payout of all allowed unsecured claims against the U.S. Debtors does not exceed USD 258 million. Any excess above this amount could result in a reduction in the percentage distribution that the unsecured creditors of the U.S. Debtors ultimately receive.

Pursuant to the Bankruptcy Code, the Debtors have filed schedules with the Bankruptcy Court setting forth the assets and liabilities of the Debtors as of the Petition Date. On October 4, 2002, the Debtors issued approximately 100,000 proofs of claim forms to their current and prior employees, known creditors, vendors and other parties with whom the Debtors have previously conducted business. To the extent that recipients disagree with the claims as quantified on these forms, the recipient may file discrepancies with the Bankruptcy Court. Differences between amounts recorded by the Debtors and claims filed by creditors will be investigated and resolved as part of the Restructuring Proceedings. The Bankruptcy Court ultimately will determine liability amounts that will be allowed for these claims in the Chapter 11 Cases. A March 3, 2003 bar date was set for the filing of proofs of claim against the Debtors. The ultimate number and allowed amount of such claims are not presently known. The resolution of such claims could result in a material adjustment to FMC's financial statements.

Approximately 10,800 proofs of claim totaling approximately \$171.1 billion in claims against various Debtors were filed in connection with the March 3, 2003 bar date.

To date, the Debtors have obtained orders allowing and disallowing more than 5,000 claims and stipulations or withdrawals of more than 1,700 claims, effectively reducing claims filed by approximately \$9.8 billion and allowing claims of approximately \$120 million.

The Debtors have completed the review of approximately 2,000 claims totaling approximately \$40.0 million for which no reduction is to be sought.

Approximately 260 claims, totalling \$2.1 billion, are associated with asbestos-related contribution, indemnity or reimbursement claims. These claims will be handled and resolved by the Asbestos Trust in accordance with the Trust Distribution Procedures detailed in the consensual Plan of Reorganization.

The Debtors have identified approximately 70 contribution and indemnity claims, totaling approximately \$12.0 billion, which will be resolved through a settlement that is embodied in the Plan of Reorganization.

Approximately 900 claims, totaling \$27.0 million in liquidated and an unspecified amount in unliquidated claims, represent asbestos property damage claims for which settlements have been documented and have either been approved by the Bankruptcy Court or are embodied in the Plan of Reorganization for resolution when the Plan is confirmed and becomes effective.

Of the remaining 870 claims:

The Debtors have completed the review of approximately 320 claims, totaling approximately \$139.1 billion, which the Debtors believe should be disallowed by the Bankruptcy Court primarily because these claims appear to be duplicative or unsubstantiated.

Approximately 10 claims, totaling approximately \$7.3 billion, represent bank and note-holder debt claims. The Debtors have previously recorded approximately \$4.3 billion for these claims, which is included in the financial statement caption "Liability subject to compromise". The Debtors believe the amount in excess of its books and records are duplicative and will be filing an objection requesting the duplicative amounts be disallowed.

Approximately 270 claims, totaling approximately \$4.0 million, represent employee benefit claims. The Plan of Reorganization provides that nearly all employee benefit claims involving the U.S. Debtors will be unimpaired and honored in the ordinary course of the operations of the Reorganized Company.

FMC has not completed its evaluation of the approximate remaining 270 claims, totaling approximately \$609 million, alleging rights to payment for financing, environmental, litigation, executory contracts, taxes trade accounts payable and other matters. FMC continues to investigate these unresolved proofs of claim, and intends to file objections to the claims that are inconsistent

with its books and records. Accordingly, the ultimate number and allowed amount of such claims are not presently known and cannot be reasonably estimated at this time. The resolution of such claims could result in a material adjustment to the Debtors' financial statements.

The CVAs became effective on October 11, 2006, resolving claims (other than those that are to be dealt with by the Plan) against the principal U.K. Debtors. The discharge of administration orders for the principal U.K. Debtors became effective on November 30, 2006. The CVAs divide asbestos claims against the principal U.K. Debtors into two categories: CVA Asbestos Claims and Chapter 11 Asbestos Claims. CVA Asbestos Claims are dealt with by the CVAs and it is intended that Chapter 11 Asbestos Claims will be dealt with by the Plan. The CVAs compromise and protect the CVA companies from the CVA Asbestos Claims. The trustees of an U.K. asbestos trust will pay dividends from the U.K. asbestos trust. Upon the effective date of the Plan, the Chapter 11 Asbestos Claims will be compromised. Accordingly the Plan for FMC contemplates that the trustees of the Asbestos Trust will look exclusively to the Asbestos trust to pay dividends to Chapter 11 Asbestos Claimants.

The Bankruptcy Court may confirm a plan of reorganization only upon making certain findings required by the Bankruptcy Code, and a plan may be confirmed over the dissent of non-accepting creditors and equity security holders if certain requirements of the Bankruptcy Code are met. The payment rights and other entitlements of pre-petition creditors and equity security holders may be substantially altered by any plan of reorganization confirmed in the Chapter 11 Cases. The pre-petition creditors of some Debtors may be treated differently than those of other Debtors under the proposed Plan.

Prior to the Restructuring Proceedings, FMC was sued in its own name as one of a large number of defendants in multiple lawsuits brought by claimants alleging injury from exposure to asbestos due to its ownership of certain assets involved in gasket making. As of the Petition Date, FMC was a defendant in approximately 61,500 pre-petition pending claims. Over 40,000 of these claims were transferred to a federal court, where, prior to the Restructuring Proceedings, they were pending. Notices of complaints continue to be received post-petition and are in violation of the automatic stay.

Prior to the Restructuring Proceedings, FMC's Fel-Pro subsidiary also was named as a defendant in a number of product liability cases involving asbestos, primarily involving gasket or packing products. Fel-Pro was a defendant in approximately with respect to nearly 2,000 pending claims as of the Petition Date. Fel-Pro had been named in a further 32,000 claims that had been dismissed without prejudice prior to the Petition Date. FMC was defending all such claims vigorously and believed that it and Fel-Pro had substantial defenses to liability and insurance coverage for defense and indemnity. All claims alleging exposure to products of the FMC and Fel-Pro have been stayed as a result of the Restructuring Proceedings.

FMC includes as a pending claim open served claims, settled but not documented claims and settled but not paid claims (the "Pending Claims"). Notices of complaints continue to be received post-petition and are in violation of the automatic stay.

Federal-Mogul has estimated its asbestos liability on the FMC and Fel-Pro claims at USD 2.7 million as of December 31, 2006.

In addition, FMC's U.K. subsidiary, T&N Ltd., and two U.S. subsidiaries (the "T&N Companies") are among many defendants named in numerous court actions in the U.S. alleging personal injury resulting from exposure to asbestos or asbestos-containing products. T&N Ltd. and certain of its French subsidiaries are also subject to asbestos-disease litigation, to a lesser extent, in the United Kingdom and France. As of the Petition Date, T&N Ltd. was a defendant in approximately 115,000 pending personal injury claims. The two United States subsidiaries were defendants in approximately 199,000 pending personal injury claims. Notices of complaints continue to be received post-petition and are in violation of the automatic stay.

FMC, during the year ended December 31, 2000, increased its estimate of asbestos-related liability for the T&N Companies by \$751 million and recorded a related insurance recoverable asset of \$577 million. The revision in the estimate of probable asbestos-related liability principally resulted from a study performed by an econometric firm that specializes in these types of matters. The liability (approximately \$1.24 billion as of June 30, 2007) represented FMC's estimate prior to the Restructuring Proceedings for claims currently pending and those which were reasonably estimated to be asserted and paid through 2012. FMC did not provide a liability for claims that may be paid

subsequent to this period as it could not reasonably estimate such claims. In estimating the liability prior to the Restructuring Proceedings, FMC made assumptions regarding the total number of claims anticipated to be received in a future period, the typical cost of settlement (which is sensitive to the industry in which the plaintiff claims exposure, the alleged disease type and the jurisdiction in which the action is being brought), the rate of receipt of claims, and the settlement strategy in dealing with outstanding claims and the timing of settlements. As a result of the Restructuring Proceedings, pending asbestos-related litigation against FMC in the United States is stayed and no party may take action to pursue or collect on such asbestos claims absent specific authorization of the Bankruptcy Court. Since the Restructuring Proceedings, FMC has ceased making payments with respect to asbestos-related lawsuits. An asbestos creditors' committee has been appointed in the U.S. representing asbestos claimants with pending claims against FMC, and the Bankruptcy Court has appointed a legal representative for the interests of potential future asbestos claimants.

FMC also issued various letters of credit in connection with asbestos lawsuits that had resulted in verdicts against FMC or its subsidiaries prior to its filing for bankruptcy protection. The letters of credit were issued as security for the judgments entered against FMC or its subsidiaries to permit FMC to pursue appeals to those judgments. The Bankruptcy Court lifted the automatic stay with respect to certain cases where letters of credit were in place to allow the appeals of those cases to proceed. During 2003, the final appeal in three of these cases was denied, and draws were made upon the letters of credit of approximately \$16 million.

While FMC believes that the liability recorded for the U.S. Asbestos Claims was appropriate as of October 1, 2001 for anticipated losses arising from asbestos-related claims against the T&N Companies through 2012, it is FMC's view that, as a result of the Restructuring Proceedings, there is even greater uncertainty in estimating the timing and amount of future asbestos liability and related insurance recovery for pending and future claims. There are significant differences in the treatment of asbestos claims in a bankruptcy proceeding as compared to the tort litigation system. Among other things, it is uncertain at this time as to the number of asbestos-related claims that will be filed in the Restructuring Proceedings, the number of current and future claims that will be included in the plan of reorganization, how claims for punitive damages and claims by persons with no asbestos-related physical impairment will be treated and whether such claims will be allowed, and the impact that historical settlement values for asbestos claims may have on the estimation of asbestos liability in the Restructuring Proceedings.

Two of FMC's businesses formerly owned by Cooper Industries, LLC ("Cooper"), historically known as Abex and Wagner, are involved as defendants in numerous court actions in the U.S. alleging personal injury from exposure to asbestos or asbestos-containing products. These claims mainly involve vehicle safety and protection products. As of the Petition Date, Abex and Wagner were defendants in approximately 66,000 and 33,000 Pending Claims, respectively. Notices of complaints continue to be received post-petition and are in violation of the automatic stay.

The liability of FMC with respect to claims alleging exposure to Wagner products arises from the 1998 stock purchase from Cooper of the corporate successor by merger to Wagner Electric Company; the purchased entity is now a wholly-owned subsidiary of FMC and one of the Debtors in the Restructuring Proceedings.

The liability of FMC with respect to claims alleging exposure to Abex products arises from a contractual liability entered into in 1994 by the predecessor to FMC whose stock FMC purchased in 1998. Pursuant to that contract and prior to the Restructuring Proceedings, FMC, through the relevant subsidiary, was liable for certain indemnity and defense payments incurred on behalf of an entity known as Pneumo Abex Corporation ("Pneumo"), the successor in interest to Abex Corporation. Effective as of the Petition Date, FMC has ceased making such payments and is currently considering whether to accept or reject the 1994 contractual liability.

As of the Petition Date, pending asbestos litigation of Abex (as to FMC only) and Wagner is stayed (subject to certain exceptions in the case of governmental authorities), and no party may take action to pursue or collect on such asbestos claims absent specific authorization of the Bankruptcy Court.

The liability (comprised of \$129.5 million in Abex liabilities and \$84.1 million in Wagner liabilities as of June 30, 2007) represented FMC's estimate prior to the Restructuring Proceedings for claims currently pending and those which were reasonably estimated to be asserted and paid through 2012. FMC did not provide a liability for claims that may be brought subsequent to this period as it could not reasonably estimate such claims. In estimating the liability prior to the Restructuring Proceedings, FMC made assumptions regarding the total number of claims anticipated to be received in a future period, the typical cost of settlement (which is sensitive to the industry in which

the plaintiff claims exposure, the alleged disease type and the jurisdiction in which the action is being brought), the rate of receipt of claims, the settlement strategy in dealing with outstanding claims and the timing of settlements.

FMC issued various letters of credit in connection with asbestos lawsuits that had resulted in verdicts against FMC prior to its filing for bankruptcy protection. The letters of credit were issued as security for judgments entered against FMC to permit FMC to pursue appeals to these judgments. The final appeal in one case was denied during 2004, the Bankruptcy Court lifted the automatic stay related to one letter of credit associated with this appeal, and a net draw was made upon this letter of credit of approximately \$1 million.

While FMC believes that the liability recorded was appropriate as of October 1, 2001 for anticipated losses arising from asbestos-related claims related to Abex and Wagner through 2012, it is FMC's view that, as a result of the Restructuring Proceedings, there is even greater uncertainty in estimating the timing and amount of future asbestos liability and related insurance recovery for pending and future claims. There are significant differences in the treatment of asbestos claims in a bankruptcy proceeding as compared to the tort litigation system. Among other things, it is uncertain at this time as to the number of asbestos-related claims that will be filed in the proceeding, the number of current and future claims that will be included in the plan of reorganization, how claims for punitive damages and claims by persons with no asbestos-related physical impairment will be treated and whether such claims will be allowed, and the impact historical settlement values for asbestos claims may have on the estimation of asbestos liability in the Restructuring Proceedings.

Cooper, Pneumo, FMC, the asbestos claimants committee, the representative for future asbestos claimants, and various other relevant parties, signed a nonbinding term sheet in July of 2006, reflecting a global settlement that will provide two alternative means of resolving all of Cooper's and Pneumo's claims against FMC arising out of the Abex asbestos litigation and the related alleged indemnity obligations. One of these alternatives will be accomplished as part of the Plan and its confirmation. Under one alternative, Cooper will contribute \$756 million to a trust to be established pursuant to Section 524(g) of the Bankruptcy Code, consisting of \$256 million in cash and a \$500 million promissory note, in consideration for Cooper and Pneumo being protected from current and future Abex asbestos claims by the Plan's channeling injunction which will channel all the Abex asbestos claims to the trust. This alternative settlement has been documented as part of the Plan, and affected creditors will be given an opportunity to vote for or against this alternative as part of the solicitation of votes on the Plan.

The other alternative settlement will only be utilized if the first alternative cannot be successfully implemented. Under the second settlement structure, Cooper will receive \$138 million and Pneumo will receive \$2 million in exchange for completely releasing all their claims against FMC and all its affiliates. The terms of this alternative settlement are set forth in the Plan B Settlement Agreement executed as of September 18, 2006, by the same parties that signed the term sheet in July of 2006. This alternative has been documented as part of the Plan. Under both of the foregoing alternatives, Cooper has agreed to permit FMC to: (i) negotiate certain lump-sum or installment settlements involving the Wagner insurance (described below); and (ii) retain 88% of the proceeds from such insurance settlements in the case of the first alternative settlement structure and 80% of the proceeds in the case of the second alternative settlement structure. Cooper, Pneumo, FMC, the asbestos claimants committee, the representative for future asbestos claimants, and various other relevant parties, have entered a Plan Support Agreement which was approved by the Bankruptcy Court on February 2, 2007, binding the parties to the alternative settlements.

Neither of the foregoing settlement alternatives will be consummated until the Plan has been confirmed. Accordingly, FMC will not be relieved of material additional liabilities and significant additional litigation relating to Abex and Wagner asbestos matters until the Plan becomes effective. FMC's results of operations and financial condition could be materially affected in the event that such liabilities cannot be resolved and end up exceeding the amounts recorded by FMC or the remaining insurance coverage.

Dresser Industries, Inc. ("Dresser") initiated an adversary action against the Debtors and a number of insurance carriers in FMC's Restructuring Proceedings (the "Adversary Proceeding"). In its complaint, Dresser alleged that it has rights under certain primary and excess general liability insurance policies that may be shared with one of the Debtors, Federal-Mogul Products ("FMP") as the successor to Wagner Electric Corporation. Dresser sought, among other things, a declaration of the parties' respective rights and obligations under the policies and a partition of the competing rights of Dresser and FMP under the policies. FMP answered Dresser's complaint and filed cross-claims against all of the defendant-insurers seeking a declaration of FMP's rights to the policies.

The subsidiary of FMC that may be liable for asbestos claims against Wagner has the benefit of that insurance, subject to the rights of other potential insureds under the policies. Primary layer liability insurance coverage for asbestos claims against Wagner is the subject of an agreement with Wagner's solvent primary carriers. The agreement provides for partial reimbursement of indemnity and defense costs for Wagner asbestos claims until exhaustion of aggregate limits. Wagner also has substantial excess layer liability insurance coverage which, barring unforeseen insolvencies of excess carriers or other adverse events, should provide coverage for asbestos claims against Wagner. The Wagner insurance recoverable was \$47.6 million as of June 30, 2007. On November 4, 2004, FMP, Dresser and Cooper Industries, LLC ("Cooper") and certain of the insurers ("Parties") entered into a partitioning agreement, by which the Parties agreed as to the manner in which the limits of liability, self-insured retentions, deductibles and any other self-insurance features, and the erosion thereof, are to be partitioned among FMP, Dresser and Cooper. The partitioning agreement effectively disposes of Dresser's claims in the Adversary Proceeding. However, FMP's cross claim against the defendant-insurers remains. In a separate agreement, FMP, Cooper, and Pneumo have agreed, among other things, to a method for dividing the FMP-Cooper portion of the partitioned limits among those three entities. The agreement among FMP, Cooper, and Pneumo is subject to bankruptcy court approval and is set forth in detail in the Fourth Amended Plan of Reorganization..

Because the legal issues raised in the Adversary Proceeding generally involve state rather than federal law, on September 19, 2006, FMP filed a complaint in the Superior Court of New Jersey (the "New Jersey Complaint") against all of the defendant insurers in the Adversary Proceeding. The New Jersey Complaint generally tracks the cross-claims previously asserted by FMP against the defendant insurers in the Adversary Proceeding, and seeks a declaration as to FMP's coverage rights under the policies as well as damages for breach of contract and bad faith. Several defendant insurers have stated that they believe that the New York Supreme Court rather than the New Jersey Superior Court is the more appropriate forum for the litigation. On or about May 8, 2007, those insurers sued FMP, FMC and certain other parties in New York Supreme court, seeking a declaration that they do not have any obligation to cover Wagner asbestos claims.

The aforementioned estimates of asbestos liability are subject to considerable uncertainty because such liabilities are influenced by numerous variables that are inherently difficult to predict. The Restructuring Proceedings significantly increase the inherent difficulties and uncertainties involved in estimating the number and cost of resolution of present and future asbestos-related claims against FMC, and may have the effect of increasing the ultimate cost of the resolution of such claims.

VI. Roll over or pre-bankruptcy liabilities of FMC and its subsidiaries.

In accordance with AICPA Statement of Position 90-7 ("SOP 90-7"), FMC ceased recording interest expense on its outstanding Notes, Medium-term notes, and Senior notes effective October 1, 2001. Virtually all of FMC's pre-petition debt is in default.

In connection with the Restructuring Proceedings, FMC entered into a debtor-in-possession ("DIP") credit facility to supplement liquidity and fund operations during the Restructuring Proceedings. In May, 2007, FMC amended its DIP facility, modifying certain terms of the agreement and extending the term of the post-petition financing through December 31, 2007. The amended DIP facility consists of a \$500 million revolving credit facility ("Revolving Credit Facility") and a \$605 million term loan facility ("Term Loan Facility"). The proceeds of the Term Loan Facility were used primarily to refinance approximately \$330 million in loans under the Senior Credit Facility and for general corporate purposes.

As a condition of granting the DIP credit facility priority over the collateral interest of the Senior Credit Agreements, the Bankruptcy Court ordered that the noteholders receive, in cash, adequate protection payments equal to one-half of one percent (0.5%) of the outstanding notes per year. These cash payments, which approximate \$2.6 million per quarter, are recorded as interest expense in the statements of operations. All cash adequate protection payments made to the noteholders are provisional in nature and are subject to re-characterization, credit against allowed claims, or other relief if the Bankruptcy Court were to ultimately conclude that the note-holders were not entitled to such payments.

The Bankruptcy Court further ordered additional adequate protection to the note-holders in the form of either cash payment of one-half of one percent (0.5%) of the outstanding notes per year or the granting of an administrative expense claim pursuant to Section 507(b) of the Bankruptcy Code in the amount of one percent (1.0%) of the outstanding notes per year. FMC has elected to grant an administrative expense claim in favor of the note-holders for this additional adequate protection. All adequate protection administrative expense claims inured in favor of the note-holders are

provisional in nature and subject to challenge by all parties-in-interest to the Restructuring Proceedings. Thus, the ultimate amount and related payment terms, if any, for these administrative expense claims will be established in connection with the Restructuring Proceedings. Accordingly, such additional administrative expense claims, approximating \$118 million as of June 30, 2007, have not been recorded in the accompanying financial statements.

The Revolving Credit Agreement has an interest rate of either the ABR plus 1 ¹/₄ percentage points or a formula based on the London Inter-Bank Offered Rate ("LIBOR") plus 2 ¹/₄ percentage points. Interest on the Term Loan accrues at a rate of either the ABR plus 1 percentage point or a formula based on the London Inter-Bank Offered Rate ("LIBOR") plus 2 percentage points. ABR is the greater of either the bank's prime rate or the federal funds rate plus ¹/₂ percentage point.

Litigations/Claims/Notices instituted by our group companies

I. Criminal Complaints

Nanz Food Products Limited ("NFPL") had lodged an FIR No. 199 of 2001 dated June 2, 2001 with Sarita Vihar Police Station, New Delhi against Mr. Narendra Anand under Sections 448 and 34 of the Indian Penal Code, 1908 for forcibly evicting NFPL from its leased premises let out by Mr. Anand, which eviction was contrary to the terms of the lease and also the understanding between Mr. Anand and NFPL. Further, a case bearing no. CRC/436/2/03 is also filed before the Metropolitan Magistrate, Patiala House Courts, New Delhi for trespass against Mr. Anand is also pending before the Patiala House Courts, New Delhi. In addition to this, a case bearing no. 1206 of 2001 has also been filed before Delhi High Court in June, 2001 for recovery of possession against Classic Motors Limited & Mr. Narendra Anand under Section 6 of the Specific Relief Act, 1963 along with an application for injunction under Order 39 of the Civil Procedure Code, 1908.

II. Civil Suits/Claims/Notices

- (a) A recovery suit bearing number 179 of 1998 had been filed by NFPL against Mrs. Shameen Vardharajan before the Senior Civil Judge, Tis Hazari Courts, New Delhi in February, 1998 for refund of security deposit under a lease agreement entered into between the parties for lease of premises situated at 309-A, Sector 15 A, Noida to NFPL. The amount involved in the suit is a sum of Rs. 79,520 and the matter is currently pending before the Karkardooma Courts, New Delhi.
- (b) NFPL has filed a complaint RTPE Number 196 of 1998 before the Monopolies and Restrictive Trade Practices Commission in August, 1998 against Mahanagar Telephone Nigam Limited under the Monopolies and Restrictive Trade Practices Act, 1969 seeking an enquiry by the Monopolies and Restrictive Trade Practices Commission into the practice of Mahanagar Telephone Nigam Limited disconnecting eight (8) telephone lines of NFPL on the alleged ground of pendency of unpaid arrears in respect of two (2) other telephone lines without actually having given NFPL an opportunity of being heard and without disclosing the break up of the alleged liability. The matter is currently pending before the Monopolies and Restrictive Trade Practices Commission.
- (c) Joint Investments Private Limited has filed a suit bearing no. 118 of 2004 before Delhi High Court in March, 2004 against Escorts Limited under Section 34 of the Arbitration and Conciliation Act, 1996 for setting aside a purported arbitral award on the ground that purported award is not a result of any arbitration agreement and there was no arbitration reference. The amount involved in the case is Rs. 70,600,000. The Matter is currently pending before Delhi High Court. It may be noted that although the case has been filed by Joint investments Private Limited, liability, if any, that arises would be that of our Company.

Litigations/Claims/Notices instituted against our group companies

I. Criminal Complaints

- (a) NFPL has been made party to a criminal complaint no. 54 of 1997 filed before the Metropolitan Magistrate, Patiala House Courts, New Delhi in April, 1997 under the Prevention of Food Adulteration Act, 1954 on the grounds of having committed the offence of selling rock salt without iodine. NFPL has filed an application before the Metropolitan Magistrate, Patiala House Courts, New Delhi in May, 1998 recalling the summoning order and dismissal of complaint filed against it *inter alia* on the ground that no evidence has been brought on record to show that either NFPL or its directors were responsible for any violation. The matter is currently pending before the Metropolitan Magistrate, Patiala House Courts, New Delhi.

It is clarified that while NFPL is not our group company, pursuant to a memorandum of understanding with NFPL, we have agreed to discharge all liabilities that may arise against NFPL in relation to legal proceedings that have been initiated against NFPL. This memorandum of understanding has been discussed at page 166 of this Letter of Offer. We have undertaken a similar obligation with respect to liabilities that may arise against GIP Leather India Limited (now known as Gossini Fashion Limited). This undertaking is based on an agreement between our Company and GIP Leather India Limited (now known as Gossini Fashion Limited).

II. Labour Disputes

There are three (3) labour disputes pending before the Labour Court, Karkardooma, New Delhi regarding termination of services of employees by NFPL. The services were terminated on the grounds of unsatisfactory work performance. All the petitioners have sought a reinstatement of their services with full back wages from the date of their termination till the date of passing the order. The matters are currently pending before the Labour Court, Karkardooma, New Delhi.

Litigations/Claims/Notices instituted by our Subsidiary – FMTPR India

I. Criminal Complaints

FMTPR India has filed a criminal complaint before the Additional Chief Metropolitan Magistrate, Patiala House Courts, New Delhi in October, 2003 under the Negotiable Instruments Act, 1881 against M/s Global Trading Corporation. M/s Global Trading Corporation was appointed as a stockist of FMTPR India and FMTPR India supplied goods to M/s Global Trading Corporation against which M/s Global Trading Corporation had issued a cheque no. 498436 dated June 15, 2003 in favour of Goetze TP (India) Limited drawn on Canara Bank, Kashmere Gate, Delhi-110006 for a sum of Rs. 84,077. The said cheque was dishonoured on presentation due to insufficiency of funds in the account of M/s Global Trading Corporation. After complying with the procedures prescribed under the Negotiable Instruments Act, 1881, FMTPR India instituted the complaint against M/s Global Trading Corporation. The amount involved in the matter is Rs. 84,077. The matter is currently pending before the Additional Chief Metropolitan Magistrate, Patiala House Courts, New Delhi.

Litigations/Claims/Notices instituted against our Subsidiary – FMTPR India

I. Statutory proceedings

Excise Matters

- (a) Commissioner, Central Excise, Bangalore has filed an appeal before CESTAT against the order no. 195/2004-CE Dated January 04, 2005 passed by the Commissioner (Appeals), Bangalore. The dispute was relating to finalisation of Provisional Assessment on account of Turn Over Discount for the period July 2000 to March 2002. The matter is currently pending before CESTAT, Bangalore. Amount involved in this case has not been quantified.
- (b) The Company has filed an appeal no. E/517/2004 before CESTAT against the order in appeal no. 66/2005-CE Dated March 10, 2005 passed by the Commissioner (Appeals), Bangalore. The dispute was relating to finalisation of Provisional Assessment on account of Turn Over Discount for the period 2003-2004. The amount being involved in the matter is Rs. 78,013. CESTAT has allowed a stay on the order passed by the Commissioner (Appeals), Bangalore. The matter is currently pending before CESTAT, Bangalore for final hearing.
- (c) The Company has filed an appeal no. 616/2006 before CESTAT against the order no. 22/2005 Dated March 21, 2006 passed by the Commissioner (Appeals), Bangalore. The dispute was relating to finalisation of Provisional Assessment on account of Turn Over Discount for the period 2004-2005. The amount being involved in the matter is Rs. 116,120. CESTAT has ordered for re-assessment of the case by Assistant Commissioner Central Excise, Bangalore. The matter is currently pending before Assistant Commissioner Central Excise, Bangalore.
- (d) The Company has filed appeal no. 196/2006 before Commissioner Central Excise (Appeals), Bangalore against the order no. 46/2006 Dated July 13, 2006 passed by the Commissioner Central Excise, Bangalore. The dispute was relating to finalisation of Provisional Assessment on account of Turn Over Discount & Trade Discount for the period 2005-2006. The amount being involved in the

matter is Rs. 96,806. The matter is currently pending before Commissioner Central Excise (Appeals), Bangalore.

- (e) The Company has received a demand notice being demand notice no. SCN No.IV/16/75/2003/Adjn. dated September 15, 2003 issued by the Deputy Commissioner Central Excise, Bangalore raising a demand of Rs. 105,029. The dispute was relating to finalisation of Provisional Assessment on account of Trade Discount for the period 2000-2002. The matter is currently pending before Deputy Commissioner Central Excise, Bangalore.
- (f) The Company has received a demand notice being demand notice no. SCN No.IV/16/75/2003/Adjn. dated March 01, 2003 issued by the Deputy Commissioner Central Excise, Bangalore raising a demand of Rs. 119,487. The dispute was relating to finalisation of Provisional Assessment on account of Trade Discount for the period 2002-2003. The matter is currently pending before Deputy Commissioner Central Excise, Bangalore.
- (g) The Company has received a demand notice being demand notice no. SCN No.IV/84/17/2004 dated October 26, 2004 issued by the Deputy Commissioner Central Excise, Bangalore raising a demand of Rs. 17,910. The dispute relates to the finalisation of Provisional Assessment on account of Trade Discount for the period 2003-2004. The matter is currently pending before Deputy Commissioner Central Excise, Bangalore.

The liability specified in these cases excludes interest of 13% imposed by the Central Excise Act, 1944 which may be imposed by the adjudicating authority should the matters be decided in favor of the revenue.

Contingent liabilities are as follows:

- a. FMGIL: Please refer page 193 and 235 of the Letter of Offer
- b. SRCL: Nil
- c. GTPIL:

(Rs. In lakhs)

Particulars	Year ending March 31, 2006	Year ending March 31, 2005
Estimated amount of contracts remaining to be executed on capital account and not provided (net of advance)	435.45	40.64
Excise duty show cause notices contested	14.24	12.24
Others not acknowledged as liability	-	1.32

- d. FMHL: Please refer to page 156 of the Letter of Offer.
- e. FMG: Please refer to page 155 of the Letter of Offer.
- f. FMC: Please refer to page 153 of the Letter of Offer.
- g. FIPL: Please refer page 159 of the Letter of Offer

GOVERNMENT APPROVALS AND LICENSES

In view of the approvals listed below, the Company can undertake this Issue and its current business activities and no further material approvals are required from any Government authority to continue such activities. It must, however, be distinctly understood that in granting these consents / licenses / permissions / approvals, the Government does not take any responsibility for the financial soundness of the Company or for the correctness of any of the statements or any commitments made or opinions expressed. The Company shall ensure to obtain all the consents / licenses / permissions / approvals to undertake its business activities. The Company has received or applied for the renewal of the following Government approvals that are material to its business:

Existing Approvals

We have received the following Government and/or statutory approvals/licenses/permissions:

Environmental Approvals

S. No.	Type of Approval	Business Location	Issuing Authority	Status	Approval Reference
A. Patiala Plant					
1.	Consent granted under Section 21 of the Air (Prevention & Control of Pollution) Act 1981.	Federal-Mogul Goetze (India) Ltd., Rajpura Rd., Bahadurgarh, Patiala, Punjab.	Environmental Engineer, Punjab Pollution Control Board.	Valid until December 31, 2016.	Date of Consent: September 17, 2002. Consent No: PTA/APC/2002/F-232.
2.	Consent granted under the Air (Prevention & Control of Pollution) Act 1981.	Federal-Mogul Goetze (India) Ltd, Rajpura Road., Bahadurgarh, Patiala, Punjab.	Environmental Engineer, Punjab Pollution Control Board.	Valid until December 31, 2009.	Date of Consent: October 16, 2003. Consent No: PTA/APC/2002-2009/F-240.
3.	Consent granted under Sections 25 and 26 of the Water (Prevention & Control of Pollution) Act 1974.	Federal-Mogul Goetze (India) Ltd., Rajpura Road., Bahadurgarh, Patiala, Punjab.	Environmental Engineer, Punjab Pollution Control Board.	Valid till December 31, 2016.	Date of Consent: August 26, 2003. Consent No: PTA/WPC/2003/F-225.
4.	Consent for discharge of effluents under the Water (Prevention and Control of Pollution) Act, 1974.	Federal-Mogul Goetze (India) Ltd, Rajpura Road., Bahadurgarh, Patiala, Punjab.	Environmental Engineer, Punjab Pollution Control Board.	Valid till January 31, 2011.	Date of extension of Consent: November 2, 1999. Consent No: 23015.
5.	Authorization for operating a facility for collection and storage of Hazardous Wastes.	Federal-Mogul Goetze (India) Ltd, Rajpura Road., Bahadurgarh, Patiala, Punjab.	Senior Scientific Officer, Punjab Pollution Control Board, Patiala.	Valid till October 15, 2007.	Date of issue of Authorization (Renewal) : October 16, 2006. Authorization No: HMC/PTA/2006-0/(R-1320)/R-3578.
B. Yelahanka Plant					
6.	Authorization for handling hazardous wastes under the Hazardous Waste (Management and Handling) Rules, 1989.	Federal-Mogul Goetze (India) Ltd., Yelahanka, Bangalore, Karnataka.	Member Secretary, Karnataka State Pollution Control Board.	Valid till June 30, 2008.	Date of authorization: July 25, 2006. INR No. 194 KSPCB/HWM/560
C. Bhiwadi Plant					
7	Consent to operate under the Water (Prevention and Control of Pollution)	Federal-Mogul Goetze (India) Ltd., SPL-1240-1244,	Regional Officer, Rajasthan State Pollution	Expired on July 31, 2007. An Applicatio	Date of expired Consent: July 31, 2006. Consent No.

S. No.	Type of Approval	Business Location	Issuing Authority	Status	Approval Reference
	Act, 1974 and the Air (Prevention & Control of Pollution) Act, 1981.	RILCO Industrial Area, Bhiwadi.	Control Board.	n for renewal was filed on June 21, 2007	RPCB/RO/BWD/OR-54/1013.

Explosives

S. No.	Type of Approval	Business Location	Issuing Authority	Status	Approval Reference
A. Patiala Plant					
1.	License to Store compressed gas in pressure vessel or vessels.	Federal-Mogul Goetze (India) Ltd., Rajpura Rd., Bahadurgarh, Patiala, Punjab.	Joint Chief Controller Explosives, Faridabad.	Valid till March 31, 2009.	License dated: March 14, 2005. License No: PV (NC) S-9/PB; file no.: S/HO/PB/03/26 (S-4085).
2.	License to Store compressed gas in pressure vessel or vessels under the Explosives Act, 1884 and the Rules made thereunder.	Federal-Mogul Goetze (India) Ltd., Rajpura Rd., Bahadurgarh, Patiala, Punjab.	Joint Chief Controller Explosives, Faridabad.	Valid till March 31, 2009.	License dated: March 14, 2005. License No: PV (NC) S-19/PB; file no.: S/HO/PB/03/42 (S-4101).
3.	License to import and store Petroleum (80 KL) Ring Group under the Explosives Act, 1884 and the Rules made thereunder.	Federal-Mogul Goetze (India) Ltd, Rajpura Rd., Bahadurgarh, Patiala, Punjab.	Deputy Chief Controller of Explosives Chandigarh.	Valid till December 31, 2007.	License dated: December 22, 2004. License No: P/HQ/PB/15/138 (P-2221).
4.	License to import and store Petroleum (80 KL) Piston Group under the Explosives Act, 1884 and the Rules made thereunder.	Federal-Mogul Goetze (India) Ltd, Rajpura Rd., Bahadurgarh, Patiala, Punjab.	Deputy Chief Controller/ Explosives Chandigarh.	Valid till December 31, 2009	Renewal dated: June 20, 2007 License No.: P/HQ/PB/15/138 (P-2218).
B. Yelahanka Plant					
5.	Storage of Propane on premises under the Explosives Act, 1884 and the Rules made thereunder.	Federal-Mogul Goetze (India) Ltd, Yelahanka, Bangalore, Karnataka.	Chief/Joint Controller of Explosives, Nagpur.	Valid till March 31, 2008.	License dated: August 9, 2004. License No: S/HO/KA/03/23 (s 2996).
6.	License for Petroleum Class B Installation under the Explosives Act, 1884 and the Rules made thereunder.	Federal-Mogul Goetze (India) Ltd, Yelahanka, Bangalore, Karnataka.	Deputy Chief Controller of Explosives, Mangalore.	Valid till December 31, 2007.	License dated: December 3, 2004. License No: P12(22) 553/MYS- 2337.
7.	License for Petroleum Class B & C Installation under the Explosives Act, 1884 and the Rules made thereunder.	Federal-Mogul Goetze (India) Ltd, Yelahanka, Bangalore, Karnataka.	Deputy Chief Controller of Explosives, Mangalore.	Valid till December 31, 2007.	License dated: December 3, 2004. License No: P12(22) 553/MYS- 2338.
8.	License for Petroleum Class A/B Storage Shed	Federal-Mogul Goetze (India) Ltd, Yelahanka,	Joint Chief Controller of Explosives,	Valid till December 31, 2007	Renewal dated: December 3, 2004

S. No.	Type of Approval	Business Location	Issuing Authority	Status	Approval Reference
	(6.2KL) under the Explosives Act, 1884 and the Rules made thereunder.	Bangalore, Karnataka.	Chennai		License No: P12 (22) 554/ Mys- 2338
C. Bhiwadi Plant					
9.	License for the storage of Ammonia under the Explosives Act, 1884 and the Rules made thereunder.	Federal-Mogul Goetze (India) Ltd., SPL-1240-1244, RIICO Industrial Area, Bhiwadi.	Deputy Chief Controller of Explosives, Jaipur.	Valid till September 30, 2008.	Renewal dated: March 17, 2006. License No: G/NC/RJ/06/841 (G19900).
10.	License to store and import petroleum under the Explosives Act, 1884 and the Rules made thereunder.	Federal-Mogul Goetze (India) Ltd., SPL-1240-1244, RIICO Industrial Area, Bhiwadi.	Deputy Chief Controller of Explosives.	Valid till December 31, 2008.	Renewal dated: December 19, 2005. License No: P/HQ/RJ/15/487 (P5240).
11.	License to store compressed gas under the Explosives Act, 1884 and the Rules made thereunder.	Federal-Mogul Goetze (India) Ltd., SPL-1240-1244, RIICO Industrial Area, Bhiwadi.	Deputy Chief Controller of Explosives, Uttaranchal, Faridabad.	Valid till March 31, 2009.	Renewal dated: March 29, 2006. License No: PV (NC)S-104/Raj./Ra-82/PVS.
12.	License to store compressed gas in vessel no. 352 and 20 m3 nitrogen gas in vessel no. 95/057-A under the Explosives Act, 1884 and the Rules made thereunder.	Federal-Mogul Goetze (India) Ltd, SPL-1240-1244, RIICO Industrial Area, Bhiwadi.	Deputy Chief Controller of Explosives.	Valid till March 31, 2009.	Renewal dated: March 29, 2006. License No: PV(NC)S-115/Raj/Ra-84/PVS.

Labour Related Approvals

S. No.	Type of Approval	Business Location	Issuing Authority	Status	Approval Reference
A. Yelahanka Plant					
1.	Factory License under the Factories Act, 1948.	Federal-Mogul Goetze (India) Ltd, Yelahanka, Bangalore, Karnataka.	Directorate of Factories and Boilers, Karnataka.	Valid till December 31, 2007.	Renewal dated: January 1, 2005. Registration No: MYB- 3941.
2.	License under the Contract Labour (Regulation and abolition) Act, 1970.	Federal-Mogul Goetze (India) Ltd, Yelahanka, Bangalore, Karnataka.	Labour Officer and Registering Officer, Bangalore Sub-Division-3.	Valid	Registration dated: August 13, 2001. License No: ALC-3/CLA/P-17/2001-02.
3.	Registration under the Employees Provident Fund and Miscellaneous Provisions Act, 1952.	Federal-Mogul Goetze (India) Ltd, Yelahanka, Bangalore, Karnataka.	Relevant authority	Valid	Registration No: KN 6722.

4.	Registration under the Employees State Insurance Act, 1948.	Federal-Mogul Goetze (India) Ltd, Yelahanka, Bangalore, Karnataka.	Relevant Authority	Valid	Registration No: 53-3049-90.
B. Bhiwadi Plant					
5.	Factory License under the Factories Act, 1948.	Federal-Mogul Goetze (India) Ltd., SPL-1240-1244, RIICO Industrial Area, Bhiwadi.	Chief Inspector of Factories and Boilers, Rajasthan.	Valid till March 31, 2008.	Renewal dated: May 18, 2007. Registration No. RJ 22763, sr. no. 35971.
6.	Registration under the Employees Provident Fund and Miscellaneous Provisions Act, 1952.	Federal-Mogul Goetze (India) Ltd., SPL-1240-1244, RIICO Industrial Area, Bhiwadi.	Regional Provident Fund Commissioner (I), Jaipur.	Valid	Registration dated: May 5, 1997. Registration No: Enf.III/Cov.?RJ/8546/1020 .
7.	Registration under the Employees State insurance Act, 1948.	Federal-Mogul Goetze (India) Ltd., SPL-1240-1244, RIICO Industrial Area, Bhiwadi.	Regional Office, Employees State Insurance Corporation.	Valid	Registration dated: March 5, 1997. Registration No: 15/14492/74.
8.	License under the Contract Labour (Regulation and abolition) Act, 1970.	Federal-Mogul Goetze (India) Ltd, SPL-1240-1244, RIICO Industrial Area, Bhiwadi.	Joint Labour Commissioner, Alwar.	Valid till December 31, 2007.	Renewal dated: May 17, 2007. Registration no: ALW/10/99.
C. Patiala Plant					
9.	Registration under the Employees Provident Fund and Miscellaneous Provisions Act, 1952.	Federal-Mogul Goetze (India) Ltd, Rajpura Rd., Bahadurgarh, Patiala, Punjab.	Assistant Provident Fund Commissioner.	Valid	Confirmation dated: November 11, 2003. Registration number: PN/397.
10.	Factory License under the Factories Act, 1948.	Federal-Mogul Goetze (India) Ltd, Rajpura Rd., Bahadurgarh, Patiala, Punjab.	Directorate of Factories, Chandigarh, Punjab	Valid till December 31, 2007.	Renewal date: January 3, 2007. Registration No: PT/G-17/175.
11.	License under the Contract Labour (Regulation and Abolition) Act, 1970.	Federal-Mogul Goetze (India) Ltd, Rajpura Rd., Bahadurgarh, Patiala, Punjab.	Asst. Labour Commissioner.	Valid till December 31, 2007.	Renewal dated: November 28, 2006 License no: L-158/2005.

Tax Registrations

S. No.	Type of Approval	Business Location	Issuing Authority	Status	Approval Reference
A. Patiala Plant					
1.	Registration for manufacture of Excisable goods, Central Excise Act, 1944.	Federal-Mogul Goetze (India) Ltd Rajpura Rd, Bahadurgarh, Patiala, Punjab 147021.	Deputy Commissioner of Central Excise, Patiala.	Valid	Registration dated: September 12, 2006. Registration No: AAAG3769MXM001..
2.	Registration for Service Tax under Section 69 of the Service Tax Act, 1994.	Federal-Mogul Goetze (India) Ltd. Rajpura Rd, Bahadurgarh, Patiala, Punjab 147021.	Assistant Commissioner of Central Excise, Patiala.	Valid	Registration dated: August 17, 2006. Registration No: AAACG3769MST001.
3.	Registration	Federal-Mogul Goetze	Excise and	Valid	Registration dated:

S. No.	Type of Approval	Business Location	Issuing Authority	Status	Approval Reference
	under the CST ACT.	(India) Ltd. Rajpura Rd, Bahadurgarh, Patiala, Punjab 147021.	Taxation Officer, Patiala.		July 1, 1957 (updated periodically, last on August 28, 2006). Registration No: 63160710.
4.	Trader Identification Number.	Federal-Mogul Goetze (India) Ltd Rajpura Rd, Bahadurgarh, Patiala, Punjab 147021.	Asst. Excise and Taxation Officer, Patiala.	Valid	Registration dated: April 1, 2005. Registration No: TIN 03471105546.
B. Yelahanka Plant					
5.	Registration for manufacture of Excisable goods under the Central Excise Act, 1944.	Federal-Mogul Goetze (India) Ltd Yelahanka, Bangalore, Karnataka.	Deputy /Asstt. Commissioner Central Excise, Bangalore.	Valid	Registration dated: October 15, 2005 . Registration No: AAACG3769MXM002.
6.	Registration certificate under Karnataka Sales Tax Act, 1957.	Federal-Mogul Goetze (India) Ltd., Yelahanka, Bangalore, Karnataka.	Asst. Commissioner of Commercial Taxes, Bangalore LVO-160.	Valid	Registration dated: May 31, 1977. Registration No: TIN No.29840058720.
7.	Registration under the CST Act, 1956.	Federal-Mogul Goetze (India) Ltd, Yelahanka, Bangalore, Karnataka.	Commercial Tax Officer.	Valid	Registration dated: May 31, 1977. Registration No: 10050528.
8.	Registration for service tax under Section 69 of the Finance Act, 1994.	Federal-Mogul Goetze (India) Ltd., Yelahanka, Bangalore, Karnataka.	Superintendent of Service Tax.	Valid	Registration dated: September 18, 2006 Registration No: AAACG3769MST003
C. Bhiwadi Plant					
9.	Registration for the manufacture of excisable goods under the Central Excise Act, 1944.	Federal-Mogul Goetze (India) Ltd., SPL-1240- 1244, RIICO Industrial Area, Bhiwadi.	Deputy Commissioner of Central Excise	Valid	Registration dated: August 28, 2006. Registration No: AAACG3769MXM003.
10.	Registration under the CST Act.	Federal-Mogul Goetze (India) Ltd., SPL-1240- 1244, RIICO Industrial Area, Bhiwadi.	Assistant Commissioner, Sales Tax, Bhiwadi, Alwar	Valid	Registration dated: June 17, 1996 Registration No: CST 0206/00942.

Other approvals

S. No.	Type of Approval	Business Location	Issuing Authority	Status	Approval Reference
A. Yelahanka Plant					
1.	Sanction of additional power supply to Piston Plant R.R.No.Y.HT-08.	Federal-Mogul Goetze (India) Ltd., Yelahanka, Bangalore, Karnataka.	Chief General Manager, Bangalore Electricity Supply Company Ltd.	Under process.	Permission dated: June 16, 2006. Reference No: CGM/BMAZ/DGM/AGM-1/F- 249/3130-34.

S. No.	Type of Approval	Business Location	Issuing Authority	Status	Approval Reference
2.	Sanction of additional power supply for Ring Plant R.R.No.Y.HT-09.	Federal-Mogul Goetze (India) Ltd., Yelahanka, Bangalore, Karnataka.	Asst. Executive Engineer, Bangalore Electricity Supply Company Ltd., O&M Sub division, Yelahanka.	Approved	Permission dated: August 22, 2006. Reference No: AEE (EL)/C7/M (F&C)/ 1464-66.
B. Bhiwadi Plant					
3.	Power Load Sanction.	Federal-Mogul Goetze (India) Ltd., SPL-1240-1244, RIICO Industrial Area, Bhiwadi.	Jaipur Vidyut Vitran Nigam Ltd.	Valid	Permission dated: May 10, 2004.

RBI Approvals

S No.	Type of Approval	Permission	Dated	Issuing authority	Approval Reference
1.	Issue of Equity Shares to M/s Goetze-Werke.	Approval for issue of Equity Shares to M/s Goetze-Werke not exceeding value of Rs. 200,000 against value of goods supplied.	November 20, 1959.	Asst. Controller, Exchange Control Department.	No. EC.DH.34144/24-59.
2.	Allotment of Equity Shares to M/s Goetze-Werke.	Allotment of 3,585 Equity Shares to M/s Goetze-Werke against supply of plant and machinery.	May 14, 1966.	Asst. Controller, Exchange Control Department.	EC.DH.M No. HD4539/24 (Spl. 3) 66.
3.	Issue of bonus Equity Shares to M/s. Goetze-Werke	Permission to issue 3,696 bonus Equity Shares plus 1 Equity Share to M/s. Goetze-Werke.	December 2, 1966.	Asst. Controller, Exchange Control Department.	EC.DH.M No. HD 30277/24 (Spl .3) 66.
4.	Issue of bonus Equity Shares to M/s Goetze-Werke.	Approval for issue of 11,090 bonus Equity Shares to M/s Goetze-Werke.	November 15, 1973.	Deputy Controller, Exchange Control Department.	EC.DH.MI No. HD 27772/24 (Spl. 3) 73.
5.	Issue of bonus Equity Shares to M/s Goetze-Werke.	Approval for issue of 17,744 bonus Equity Shares to M/s Goetze-Werke.	December 13, 1976.	Deputy Controller, Exchange Control Department.	EC.DH.MI 2245/24 (Spl. 117) 76.
6.	Transfer of Equity Shares from non-resident to non-resident.	Approval for transfer of 50 Equity Shares from M/s Goetze-Werke to Dr. Irmiler.	October 31, 1977.	Deputy Controller, Exchange Control Department.	EC.DH.MI/4347/ 24 (Spl.3) – 77.
7.	Allotment of Equity Shares to M/s Goetze-Werke.	Approval for allotment of 639,292 Equity Shares to M/s Goetze-Werke.	February 22, 1978.	Deputy Controller, Exchange Control Department.	EC.DH.MI/ 4901/24 (Spl. 3) 78.

S No.	Type of Approval	Permission	Dated	Issuing authority	Approval Reference
8.	Transfer of Equity Shares from non-resident to non-resident.	Approval for transfer of 500 Equity Shares from Dr. Irmler to M/s. Goetze-Werke and transfer of 2,700 Equity Shares from Dr. Glatzel to M/s Goetze-Werke.	April 9, 1980.	Joint Controller, Exchange Control Department.	EC.DH.CI/6506/24 (Spl. 3) 80 2.
9.	Allotment of Equity Shares to M/s Goetze-Werke.	Approval for allotment of 150,000 Equity Shares to M/s. Goetze-Werke.	March 16, 1982.	Joint Controller, Exchange Control Department.	EC.DEL.CI/1980/24 (Spl. 3) 82.
10.	Issue of Equity Shares on rights basis to M/s Goetze-Werke.	Approval for allotment of 595,616 Equity Shares on rights basis to M/s. Goetze-Werke.	March 13, 1985.	Joint Controller, Exchange Control Department.	EC.DEL.CI/B/H/17/24 (Spl. 3) 85.
11.	Post facto approval for issue of Equity Shares on rights basis to M/s Goetze-Werke under section 19(1)(g) of the Foreign Exchange Regulation Act, 1973.	Approval for allotment of 595,616 Equity Shares on a rights basis to M/s. Goetze-Werke.	June 26, 1985.	Joint Controller, Exchange Control Department.	EC.DEL.CI/3322/24 (Spl. 3) 86.
12.	Issue of fully convertible debentures to M/s Goetze-Werke.	Approval for issue of 1,340,136 fully convertible debentures of Rs. 60 each to M/s. Goetze-Werke.	December 23, 1991.	Joint Controller, Exchange Control Department.	EC.DEL.CI/1877/24 (Spl. 3) 91-92.
13.	Issue of 1,165,974 Equity Shares to M/s Goetze-Werke under the Foreign Exchange Regulation Act, 1973.	Approval for the issue of 1,165,974 Equity Shares to M/s Goetze-Werke.	December 19, 1994.	Joint Controller, Exchange Control Department.	ECD.DEL.FITT/1877/G-707-94/95.
14.	Issue of 2,146,479 Equity Shares to M/s. Goetze-Werke.	Issue of 2,146,479 Equity Shares to M/s. Goetze-Werke.	February 5, 1996.	General Manager, Exchange Control Department.	EC.DEL.CI/2800/06.04.03/95-96.

Other than the abovementioned approvals for issue of Equity Shares to Goetze-Werke, we have received approvals from RBI from time to time for allotment of Equity Shares to other non resident shareholders. We have also received RBI approvals for various foreign collaboration agreements in connection with our business.

Export Promotion Capital Goods Scheme Licenses

We have also been issued licenses from time to time under the Export Promotion Capital Goods Scheme (“EPCG”) by the Ministry of Commerce, Government of India, for our plants at Yelahanka, Patiala and Bhiwadi. These licenses carry corresponding export obligations that are required to be fulfilled by our Company. As per certificate dated November 9, 2006, M/s. VP Jain & Associates, who are independent

Chartered Accountants, the outstanding exporting obligations of our Company under the EPCG licenses are as under:

Year		Obligation (in Rs.)
2007-2008	:	98,522,267
2008-2009	:	Nil
2009-2010	:	100,420,255
2010-2011	:	138,186,351
2011-2012	:	668,129,782
2012-2013	:	354,965,408
2013-2014	:	262,253,070
2014-2015	:	1,008,884,760
Total		2,631,361,893

Pending Approvals

Our Company has made applications for the renewal/issue of the following approvals required for its business:

S. No.	Type of Approval	Business Location	Issuing Authority	Status	Approval Reference
1.	Consent granted under the Air (Prevention & Control of Pollution) Act 1981.	FM Goetze (India) Ltd, Yelahanka, Bangalore, Karnataka.	Member Secretary, Karnataka State Pollution Control Board.	Expired on June 30, 2006. An Application for renewal was filed vide letter dated March 3, 2006.	Date of expired consent: September 29, 2004. Expired consent No.: KSPCB/IND/SEO-4/DEO-CFO/AEO/APC/2004-05/201.
2.	Consent for discharge of effluents under the Water (Prevention and Control of Pollution) Act, 1974.	FM Goetze (India) Ltd., Yelahanka, Bangalore, Karnataka	Member Secretary, Karnataka State Pollution Control Board.	Expired on June 30, 2006. An Application for renewal was filed vide letter dated March 3, 2006.	Date of expired consent: September 29, 2004 Expired consent No.: KSPCB/SEO-4/DEO-CFO/AEO/WPC/2004-05/210.
3.	Consent to operate under the Water (Prevention and Control of Pollution) Act, 1974 and the Air (Prevention & Control of Pollution) Act, 1981.	Federal-Mogul Goetze (India) Ltd., SPL-1240-1244, RIICO Industrial Area, Bhiwadi	Regional Officer, Rajasthan State Pollution Control Board.	Expired on July 31, 2007. An Application for renewal was filed on June 21, 2007	Date of expired consent: July 31, 2006. Consent No. RPCB/RO/BWD/OR-54/1013

STATUTORY AND OTHER INFORMATION

Authority for the Issue

Pursuant to the resolution passed by the Board of Directors of the Company at its meetings held on June 30, 2006 and January 22, 2007, it has been decided to make this offer to the Equity Shareholders of the Company with a right of renunciation exercisable by the Shareholders in the manner as set out in this Letter of Offer in the section titled "Issue Related Information". The objects of the present Rights Issue have also been authorized by the Board at its meeting held on January 22, 2007. The Issue Price, the ratio of rights entitlement and the final Issue Size was approved by the Board of Directors in its meeting held on August 27, 2007.

Consent of Lenders

The agreements in respect of some of the debt taken by the Company contain certain covenants *inter-alia* for altering the Company's share capital and for the Company's expansions and diversifications plans, including the expansion proposed to be funded out of the proceeds of this Issue.

Prohibition by SEBI

Neither the Company, nor its Directors or the Promoter Group Companies, or companies with which the Company's Directors are associated with as directors or promoters, have been prohibited from accessing or operating in the capital markets under any order or direction passed by SEBI. Further, none of the directors or person(s) in control of the Promoters (as applicable) has been prohibited from accessing the capital market under any order or direction passed by SEBI.

Eligibility for the Issue

The Company is an existing company registered under the Indian Companies Act, 1913 whose Equity Shares are listed on the BSE and NSE. It is eligible to offer this Issue in terms of Clause [2.4.1(iv)] of the SEBI DIP Guidelines. The Company, its Promoters, its Directors or any of the Company's associates or group companies are currently not prohibited from accessing the capital market under any order or direction passed by SEBI. Further the Promoters, their relatives (as per Act), the Company, group companies, associate companies, directors are not detained as willful defaulters by RBI / Government authorities except as otherwise provided under the section titled "Outstanding Litigations and Defaults" on page 266 of this Letter of Offer.

Disclaimer Clause

AS REQUIRED, A COPY OF THIS LETTER OF OFFER HAS BEEN SUBMITTED TO THE SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI). IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE SUBMISSION OF THIS LETTER OF OFFER TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE, OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THIS LETTER OF OFFER. THE LEAD MANAGER, AMBIT CORPORATE FINANCE PRIVATE LIMITED, HAS CERTIFIED THAT THE DISCLOSURES MADE IN THIS LETTER OF OFFER ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURES AND INVESTOR PROTECTION) GUIDELINES IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE LETTER OF OFFER, THE LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE THE LEAD MANAGER, AMBIT CORPORATE FINANCE PRIVATE LIMITED HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED MARCH 08, 2007 IN ACCORDANCE WITH SEBI (MERCHANT BANKERS) REGULATIONS 1992 WHICH READS AS FOLLOWS:

- (i) **WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, DISPUTES WITH COLLABORATORS, ETC. AND OTHER**

MATERIALS IN CONNECTION WITH THE FINALISATION OF THE LETTER OF OFFER PERTAINING TO THE SAID ISSUE;

- (ii) **ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY;**

WE CONFIRM THAT:

- (a) **THE LETTER OF OFFER FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**
- (b) **ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS ETC., ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND**
- (c) **THE DISCLOSURES MADE IN THE LETTER OF OFFER ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO INVESTMENT IN THE PROPOSED ISSUE;**
- (d) **BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE LETTER OF OFFER ARE REGISTERED WITH SEBI AND TILL DATE SUCH REGISTRATION IS VALID; AND**
- (e) **IF UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.**

The filing of this Letter of Offer does not, however, absolve the Company from any liabilities under Section 63 or Section 68 of the Act or from the requirement of obtaining such statutory or other clearance as may be required for the purpose of the proposed Issue. SEBI further reserves the right to take up, at any point of time, with the Lead Manager any irregularities or lapses in this Letter of Offer.

Caution

The Company, the Lead Manager and the Experts/Advisors accept no responsibility for statements made otherwise than in this Letter of Offer or in any advertisement or other material issued by the Company or by any other persons at the instance of the Company and anyone placing reliance on any other source of information would be doing so at his own risk.

The Lead Manager and the Company shall make all information available to the Equity Shareholders and no selective or additional information would be available for a section of the Equity Shareholders in any manner whatsoever including at presentations, in research or sales reports etc. after filing of this Letter of Offer with SEBI.

Disclaimer with respect to jurisdiction

This Letter of Offer has been prepared under the provisions of Indian Laws and the applicable rules and regulations thereunder. Any disputes arising out of this Issue will be subject to the jurisdiction of the appropriate court(s) in New Delhi, India only.

This Letter of Offer has been prepared under the provisions of Indian Law and the applicable rules and regulations thereunder. The distribution of the Letter of Offer and the Issue of Equity Shares on a Rights basis to persons in certain jurisdictions outside India may be restricted by the legal requirements prevailing in those jurisdictions. Persons in whose possession this Letter of Offer may come are required to inform themselves about and observe such restrictions. Any disputes arising out of this Issue will be subject to the jurisdiction of the appropriate court(s) in New Delhi, India only.

No action has been or will be taken to permit this Issue in any jurisdiction where action would be required for that purpose, except that this Letter of Offer has been filed with SEBI for observations and SEBI has given its observations. Accordingly, the Equity Shares represented thereby may not be offered or sold, directly or indirectly, and this Letter of Offer may not be distributed in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Letter of Offer nor any sale hereunder, shall under any circumstances create any implication that there has been no change in the

Company's affairs from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

The Letter of Offer has been filed with SEBI, SEBI Bhavan, Plot No. C-4A, G Block, Bandra Kurla Complex, Bandra (East), Mumbai- 400 051, for its observations. After SEBI gives its observations, the final Letter of Offer was filed with the Designated Stock Exchange as per the provisions of the Act.

Designated Stock Exchange

The Designated Stock Exchange for the purpose of the Issue will be BSE.

Disclaimer Clause of the BSE

Bombay Stock Exchange Limited ("the Exchange") has given vide its letter dated March 21, 2007, permission to this Company to use the Exchange's name in Letter of Offer as one of the Stock Exchanges on which this Company's securities are proposed to be listed. The Exchange has scrutinized this Letter of Offer for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner: (i) warrant, certify or endorse the correctness or completeness of any of the contents of this Letter of Offer; or (ii) warrant that this Company's securities will be listed or will continue to be listed on the Exchange; or (iii) take any responsibility for the financial or other soundness of this Company, its Promoters, its management or any scheme or project of this Company; and it should not for any reason be deemed or construed that this Letter of Offer has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Disclaimer Clause of the NSE

As required, a copy of this Letter of Offer has been submitted to National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has given vide its letter Ref. No. NSE/LIST/42807-7 dated March 28, 2007 permission to the Issuer to use the Exchange's name in this Letter of Offer as one of the Stock Exchanges on which the Issuer's securities are proposed to be listed. The Exchange has scrutinized this Letter of Offer for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the Letter of Offer has been cleared or approved by NSE, nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Letter of Offer; nor does it warrant that this Issuer's securities will be listed or will continue to be listed on the Exchange, nor does it take any responsibility for the financial or other soundness of this Issuer, its Promoters, its management or any scheme or project of the Issuer.

Every person who desires to apply for or otherwise acquire any securities of this Issuer may do so pursuant to independent enquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

Filing

This Letter of Offer has been filed with SEBI, SEBI Bhavan, Plot No. C-4A, G Block, Bandra Kurla Complex, Bandra (East), Mumbai- 400 051. The Letter of Offer has also been filed with the BSE and the NSE. All the legal requirements applicable till the date of filing the Letter of Offer with the Stock Exchanges have been complied with.

A copy of the Letter of Offer, with a copy of the material contracts and documents, would be filed with BSE (the Designated Stock Exchange).

Dematerialised Dealing

The Company along with the Registrar has entered into tripartite agreements dated November 26, 1999 and January 24, 2000 with NSDL and CDSL respectively and its Equity Shares bear the ISIN No. INE529A01010.

Listing

The existing Equity Shares are listed on the BSE & NSE. The Company has made applications to the BSE & NSE for permission to deal in and for an official quotation in respect of the Equity Shares being offered in terms of this Letter of Offer. The Company has received in-principle approvals from BSE, and NSE vide letters dated March 21, 2007 and March 28, 2007 respectively. The Company will apply to the BSE & NSE for listing of the Equity Shares to be issued pursuant to this Issue.

If the permission to deal in and for an official quotation of the securities is not granted by any of the Stock Exchanges mentioned above, within 42 days from the Issue Closing Date, the Company shall forthwith repay, without interest, all monies received from applicants in pursuance of this Letter of Offer. If such money is not paid within 8 days after the Company becomes liable to repay it, then the Company and every Director of the Company who is an officer in default shall, on and from expiry of 8 days, be jointly and severally liable to repay the money with interest as prescribed under the Section 73 of the Companies Act.

Consents

Consents in writing of the Directors, Auditors, Lead Manager, Legal Advisors, Registrar to the Issue and Banker to the Issue to act in their respective capacities have been obtained and filed with SEBI, along with a copy of the Letter of Offer and such consents have not been withdrawn up to the time of delivery of this Letter of Offer for registration with the Designated Stock Exchange.

Consents of all the lenders for this rights issue have been obtained.

The Auditors of the Company have given their written consent for the inclusion of their Report in the form and content as appearing in this Letter of Offer and such consents and reports have not been withdrawn up to the time of delivery of this Letter of Offer for registration with the Designated Stock Exchange.

S.R. Batliboi & Co., auditors of the Company have given their written consent for inclusion of income tax and wealth tax benefits in the form and content as appearing in this Letter of Offer, accruing to the Company and its members.

To the best of the Company's knowledge there are no other consents required for making this Issue. However, should the need arise, necessary consents shall be obtained by the Company.

Expert Opinion, if any

The Company has not obtained any expert opinion in relation to this Issue except as stated at "Statement of Tax Benefits", "Auditors Report and Financial Statements", opinion from the Legal Advisors to this Issue, directors and from independent chartered accountants regarding the outstanding export obligations under the Company's existing EPCG licenses.

Fees Payable to the Lead Manager to the Issue

The fees payable to the Lead Manager to the Issue will be as stated in the Job Arrangement Letter entered into by the Company with Ambit Corporate Finance Private Limited, copy of which is available for inspection at the Registered Office of the Company and reimbursement of their out of pocket expenses.

Fees Payable to the Registrars to the Issue

The fee payable to the Registrars to the Issue is as set out in the relevant documents, copies of which are kept open for inspection at the Registered Office of the Company and reimbursement of their out of pocket expenses.

Underwriting commission, brokerage and selling commission

No underwriting commission, brokerage and selling commission will be paid for this Issue.

Other Expenses of the Issue

The other expenses of the Issue payable by the Company including, printing and distribution expenses, publicity, listing fees, stamp duty and other expenses are estimated at Rs. 200 Lakhs (around 1.88 % of the total Issue size) and will be met out of the proceeds of the Issue. The following table provides a break up of estimated issue expenses:

Particulars	Estimated amount (Rs. in Lakhs)	As percentage of total issue expense	As percentage of total issue size
Advertisement Budget	4	2.0%	0.04%
Advisors' fee	150	75.0%	1.41%
SEBI filing and Stock Exchange Listing fees	5	2.5%	0.05%
Postage, Printing and Stationery	30	15.0%	0.28%
Others including Registrar fess & Contingencies	11	5.5%	0.10%
Total	200	100.0%	1.88%

Promise versus Performance

The Company has not made any issue of shares in the last five years

Previous Issues by the Company

The Company has not made any issue of shares in the last five years

Issues for consideration other than cash

The Company has not issued Equity Shares for consideration other than cash or out of revaluation reserves within the two years preceding the date of this Letter of Offer. For issues prior to that, investors are requested to refer to the built-up of the Capital Structure on page 58 of this Letter of Offer.

Preference Shares

As on the date of filing this Letter of Offer, there are no issued preference shares of the Company.

Option to Subscribe

The Company has not given any option to subscribe for any shares of the Company. Investors shall have an option either to receive the security certificates or to hold the securities with a depository

Outstanding Debentures, Bonds, Redeemable Preference Shares Issued by the Company

Please refer to page 134 of this Letter of Offer.

Investor Grievances and Redressal System

The Company handles investor complaints through the Secretarial Department at its corporate and registered office. This department is headed by the Financial Controller and Company Secretary who is supported by a Manager. Our share transfer agent, Alankit Assignments Limited has a separate department headed by a Deputy Head Share Registry and is assisted by dealing assistants to attend to investors queries on issue of share certificates, share transfers and related matters. The investors' complaints are generally attended to within 7-8 days from the date of receipt of the letter.

A Shareholders/Investors Grievances Committee was constituted vide a Board resolution passed on July 25, 2001. The Committee consists of the Managing Director and two non-executive directors. Please refer to page 141 of this Letter of offer for details and role of the committee.

As on September 30, 2007, there are no complaints/grievances from investors.

Number of times the Company's name has appeared in Press Releases issued by SEBI regarding maximum number of complaints received from investors.

To the best of our knowledge, the name of the Company has not appeared in the Press Release issued by SEBI relating to maximum number of investors complaints received during the last three months.

Further, as on September 30, 2007, all the grievances received have been suitably responded and none of the complaints were pending to be responded for a period of more than one month from the date of their receipt. The Registrars have confirmed that as on September 30, 2007 there were no complaints outstanding due to non-receipt of requisite information/documents sought from the investors.

Changes in the auditors in the last three years

Vide a resolution of our shareholders in the EGM dated June 16, 2006 it was resolved that M/s S.R. Batliboi & Co., Chartered Accountants be appointed for the financial year 2005-06 to fill the casual vacancy caused by the resignation of M/s S.N Dhawan and Co., Chartered Accountants and to hold office till the conclusion of our forthcoming AGM.

At the AGM on September 27, 2006 our shareholders passed a resolution re-appointing M/s S.R. Batliboi & Company for the accounting year April 1, 2006 to December 31, 2006 and to hold office from the conclusion of the present AGM till the conclusion of the next AGM. The shareholders at the AGM held on June 27, 2007 have again re-appointed M/s. S.R. Batliboi & Company upto the conclusion of the next AGM.

Capitalisation of Reserves or profits

The Company has not capitalised any of its reserves or profits for the last five years. However, there have been bonus issues made by us. For details, please refer to the built-up of "Capital Structure" on page 59 of this Letter of Offer.

Revaluation of assets, if any

There has been no revaluation of the Company's fixed assets for the last five years.

Restrictions on foreign ownership

The Foreign Direct Investment limit applicable to the industry, in which the Company is operating, is 100 % under the automatic route.

Unaudited Working Results for the Latest Period

Information as required by Government Of India, Ministry of Finance Circular No. F2/5/SE/76 dated February 5, 1997 as amended vide Circular of even no dated March 8, 1997

- The working results of the Company for the 2 month ended August 31, 2007 (standalone unaudited)

	Rs. in Lakhs
	Amount
Gross Sales	11351.81
Other Income	575.88
Operating Expenses	8830.56
Profit Before Interest Depreciation and Tax	1446.95
Interest and Finance charges (Net)	705.55
Profit Before Depreciation and Tax	741.40
Depreciation	721.31
Profit Before Tax	20.09
Non recurring expenses	---
Profit Before Interest Depreciation and Tax - Operations	1446.95
Taxation	9.28
Deferred Tax Asset/(Liability)	---
Profit After Tax	10.81

- Material changes and commitments likely to affect the financial position of the Company since the last date upto which audited information is incorporated in the Letter of Offer are as follows:

Refer to the Management's Discussion and Analysis on page no 253 for details.

- Week end prices of Equity Shares of the Company for the last four weeks on BSE and NSE along with the highest and lowest price is as below:

Week ended on	Closing Price	Highest Price	Lowest Price	Closing Price	Highest Price	Lowest Price
	BSE	BSE*	BSE*	NSE	NSE*	NSE*
Sept 14, 2007	158.45	163.40	158.45	158.40	164.50	158.40
Sept 21, 2007	154.55	156.85	153.75	153.45	156.00	153.45

Week ended on	Closing Price	Highest Price	Lowest Price	Closing Price	Highest Price	Lowest Price
Sept 28, 2007	149.30	149.65	147.40	148.95	149.10	148.05
Oct 5, 2007	144.20	148.55	144.20	145.00	148.30	145.00

* High/Low prices based on closing quotations on the respective Stock Exchanges
(Source: www.bseindia.com, www.nseindia.com)

- 3(b) The Equity Shares of the Company on October 11, 2007 on BSE & NSE closed at Rs. 140.00. The Equity Shares of the Company started trading ex-rights with effect from September 17, 2007. Closing ex-rights market price of equity shares of face value of Rs.10/- of the Company as on September 17, 2007 on BSE was Rs. 156.85 and on NSE was Rs. 156.00.

Stock Market Data for Equity Shares of the Company

Our Equity Shares are listed on the BSE and NSE. As our shares are actively traded on the BSE and NSE, our stock market data have been given separately for each of these Stock Exchanges.

The high and low closing prices recorded on the BSE and NSE for the preceding three years and the number of Equity Shares traded on the days the high and low prices were recorded are stated below:

BSE

Calendar Year				Date		Volume Traded		
	Highest	Lowest	Average	Highest	Lowest	Day of Highest	Day of Lowest	No of shares
2004	189.00	63.25	126.13	24-Dec-04	24-Feb-04	74,307	5,496	6,997,808
2005	273.65	158.00	215.83	19-Sep-05	29-Mar-05	144,658	23,735	9,139,536
2006	444.00	201.00	322.50	29-Dec-06	28-Apr-06	5,034	5,130	8,207,798

(Source www.bseindia.com)

NSE

Calendar Year				Date		Volume Traded		
	Highest	Lowest	Average	Highest	Lowest	Day of Highest	Day of Lowest	No of Shares
2004	188.95	62.65	125.80	24-Dec-04	24-Feb-04	122,018	23,193	11,812,223
2005	268.00	158.30	213.15	19-Sep-05	29-Mar-05	275,939	39,834	17,334,355
2006	458.80	187.50	323.15	11-Dec-06	4-Dec-06	332,625	23,482	14,925,369

(Source www.nseindia.com)

The high and low prices and volume of Equity Shares traded on the respective dates during the last six months is as follows:

BSE

Month				Date		Volume Traded		No of Shares
	Highest	Lowest	Average	Highest	Lowest	Day of Highest	Day of Lowest	
Apr-07	283.85	236.25	260.35	12-Apr-07	4-Apr-07	8,816	962	79,209
May-07	275.00	225.05	250.03	8-May-07	18-May-07	11,343	3,782	96,895
Jun-07	260.00	192.15	226.08	5-Jun-07	29-Jun-07	3,416	18,007	122,235
Jul-07	201.00	173.25	187.13	2-Jul-07	31-Jul-07	9,563	7,411	113,352
Aug-07	181.50	143.05	162.28	1-Aug-07	24-Aug-07	3,270	1,249	169,267
Sept - 07	196.80	145.95	171.36	5-Sept-07	26-Sept-07	37,628	12,855	231,500

(Source www.bseindia.com)

NSE

Month				Date		Volume Traded		No of Shares
	Highest	Lowest	Average	Highest	Lowest	Day of Highest	Day of Lowest	
Apr-07	283.90	231	257.45	12-Apr-07	10-Apr-07	41,237	2,616	158,502
May-07	285.00	224.00	254.50	7-May-07	21-May-07	3,854	5,028	169,681
Jun-07	260.00	192.25	226.12	5-Jun-07	29-Jun-07	2,861	57,408	204,348
Jul-07	205.00	172.60	188.80	6-Jul-07	31-Jul-07	7,279	10,015	142,097
Aug -07	181.30	144.10	162.70	8-Aug-07	24-Aug-07	2,974	3,405	181,173
Sept - 07	199.00	140.00	169.50	5-Sept-07	10-Sept-07	97,398	21,997	401,304

(Source www.nseindia.com)

The Registrars have confirmed that as per the records maintained by them, the Promoters, all the directors of the Promoters and the directors nominated by the Promoters on the Board of FMGIL, have not purchased or sold any securities of the Company in the physical form during the six months, prior to filing the Letter of Offer with SEBI. The Registrars have also confirmed that there is no change in shareholding in FMGIL in the

demat folios of the directors of FMGIL who are holding shares in FMGIL, based on weekly beneficiary position downloaded from the depositories during the last six months.

The closing market price was Rs. 289.85 on BSE and Rs. 289.4 on NSE on July 3, 2006 (the trading day immediately after passing of the Board resolution approving the Rights Issue on June 30, 2006), Rs. 384.65 on BSE and Rs. 387.10 on NSE on January 23, 2007, the trading day immediately following the day when the resolution for the Rights Issue was passed. The market price was Rs 169.95 on BSE and Rs.169.95 on NSE on August 28, 2007, the trading day immediately following the day on which Board meeting was held to finalize the Issue Price.

SECTION VII: ISSUE RELATED INFORMATION

1. Authority for the Issue

This Issue is being made pursuant to the resolutions passed at the meetings of the Board of Directors of the Company held on June 30, 2006 and January 22, 2007 under Section 81(1) of the Companies Act. The objects of the present Rights Issue have also been authorized by the Board at its meeting held on January 22, 2007. The Issue Price, the ratio of rights entitlement and the final Issue Size was approved by the Board of Directors in its meeting held on August 27, 2007.

2. Basis for the Issue

The Equity Shares are being offered for subscription for cash to those existing equity shareholders whose names appear as beneficial owners as per the list to be furnished by the depositories in respect of the shares held in Electronic Form and on the Register of Members of the Company in respect of shares held in the physical form at the close of business hours on the Record Date, i.e., September 24, 2007 fixed in consultation with BSE, the Designated Stock Exchange.

The Equity Shares are being offered for subscription in the ratio of 29 Equity Shares for every 100 Equity Shares held by the Equity Shareholders on the Record Date.

3. Rights Entitlement

As your name appears as beneficial owner in respect of the shares held in electronic form or appears in the Register of Members as an equity shareholder of the Company as on the Record Date, you are entitled to the number of shares as disclosed in Block I of Part A of the enclosed CAF.

4. Rights Entitlement Ratio

4.1 The eligible shareholders shall be entitled to the following:

29 Equity Shares for every 100 Equity Shares held on the Record Date.

4.2 Rights entitlement on shares held in the pool account of the clearing members on the Record Date shall be considered, and such claimants are requested to:

(a) Approach the concerned depository through the clearing member of the Stock exchange with requisite details; and

(b) Depository in turn should furnish details of the transaction to the Registrar.

Only upon receipt of the aforesaid details, rights entitlement of the claimants shall be determined.

5. Principal Terms of the Issue

The Equity Shares, now being issued, are subject to the terms and conditions contained in this Letter of Offer, the enclosed Composite Application Form ("CAF"), the Memorandum and Articles of Association of the Company, the provisions of the Companies Act, approvals from the RBI, guidelines issued by SEBI, approvals from the Stock Exchanges where equity shares of the Company are listed, FEMA, guidelines, notifications and regulations for issue of capital and for listing of securities issued by Government of India and/or other statutory authorities and bodies from time to time, terms and conditions as stipulated in the allotment advice or letter of allotment or security certificate, the provisions of the Depositories Act, to the extent applicable and any other legislative enactments and rules as may be applicable and introduced from time to time.

6. Face Value

Each Equity Share shall have a face value of Rs. 10.

7. Issue Price

Each Equity Share is being offered at a price of Rs. 145 (including premium of Rs. 135 per Equity Share) for cash.

8. Terms of payment

Full amount of Rs.145 per share is payable on application.

9. Fractional Entitlements

Fractional entitlement will be ignored. Equity shareholders whose fractional entitlement are being ignored would be given preferential allotment of one additional equity share, if they apply for additional Equity Shares.

Those Equity Shareholders having holding less than 4 (Four) Equity Shares and therefore are entitled to zero Equity Shares under the Rights Issue, shall be dispatched a CAF with zero entitlement. Such Equity Shareholders are entitled to apply for additional Equity Shares, however they cannot renunciate the same to third parties. CAF with zero entitlement shall be non-negotiable / non-renunciable.

10. Joint-Holders

Where two or more persons are registered as the holders of any Equity Shares, they shall be deemed to hold the same as joint-holders with the benefits of survivorship subject to provisions contained in the Articles of Association of the Company.

11. Ranking of the Equity Shares

The Equity Shares certificates shall be subject to the Memorandum and Articles of Association of the Company. The Equity Shares allotted in this Issue shall rank *pari passu* with the existing Equity Shares in all respects including dividend. For more details see "Main Provisions of our Articles of Association" on page 329 of this Letter of Offer.

Subject to applicable laws, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right to free transferability; and
- Such other rights, as may be available to a shareholder of a listed public Company under the Companies Act and the Company's Memorandum and Articles.

For a detailed description of the main provisions of our Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, see section titled "Main Provisions of our Articles of Association" on page 329 of this Letter of Offer.

Mode of Payment of Dividend

We shall pay dividend to our shareholders as per the provisions of the Companies Act.

12. Payment of Refund

12.1 Applicants should note that on the basis of name of the applicant, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Composite Application Form, the Registrar to the Issue will obtain from the depositories the applicant's bank account details including nine digit MICR code. **Hence, applicants are advised to immediately update their bank account details as appearing on the records of the depository participant.** Please note that failure to do so could result in delays in credit of refunds to applicant at the applicant's sole risk and neither the Lead Manager nor the Company shall have any responsibility and undertake any liability for the same.

12.2 The payment of refund, if any, shall be undertaken in any of the following manners:

1. NEFT

Payment of refund shall be undertaken through National Electronic Fund Transfer (NEFT) wherever the applicants' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR) , if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the Demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method.

2. ECS

Payment of refund shall be undertaken through ECS for applicants having an account at any of the following fifteen centres: Ahmedabad, Bangalore, Bhubaneshwar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. One of the methods for payment of refund is through ECS for applicants having a bank account at any of the above mentioned fifteen centers.

3. Direct Credit

Applicants having bank accounts with the Banker(s) to the Issue / Refund Banker(s), in this case being, HDFC Bank shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Banker(s) to the Issue / Refund Banker(s) for the same would be borne by the Issuer.

4. RTGS

Applicants having a bank account at any of the abovementioned fifteen centres and whose refund amount exceeds Rs. 5 million, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the CAF. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Banker(s) to the Issue / Refund Banker(s) for the same would be borne by such applicant opting for RTGS as a mode of refund. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.

5. For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders shall be dispatched under Certificate of Posting for value up to Rs. 1,500 and through Speed Post/ Registered Post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the HDFC Bank Limited and payable at par at the places where applications are accepted. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be borne by the Applicants.

13. Notices

All notices to the Equity Shareholder(s) required to be given by the Company shall be published in one English national daily with wide circulation and one Hindi national daily with wide circulation with wide circulation and/or, will be sent by ordinary post/ to the registered holders of the Equity Share from time to time.

14. Market lot

Since trading of the Company's Equity Shares is in dematerialized form, the tradable lot is one equity share. In case of physical certificates the Company would issue one certificate for the Equity shares allotted to one person ("Consolidated Certificate"). In respect of the Consolidated Certificate, the Company will only upon receipt of a request from the Equity shareholders, split such Consolidated Certificate into smaller denomination within week's time from the date of the request from the Equity shareholders. No fee would be charged by the Company for splitting the Consolidated Certificate.

15. Nomination facility

15.1 In accordance with Section 109A of the Companies Act, only individuals applying as sole applicants/ joint applicants can nominate, non-individuals including society, trust, body corporate, partnership firm, holder of power of attorney cannot nominate. In accordance with Section 109A of the Companies Act, the sole or first holder, along with other joint holders, may nominate any one person in whom, in the event of the death of sole holder or in case of joint holders, death of all the holders, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/ transfer/ alienation of equity share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Company's Registered / Corporate Office or to the Company's Registrar and Transfer Agents. The Applicant can make the nomination by filling in the relevant portion of the CAF. In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, 1956, shall upon the production of such evidence as may be required by the Board, elect either:

- to register himself or herself as the holder of the Equity Shares; or
- to make such transfer of the Equity Shares, as the deceased holder could have made

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

15.2 Only one nomination would be applicable for one folio. Hence, in case the Equity Shareholder(s) has already registered the nomination with the Company, no further nomination needs to be made for Equity Shares to be allotted in this Issue under the same folio.

In case the allotment of Equity Shares is in dematerialised form, there is no need to make a separate nomination for the Equity Shares to be allotted in this Issue. Nominations registered with respective DP of the applicant would prevail. If the applicant requires changing the nomination, they are requested to inform their respective DP.

Odd Lots

The Equity Shares would be traded in dematerialised form and the minimum trading lot for Equity Shares will be one Equity Share. Therefore there would not be any odd lots generated at the time of allotment.

Further issue / secured borrowings/ bonus issue / rights issue

The Company shall be entitled, from time to time, to make further issue(s) of Equity Shares, bonds and/ or other instruments to the public, members of the Company and/ or any other person(s) and/ or raise further loans, advances, deferred credit and/ or avail of further financial and/ or guarantee non-fund based facilities from financial institutions, banks and/ or any other person(s) on the security of the said properties/ assets as may be decided by the Company, from time to time, and having such ranking and on such terms and conditions as may be agreed to by the Company.

16. Offer to Non-Resident Equity Shareholders/Applicants

16.1 Applications received from NRIs and other NR shareholders for allotment of Equity Shares shall be, inter alia, subject to the conditions imposed from time to time by the RBI under the FEMA in the matter of refund of application moneys, allotment of Equity Shares, issue of Letter of Allotment / share certificates, payment of interest, dividends, etc. General permission has been granted to any person resident outside India to apply shares offered on rights basis by an Indian Company in terms of FEMA and the rules and regulations thereunder. Vide notification dated June 18, 2003, bearing number FEMA 94/2003, RBI has granted general permission to Indian companies to issue rights/bonus shares to existing non-resident shareholders. The existing non-resident shareholders may apply for issue of additional shares and the Company may allot the same subject to the condition that the overall issue

of shares to non-residents in the total paid up capital does not exceed the sectoral cap. In other words, non-residents may subscribe for additional shares over and above shares offered on rights basis by the Company and renounce the shares offered in full or part thereof in favour of a person named by them. NR shareholders are requested to refer to the paragraph titled “Renunciation” for the approvals required from FIPB / RBI for renunciation. Non-Residents may subscribe for additional shares over and above the shares offered on rights basis by the Company and also renounce the shares offered either in full or part thereof in favour of a person named by them. The Equity Shares issued under the Rights Issue and purchased by NR shall be subject to the same conditions including restrictions in regard to the repatriability as are applicable to the previously held Equity Shares against which Equity Shares under the Rights Issue are issued. However, as per the provisions of AP (DIR) circular No. 14 dated September 16, 2003 (issued by the RBI), such shareholders who have been allotted the Equity Shares as OCBs would not be permitted to participate in the Rights Issue. Accordingly, shareholders/applicants who are OCBs and wishing to participate in the Rights Issue would be required to submit approvals in relation thereto from the FIPB and the RBI. The Board of Directors may at its absolute discretion, agree to such terms and conditions as may be stipulated by RBI while approving the allotment of Equity Shares, payment of dividend etc. to the Equity Shareholders who are NR. Accordingly, the existing Equity Shareholders of the Company who do not wish to subscribe to the Equity Shares being offered but wish to renounce the same in favour of renounees shall not renounce the same (whether for consideration or otherwise) in favour of OCB(s). The RBI has however clarified in its circular, A.P. (DIR Series) Circular No. 44, dated December 8, 2003 that OCBs which are incorporated and are not under the adverse notice of the RBI are permitted to undertake fresh investments as incorporated nonresident entities. Thus, OCBs desiring to participate in this Issue must obtain prior approval from the RBI. On providing such approval to the Company at its registered office, the OCB shall receive the Letter of Offer and the CAF.

- 16.2 Letter of Offer and CAF shall be dispatched to non-resident Equity Shareholders in India only. In case the registered address of non-resident Equity Shareholders is not in India, the Letter of Offer and CAF shall be dispatched, to the address in India, supplied by such non-resident Equity Shareholders to the Company. Non-resident shareholders can also obtain the Letter of Offer and CAF, by approaching the Registrar at their office mentioned on the cover page. However, the Registrar will not dispatch the Letter of Offer and CAF to an address outside India.

17. Procedure for Application

The CAF would be mailed to all the shareholders, with an additional, separate advice for non-resident shareholders. In case the original CAF is not received by the applicant or is misplaced by the applicant, the applicant may request the Registrars to the Issue for issue of a duplicate CAF, by furnishing the registered folio number, DP ID Number, Client ID Number and their full name and address. Non-resident shareholders can obtain a copy of the CAF from the Registrars to the Issue by furnishing the registered folio number, DP ID number, Client ID number and their full name and address.

18. Acceptance of the Issue

You may accept the Issue and apply for the Equity Shares offered, either in full or in part by filling Part A of the enclosed CAF and submit the same along with the Application Money payable to the Bankers to the Issue at any of the branches as mentioned on the reverse of the CAF before the close of the banking hours on or before the Issue Closing Date or such extended time as may be specified by the Board or a committee authorized by the Board thereof in this regard. Applicants at centers not covered by the branches of collecting banks can send their CAF together with the cheque drawn on a local bank at New Delhi or a demand draft payable at New Delhi, for an amount net of bank and postal charges, to the Registrar to the Issue by registered post. Such applications sent to anyone other than the Registrar to the Issue are liable to be rejected.

19. Options available to the Equity Shareholders

- 19.1 The CAF clearly indicates the number of Equity Shares that the Equity Shareholder is entitled to.
- 19.2 If the Equity Shareholder applies, then he can:
- Apply for his entitlement in part; or
 - Apply for his entitlement in part and renounce the other part; or
 - Apply for his entitlement in full; or

- Apply for his entitlement in full and apply for additional Equity Shares; or
- Renounce his entitlement in full to one or more than one person.

20. Additional Equity Shares

- 20.1 You are eligible to apply for additional Equity Shares over and above the number of Equity Shares you are entitled to, provided that you have applied for all the Equity Shares offered without renouncing them in whole or in part in favor of any other person(s). The application for additional Equity Shares shall be considered and allotment shall be made at the absolute discretion of the Board or the Committee of Directors.

If you desire to apply for additional Equity Shares, please indicate your requirement in the place provided for additional shares in Part A of the CAF. Applications for additional Equity Shares shall be considered and allotment shall be in the manner prescribed under the section titled 'Basis of Allotment' on page 320 of this Letter of Offer. The renounees applying for all the Equity Shares renounced in their favor may also apply for additional Equity Shares.

- 20.2 In case of change of status of holders i.e. from Resident to Non-Resident, a new demat account shall be opened for the purpose.
- 20.3 Where the number of additional Equity Shares applied for exceeds the number available for allotment, the allotment would be made on a fair and equitable basis in consultation with the Designated Stock Exchange (BSE).

21. Renunciation

- 21.1 This Issue includes a right exercisable by you to renounce the Equity Shares offered to you either in full or in part in favour of any other person or persons. Such renounees can only be Indian Nationals (including minor through their natural/legal guardian)/limited companies incorporated under and governed by the Act, statutory corporations/institutions, trusts (registered under the Indian Trust Act), societies (registered under the Societies Registration Act, 1860 or any other applicable laws) provided that such trust/society is authorised under its constitution/bye laws to hold equity shares in a company and cannot be a partnership firm, foreign nationals or nominees of any of them (unless approved by RBI or other relevant authorities) or more than three persons including joint-holders HUF, any person situated or having jurisdiction where the offering in terms of this Letter of Offer could be illegal or require compliance with securities laws of such jurisdiction or any other persons not approved by the Board.
- 21.2 Any renunciation from Resident Indian Shareholder(s) to Non-Resident Indian(s) or from Non-Resident Indian Shareholder(s) to other Non-Resident Indian(s) or from Non-Resident Indian Shareholder(s) to Resident Indian(s) is subject to the renouncer(s)/renounee(s) obtaining the approval of the FIPB and/ or necessary permission of the RBI under the Foreign Exchange Management Act, 1999 (FEMA) and other applicable laws and such permissions should be attached to the CAF. **Applications not accompanied by the aforesaid approval are liable to be rejected.**
- 21.3 By virtue of the Circular No. 14 dated September 16, 2003 issued by the RBI, Overseas Corporate Bodies ("OCBs") have been derecognized as an eligible class of investors and the RBI has subsequently issued the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)) Regulations, 2003. Accordingly, the existing Equity Shareholders of the Company who do not wish to subscribe to the Equity Shares being offered but wish to renounce the same in favour of renounees shall not renounce the same (whether for consideration or otherwise) in favour of OCB(s). The RBI has however clarified in its circular, A.P. (DIR Series) Circular No. 44, dated December 8, 2003 that OCBs which are incorporated and are not under the adverse notice of the RBI are permitted to undertake fresh investments as incorporated nonresident entities. Thus, OCBs desiring to participate in this Issue must obtain prior approval from the RBI. On providing such approval to the Company at its registered office, the OCB shall receive the Letter of Offer and the CAF.
- 21.4 Your attention is drawn to the fact that the Company shall not allot and/or register any Equity Shares in favor of:
- More than three persons including joint holders

- Partnership firm(s)
- Minors (unless guardian appointed)
- Hindu Undivided Family
- Any Trust or Society (unless the same is registered under the Societies Registration Act, 1860 or any other applicable Trust laws and is authorized under its Constitutions to hold Equity Shares of a Company)

21.5 Part A of the CAF must not be used by any person(s) other than those in whose favour this offer has been made. If used, this will render the application invalid. Submission of the enclosed CAF to the Banker to the Issue at its collecting branches specified on the reverse of the CAF with the form of renunciation (Part B of the CAF) duly filled in shall be conclusive evidence for the Company of the person(s) applying for Equity Shares in Part C to receive allotment of such Equity Shares. The renounee(s) applying for all the Equity Shares renounced in their favour may also apply for additional Equity Shares. Part 'A' must not be used by the renounee(s) as this will render the application invalid. Renounee(s) will also have no further right to renounce any shares in favour of any other person. Renounee will not be entitled to apply for additional Equity Shares.

22. Procedure for Renunciation

(a) *To renounce the whole offer in favour of one renounee*

If you wish to renounce the offer indicated in Part A, in whole, please complete Part B of the CAF. In case of joint holding, all joint holders must sign Part B of the CAF. The person in whose favor renunciation has been made should complete and sign Part C of the CAF. In case of joint renounees, all joint renounees must sign this part of the CAF.

(b) *To renounce in part/or renounce the whole to more than one person(s)*

If you wish to either accept this offer in part and renounce the balance or renounce the entire offer in favour of two or more renounees, the CAF must be first split into requisite number of forms.

Please indicate your requirement of split forms in the space provided for this purpose in Part D of the CAF and return the entire CAF to the Registrar to the Issue so as to reach them latest by the close of business hours on November 8, 2007. On receipt of the required number of split forms from the Registrar, the procedure as mentioned in paragraph above shall have to be followed.

In case the signature of the Equity Shareholder(s), who has renounced the Equity Shares, does not agree with the specimen registered with the Company, the application is liable to be rejected.

(c) *Renounee(s)*

The person(s) in whose favour the Equity Shares are renounced should fill in and sign Part C of the Composite Application Form and submit the entire Composite Application Form to the Bankers to the Issue on or before the Issue Closing Date along with the application money.

(d) *Change and or introduction of additional holders*

If you wish to apply for Equity Shares jointly with any other person(s), not more than three, who is/are not already a joint holder with you, it shall amount to renunciation and the procedure as stated above for renunciation shall have to be followed. Even a change in the sequence of the name of joint holders shall amount to renunciation and the procedure, as stated above shall have to be followed.

23. Splitting of Composite Application Forms

Only the person to whom this Letter of Offer has been addressed to and not the renounee(s) shall be entitled to renounce and to apply for split application forms. Request for split forms should be sent to the Registrars to the Issue, Alankit Assignments Limited before the closure of business hours on or before October 30, 2007 by filling in Part D of the CAF along with entire CAF. Split Forms cannot be re-split. The renounee(s) shall not be entitled to split form(s). Split forms shall be sent to the applicant by post at the applicant's risk. Requests for Split forms should be made for Equity Shares in multiples of 1 only. Requests for split forms will be entertained only once

24. How to Apply

24.1 Resident Equity Shareholders

Applications should be made on the enclosed CAF provided by the Company. The enclosed CAF should be completed in all respects, as explained in the instructions indicated in the CAF. Applications will not be accepted by the Lead Manager or by the Registrar to the Issue or by the Company at any offices except in the case of postal applications as per instructions given on page 316 in the Letter of Offer.

The CAF consists of four parts:

Part A: Form for accepting the Equity Shares offered and for applying for additional Equity Shares

Part B: Form for renunciation

Part C: Form for application for renounces

Part D: Form for request for split application forms

24.2 Non-resident Equity Shareholders

Applications received from the Non-Resident Equity Shareholders for the allotment of Equity Shares shall, *inter alia*, be subject to the conditions as may be imposed from time to time by the RBI, in the matter of refund of application moneys, allotment of Equity Shares, issue of letters of allotment/ certificates/ payment of dividends etc. Export of letters of allotment (if any)/ share certificates/ demat credit to non-resident allottees will be subject to the approval of RBI. Letter of Offer and CAF shall be dispatched to non-resident Equity Shareholders in India only.

The summary of options available to the Equity Shareholder is presented below. You may exercise any of the following options with regard to the Equity Shares offered, using the enclosed CAF:

Option	Option Available	Action Required
A.	Accept whole of your entitlement without renouncing the balance.	Fill in and sign Part A of the CAF (All joint holders must sign)
OR		
B.	Accept your entitlement in full and apply for additional Equity Shares	Fill in and sign Part A including Block III relating to the acceptance of entitlement and Block IV relating to additional Equity Shares (All joint holders must sign)
OR		
C.	Accept only a part of your entitlement of the Equity Shares offered to you (without renouncing the balance)	Fill and sign Part A of the CAF (All joint holders must sign)
OR		
D.	Renounce your entitlement in full to one person (Joint renounees not exceeding three are considered as one renounee).	Fill in and sign Part B (all joint holders must sign) indicating the number of Equity Shares renounced and hand over the entire CAF to the renounee. The renounees must fill in and sign Part C of the CAF (All joint renounees must sign)
OR		
E.	Accept a part of your entitlement and renounce the balance or part of it to one or more renounee(s) (Joint renounees are deemed as one person)	Fill in and sign Part D (all joint holders must sign) requesting for Split Application Forms. Send the CAF to the Registrar to the Issue so as to reach them on or before the last date for receiving requests for Split Forms. Splitting will be permitted only once. On receipt of the Split Form take action as indicated below.

Option	Option Available	Action Required
		(i) For the Equity Shares you wish to accept, if any, fill in and sign Part A of one split CAF. (ii) For the Equity Shares you wish to renounce, fill in and sign Part B indicating the number of Equity Shares renounced and hand over the split CAFs to the renounees. (iii) Each of the renounees should fill in and sign Part C for the Equity Shares accepted by them. (iv) Send the entire CAF to the Registrar to the Issue
OR		
F.	Renounce your entitlement to all the Equity Shares offered to you or part of it to more than one renounee(s) (Joint renounees are deemed as one person).	Follow the procedure stated in (E) above for obtaining the required number of Split Application Forms and on receipt of Split Application Forms follow the procedure as stated in (E) (ii), (iii) and (iv) above
OR		
G.	Introduce a joint holder or change the sequence of joint holders	This will be treated as a renunciation. Fill in and sign Part B and the renounees must fill in and sign Part C.

Applications for Equity Share should be made only on the CAF, which are provided by the Company. The CAF should be completed in all respects as explained under the head “INSTRUCTIONS” indicated on the reverse of the CAF before submission to the Banker to the Issue at its collecting branches mentioned on the reverse of the CAF on or before the closure of the subscription list. Non Resident Shareholders/Renounee should forward their applications to Banker to the Issue as mentioned in the CAF for Non-Resident Equity Share-holders. No part of the CAF should be detached under any circumstances otherwise the application is liable to be rejected. Applicants must provide information in the CAF as to their savings / current / NRE / NRO / FCNR bank account and the name of the bank with whom such account is held to enable the Registrar to print the said details in the refund orders after the name of the payees.

Shareholders cannot utilise both Part A and Part B simultaneously i.e. accepting the offer as well as renouncing the offer. If all the parts are filled in, in that case, the allotments will be made under Part B and C i.e. to the renounee only and the entry in Part A shall be ignored.

Please check the number of shares registered in your name. In case of any discrepancy in the number of shares held by you as appearing in the CAF, the Company shall be entitled to amend the same on the basis of the entry in the Register of Members and the information provided by the Depositories.

24.3 **For applicants residing at places other than designated Bank collecting branches.**

- (i) Applicants residing at places other than the cities where the Bank collection centres have been opened should send their completed CAF by registered post/speed post to the Registrar to the Issue, Alankit Assignments Limited, along with bank drafts payable at Delhi in favour of “FMGIL – Rights Issue - R” crossed “A/c Payee only” so that the same are received on or before the Issue Closing Date.
- (ii) The Company will not be liable for any postal delays and applications received through mail after the Issue Closing Date, are liable to be rejected and returned to the applicants. Applications by mail should not be sent in any other manner except as mentioned below. The date of mailing by the applicant and / or the date of Demand Draft / Banker’s Cheque will not be the criteria for acceptance.
- (iii) All application forms duly completed together with cash/ cheque/demand draft for the application money net of banking and postal charges must be submitted before the close of the subscription list to the Bankers to the Issue named herein or to any of its branches mentioned on the reverse of the CAF. The CAF along with application money must not be sent to the Company or the Lead Manager to the Issue or the Registrars to the Issue except as mentioned above.

- (iv) The applicants are requested to strictly adhere to these instructions. Failure to do so could result in the application being liable to be rejected with the Company, the Lead Manager and the Registrars not having any liabilities to such applicants.

24.4 **Availability of duplicate CAF**

In case the original CAF is not received, or is misplaced by the applicant, the Registrar to the Issue will issue a duplicate CAF on the request of the applicant who should furnish the registered folio number/ DP and Client ID number and his/ her full name and address to the Registrar to the Issue. Please note that the request for duplicate CAF should reach the Registrar to the Issue by November 8, 2007. Please note that those who are making the application in the duplicate form should not utilize the original CAF for any purpose including renunciation, even if it is received/ found subsequently. Thus in case the original and duplicate CAFs are lodged for subscription, allotment will be made on the basis of the duplicate CAF and the original CAF will be ignored.

24.5 **Application on Plain Paper**

- (i) An Equity Shareholder who has neither received the original CAF nor is in a position to obtain the duplicate CAF may make an application to subscribe to the Issue on plain paper, along with an Account Payee Cheque drawn on a local bank at New Delhi / Demand Draft, net of bank and postal charges, payable at New Delhi which should be drawn in favor of “FMGIL – Rights Issue - R” in case of resident shareholders and non-resident shareholders applying on non-repatriable basis and in favour of “FMGIL – Rights Issue - NR” in case of non-resident shareholders applying on repatriable basis and marked “A/c Payee Only” and send the same by registered post directly to the Registrar to the Issue so as to reach them on or before the Issue Closing Date. The envelope should be superscribed “Federal-Mogul Goetze (India) Limited – Rights Issue”
- (ii) The application on plain paper, duly signed by the applicants including joint holders, in the same order as per specimen recorded with the Company, must reach the office of the Registrar to the Issue before the Issue Closing Date and should contain the following particulars:
- Name of Issuer, being Federal-Mogul Goetze (India) Ltd.
 - Name and address of the Equity Shareholder including joint holders
 - Registered Folio Number/ DP ID No., DP Name and Client ID No.
 - Number of shares held as on Record Date
 - Certificate numbers and distinctive numbers, if held in physical form.
 - Number of Rights Equity Shares entitled
 - Number of Rights Equity Shares applied for, out of entitlement
 - Number of additional Equity Shares applied for, if any
 - Total number of Equity Shares applied for
 - Total amount paid on application at the rate of Rs. 145/- (application amount only) per Equity Share
 - Allotment option either in physical or demat mode with Client ID number, DP name & DP ID number in case demat mode of allotment is preferred
 - Particulars of cheque/draft enclosed
 - Savings/Current Account Number and name and address of the bank where the Equity Shareholder will be depositing the refund order. In case of depository the bank account details shall be obtained from the information available with the Depositories.
 - PAN/GIR number, Income Tax Circle/Ward/District, photocopy of the PAN card/ PAN communication / Form 60 / Form 61 declaration where the application is for Equity

Shares of a total value of Rs. 50,000 or more for the applicant and for each applicant in case of joint names

- Signature of Equity Shareholders to appear in the same sequence and order as they appear in the records of the Company.
 - In case of Non Resident Shareholders, NRE/ FCNR/ NRO A/c No. Name and Address of the Bank and Branch;
 - If payment is made by a draft purchased from NRE/ FCNR/ NRO A/c No., as the case may be, an Account debit certificate from the bank issuing the draft, confirming that the draft has been issued by debiting NRE/ FCNR/ NRO Account.
- (iii) Payments in such cases, should be through a cheque/ demand draft payable at New Delhi be drawn in favor of “FMGIL – Rights Issue - R” in case of resident shareholders and non-resident shareholders applying on non repatriable basis and in favour of “FMGIL – Rights Issue - NR” in case of non-resident shareholders applying on repatriable basis and marked “A/c Payee Only”.
- (iv) Attention of the shareholders is drawn to the fact that those shareholders making the application otherwise than on the CAF (i.e. on a plain paper as stated above) shall not be entitled to renounce their rights and should not utilise the CAF for any purpose including renunciation even if it is received subsequently. In case the original and duplicate CAFs and application on the plain paper or any two of these applications are lodged or if any shareholder violates any of these requirements, the Company will have the absolute right to reject any one or both of his/her/their application and refund the application money received. However, the Company is not liable to pay any interest whatsoever on money so refunded.

25. Last date of Application

- 25.1 The last date for submission of the duly filled in CAF is November 23, 2007. The Board or any committee thereof will have the right to extend the said date for such period as it may determine from time to time but not exceeding 60 (sixty) days from the Issue Opening Date.
- 25.2 If the CAF together with the amount payable is not received by the Banker to the Issue/ Registrar to the Issue on or before the close of banking hours on the aforesaid last date or such date as may be extended by the Board/ Committee of Directors, the offer contained in this Letter of Offer shall be deemed to have been declined and the Board/ Committee of Directors shall be at liberty to dispose off the Equity Shares hereby offered, as provided under the section entitled “Basis of Allotment”.

INVESTORS MAY PLEASE NOTE THAT THE EQUITY SHARES OF THE COMPANY CAN BE TRADED ON THE STOCK EXCHANGES ONLY IN DEMATERIALIZED FORM.

26. Mode of payment for Resident Equity Shareholders/ Applicants

- (i) Only one mode of payment should be used. Payment must be made at the rate of Rs. 145/- per Equity Share by Cash or Cheque/Demand Draft drawn on any Bank (including a Co-operative Bank) which is situated at and is a member or sub-member of the Bankers Clearing House in the city/town at which the CAF is submitted. A separate cash amount or cheque/demand draft, must accompany each CAF. Outstation/ post-dated cheques or demand drafts and postal/ money orders will not be accepted and CAFs accompanied by such cheques/ demand drafts/ order are liable to be rejected. Payments in cash to the Registrars will not be accepted. Returned cheques shall not be represented and the accompanying application will not be considered. All cheques / drafts accompanying the CAF should be drawn in favour of “FMGIL – Rights Issue - R” and marked ‘A/c Payee only’. You are requested to mention the Folio number, Client ID / DP ID (as may be applicable) and the CAF number on the reverse of the Cheque /Demand Draft. If a Cheque or Demand Draft is drawn on a bank that is not participating in clearing, the CAF accompanying such Cheque/ Demand Draft shall, at the discretion of the Board, be liable to be rejected.
- (ii) Applicants residing at places other than places where the bank collection centres have been opened by the Company for collecting applications, are requested to send their applications together with Demand Draft of amount net of bank and postal charges, for the full application amount favouring “FMGIL – Rights Issue - R” and marked ‘A/c Payee only’ payable at directly to the Registrar to the Issue by registered post so as to reach them on or before the Issue Closing Date. The Company or the Registrar to the Issue will not be responsible for postal delays or loss

of applications in transit, if any. The date of mailing by the applicant and / or the date of Demand Draft / Banker's Cheque will not be the criteria for acceptance.

(iii) Applications will not be accepted by the Lead Manager or by the Company.

27. Mode of payment for Non-Resident Equity Shareholders/ Applicants

As regards the application by non-resident equity shareholders, the following further conditions shall apply:

Payment by non-residents must be made by demand draft / cheque payable at New Delhi or funds remitted from abroad in any of the following ways:

28. Application with repatriation benefits

28.1 Payment by NRIs/ FIIs/ foreign investors must be made by demand draft/cheque payable at New Delhi or funds remitted from abroad in any of the following ways:

- By Indian Rupee drafts purchased from abroad and payable at New Delhi or funds remitted from abroad (submitted along with Foreign Inward Remittance Certificate); or
- By cheque / draft on a Non-Resident External Account (NRE) or FCNR Account maintained in New Delhi; or
- By Rupee draft purchased by debit to NRE/ FCNR Account maintained elsewhere in India and payable in New Delhi; or
- FIIs registered with SEBI must remit funds from special non-resident rupee deposit account.
- Payments through Non-Resident Ordinary Account (NR(O) a/c) will not be permitted
- All cheques/drafts submitted by non-residents applying on repatriable basis have to be made through external source only and should be drawn in favour of "FMGIL – Rights Issue - NR" payable at New Delhi and crossed 'A/c Payee only' for the amount payable.
- In case of applications by overseas companies and other corporate bodies owned predominantly by Non-Resident Individuals of Indian nationality/origin, a certificate in the prescribed form OAC/OAC-1 from an overseas auditor/chartered accountant/certified public accountant should be submitted along with the application.

28.2 A separate cheque or bank draft must accompany each application form. Applicants may note that where payment is made by drafts purchased from NRE/FCNR accounts as the case may be, an Account Debit Certificate from the bank issuing the draft confirming that the draft has been issued by debiting the NRE/FCNR account should be enclosed with the CAF. In the absence of the above the application shall be considered incomplete and is liable to be rejected.

28.3 In the case of NRIs who remit their application money from funds held in FCNR/NRE Accounts, refunds and other disbursements, if any shall be credited to such account details of which should be furnished in the appropriate columns in the CAF. In the case of NRIs who remit their application money through Indian Rupee Drafts from abroad, refunds and other disbursements, if any will be made in US Dollars at the rate of exchange prevailing at such time subject to the permission of RBI. The Company will not be liable for any loss on account of exchange rate fluctuation for converting the Rupee amount into US Dollars or for collection charges charged by the applicant's Bankers.

29. Application without repatriation benefits

29.1 As far as non-residents holding shares on non-repatriation basis is concerned, in addition to the modes specified above, payment may also be made by way of cheque drawn on Non-Resident (Ordinary) Account maintained in New Delhi or Rupee Draft purchased out of NRO Account maintained elsewhere in India but payable at New Delhi. In such cases, the allotment of Equity Shares will be on non-repatriation basis. In such cases, refund, dividend, interest and other disbursement, if any, will be payable in Indian Rupees only.

29.2 All cheques/drafts submitted by non-residents applying on non-repatriation basis should be drawn in favour of "FMGIL – Rights Issue - R" payable at New Delhi and must be crossed 'A/c Payee only' for

the amount payable. The CAF duly completed together with the amount payable on application must be deposited with the Collecting Bank indicated on the reverse of the CAF before the close of banking hours on or before the Issue Closing Date. A separate cheque or bank draft must accompany each CAF. You are requested to mention the folio number and the CAF number on the reverse of the cheque/demand draft. The application should be accompanied by a non-repatriation undertaking as per the forms prescribed by RBI.

- 29.3 If the payment is made by a draft purchased from an FCNR/NRE/ NRO account, an Account Debit Certificate from the bank issuing the draft, confirming that the draft has been issued by debiting the FCNR/NRE / NRO account or foreign Inward Remittance Certificate (FIRC) from the authorized dealers, should be enclosed with the CAF. In the absence of the above, the application shall be considered incomplete and is liable to be rejected. Payment by way of cash shall not be accepted.
- 29.4 New demat account shall be opened for holders who have had a change in status from resident Indian to NRI.

Note:

- In case where repatriation benefit is available, interest, dividend, sales proceeds derived from the investment in Equity Shares can be remitted outside India, subject to tax, as applicable according to Income Tax Act, 1961.
- In case Equity Shares are allotted on non-repatriation basis, the dividend and sale proceeds of the Equity Shares cannot be remitted outside India.
- The CAF duly completed together with the amount payable on application must be deposited with the Collecting Bank indicated on the reverse of the CAF before the close of banking hours on or before the Issue Closing Date. A separate cheque or bank draft must accompany each CAF.
- In case of an application received from non-residents, allotment, refunds and other distribution, if any, will be made in accordance with the guidelines/ rules prescribed by RBI as applicable at the time of making such allotment, remittance and subject to necessary approvals.

30. Payment by Stockinvest

In terms of RBI Circular DBOD No. FSC BC 42/24.47.00/2003- 04 dated November 5, 2003, the Stockinvest Scheme has been withdrawn. Hence, payment through Stockinvest would not be accepted in this Issue

31. Basis of Allotment

31.1 Subject to the provisions contained in this Letter of Offer, the Articles of Association of the Company and the approval of the Designated Stock Exchange, the Board or a Committee of Directors authorized by the Board will proceed to allot the Equity Shares in the following order of priority:

- (a) Full allotment to those Equity Shareholders who have applied for their rights entitlement either in full or in part and also to the renounee(s) who has/ have applied for Equity Shares renounced in their favour, in full or in part (subject to other provisions contained under the paragraph titled "Renunciation").
- (b) Allotment to the Equity Shareholders who having applied for all the Equity Shares offered to them as part of the Issue and have also applied for additional Equity Shares. The allotment of such additional Equity Shares will be made as far as possible on an equitable basis having due regard to the number of Equity Shares held by them on the Record Date as part of the Issue and not preferential allotment, provided there is an undersubscribed portion after making full allotment in (a) above. The allotment of such Equity Shares will be at the sole discretion of the Board/Committee of Directors in consultation with the Designated Stock Exchange.
- (c) Allotment to the renounees who having applied for the Equity Shares renounced in their favour have also applied for additional Equity Shares, provided there is an undersubscribed portion after making full allotment in (a) and (b) above. The allotment of such additional Equity Shares will be made on a proportionate basis at the sole discretion of the Board/ Committee of Directors but in consultation with the Designated Stock Exchange as part of the Issue and not preferential allotment.

- (d) Equity Shares remaining unsubscribed after making full allotment under (a), (b) and (c) above, shall be disposed of by the Board in manner as it in its sole discretion deems fit and the decision of the Board in this regard shall be final and binding.
- 31.2 If the Company does not receive the minimum subscription of 90% of the Issue, the entire subscription shall be refunded to the applicants within forty two days from the date of closure of the Issue. If there is delay in the refund of subscription by more than 8 days after the Company becomes liable to pay the subscription amount (i.e. forty two days after closure of the Issue), the Company will pay interest for the delayed period, at rates prescribed under sub-Sections (2) and (2A) of Section 73 of the Companies Act.
- 31.3 The Issue will become undersubscribed after considering the number of shares applied by the shareholders as per their entitlement, by renounees and the additional shares applied by the shareholders and renounees. The undersubscribed portion can be applied for only after the close of the Issue. FMHL have undertaken to subscribe to the undersubscribed portion of the Issue, if any. This acquisition of additional Equity Shares due to undersubscription, if allotted to the Promoter shall be in terms of proviso to regulation 3(1)(b)(ii) of the Takeover Code and will be exempt from the applicability of regulation 10, 11 and 12 of Takeover Code. This disclosure is made in terms of the requirement of Regulation 3(1)(b)(ii) of the Takeover Code. Further this acquisition of additional Equity Shares will not result in change of control of management of the Company. Further, such application for subscription to the undersubscribed portion, if made by existing shareholders, is not liable to be treated as multiple applications.
- 31.4 The Basis of Allotment shall be approved by the BSE, which is the Designated Stock Exchange for the Issue.
- 31.5 The Company undertakes to complete the allotment within a period of 42 days from the date of closure of the Issue in accordance with the listing agreement with the Bombay Stock Exchange and National Stock Exchange.
- 31.6 The Company shall retain no oversubscription.

Unsubscribed Equity Shares

The unsubscribed portion, if any of the Equity Shares offered to the shareholders, after considering the application for Rights/renunciation and additional Equity Shares, as above, shall be disposed off by the Board, Share Transfer Committee or Rights Issue Committee of the Company authorized in this behalf by the Board of Directors of the Company at their full discretion and absolute authority, in such a manner as they think most beneficial to the Company and the decision of Board or Share Transfer Committee of the Company in this regard will be final and binding. Our Promoter FMHL has undertaken to subscribe to the undersubscribed portion of the Issue, if any.

The word “undersubscribed” as described above shall mean undersubscribed as defined in regulation 3(1) (b) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

32. Underwriting / Standby arrangements

The present Issue is not underwritten and the Company has not made any standby arrangements for the Issue. FMG and FMHL have confirmed that they would subscribe to their entitlement. Further, FMHL has confirmed that they would also subscribe to the unsubscribed portion, if any, of the Issue so that the Issue is fully subscribed.

33. Disposal of Application and Application money

- 33.1 The Board reserves the right to reject applications in case the application concerned is not made in terms of this Letter of Offer. In case an application is rejected in full the whole of the application money received will be refunded to the first named applicant and where an application is rejected in part, the excess application money will be refunded to the first named applicant within 6 weeks from the date of closure of the subscription list in accordance with Section 73 of the Act. If there is delay of refund of application money by more than 8 days after the Company becomes liable to pay (i.e. forty-two days after the closure of Issue), the Company will pay interest for the delayed period at the rate prescribed under sub-Section (2) and (2A) of Section 73 of the Act.

- 33.2 The subscription monies received in respect of this Issue will be kept in a separate bank account and the Company will not have access to nor appropriate the funds until it has satisfied the Designated Stock Exchange with suitable documentary evidence that minimum subscription of 90% of the application money for the Issue has been received.
- 33.3 No acknowledgment will be issued for the application monies received by the Company. However, the Bankers to the Issue at its collection branches to the Issue receiving the CAF as applicable as per the terms of this Letter of Offer, will acknowledge its receipt by stamping and returning the acknowledgment slip at the bottom of each CAF. Except for the reasons stated under “**Grounds for Technical Rejections**” on page 326 of this Letter of Offer and subject to valid application, acknowledgement of receipt of application money given by the collection agent shall be valid and binding on Issuer and other persons connected with the Issue.

34. Letters of allotment or refund orders

- 34.1 Equity Share certificate(s)/Letter(s) of Allotment or Letter(s) of Regret together with refund orders exceeding Rs 1,500/-, if any, will be dispatched by registered post/speed post at the sole/first named applicant's address within 42 days from the date of the closing of the Issue.
- 34.2 Mode of payment of refund would be made as mentioned in the clause dealing with the "Payment of Refund" on page 309 of this Letter of Offer.
- 34.3 Company shall ensure despatch of refund orders, if any, by under the Certificate of Posting or registered post or speed post or through modes as mentioned in the section on "Issue Related Information" in the clause dealing with "Payment of Refund" on page 309 of this Letter of Offer, as applicable, only at the sole or First Applicant's sole risk within 42 days of closure of the Rights Issue, and adequate funds for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by the Issuer.

In case of those shareholders who have opted to receive their Right Entitlement Shares in dematerialised form by electronic credit under the depository system, an advice regarding the credit of the Equity Shares shall be given separately.

Refunds will be made by cheques or pay orders drawn on the Collection Bank(s) and payable at par at the places where applications are accepted. Bank charges, if any, for encashing such cheques or pay orders will be borne by the Applicants.

Allotment of Equity Shares to non-residents and the issue of letters of allotment/share certificates to non-residents shall be subject to the approval received from RBI.

For Non-Resident Applicants, refunds, if any, will be made as under:

- a) Where applications are accompanied by Indian Rupee Drafts purchased abroad and payable at New Delhi, India, refunds will be made in convertible foreign exchange equivalent to Indian Rupees to be refunded. Indian Rupees will be converted into foreign exchange at the rate of exchange, which is prevailing on the date of refund. The exchange rate risk on such refunds shall be borne by the concerned applicant and the Company shall not bear any part of the risk.
- b) Where the applications made are accompanied by NRE/FCNR/NRO cheques, refunds will be credited to NRE/FCNR/NRO accounts respectively, on which such cheques are drawn and details of which are provided in the CAF.

35 Letters of Allotment / Share Certificates / Demat Credit

Letter(s) of allotment/ share certificates/ demat credit or letters of regret along with refund order will be dispatched to the registered address of the first named applicant or respective beneficiary accounts will be credited within 6 (six) weeks, from the date of closure of the subscription list. In case the Company issues letters of allotment, the relative share certificates will be dispatched within three months from the date of allotment. Allottees are requested to preserve such letters of allotment (if any) to be exchanged later for share certificates. Export of letters of allotment (if any)/ share certificates/ demat credit to non-resident allottees will be subject to the approval of RBI.

36. In accordance with the requirements of the Stock Exchange and SEBI DIP Guidelines, the Company undertakes that:

36.1 Interest in case of delay in dispatch of Allotment Letters/ Refund Orders in case of Rights Issues

The Company will issue and dispatch letters of allotment/ share certificates and/ or letters of regret along with refund order or credit the allotted securities to the respective beneficiary accounts, if any within a period of six weeks from the date of closure of the Issue. If such money is not repaid within 8 days from the day the Company becomes liable to pay it, the Company shall pay that money with interest at the rate of 15% per annum as stipulated under Section 73 of the Act.

37. Option to receive Equity Shares in Dematerialized Form

37.1 Applicants to the Equity Shares of the Company issued through this Issue shall be allotted the securities in dematerialised (electronic) form at the option of the applicant. The Equity Shares of the Company are been traded in dematerialised mode. The Company has entered into tripartite agreements dated November 26, 1999 and January 24, 2000 with NSDL and CDSL respectively along with the Registrar, (our Equity Shares bear the ISIN INE529A01010), which enables the Investors to hold and trade in securities in a dematerialised form, instead of holding the securities in the form of physical certificates.

37.2 In this Issue, the allottees who have opted for Equity Shares in dematerialised form will receive their Equity Shares in the form of an electronic credit to their beneficiary account with a depository participant. The CAF shall contain space for indicating number of shares applied for in demat and physical form or both. Investor will have to give the relevant particulars for this purpose in the appropriate place in the CAF. Applications, which do not accurately contain this information, will be given the securities in physical form. No separate applications for securities in physical and/or dematerialized form should be made. If such applications are made, the application for physical securities will be treated as multiple applications and is liable to be rejected. In case of partial allotment, allotment will be done in demat option for the shares sought in demat and balance, if any, will be allotted in physical shares.

37.3 The Equity Shares of the Company offered through this Issue will be listed on the BSE & NSE.

37.4 Procedure for availing the facility for allotment of Equity Shares in this Issue in the electronic form is as under:

- Open a beneficiary account with any depository participant (care should be taken that the beneficiary account should carry the name of the holder in the same manner as is exhibited in the records of the Company. In the case of joint holding, the beneficiary account should be opened carrying the names of the holders in the same order as with the Company). In case of Investors having various folios in the Company with different joint holders, the Investors will have to open separate accounts for such holdings. Those Equity Shareholders who have already opened such Beneficiary Account (s) need not adhere to this step.
- For Equity Shareholders already holding Equity Shares of the Company in dematerialized form as on the Record Date, the beneficiary account number shall be printed on the CAF. For those who open accounts later or those who change their accounts and wish to receive their Equity Shares pursuant to this Issue by way of credit to such account, the necessary details of their beneficiary account should be filled in the space provided in the CAF. It may be noted that the allotment of Equity Shares arising out of this Issue may be made in dematerialized form even if the original Equity Shares of the Company are not dematerialized. Nonetheless, it should be ensured that the Depository Account is in the name(s) of the Equity Shareholders and the names are in the same order as in the records of the Company.

37.5 Responsibility for correctness of information (including applicant's age and other details) filled in the CAF vis-à-vis such information with the applicant's depository participant, would rest with the applicant. Applicants should ensure that the names of the applicants and the order in which they appear in CAF should be the same as registered with the applicant's depository participant.

37.6 If incomplete / incorrect beneficiary account details are given in the CAF or where the investor does not opt to receive the Rights Equity Shares in dematerialized form, the applicant will get Equity Shares in physical form.

37.7 The Equity Shares pursuant to this Issue allotted to investors opting for dematerialized form would be directly credited to the beneficiary account as given in the CAF after verification. Allotment advice, refund order (if any) would be sent directly to the applicant by the Registrar to the Issue but the

applicant's depository participant will provide to him the confirmation of the credit of such Equity Shares to the applicant's depository account.

- 37.8 Renouncees will also have to provide the necessary details about their beneficiary account for allotment of securities in this Issue. In case these details are incomplete or incorrect, the application is liable to be rejected.

It may be noted that shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL or CDSL.

Dividend or other benefits with respect to the shares held in dematerialised form would be paid to those Equity Shares holders whose names appear in the list of beneficial owners given by the Depository Participant to the Company as on record date.

38. Minimum Subscription

- 38.1 If the Company does not receive the minimum subscription of 90% of the Issue, on the date of closure of the Issue, or if the subscription level falls below 90% after the closure of the Issue on account of cheques having being returned unpaid or withdrawal of applications, the entire subscription shall be forthwith refunded to the applicants. If there is a delay in the refund of subscription by more than 8 days after the Company becomes liable to pay the subscription amount (i.e. 42 days after closure of the Issue), the Company shall pay interest for the delayed period, at rates prescribed under sub-Sections (2) and (2A) of Section 73 of the Companies Act 1956.

The Issue will become undersubscribed after considering the number of shares applied by the shareholders as per their entitlement, by renouncees and the additional shares applied by the shareholders and renouncees. The undersubscribed portion can be applied for only after the close of the Issue. FMHL have undertaken to subscribe to the undersubscribed portion of the Issue, if any. This acquisition of additional Equity Shares due to undersubscription, if allotted to the Promoter shall be in terms of proviso to regulation 3(1)(b)(ii) of the Takeover Code and will be exempt from the applicability of Regulations 10, 11 and 12 of Takeover Code. This disclosure is made in terms of the requirement of Regulation 3(1)(b)(ii) of the Takeover Code. Further this acquisition of additional Equity Shares will not result in change of control of management of the Company. Further, such application for subscription to the undersubscribed portion, if made by existing shareholders, is not liable to be treated as multiple applications.

The word "undersubscribed" as described above shall mean undersubscribed as defined in regulation 3(1)(b) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

- 38.2 In case the permission to deal in and for an official quotation of the Equity Shares is not granted by the Stock Exchanges, the Issuer shall forthwith repay without interest, all monies received from the applicants in pursuance of this Letter of Offer within 42 days after closure of the Issue, and if such money is not repaid within 8 days after the day from which the Issuer is liable to repay it, the Issuer shall pay interest as prescribed under Section 73 (2) / 73 (2A) of the Companies Act 1956.

39. General instructions for applicants

- (a) Please read the instructions printed on the enclosed CAF carefully.
- (b) Application should be made on the printed CAF, provided by the Company except as mentioned under the head Application on Plain Paper and should be completed in all respects. The CAF found incomplete with regard to any of the particulars required to be given therein, and/ or which are not completed in conformity with the terms of this Letter of Offer are liable to be rejected and the money paid, if any, in respect thereof will be refunded without interest and after deduction of bank commission and other charges, if any. The CAF must be filled in English and the names of all the applicants, details of occupation, address, father's / husband's name must be filled in block letters.
- (c) Payments should be made in cash/cheque/demand draft drawn on any bank which is situated at and is a member of sub-member of the banker's clearing house located at the centre where application is accepted. Outstation cheques/ demand drafts will not be accepted and application(s) accompanied by such cheques/ demand drafts will be rejected. The Registrar will not accept cash along with CAF.

- (d) The CAF together with cheque / demand draft should be sent to the Bankers to the Issue or at any of the branches as mentioned on the CAF or to the Registrar to the Issue (for applicants residing at places other than cities where the branches of the Bankers to the Issue have been authorised by the Company for collecting applications) and not to the Company or Lead Manager to the Issue. Applicants residing at places other than cities where the branches of the Bankers to the Issue have been authorised by the Company for collecting applications, will have to make payment by Demand Draft payable at New Delhi of amount net of bank and postal charges, and send their application forms to the Registrar to the Issue by Registered Post / Speed Post. If any portion of the CAF is / are detached or separated, such application is liable to be rejected.
- (e) PAN/ GIR Number: Applications for a total value of Rs. 50,000 or more, i.e. where the total number of securities applied for multiplied by the Issue price, is Rs. 50,000 or more the applicant or in the case of application in joint names, each of the applicants, should mention his/ her PAN number allotted under the Income-Tax Act, 1961 or where the same has not been allotted, the GIR number under the Income Tax Circle/Ward/District and also submit a photocopy of the PAN card(s) or a communication from the Income Tax authority indicating allotment of PAN ("PAN Communication") along with the application for the purpose of verification of the number. Applicants who do not have PAN are required to provide a declaration in Form 60 / Form 61 prescribed under the I.T. Act along with the application. **Application Forms without this photocopy/ PAN Communication/ declaration will be considered incomplete and are liable to be rejected.**
- (f) Bank Account Details: It is mandatory for applicants to provide information as to their savings/current account number and the name of the Company with whom such account is held in the CAF to enable the Registrar to the Issue to print the said details in the refund orders, if any, after the names of the payees. Application not containing such details is liable to be rejected. **Shareholders may please note that for shares held in DEMAT mode, the bank account details shall be obtained from the depositories. Shareholders may ensure that the bank account details are updated with the depositories.**
- (g) Payment by cash: No person shall make an application for subscription to Equity Shares in cash, if on the date of making the application, the applicant has any deposit or loan (including Debentures) whether originally paid in cash or otherwise remaining unpaid (whether payment has fallen due or not) which by itself or taken together with the present application is Rs.20,000/- or more, in terms of Section 269 SS of the Income Tax Act, 1961. In case payment is effected in contravention of this, the application may be deemed invalid and the application money will be refunded and no interest will be paid thereon. Payment against the application if made in cash, subject to conditions as mentioned above, should be made only to the Bankers to the Issue.
- (h) Signatures should be either in English or Hindi or in any other language specified in the Eight Schedule to the Constitution of India. Signatures other than in English or Hindi and thumb impression must be attested by a Notary Public or a Special Executive Magistrate under his/ her official seal. The Equity Shareholders must sign the CAF as per the specimen signature recorded with the Company or depositories.
- (i) In case of an application under power of attorney or by a body corporate or by a society, a certified true copy of the relevant power of attorney or relevant resolution or authority to the signatory to make the relevant investment under this Issue and to sign the application and a copy of the Memorandum and Articles of Association and / or bye laws of such body corporate or society must be lodged with the Registrar to the Issue giving reference of the serial number of the CAF not later than the Issue Closing Date or not later than 10 days after the Issue Closing Date. In case the above referred documents are already registered with the Company, the same need not be a furnished again. In case these papers are sent to any other entity besides the Registrar to the Issue or are sent after the Issue Closing Date, then the application is liable to be rejected. **In no case should these papers be attached to the application submitted to the Bankers to the Issue.**
- (j) The shareholders must sign the CAF as per the specimen signature recorded with the Company. In case of joint holders, all joint holders must sign the relevant part of the CAF in the same order and as per the specimen signature(s) recorded with the Company. Further, in case of joint applicants who are renounees, the number of applicants should not exceed three. In

case of joint applicants, reference, if any, will be made in the first applicant's name and all communication will be addressed to the first applicant.

- (k) Application(s) received from Non-Resident / NRIs, or persons of Indian origin residing abroad for allotment of Equity Shares shall, inter alia, be subject to conditions, as may be imposed from time to time by the RBI under FEMA in the matter of refund of application money, allotment of Equity Shares, subsequent issue and allotment of Equity Shares, interest, export of share certificates, etc. In case a Non-Resident or NRI Equity Shareholder has specific approval from the RBI, in connection with his shareholding, he should enclose a copy of such approval with the CAF.
 - (l) All communication in connection with application for the Equity Shares, including any change in address of the Equity Shareholders should be addressed to the Registrar to the Issue prior to the date of allotment in this Issue quoting the name of the first / sole applicant Equity Shareholder, folio numbers and CAF number. Please note that any intimation for change of address of Equity Shareholders, after the date of allotment, should be sent to Registrar to the Company; Alankit Assignments Limited, in the case of Equity Shares held in physical form and to the respective depository participant, in case of Equity Shares held in dematerialized form.
 - (m) Split forms cannot be re-split.
 - (n) Only the person or persons to whom Equity Shares have been offered and not renouncee(s) shall be entitled to obtain split forms.
 - (o) Applicants must write their CAF number at the back of the cheque / demand draft.
 - (p) Only one mode of payment per application should be used. The payment must be either in cash or by cheque / demand draft drawn on any of the banks, including a co-operative bank, which is situated at and is a member or a sub member of the Bankers Clearing House located at the centre indicated on the reverse of the CAF where the application is to be submitted.
 - (q) A separate cheque / draft must accompany each CAF. Outstation cheques / demand drafts or post-dated cheques and postal / money orders will not be accepted and applications accompanied by such cheques / demand drafts / money orders or postal orders will be rejected. The Registrar will not accept payment against application if made in cash. (For payment against application in cash please refer point (f) above)
- As per section 109A of the Act, the sole applicant / joint applicants may nominate, in the prescribed manner, a person to whom his Equity Shares in the Company shall vest in the event of his death.
- An applicant cannot make an application for that number of securities exceeding the number of securities being offered through this Rights Issue.
- (r) No receipt will be issued for application money received. The Bankers to the Issue / Registrar will acknowledge receipt of the same by stamping and returning the acknowledgment slip at the bottom of the CAF.

40. Grounds for Technical Rejections

Applicants are advised to note that applications are liable to be rejected on technical grounds, including the following:

- Amount paid does not tally with the amount payable for;
- In case of physical shareholders, bank account details (for refund) are not given;
- Age of first applicant not given in case of renouncee(s);
- PAN photocopy/ PAN Communication/ Form 60 / Form 61 declaration not given if Application is for Rs. 50,000 or more;
- In case of Application under power of attorney or by limited companies, corporate, trust, etc., relevant documents are not submitted;

- If the signature of the existing shareholder does not match with the one given on the Application Form and for renounees if the signature does not match with the records available with their depositories;
- If the Applicant desires to have shares in electronic form, but the CAF does not have the Applicant's depository account details;
- CAFs are not submitted by the Applicants within the time prescribed as per the CAF and the Letter of Offer;
- Applications not duly signed by the sole/joint Applicants;
- Applications by OCBs unless accompanied by specific approval from the RBI permitting the OCBs to invest in the Issue;
- Applications accompanied by Stockinvest;
- In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Applicants (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity;
- Applications by ineligible Non-residents (including on account of restriction or prohibition under applicable local laws) and where last available address in India has not been provided;
- Multiple applications.

41. Utilisation of Issue Proceeds

The subscription monies received in respect of this Issue will be kept in a separate bank account and the Company will not have access to nor appropriate the funds until it has satisfied the Designated Stock Exchange with suitable documentary evidence that minimum subscription of 90% of the application money for the Issue has been received.

The Board of Directors declares that:

- (a) The funds received against this Issue will be transferred to a separate bank account other than the bank account referred to sub-Section (3) of Section 73 of the Companies Act.
- (b) Details of all moneys utilised out of the Issue shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the purpose for which such moneys has been utilised.
- (c) Details of all such unutilised moneys out of the Issue, if any, shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the form in which such unutilised moneys have been invested.

42. Undertakings by the Company –

The Company undertakes that:

1. The complaints received in respect of the Issue shall be attended to by the Company expeditiously and satisfactorily.
2. All steps for completion of the necessary formalities for listing and commencement of trading at all Stock Exchanges where the securities to be issued pursuant to this Issue are to be listed will be taken within seven working days of finalization of basis of allotment.
3. The funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue.
4. Where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 30 days or 15 days of closure of the Issue, as the case may be, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.
5. The certificates of the securities/refund orders to the non resident Indians shall be dispatched within specified time.
6. No further issue of securities affecting equity capital of the Company shall be made till the securities issued/offered through the Issue are listed or till the application moneys are refunded on account of non-listing, under-subscription etc.

Note

The Company accepts full responsibility for the accuracy of information given in this Letter of Offer and confirms that to the best of its knowledge and belief, there are no other facts the omission of which makes any statement made in this Letter of Offer misleading and further confirms that it has made all reasonable enquiries to ascertain such facts.

All information shall be made available by the Lead Manager and the Issuer to the investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road shows, presentations, in research or sales reports etc.

The Issuer and Lead Manager shall update the Letter of Offer and keep the investors informed of any material changes till the listing and trading commences of the securities offered through this Letter of Offer.

43. Important

- Please read this Letter of Offer carefully before taking any action. The instructions contained in the accompanying Composite Application Form (CAF) are an integral part of the conditions of this Letter of Offer and must be carefully followed; otherwise the application is liable to be rejected.
- All enquiries in connection with this Letter of Offer or accompanying CAF and requests for Split Application Forms must be addressed (quoting the Registered Folio Number/ DP and Client ID number, the CAF number and the name of the first Equity Shareholder as mentioned on the CAF and superscribed "Federal-Mogul Goetze (India) Limited – Rights Issue" on the envelope) to the Registrar to the Issue at the following address:

Alankit Assignments Limited

Alankit House,
2E/21, Jhandewalan Extension,
New Delhi-110055
Phone : + 91 11 23541234, 42541234
Fax : + 91 11 23552001, 42541967
Contact person : Mr. Mahesh Jairath
E-mail : mj@alankitonline.com

- It is to be specifically noted that this Issue of Equity Shares is subject to the section entitled 'Risk Factors' beginning on page 9 of this Letter of Offer.
- The Issue will be kept open for a minimum of 30 days unless extended, in which case it will be kept open for a maximum of 60 days.

SECTION VIII: MAIN PROVISIONS OF OUR ARTICLES OF ASSOCIATION

SHARES

Division of shares

Article 4 provides that

The share capital of the Company is Rs.80 crores (Rupees eighty crores only) divided into 8,00,00,000 Equity shares of Rs.10/- each with power to increase, reduce or re-classify the capital for the time being into several classes and to attach thereto respectively such preferential, deferred, qualified or special rights, privileges or conditions as may be determined by or in accordance with the regulations of the Companies Act, 1956 and of the Company and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided by these regulations.

Allotment of shares

Article 5 provides that

Subject to the provisions of these Articles, the shares shall be under the control of the Board who may allot or otherwise dispose of the same to such persons on such terms and conditions and at such times, either at par or at a premium and for such consideration as the Board thinks fit. Provided that an option or right to call on shares shall not be given to any person except with the sanction of the Company in General meeting and any further issue of Capital shall be governed by the provisions of Section 81 (1A) of the Act.

Return of allotment:

Article 6 provides that

As regards allotments made from time to time the Company shall duly comply with Section 75 of the Act.

Restriction on allotment

Article 7 provides that

If the Company shall offer any of its shares to the public for subscription such offer shall be made in accordance with the provisions of subsections (1) & (2) of Section 69 of the Act and the company shall duly comply with the provisions of sub-section (4) of section 69 of the Act, or any statutory modification thereof.

Company not to purchase its own shares

Article 3 provides that

Save as permitted by Section 77 of the Act, and Article 58A hereunder the funds of the Company shall not be employed in the purchase of, or lent on the security of shares of the Company and the company shall not give, directly or indirectly, any financial assistance, whether by way of loan, guarantee, the provision of security or otherwise, for the purpose of or in connection with any purchase of or subscription for shares in the Company or any Company of which it may, for the time being be a subsidiary. This Article shall not be deemed to affect the powers of the Board of the Company to enforce repayment of loans to members or exercise a lien as provided by Article 33.

CERTIFICATE

Right to a certificate

Article 15 provides that

Every member shall be entitled, without payment, to one certificate for all the shares of each class registered in his name, or, if the Board so approves, to several certificates each for one or more of such shares. Unless the conditions of issue of any shares otherwise provide, the Company shall within three months after the date of allotment and on surrender to the Company of its letter making the allotment or of its fractional coupons of requisite value (save in the case of issue against letters of acceptance or of renunciation or in case of issue of bonus shares), or within two months after receipt of the application for registration of the transfer of any of its shares, as the case may be, complete and have ready for delivery the certificates of such shares. Every certificate of share shall specify the name of the person in whose favour the certificate is issued, the shares to which it relates and the amounts paid up thereon. Particulars of every certificate issued shall be entered in the Register of Members maintained in the form set out in the Act, or in a form as near thereto as circumstances admit, against the name of the person to whom it has been issued, indicating the date of issue. In respect of any share registered in the joint names of several members, the company shall not be bound to issue more than one certificate, and delivery of a certificate to one of several members registered jointly in respect thereof shall be sufficient delivery to all such members.

New certificates

Article 16 provides that

Subject to the provisions of Section 84 of the Act, if any certificate becomes defaced, torn or old, decrepit, worn out or where the pages on its reverse side for recording transfers have been duly utilised, then upon surrender thereof to the Company, the Board may order the same to be cancelled and may issue a new certificate in lieu thereof; and if any certificate be lost or destroyed, then, upon proof of such loss or destruction to the satisfaction of the Board, and on such indemnity as the Board thinks fit being given, and after such publicity at the cost of the person applying, as the Board may direct, a new certificate in lieu thereof shall be given to the party entitled to the shares to which such lost or destroyed certificate shall relate. The Company shall not charge any fee of registration of transfer of shares and debentures; for subdivision and consolidation of share and debenture certificates and for subdivision of Letters of allotment and Split, Consolidation, Renewal and Pucca Transfer Receipts into denominations corresponding to the market units of trading, for subdivision of renounceable Letters of Right; for issue of new certificates in replacement of those which are old, decrepit or worn out or where the pages on the reverse for recording transfers have been fully utilised; for registration of any Power of Attorney, Probate, Letters of Administration or similar other documents. The Company will charge such fees as may be decided by the Board for issue of new certificates in replacement of those that are torn, defaced, lost or destroyed, for subdivision and consolidation of Share & debenture certificates and for subdivision of allotment and Split, Consolidation, Renewal and Pucca Transfer Receipts into denominations other than those fixed for the market units of trading. The Board may in its discretion forgo recovery of any fee chargeable under this Article.

CALLS

Calls

Article 18 provides that

The Board may, from time to time, subject to the terms on which any shares may have been issued, and subject to the provisions of Section 91 of the Act, make such calls as the Board thinks fit upon the members in respect of all moneys unpaid on the shares held by them respectively, and not by the conditions of allotment thereof made payable at fixed times, and each member shall pay the amount of every call so made on him to the persons and at the times and places appointed by the Board. A call may be made payable by installments and shall be deemed to have been made when the resolution of the Board authorizing such call is passed at a meeting of the Board.

Restriction on the power to make calls

Article 19 provides that

Not less than thirty days notice of any call shall be given specifying the time and place of payment and to whom such call shall be paid.

Interest on call or installment

Article 20 provides that

If the sum payable in respect of any call or installment be not paid on or before the day appointed for payment thereof, the member for the time being, in respect of the share for which the call shall have been made or the installment shall be due, shall pay interest on the same at such rate as shall, from time to time, be fixed by the Board, from the day appointed for the payment thereof to the time to the actual payment. The Board shall be at liberty to waive payment of any such interest either wholly or in part.

Amount payable at fixed or payable by installment as call

Article 21 provides that

If by the terms of issue of any share or otherwise any amount is made payable at any fixed time or by installments at fixed times, whether on account of the amount of the share or by way of premium, every such amount shall be payable as if it were a call duly made by the Board and of which due notice had been given, and all the provisions herein contained in respect of call shall relate to such amount or installment accordingly.

Evidence in actions by Company against members

Article 22 provides that

On the trial or hearing of any action or suit brought by the Company against any member or his representative to recover any debt or claim any money due to the Company in respect of his share, it shall

be sufficient to prove that the name of the defendant is, or was, when the claim arose, on the Register as a member or one of the members in respect of the shares for which such claim is made, and that the amount claimed is not entered as paid in the books of the Company, and it shall not be necessary to prove the appointment of the Board who made any call, nor that a quorum was present at the Board meeting at which any call was made nor that the meeting at which any call was made was duly convened or constituted, nor any other matter whatsoever, but the proof of matters, aforesaid shall be conclusive evidence of the debt.

Payment of Calls in advance

Article 23 provides that

The Board may if it thinks fit, receive from any member willing to advance the same, all or any part of the money due upon the shares held by him beyond the sums actually called for, and upon the money so paid in advance, or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advance has been paid, the Company may pay interest at such rate not exceeding 15 per cent per annum as the member paying such sum in advance and the Board may agree upon. Money so paid in excess of the amount of calls shall not rank for dividends or to participate in profits. The Board may at any time repay the amount so advanced upon giving to such member not less than 3 month's notice in writing. But it shall not be the right of the member making such payment in advance of call to seek or to claim a refund or prepayment thereof.

Revocation or postponement of calls

Article 24 provides that

A call may be revoked or postponed at the discretion of the Board. The Board may, from time to time, at its discretion, extend the time fixed for the payment of any call, and may extend such time as to all or any of the members, but no member shall be entitled to such extension save as a matter of grace and favour.

FORFEITURE

Notice for payment of call or installment

Article 25 provides that

If any member fails to pay any sum payable in respect of any call or any installment on or before that appointed day for payment thereof, the Board may at any time thereafter during such time as the said sum or any installment remains unpaid, serve a notice on such member requiring him to pay the same together with any interest that may have accrued and all expenses that may have been incurred by the company by reason of such non-payment.

Form of Notice

Article 26 provides that

The notice shall name a day, not being earlier than thirty days from date of the notice, and a place or places on and at which such call or installment and such interest and expenses as aforesaid are to be paid. The notice shall also state that in the event of non-payment on or before the time, and at the place appointed, the shares in respect of which such call or installment was payable shall be liable to forfeiture.

Forfeiture of Shares

Article 27 provides that

If the requirement of any such notice as aforesaid be not complied with, any share in respect of which such notice has been given may, at any time thereafter before payment of all calls or installments, interest and expenses, due in respect thereof, be forfeited by a resolution of the Board to that effect.

Notice after forfeiture

Article 28 provides that

When any shares shall have been so forfeited, notice of the resolution shall be given to the member in whose name it stood immediately prior to the forfeiture, and an entry of the forfeiture, with the date thereof, shall forthwith be made in the Register, but no forfeiture shall in any manner be invalidated by any omission or neglect to give such notice or to make such entry as aforesaid.

Forfeited share to become property of the Company

Article 29 provides that

Any share so forfeited shall be deemed to be the property of the Company, and the Board may sell, re-allot or otherwise dispose of the same in such manner as it thinks fit.

Power to annual forfeiture

Article 30 provides that

The Board, may at any time before any share so forfeited shall have been sold, reallocated or otherwise disposed of, annul the forfeiture thereof, upon such conditions as it thinks fit.

Liability on forfeiture

Article 31 provides that

A person whose share has been forfeited shall cease to be a member in respect of the forfeited share, but shall notwithstanding such forfeiture, remain liable to pay and shall forthwith pay to the Company all calls or installments, interest and expenses owing upon or in respect of such share at the time of the forfeiture, together with interest thereon from the time of forfeiture until payment, at such rate not exceeding 15 per cent as the Board shall think fit, and the Board may enforce the payment thereof, or any part thereof, without any deduction or allowance for the value of the shares at the time of forfeiture, but shall not be under any obligation to do so.

Evidence of Forfeiture

Article 32 provides that

A duly verified declaration in writing that the declarant is a Director or the Secretary of the Company, and that certain shares in the Company, have been duly forfeited on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share. The Company may receive the consideration, if any given for the share on any sale or other disposition thereof and may execute a transfer of the share in favour of the person to whom the share is sold or otherwise disposed of, and such person shall not be bound to see to the application of the purchase money, nor shall his title to such share be affected by any irregularity or invalidity in the proceedings in reference to such forfeiture, sale or disposition.

LIEN

Company's lien on shares

Article 33 provides that

The Company shall have a first and paramount lien upon every share not being fully paid up, registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for moneys called or payable at a fixed time in respect of such share, and no equitable interest in any share shall be created except upon the footing and condition that Article 12 hereof is to have full effect. Such lien shall extend to all dividends from time to time declared in respect of such share. Unless otherwise agreed, the registration of a transfer of a share shall operate as a waiver of the Company's lien, if any, on such share.

Enforcement of lien by shares

Article 34 provides that

For the purpose of enforcing such lien the Board may sell the share subject thereto in such manner as it thinks fit, but no sale shall be made until such time for payment as aforesaid shall have arrived and until notice in writing of the intention to sell shall have been served, on such member, his executor or administrator or other legal representative as the case may be, and default shall have been made by him or them in payment of the moneys called or payable at a fixed time in respect of such share for seven days after the date of such notice.

Application of proceeds of sales

Article 35 provides that

The net proceeds of any such sale shall, after payment of the cost of such sale, be applied towards satisfaction of the amount in respect of which the lien exist and the residue, if any, shall be paid to the person entitled to the share at the date of the sale.

Validity of sales in exercise of lien and after forfeiture

Article 36 provides that

Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers herein before given, the Board may appoint some person to execute an instrument of transfer of the share sold and cause the purchaser's name to be entered in the register in respect of the share sold and the purchaser shall not be bound to see to the regularity of the proceedings, nor to application of the purchase money, and after his name has been entered in the Register in respect of such share the validity of the sale shall not be impeached by any person on any ground whatsoever, and the remedy of any person aggrieved by such sale shall be in damages only and against the Company exclusively.

Board May Issue new certificates

Article 37 provides that

Where any share has been sold by the Board pursuant to these Articles and the certificate in respect thereof has not been delivered to the Company by the former holder of such share, the Board may issue a new certificate for such share, distinguishing it in such manner as it may think fit from the certificate not so delivered. Where in any such case the certificate in respect of the share forfeited and/or sold is not delivered, and a new certificate for such share has been issued, the original certificate shall be treated as cancelled and no claim or title based on such certificate shall be binding on the Company.

TRANSFER AND TRANSMISSION

Execution of transfer, etc.

Article 38 provides that

Save as provided in Section 108 of the Act, no transfer of a share shall be registered unless a proper instrument of transfer duly stamped and executed by or on behalf of the transfer and by or on behalf of the transferee has been delivered to the Company together with the certificate or, if no such certificate is in existence, the letter of allotment of the share. The instrument of transfer of any share shall specify the name, address and occupation, if any, of the transferee, and the transferee's Father's/husband's name, and the transferor shall be deemed to remain a member in respect of such share until the name of the transferee is entered in the Register in respect thereof. Each signature to such transfer shall be duly attested by the signature of one credible witness, who shall add his address and occupation. Where it is proved to the satisfaction of Directors that an instrument of transfer signed by or on behalf of transferor and by or on behalf of the transferee has been lost, the Company may, if the Directors think fit, on an application in writing made by the transferee and bearing the stamp required by an instrument of transfer, register the transfer on such terms as to indemnity as the Board may think fit.

Application for registration of transfer

Article 39 provides that

Application for the registration of the transfer of a share may be made either by the transferor or the transferee provided that, where such application is made by the transferor, no registration shall, in the case of a partly paid share, be effected unless the Company gives notice of the application of the transferee in the manner prescribed by Section 110 of the Act, and subject to provisions of these Articles, the Company shall, unless objection is made by the transferee, within two weeks from the date of receipt of the notice, enter in the Register the name of the transferee in the same manner and subject to the same conditions as if the application for registration of transfer was made by the transferee.

Form of Transfer

Article 40 provides that

The instrument of transfer of any shares shall be in such form, as may from time to time, be prescribed by the Act or by any regulation made thereunder and the instrument of transfer shall be in writing and all the provisions of Section 108 of the Act, and of any statutory modifications thereof for the time being shall be duly compelled with in respect of all transfers and of the registration thereof.

Directors may refuse to register transfer

Article 41 provides that

The Board may, subject to the right of appeal conferred by section 111 decline to register:

- (a) the transfer of a share not being a fully paid share to a person of whom they do not approve, or;
- (b) any transfer of shares on which the Company has a lien.

Provided that registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any person or persons indebted to the Company on any account whatsoever except a lien on the shares.

No transfer in some cases

Article 42 provides that

No transfer shall be made to or registered in the name of a person of unsound mind or a partnership.

Instrument of transfer to be left at office

Article 43 provides that

Every instrument of transfer shall be left at the office of the Company for registration, accompanied by the certificate of the share, being the subject of the instrument of transfer or, if no such certificate is in existence, by the Letter of Allotment of the share and such other evidence as the Board may require to prove the title or the transferor or this right to transfer the shares. Every instrument of the transfer which shall be registered shall be returned by the Company, but any instrument of transfer which the Board may refuse to register shall be returned to the person depositing the same.

Notice of refusal to register transfer

Article 44 provides that

If the Board refuses, whether in pursuance of Article 41 or otherwise, to register the transfer of, or the transmission by operation of law of the right to any share, the Company shall, within two months from the date on which the instrument of transfer or the intimation of such transmission as the case may be was lodged with the company send to the transferee and the transferor or to the person giving intimation of such transmission, as the case may be, notice of such refusal.

Fees on Registration on transfer

Article 45 provides that

No fee shall be payable to the Company in respect of the transfer or transmission of any shares in the Company.

Certificate from Controller of Estate Duty, when required

Article 46 provides that

If any member of the company dies, and the Company, through any of its Principal Officers, within the meaning of Section 84 of the Estate Duty Act, 1953, has knowledge of the death, it shall not be lawful for the company to register the transfer of any shares standing in the name of the deceased member unless the Company satisfied that the transferee has acquired such transfer for valuable consideration or there is produced to it a certificate from the Controller, Deputy controller or Assistant Controller of Estate Duty that either the estate duty in respect thereof or the money due as the case may be had been paid or will be paid. Where the

Company has come to know through any of its Principal Officers of the death of any member, the Company shall within a month of the receipt of such knowledge, furnish to the Assistant Controller, or Deputy Controller of Estate Duty, when is exercising the functions of the Income Tax Officer in the case of the Company such particulars as may be prescribed by the Estate duty Rules, 1953.

Person entitled to shares by transaction

Article 47 provides that

In the case of the death of a member, the survivor or survivors where the was a joint holder, and the legal personal representatives of the deceased where he was a sole holder, shall be the only persons recognized by the company, as having any title to his interest in the shares; but nothing herein contained shall release the estate of deceased joint holder from any liability in respect of any share which had been jointly held by him with other person.

Title to share of deceased member

Article 48 provides that

The Executors or Administrators of or Holders of a succession certificate or the legal representatives of a deceased member (not being one of two or more joint holders) shall be the only persons recognized by the Company as having any title to the shares recognize such executors or administrators or holders of a succession certificate or the legal representatives unless such Executors or Administrators or legal representatives shall have first obtained Probate or Letters of Administrations or Succession Certificate, upon such terms as to the indemnity or otherwise as the Board in its absolute discretion may think

necessary and under Article 50 registered the name of any person who claims to be absolutely entitled to the shares standing in the name of the deceased member as a member.

Transfer of shares, of insane minor deceased or bankrupt member

Article 49 provides that

Any committee or guardian of a lunatic or minor member or any person becoming entitled to or to transfer any share in consequence of the death or bankruptcy or insolvency of any member upon producing such evidence that he sustains the character in respect of which he proposed to act under this Article or of his title as the Board thinks sufficient, may, with the consent of the Board, be registered as a member/members in respect of such share or may subject to the regulations as to transfer hereinbefore contained, transfer such share. This Article hereinafter referred to as "The Transmission Article".

Election under the Transmission Article

Article 50 provides that

- (1) If the person becoming entitled under the Transmission Article shall elect to be registered as a member in respect of the share himself he shall give the Company notice in writing signed by him stating that he so elects.
- (2) if the person aforesaid shall elect to transfer the share, he shall testify this election by executing an instrument of transfer of the share.
- (3) All the limitations, restrictions and provisions of these Articles pertaining to the right to transfer and the registration of instruments of transfer of shares, shall be applicable to such notice or transfer as aforesaid as if the death, lunacy, bankruptcy or insolvency of the member had not occurred and the notice or transfer was a transfer signed by that member.

Transmission Article

Article 51 provides that

A person so becoming entitled under the Transmission Article to a share by reason of the death, lunacy, bankruptcy or insolvency of the member shall, subject to the provisions of Article 63 and of Section 109 of the Act, be entitled to the same dividends and other advantages to which he would be entitled if he were the member in respect of the share. Provided that the Board may at any time give notice requiring any such person to elect either to be registered himself or to transfer the shares, and if the notice is not complied with within 90 days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the share until the requirements of the notice have been complied with.

Rights of person entitled to shares under the Company not liable for disregard of a notice purporting to prohibit registration of transfer

Article 52 provides that

The Company shall incur no liability or responsibility whatever in consequence of their registering or giving effect to any transfer of shares made, or purporting to be made by any apparent legal owner thereof (as shown or appearing in the Register of members) to the prejudice of persons having or claiming any equitable right, title or interest in the said shares notwithstanding that the Company may have had notice of such equitable right, title or interest or notice purporting to prohibit registration to such transfer and may have entered such notice or referred thereto in any book of the Company and the Company shall not be bound or required to regard or attend or give effect to any notice which may be given to it of any equitable right, title or interest or be under any liability for refusing or neglecting so to do, though it may have been entered or referred to in some book of the Company.

Keeping in abeyance dividend rights shares, bonus shares pending transfer

Article 52A provides that

Notwithstanding anything contained in any other provisions of the Articles of Association, where any instrument of transfer of shares has been delivered to the Company for registration and the transfer of such shares has not been registered by the Company, the provisions of Section 206A of the Act regarding dividend, any offer of Rights Shares and any issue of fully paid-up Bonus Shares in relation to such shares shall apply.

INCREASE AND REDUCTION OF SHARE CAPITAL

Power to increase capital Issue of preference shares

Article 53 provides that

The Company in General meeting may from time to time alter the conditions of its Memorandum of Association to increase its capital by the creation of new shares and of such amount as the resolution shall prescribe.

Issue of preference shares

Article 54 provides that

In the event of the Company creating and/or issuing further Preference Shares in future ranking in all respects pari passu with the Preference Shares first issued, it would do so only with the consent in writing of the holders of not less than 3/4th of the Preference Shares then outstanding or in accordance with a special resolution passed at a General Meeting of such Shareholders specially convened for the purpose.

Further issue of Capital

Article 55 provides that

Section 81 of the Act shall apply to all further issues of capital.

Provision relating to the issue

Article 56 provides that

Before the issue of any new shares, the Company in General Meeting may make provision as to the allotment and issue of the new shares, and in particular may determine to whom the same shall be offered in the first instance and whether at par or at a premium, Or subject to the provisions of Section 79 of the Act, at a discount. In default of any such provision or so far as the Act shall permit, the new shares may be issued in conformity with the provisions of Article 5.

New shares to rank equally with existing shares

Article 57 provides that

Except so far as is otherwise provided by the conditions of issue or by these presents, any capital raised by the creation of new shares shall be considered part of the then existing capital of the Company and shall be subject to all the provisions herein contained in respect of payment of call and installments, transfer and transmission, forfeiture, lien and otherwise.

Inequality in number of new shares

Article 58 provides that

If, owing to any inequality in the number of new shares to be issued and the number of shares held by member entitle to have the offer of such shares, any difficulty shall arise in the apportionment of such new shares or any of them amongst the members, such difficulty shall, in the absence of any direction in the resolution crating the shares be determine by the Board.

Buy back of securities

Article 58A provides that

Subject to the provisions of the Act and any statutory modification(s), amendment(s) or re-enactment(s) thereof for the time being in force, the Company shall have the power to buy back such number of its issued and subscribed Equity Shares or other securities having any underlying voting rights, whether or not they are fully paid-up or redeemable, subject to such limits, terms and conditions, price and approvals as may be stipulated under the Act.

Reduction of Capital

Article 59 provides that

The Company may, from time to time, by special resolution reduce its capital and any Capital Redemption Reserve Account or share premium Account in any manner for the time being authorised by law. The share Premium Account may, subject to the provision of Section 78 of the Act, be applied by the company:

- a) in paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares:
- (b) in writing off the preliminary expenses of the Company:
- (c) in writing off the expenses, or the commission paid or discount allowed on any issue of shares or debentures of the Company; or
- (d) in providing for the premium payable on the redemption of any redeemable Preference Shares or of any Debentures of the Company.
- (e) for buy back of securities

ALTERATION OF SHARE CAPITAL

Power to subdivide and consolidate shares

Article 60. provides that

The Company in General Meeting may alter the conditions of its Memorandum of Association for the following purposes:

- (a) to consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
- (b) to subdivide its existing shares or any of them into shares of smaller amounts than is fixed by the Memorandum, subject to the provisions of Section 94[1] [d] of the Act;
- (c) to cancel any shares which at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of shares so cancelled.

Rights in respect of shares on subdivision

Article 61 provides that

Where any share capital is subdivided, the provisions of Section 85, 87, 88 and 106 of the Act, shall be given full effect.

Surrender of shares

Article 62 provides that

Subject to the provisions of Section 100 to 105 inclusive of the Act, the Board may accept from any member the surrender, on such terms and conditions as shall be agreed, of all or any of his shares.

VARIATION OF SHAREHOLDERS' RIGHTS

Power to vary right

Article 63 provides that

If at any time the share capital is divided into different classes of shares the rights attached to each class, unless otherwise provided by the terms of issue of the shares of that class, may, whether or not the Company is being wound up, be varied with the consent in writing of the holders of three fourths of the issued shares of that class or with the sanction of a Special Resolution passed at a separate General Meeting of the holders of the shares of that class, in accordance with Section 106 of the Act. To every such separate General Meeting the provisions of these Articles relating to General Meetings shall apply, but so that necessary quorum shall be members at least holding or representing by proxy three fourths of the issued shares of the class but so that if at any adjourned meeting of such holders a quorum as above defined is not present, those members who are present shall be quorum and that any holder of shares of the class present in person or by proxy may demand a poll and, on a poll shall have one vote for each share of the class of which he is the holder. This Article is not by implication to curtail the power of modification which the Company would have if this Article was omitted. The Company shall comply with the provisions of Section 192 of the Act as to forwarding a copy of any such agreement or resolution together with a copy of the statement of material facts annexed under section 173 of the notice of the meeting in which such resolution has been passed, to the Registrar.

BORROWING POWER

Broad power to borrow

Article 64 provides that

Subject to and in compliance with the provisions of Section 292 & 293 of the Act, the Board may, from time to time, at its discretion, by a resolution passed at a meeting of the Board, accept deposits from members, either in advance of calls or otherwise, and generally raise or borrow either from the Directors or any other person or secure the payment of any sum or sums of money for the purposes of the Company provided, however, where the moneys to be borrowed together with moneys already borrowed [apart from temporary loans obtained from the Company's bankers in the ordinary course of business] exceed the aggregate paid-up capital of the Company any its free reserves, not being reserves set apart for any specific purpose, the Board shall not borrow such moneys without the consent of the Company in General Meeting .

Board to determine conditions on which money may be borrowed

Article 65 provides that

The Board may raise or secure the payment of such sum or sums in such manner and upon such terms and conditions in all respects as it thinks fit, and in particular by the issue of bonds, perpetual or redeemable, debentures or debenture stock, or any mortgage, or other security on the undertaking of the whole or any part of the property of the Company [both present and future] and including uncalled capital for the time being, and debentures, debenture stock and other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.

Issue of debenture etc. at discount or with special privilege

Article 66 provides that

Any debenture, debenture, stock, bonds or other securities may be issued at discount, premium or otherwise and with any special privileges as to redemption, surrender and drawing, appointment of directors and otherwise. Debentures with the right of allotment of or conversion into shares shall not be issued except with the sanction of the Company in General Meeting.

Instrument of transfer

Article 67 provides that

Save as is provided in Section 108 of the Act, no transfer of debentures shall be registered unless a proper instrument of transfer, in the same form and on the same terms and conditions as are applicable to the transfer of shares, duly stamped and executed by the transferor and transferee has been delivered to the Company together with the certificates of debentures.

Notice of refusal to register transfer

Article 68 provides that

If the Board refuses to register the transfer of any debenture the Company shall, within two months from the date on which the instrument of transfer was lodged with the Company, send to the transferee and to the transferor notice of the refusal.

Execution of charge or mortgage by Board

Article 69 provides that

If any Director or any other person shall become personally liable for the payment of any sum primarily due from the Company, the Board may execute or cause to be executed any mortgage, charge or security over or affecting the whole or any of the assets of the Company by way of indemnity to secure the Director or person so becoming liable, as aforesaid from any loss in respect of such liability.

GENERAL MEETING OF MEMBERS

Annual General and Statutory Meeting

Article 70 provides that

In addition to any other meetings, General Meeting of the Company shall be held in each year within such intervals as are specified in Section 166 [1] of the Act, and, subject to the provisions of Section 166 [2] of the Act, at such times and places as may be determined by the Board. Each such general meeting shall be called an "Annual General Meeting" and shall be specified as such in the notice convening the meeting. Any other meeting of the Company shall be called an "Extraordinary General Meeting".

Extra ordinary General Meeting Circulation of Member's Resolution etc.

Article 71 provides that

The Board may, whenever it thinks fit, call an Extraordinary General Meeting and it shall, on the requisition of such number of member as hold at the date of the deposit of the requisition, not less than one tenth of such of the paid-up capital of the Company as at that date carried the right of voting in regard to the matter to be considered at the meeting, forthwith proceed to call an Extraordinary General Meeting, and in the case of such requisition the following provisions shall apply:

- (1) The requisition shall state the matters for the consideration of which the meeting is to be called, shall be signed by the requisitionists and shall be deposited at the office. The requisition may consist of several documents in like form each signed by one or more requisitionists.
- (2) Where two or more distinct matters are specified in the requisition, the requisition shall be valid only in respect of those matters in regard to which the requisition has been signed by the member or members herein before specified.

- (3) If the Board does not, within twenty-one days from the date of deposit of a valid requisition in regard to any matter, proceed to call a meeting on a day not later than 45 days from the date of deposit, the requisitionists or such of them as are able to do by virtue of Section 169[6] [b] of the Act may themselves call the meeting, but any meeting so called shall not be held after three months from the date of such deposit.
- (4) Any meeting called under this Article by the requisitionists shall be called in the same manner as nearly as possible as that in which meetings are to be called by the Board, but shall be held at the office.
- (5) Where two or more persons hold any shares jointly, a requisition or notice calling a meeting signed by one or only some of them shall, for the purpose of this Article, have the same force and effect as if it had been signed by all of them.
- (6) Any reasonable expenses incurred by the requisitionists by reason of the failure of the Board to duly call a meeting shall be repaid to the requisitionists by the Company and any sum so repaid shall be deducted by the Company from any sums due or to become due from the Company to such of the Directors as are in default.

Notice of Meeting

Article 72 states that

The Company shall comply with the provisions of Section 188 of the Act as to giving notice of resolutions and circulating statements on the requisition of members.

Article 73 provides that

Save as is provided in subsection (2) of Section 171 of the Act, not less than twenty one days' notice shall be given of every General Meeting of the Company. Every notice of the meeting shall specify the place and the day and hour of the meeting and shall contain a statement of the business to be transacted thereat.

Where any such business consists of "special business" as hereinafter defined there shall be annexed to the notice a statement complying with the provisions of Section 173 (2) & (3) of the Act.

Notice of every meeting of the Company shall be given to every member of the Company, to any person entitled to share in consequence of the death or insolvency of a member and to the Auditors of the Company, in the manner hereinafter provided for the giving of notices to such persons.

Provided that where the notice of a General Meeting is given by advertising the same in a newspaper circulating in the neighborhood of the Company under subsection (3) of Section 53 of the Act, the statement of material facts referred to Section 173 of the Act need not be annexed to the notice as required by that Section, but it shall be mentioned in the advertisement that the statement of material facts has been forwarded to the members of the Company.

The accidental omission to give any such notice to or the non-receipt thereof by any member or other person to whom it should be given shall not invalidate the proceeding of the meeting.

PROCEEDINGS AT GENERAL MEETINGS

Business of meetings

Article 74 provides that

The ordinary business of an Annual General Meeting shall be to receive and consider the profit and loss account, the Balance Sheet and the reports of the Directors and of the Auditors, to elect Directors in the place of those retiring by rotation, to appoint auditors and to fix their remuneration and to declare dividends. All other business transacted at an Annual General Meeting and all business transacted at any other meeting shall be deemed special business. No General Meeting shall be competent to discuss or transact any special business which has not been specifically stated in the notice of the meeting.

Quorum to be present when business commences

Article 75 provides that

No business shall be transacted at any General Meeting unless a quorum of members is present at the time when the meeting proceeds to business. Save as is herein otherwise provided, five members present in person shall be a quorum

Resolutions to be passed by Company in General Meeting

Article 76 provides that

Any act or resolution which, under these articles and the Act is permitted or required to be done or passed by the Company in General Meeting, shall be sufficiently done or passed if effected by an Ordinary Resolution as defined in Section 189 (1) of the Act unless either the Act or the Articles specifically require

such act to be done or resolution to be passed by a specific majority or by Special Resolution as defined in Section 189 (2) of the Act.

Chairman of General Meeting

Article 77 provides that

The Chairman of the Board shall be entitled to take the chair at every General Meeting. If there be no such Chairman or if at any meeting the Chairman is not present, within fifteen minutes after the time appointed for holding such meeting, or is unwilling to act, then the members present shall choose another Director as Chairman, and if no Director be present, or if all the Directors present decline to take the Chair, then the members present shall, on a show of hands or on a poll if properly demanded, elect one of their number being a member entitled to vote, to be Chairman of the meeting.

Dissolution & adjournment of meetings, if quorum not present

Article 78 provides that

If within half an hour from the time appointed for the meeting, a quorum be not present, the meeting, if called upon the requisition of members, shall stand dissolved; but in any other case it shall stand adjourned to the same day in the next week, at the same time and place, or to such other day and such time and place as the Board may by notice appoint and if at such adjourned meeting a quorum be not present, the members present, not being less than two, shall be a quorum and may transact the business for which the meeting was called.

Votes by show of hands Chairman to have Second Vote

Article 79 provides that

Every question submitted to a meeting shall be decided in the first instance by a show of hands. In the case of an equality of votes, both on show of hand and on a poll, the Chairman of the meeting shall be entitled to a second or casting vote.

Evidence of passing of resolution, demand for poll

Article 80 provides that

At any General Meeting unless a Poll is demanded, a declaration by the Chairman that the resolution has or has not been carried or has been carried either unanimously or by a particular majority, and an entry to that effect in the book containing the minutes of the proceedings of the Company, shall be conclusive evidence of the fact, without proof of the number or proportion of the votes cast in favour or against the resolution. Before or on the declaration of result of voting of any resolution by show of hands, a poll may be ordered to be taken by the Chairman of the meeting of his own motion and shall be ordered to be taken by him on a demand made in that behalf by any member or members present in person or by proxy and holding shares in the Company:

- i) which confer power to vote on the resolution not being less than 1/10th of the total voting power in respect of the resolution, or
- ii) on which an aggregate sum of not less than Rs. 50,000/ has been paid-up.

Poll

Article 81 provides that

- (1) If a poll be demanded as aforesaid it shall be taken forth with on a question of adjournment or election of a Chairman of the meeting and in any other case at such time, not being later than forty eight hours from the time when the demand was made, at such place as the Chairman may direct.
- (2) The demand for a poll may be withdrawn at any time by the person who made the demand.
- (3) Where a poll is to be taken the Chairman of the meeting shall appoint two scrutineers, at least one of whom shall be a member not being an officer or employee of the Company present at the meeting, provided such a member is available and willing to scrutinize the votes.
- (4) On a poll a member entitled to more than one vote, or his proxy or other person entitled to vote for him, as the case may be, need not, if he votes, use all his votes or cast all his votes in the same way.
- (5) The demand for a poll shall not prevent the meeting from transacting any business except the business in respect of which a poll has been demanded.

Power of Chairman to adjourn General Meeting

Article 82 provides that

- (1) The Chairman of a General Meeting may adjourn the same from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.
- (2) When a meeting is adjourned, it shall not be necessary to give any notice of adjournment or of the business to be transacted at the adjourned meeting.

Votes of Members

Article 83 provides that

Save as hereinafter provided, on a show of hands every member present in person shall have one vote and every person present either as a Proxy as defined in Article 89] or as a duly authorised representative of a body corporate shall if he is not entitled to vote in his own right, have one vote and upon a poll the voting rights of a member shall be as specified in Section 87 of the Act, provided that no Company or body corporate shall vote by proxy so long as a resolution of its Board of Directors under the provisions of Section 187 of the Act, is in force and the representative named in such resolution is present at the General Meeting at which the vote by proxy is tendered. The voting rights of members registered in respect of Preference Shares shall be regulated by the provisions of sub section [2] of Section 87 of the Act or any statutory modification thereof.

Votes by and powers of Representatives of member companies

Article 84 provides that

A Company or a body corporate (hereinafter in this Article called “member Company”) which is a member of the Company, may vote by proxy or by representative duly appointed in accordance with Section 187 of the Act. As person duly appointed by resolution in accordance with the provisions of Section 187 of the Act to represent such member company shall not by reason of such appointment be deemed to be a proxy, and the lodging with the Company at the office or the production at the meeting of a copy of such resolution duly signed by one director of such Company and certified by him as being a true copy of the resolution be accepted by the Company as sufficient evidence of the validity of his appointment. Such a person shall be entitled to exercise the same rights and powers, including the right to vote by proxy on behalf of the member company which he represents, as that member Company could exercise.

Votes in respect of shares of members deceased etc.

Article 85 provides that

Any person entitled under the Transmission Article to transfer any share may vote at any General Meeting in respect thereof in the same manner as if he were the member registered in respect of shares, provided that at least 48 hours before the time of holding the meeting or adjourned meeting, as the case may be, at which he proposes to vote, he shall satisfy the Board of his right to transfer such shares, unless the Board shall have previously admitted his right to vote at such meetings in respect thereof. A member of unsound mind, or in respect of whom an order has been made by any Court having jurisdiction in lunacy, may vote, whether on a show of hands or~ on a poll by his committee or other legal guardian, and any such committee or guardian may, on a poll, vote by proxy.

Votes of Joint members

Article 86 provides that

Where there are members registered jointly in respect of any share, any one of such persons may vote at any meeting, either personally or by proxy in respect of such share, as if he were solely entitled thereto; and if more than one of such members be present at any meeting either personally or by proxy, that one of said members so present whose name stands first on the Register in respect of such share alone shall be entitled to vote in respect thereof. Several executors or administrators of a deceased member in whose name any share is registered shall, for the purpose of this Article, be deemed to be member registered jointly in respect thereof.

Votes of proxy

Article 87 provides that

On a poll votes may be given either personally or by proxy, or, in the case of a body corporate, by a duly authorised representative.

Instrument appointing proxy to be in writing

Article 88 provides that

The instrument appointing a proxy shall be in writing under the hand of the appointer or of his Attorney duly authorised in writing or if such appointer is a body corporate, be under its common seal and the hand of its officer or Attorney duly authorised. A person may be appointed a proxy though he is not a member of the Company and every notice convening a meeting of the Company shall state this and that a member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy who is appointed for a specified meeting only shall be called a Special Proxy. Any other proxy shall be called a General Proxy.

Special and General Proxy

Article 89 provides that

The instrument appointing a proxy and power of Attorney or either authority; if any, under which it is signed, or a notarially certified copy of that power or authority, shall be deposited at the office not less than 48 hours before the time for holding the meeting at which the person named in the instrument purports to vote in respect thereof, and in default the instrument of proxy shall not be treated as valid.

When a vote by proxy valid though authority revoked

Article 90 provides that

A vote given in accordance with the terms of an instrument appointing a proxy shall be valid notwithstanding the previous death or insanity of the principal, or revocation of the instrument, or transfer of the share in respect of which the vote is given provided no intimation in writing of the death, insanity, revocation or transfer of the share shall have been received by the Company not less than forty eight hours before the time for holding the meeting at the office before the vote is given; provided nevertheless, that the Chairman of any meeting shall be entitled to require such evidences as he may in his discretion think fit of the due execution of an instrument of proxy and that the same has not been revoked.

Form of instrument appointing a special proxy

Article 91 provides that

Every instrument of Proxy whether for a specified meeting or otherwise shall, as nearly as circumstances will admit, be in the form set out in Schedule IX of the Act.

Restrictions on voting

Article 92 provides that

No member shall be entitled to exercise any voting rights either personally or by proxy at any meeting of the Company in respect of any share registered in his name on which any calls or other sums presently payable by him have not been paid or in regard to which the Company has, or has exercised, any right of lien.

Objection as to qualifications of Voters

Article 93 provides that

No objection shall be raised as to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered and every vote not disallowed at such meeting shall be valid for all purposes. Any objection as to the qualification of any voter, whether on a show of hands or on a poll, shall be determined by the Chairman of the meeting.

DIRECTORS

Number of Directors

Article 94 provides that

Until otherwise determined by Special Resolution, the number of Directors of the Company shall not be less than three and not more than fifteen.

Power of directors to add to their numbers

Article 95 provides that

The Board shall have power at any time and from time to time to appoint any person as a Director as an addition to the Board but so that the total number of Directors shall not at any time exceed the maximum number fixed by these Articles. Any Directors so appointed shall hold office only until the next Annual General Meeting of the Company and shall then be eligible for reappointment.

Directors not to hold any qualifying share

Article 96 provides that

Directors shall not be required to acquire any qualification shares but nevertheless shall be entitled to attend and speak at any General Meeting of the Company or at any meeting of the holders of any class of shares in the Company.

Special Directors

Article 97 provides that

Where any investment and finance corporations, such as, Industrial Development Bank of India, Industrial Finance Corporation of India, The Industrial Credit and Investment Corporation of India Ltd., Life Insurance Corporation of India, Unit Trust of India, or any other Corporation or Bank or the State or Central (Government of India, obtain shares of the Company, make loans to the Company or give guarantees in connection with the grant of a loan to or the supply of machinery for the Company, or where the Company enters into a contract with any person or persons for borrowing any money or for providing any guarantee or for technical collaboration or assistance or enters into any other arrangement, any such body or persons shall be entitled to appoint a Director or Directors of the Company if that be agreed to as a condition of the grant of a loan or giving of such guarantee or the acquiring of shares or of any other arrangement .

The provisions of these Articles as to retirement of Directors shall not apply to him/ them. The Directors so appointed shall have the same powers and privileges as other Directors of the Company. The said Directors shall hold office at the pleasure of any such corporation or Government or persons which shall have full power to remove any of the Directors appointed by it and to appoint any other persons in place of such Directors.

The nominee Director so appointed shall hold the said office only so long as any money remains owing by the Company or any guarantee given by such person(s) is outstanding or so long as such body or person holds any shares subscribed by virtue of their under writing obligation or so long any other arrangement(s) entered into with such person or body is subsisting and such nominee Director so appointed shall ipso facto vacates that office immediately the money owing by the Company to such body or person is paid off or such person or body ceases to hold any shares in the Company so subscribed pursuant to their underwriting obligation or any, guarantee so given is discharged or such other arrangement so agreed upon is determined.

Debenture Director

Article 98 provides that

If it is provided by any Trust Deed, securing or otherwise, in connection with any issue of debentures of the Company, that any person or persons shall have power to nominate Director of the Company then in the case of any and every issue of such debentures, the person or persons having such power may exercise such power from time to time and appoint a Director accordingly. Any Director so appointed is hereinafter referred to as Debenture Director. A Debenture Director may be removed from office any time by the person or persons in whom for the time being is vested the power under which he was appointed and another Director may be appointed in his place. A Debenture Director shall not be subject to retirement by rotation.

Directors fee and expenses

Article 99 provides that

Each Director shall be entitled to receive such sitting fee for every meeting of the Board or Committee thereof attended by him, as may be determined by the Board, not exceeding such sum as may, from time to time be permissible pursuant to Section 310 or other applicable provisions of the Act.

All other remuneration, if any, payable by the company to each Director, whether in respect of his services as a Director in the whole or part time employment of the Company shall be determined in accordance with and subject to the provisions of these articles and of the Act. The Directors shall be entitled to be paid their reasonable travelling and hotel and other expenses incurred in consequence of their attending General Board and Committee meetings and otherwise in the execution of their duties as Director, in accordance with the rules to be framed by the Board in this behalf.

In the case of Directors nominated by Financial Institutions or State or Central Government under Article 97 hereof, the fees and expenses for attending the meeting of the Board or a Committee thereof, if desired by such Financial Institutions or State or Central Government, may be reimbursed to such Financial Institutions or State or Central Government.

Board may act notwithstanding vacancy

Article 100 provides that

If any Director, being willing, shall be called upon to perform extra services or to make any special exertions for any of the purposes of the Company or in giving special attention of the business of the Company or as a member of a Committee of the Board, subject to sections 198, 309, 310 and 314 of the Act, the Board may remunerate the Director so doing, either by the fixed sum or by a percentage of profits or otherwise and such remuneration may be either in addition to or in substitution for any other remuneration to which he may be entitled.

Vacation of office of Director

Article 101 provides that

The continuing Directors may act notwithstanding any vacancy in their body: but so that if the number falls below the minimum above fixed, the board shall not, except for the purpose of filling vacancies or convening a General Meeting, act so long as the number is below the minimum.

Article 102 provides that

The office of a Director shall ipso facto become vacant if:

- 1(a) he fails to obtain within the time specified in subsection (l) of Section 270 or at any time thereafter ceases to hold the share qualification if any required by these Articles.
- (b) he is found to be of unsound mind by Court of competent jurisdiction; or
- (c) he applies to be adjudicated an insolvent; or
- (d) he is adjudged an insolvent; or
- (e) he is convicted by a Court of any offence involving moral turpitude and sentenced in respect thereof to imprisonment for not less than six months; or
- (f) he fails to pay any call in respect of the shares of the Company held by him, whether alone or jointly with others, within six months from the last date fixed for the payment of the call unless the Central Government has, by notification in the official gazette, removed the disqualification incurred by such failures; or
- (g) he absents himself from three consecutive meetings of the Board or from all meetings of the Board for a continuous period of three months, whichever is longer, without obtaining leave of absence from the Board; or
- (h) he (whether by himself or by any person for his benefit or his account) or any firm of which he is a partner, or any private company of which he is a Director, accepts a loan, or any guarantee or security for a loan, from the Company in contravention of Section 295 of the Act; or
- (i) he acts in contravention of Section 299 of the Act; or
- (j) he becomes disqualified by an order of Court under Section 203 of the Act; or
- (k) he is removed from office in pursuance of Section 284 of the Act; or
- (l) any office or place of profit under the Company or under any subsidiary of the Company is held in contravention of Section 314 of the Act when by operation of that Section he is deemed to vacate office.
- (m) Having been appointed a Director, by virtue of his holding any office or other employment in the Company, he ceases to hold office or any other employment in the Company.
2. Notwithstanding any matter or things in sub-clauses (d), (e) and (j) of subclauses (l) the disqualification referred to in those sub-clauses shall not take effect:
 - (a) for thirty days from the date of adjudication sentence or order; or
 - (b) Where an appeal or petition is preferred within the thirty days aforesaid against adjudication, sentence or conviction resulting in the sentence, or order until the expiry of seven days from the date on which such appeal or petition is disposed of; or
 - (c) where within the seven days aforesaid, any further appeal or petition is preferred in respect of the adjudication, sentence, conviction or order, and the appeal or petition, if allowed would, result in the removal of the disqualification, until such further appeal or petition is disposed of.

Directors not to hold office of profit under the company or its subsidiary

Article 103 provides that

Save as permitted by section 314 of the Act, no Director of the Company, no partner, or relative of a Director, no firm in which a Director or his relative is a partner, no private company of which such a Director is a Director or member and no director, or manager of such a private company shall without the previous consent of the company accorded by special resolution, hold any office or place of profit carrying a total monthly remuneration of five hundred rupees or more, except as provided in section 314 of the Act, under the Company or under any subsidiary of the Company, unless the remuneration received from such subsidiary in respect of such office or place of profit is paid over to the Company or its holding Company.

Directors may be Directors of companies promoted by the Company

Article 104 provides that

A Director of the Company may be or become a Director of any Company promoted by this Company or in which it may be interested as a vendor, shareholder or otherwise, and no such Director shall be accountable for any benefits received as director or member of such company.

Conditions under which Directors may contract with the Company

Article 105 provides that

Subject to the provisions of Sections 297 of the Act a Director shall not be disqualified from contracting with Company either as vendor, purchaser or otherwise, of goods, materials or services or from underwriting the subscription of any shares, or debentures of the Company, nor shall any such contract or arrangement entered into by or on behalf of the Company with a relative of such Director, or a firm in which such Director or relative is a partner or with any other partner in such firm or with a private company of which such Director is a member or Director, be void, nor shall any Director so contracting or being such member or so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director's holding office or of the fiduciary relation thereby established.

Disclosure of Director's interest

Article 106 provides that

Every Director, who is any way, whether directly or indirectly concerned, or interested in a contract or arrangement entered into or to be entered into by or on behalf of the Company, shall disclose the nature of his concern or interest at a meeting of the Board as required by Section 299 of the Act. A general notice, renewable in the last month of each financial year of the Company that a Director is a Director or a member of any specified body Corporate or is a partner of any specified firm and is to be regarded as concerned or interested in and, subsequent contract or arrangement with that body corporate or firm shall be sufficient disclosure of concern or interest in relation to any contract or arrangement so made and, after such general notice, it shall not be necessary to give special notice relating to any particular contract or arrangement with such body corporate or firm, provided such general notice is given at a meeting of the Board or the Director concerned takes reasonable steps to secure that it is brought up and read at the first meeting of the Board after it is given.

Discussion and voting by director interested

Article 107 provides that

No director shall, as a Director, take any part in the discussion or vote on any contract or arrangement in which he is in any way, whether directly or indirectly, concerned, or interested, nor shall his presence count for the purpose of forming a quorum at a time of such discussion or vote. This prohibition shall not apply to [a] any contract of indemnity against any loss which the Directors or any of them may suffer by reason of becoming or being sureties or a surety for the Company; or [b] any contract or arrangement entered into or to be entered into by the Company with a public Company, or with a private company which is a subsidiary of the public company, in which the interest of the Director consists solely in his being director of such Company and the holder of not more shares in number or value therein that is requisite to qualify him for appointment as a director there of, he having been nominated as such Director by the Company or in his being a member of the Company holding not more than two per cent of the paid-up share Capital of the Company.

ROTATION OF DIRECTORS

Proportion of Directors to retire by rotation

Article 108 provides for

Not less than two thirds of the total number of Directors shall be persons who are liable to retire by rotation.

Retirement of Directors

Article 109 provides that

At each Annual General Meeting of the Company one third of such of the Directors for the time being as are liable to retire by rotation, or if their number is not three or a multiple of three, then the number nearest to one third shall retire from office.

Determination of retirement of Directors

Article 110 provides that

The Directors to retire by rotation at every Annual General Meeting shall be those who have been longest in office since their last appointment, but as between persons who became Directors on the same day, those to retire shall in default of and subject to any agreement among themselves, be determined by lot.

Appointment of directors to be voted on individually

Article 111 provides that

Save as is permitted by Section 263 of the Act, every resolution of a General Meeting for the appointment of a Director shall relate to one named individual only.

Vacancies to be filled at Annual General Meeting

Article 112 provides that

The Company at the Annual General Meeting at which a Director retires by rotation may by resolution, fill the vacant office by appointing the retiring Director or some other person thereto.

If the place of the retiring Director is not so filled and the meeting has not expressly resolved to leave the vacancy unfilled, meeting shall stand adjourned until the same day in the next week, at the same time, and place, or if that day is a public holiday until the next succeeding day which is not a public holiday, at the same time and place. If at the adjourned meeting the place of the retiring Director is still not filled and that meeting has as yet not expressly resolved to leave the said vacancy unfilled, the retiring Director shall be deemed to have been reappointed at the adjourned meeting unless:

- (a) at the meeting or at the previous meeting a resolution for the reappointment of such Director has been put to the vote and lost; or
- (b) the retiring Director has by notice in writing addressed to the Company or the Board expressed his unwillingness to be reappointed; or
- (c) he is not qualified or is disqualified for appointment; or
- (d) a resolution, whether special or ordinary is required for his appointment or reappointment by virtue of any provisions of the Act and has not been passed; or
- (e) the proviso to subsection [2] of section 263 of the Act is applicable to the case.

Power to remove Director by ordinary Resolution on special notice.

Article 113 provides that

The Company may, subject to the provisions of Section 284 of the Act, by ordinary resolution of which special notice according to Section 190 of the Act has been given, remove any Director before the expiration of his period of office and may, by ordinary resolution of which special notice has been given, appoint another person in his stead. The person so appointed shall hold office until the date up to which his predecessor would have held office if he had not been so removed. If the vacancy created by the removal of a Director under the provisions of this Article is not so filled by the meeting at which he is removed, the Board may at any time thereafter fill such vacancy under the provisions of Article 114.

Board may fill Casual vacancies

Article 114 provides that

If any Director appointed by the Company in General Meeting vacates his office as a Director before the expiry of his term of office, the vacancy may be filled by the Board at a meeting of the Board, but any person so appointed shall retain his office only so long as the vacating Director would have retained the same if no vacancy had occurred; provided that the Board may not fill such a vacancy by appointing there to any person who has been removed from the office of Director under Article 113.

When Candidate for office of director must give notice

Article 115 provides that

No person not being a retiring Director shall be eligible for appointment to the office of Director at any General Meeting unless he or some member intending to propose him has, not less than fourteen days before the meeting, left at the office a notice in writing under his hand signifying his candidature for the office of Director or the intention of such member to propose him as a candidate for that office as the case may be.

ALTERNATE DIRECTORS

Power of Board to appoint alternate Directors

Article 116 provides that

The Board may appoint any person to act as alternate Director for a Director during the latter's absence for a period of not less than three months from the State in which meetings of the Board are ordinarily held and such appointment shall have effect and such appointee, whilst he holds office as an alternate Director, shall be entitled to notice of meeting of the Board and to attend and vote thereat accordingly: but he shall not be required to hold any qualifying shares and shall, ipso facto, vacate office if and when the absent Director returns to the State in which meetings of the Board are ordinarily held or the absent Director vacates office as Director.

PROCEEDINGS OF THE BOARD

Meeting of the Board

Article 117 provides that

A meeting of the Board of Directors shall be held once in every three months and at least four such meetings shall be held in every year. Notice of every meeting of the Board shall be given in writing to every Director for the time being in India, and at his usual address in India to every other Director. Period of notice shall be such as may be fixed by the Board. If no period is thus fixed by the Board reasonable period, having regard to all the circumstances then prevailing howsoever short it may be shall be deemed to be adequate.

Directors may summon meeting

Article 118 provides that

A Director may at any time and the Managing Director or the Secretary shall, upon the request of a Director, convene a meeting of the Board.

Chairman and Vice- Chairman

Article 119 provides that

The Board shall appoint one of their number to be the Chairman of the Board and may determine the period for which he will hold office. The Chairman shall have only such duties and responsibilities as are specifically assigned to him from time to time by the Board. In exercising all his powers and responsibilities as the Chairman of the Board, the Chairman will be guided at all times by the Board of the Company. The Directors shall have the power to appoint any one of their number to be the Vice Chairman of the Board of Directors, who shall be entitled to take the Chairman nor the Vice Chairman is present, the Directors present shall choose one of their number to be Chairman for such meetings.

Quorum

Article 120 provides that

Subject to the provisions of Section 287 of the Act, the quorum necessary for the transaction of the business by the Board shall be one-third of its total strength [any fraction contained in that one-third being rounded off as one], or two Directors, which is higher. For the purpose of this Article an alternate director shall be counted in a quorum at a meeting at which the Director for whom he is appointed is not present. If a quorum shall not be present within fifteen minutes from the time appointed for holding a meeting of the Board, the meeting shall be adjourned until such date and time as the Chairman of the Board shall appoint. Provided that where at any time the number of interested Directors exceeds or is equal to two-third of the total strength, the number of remaining Directors, that is to say, the number of Directors who are not interested, present at the meeting being not less than two shall be the quorum during such time.

Powers of Board Meeting

Article 121 provides that

A meeting of the Board at which a quorum be present shall be competent to exercise all or any of the authorities, powers and discretions by or under these Articles for the time being vested in or exercisable by the Board.

Questions be decided by majority Vote

Article 122 provides that

Questions arising at any meeting shall be decided by a majority vote and, in case of an equality of votes, the Chairman shall have a second or casting vote.

Committee of the Board

Article 123 provides that

Subject to the restrictions contained in section 292 of the Act, the Board may, from time to time, and at any time, delegate any of its powers to a committee consisting of such Director or Directors as it thinks fit and may discharge any such Committee of the Board either wholly or in part, and either as to persons or purposes; but every Committee of the Board so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed on it by the Board. All acts done by any such Committee of the Board in conformity with such regulations and in fulfillment of the purposes of their appointment, shall have the like force and effect as if done by the Board.

Regulation of Committee Meetings

Article 124 provides that

The meetings and proceeding any of such Committee consisting of two or more directors shall be governed by the provisions contained in these Articles regulating the meetings and proceedings of the Board so far the same are applicable thereto and are not superseded by any regulations made by the Board under the last preceding Article 123.

Acts of a Director Valid not withstanding defective appointment

Article 125 provides that

All or any act done by a person as a Director shall be valid, notwithstanding that it may afterwards be discovered that his appointment was invalid by reason of any defect or disqualification or had terminated by virtue of any provision contained in the Act or in these Articles; provided that nothing in this Article shall be deemed to give validity to acts done by a Director after his appointment has been shown to the Company to be invalid or to have been terminated.

Resolution without Board Meeting

Article 126 provides that

No resolution may be passed by the Board for a Committee thereof, as the case may be other than at a meeting of the Board or such Committee and for removal of all doubts no resolution passed by circulation shall be valid, effectual or binding on the Company.

MINUTES

Minutes to be made

127.

(1) The Board shall, in accordance with the provisions of Section 193 of the Act, cause Minutes to be kept by making within thirty days of the conclusion of every meeting of the Board or of every Committee of the Board, entries there of in books kept for the purpose with their pages consecutively numbered, each page of every such book being initialed or signed and last page of the record of proceedings of each meeting in such books being dated and signed, in the case of minutes of proceedings of a meeting of the Board or Committee there of, by the Chairman of the said Meeting or the Chairman of the next succeeding meeting, and, in the case of minutes or proceedings of a General Meeting, by the Chairman of the same meeting within the aforesaid period of thirty days or in the event of the death or inability of the Chairman within that period, by a Director duly authorised by the Board for the purpose, provided that in no case shall the minutes or proceedings of a meeting be attached to such books as aforesaid by pasting or otherwise.

The minutes shall contain particulars:

- (a) of the names of the Directors present at each meeting of the Board and of any Committee of the Board and in the case of each resolution passed at the meeting, the names of the Directors, if any, dissenting from or not concurring in the resolution;
- (b) of all orders made by the Board and Committee of the Board;
- (c) of all appointments of officers made at any of the meetings of the Board or Committee of the Board.

The Minutes of each meeting shall contain a fair and correct summary of the proceedings thereat.

Provided that no matter need be included in any such Minutes which the Chairman of the meeting, in his absolute discretion, considers to be:

- (a) defamatory, or could reasonably be regarded as, defamatory of any person;
- (b) irrelevant or immaterial to the proceedings; or
- (c) detrimental to the interests of the Company.

(2) Minutes of any meeting of the Board or Committee there of, or of the Company in General meeting, if kept in accordance with the provisions of the Section 193 of the Act, shall be evidence of the proceedings recorded in such Minutes. The Minute Books of General Meetings of the Company shall

be kept at the Office and shall be open to inspection by members of any working day between the hours of 10.30 a.m. and 12.30 p .m.

POWERS OF THE BOARD

General Powers of the company vest in the Board

Article 128 provides that

Subject to the provisions of the Act, the control of the Company shall be vested in the Board, who shall pay all expensed incurred in promoting and registering the Company, and be entitled to exercise all such powers and to all such acts and things as the Company is authorised to exercise and do; provided that the Board shall not exercise any power or do any act or thing which is directed or required, whether by the Act or by any other Statute or by the Memorandum of the Company or by these Articles or otherwise, to be exercised or done by the Company in General Meetings provided further that in exercising any such power or doing such act or thing, the Board shall be subject to the provisions in that behalf contained in the Act or any other statute or in the Memorandum of the Company or in these Articles, or in any regulations not inconsistent therewith and duly made thereunder, including regulations made by the Company in General Meeting, but no regulation made by the Company in General Meeting shall invalidate any prior act of the Board which would have been valid if that regulation had not been made.

Delegation of powers by the Board of Directors to the Directors

Article 129 provides that

Subject to the provisions of the Act and in particular, to the prohibitions and restrictions contained in Section 292 and other applicable provisions, if any, thereof the Board may from time to time, entrust to and confer upon any Director for the time being; such of the powers exercisable under these presents by the Board as it may think fit and may confer such powers for such times, and to be exercised for such objects and purposes, and upon such terms and conditions, and with such restrictions as it thinks fit; and it may confer such powers either collaterally with, or to the exclusion of and in substitution for all or any of the Powers of the Board in that behalf and may, from time to time revoke, withdraw, alter or vary all or any such powers.

Delegation of powers

Article 130 provides that

Subject to the provisions of the Act, the Board may from time to time, as it may think fit, delegate to such person or persons as it may choose any of the powers hereby conferred upon the Board other than the powers to make calls on members in respect of money unpaid on their shares and to issue debentures.

Board may appoint Managing/ Whole-time/ Director/ Manager

Article 131 provides that

Subject to and compliance with the provisions of Section 268 and 269 of and other provisions of the Act, the Board shall have the powers to appoint from time to time any of its number as Managing Director, Governing Director and/or whole-time Director of the Company upon such terms and conditions as the Board thinks fit and further subject to the terms of any agreement entered into with such Managing, Governing or Whole-time Director, the Board may revoke such appointment. Subject to provisions of Art. 132 the Board may by resolution vest in such Managing, Governing or Whole-time Director such of the powers hereby vested in the Board as it generally thinks fit and such powers may be made exercisable for such period or periods and upon such conditions and subject to such restrictions as it may determine. The remuneration of the Managing, Governing or Whole-time Director may be by way of monthly payments or participation in profits or partly in one and partly in other mode not expressly prohibited by the Act.

Subject to the provisions of the Act, the Board may appoint any person as Manager for such terms, on such remuneration and upon such conditions as it may think fit and any person so appointed by the Board may be removed by the Board.

Restrictions on Management

Article 132 provides that

The Managing Director/Governing Director/Whole-time Director as the case may be shall not exercise the powers to :

- (a) make calls on share holders in respect of money unpaid on their shares in the company;
- (b) Issue debentures.

Except to the extent specified in the resolution passed at the Board meeting under Section 292 of the Act, the Managing Director/Whole-time Directors the case may be, shall also not exercise the powers to:

- (c) borrow money;
- (d) invest the funds of the Company and
- (e) make loans or accept inter-company deposits;
- (f) acquire or dispose of any subsidiary, line or business, or material set of assets whether by sales or assets, sale of shares, merger or amalgamation;
- (g) enter into any lease pursuant to which the present purchase value of the leased asset(s) exceeds Indian Rupees Two Crores, Twenty-five Lakhs (2,25,00,000);
- (h) execute or amend any employee benefit plan or collective bargaining agreement, Memorandum of Settlement, or other collective agreements with employees;
- (i) make any expenditure or series of related expenditures for capital assets in excess of Indian Rupees Two Crores, Twenty-five Lakhs (2,25,00,000); or
- (j) dispose of by sale, license, sub-license or otherwise, any intellectual property right of the Company.

Certain persons not to be appointed Managing Director/ wholetime Director

Article 133 provides that

The Company shall not appoint or employ or continue the appointment or employment of, a person as its Managing or Wholetime Director who :- (a) is an undischarged insolvent, or has at any time been adjudged an insolvent; (b) suspends, or has at any time suspended payment to his creditors, or makes, or has at any time made, a composition with them; or (c) is or has at any time been, convicted by a Court in India of an offence involving moral turpitude.

Special position of Managing Director

Article 134 provides that

A Managing Director, Governing Director and/or wholetime Director shall not while he continues to hold that office be subject to retirement by rotation, unless his terms of appointment specially provided that he would be liable to retire by rotation. If he ceases to hold the office of Director, he shall ipso facto and immediately cease to be a Managing, /Governing or Wholetime Director.

Power of Attorney

Article 135 provides that

The Board may at any time and from time to time by power of Attorney under Seal, appoint any person to be the Attorney of the Company for such purposes and with such powers, authorities and discretions [not exceeding those which may be delegated by the Board under the Act] and for such period and subject to such conditions as the Board may from time to time think fit. Any such appointment may, if the Board thinks fit, be made in favour of any Company or of the members, directors, nominees, or officers of any Company or firm, or in favour of any fluctuating body of persons whether nominated directly or indirectly by the Board and any such power of attorney may contain such provisions for the protection or convenience of persons dealing with such Attorney as the Board thinks fit.

APPOINTMENT OF SECRETARY

Secretary

Article 136 provides that

The Board shall, from time to time, appoint for such term, at such remuneration and upon such conditions as they think fit, and at their discretion remove, a person [herein after called "the Secretary"] to perform any functions which by the Act or by the Articles for the time being of the Company has to be performed by the Secretary, and to execute any other duties. Which may from time to time be assigned to the Secretary by the Board. When there is no Secretary capable of acting, the directors may appoint an assistant or deputy Secretary possessing the prescribed qualifications under the Act to perform the duties of the secretary and who shall for the purposes of these Articles be deemed to be a Secretary. The Board may also at any time appoint some person [who need not be the Secretary] to keep any of the registers required to be kept by the company. A Director may be appointed Secretary of the Company.

THE SEAL

Custody of Seal

Article 137 provides that

The Board shall provide for the safe custody of the Seal. The Seal shall not be affixed to any instrument except by the authority of the Board or of a Committee of the Board authorised by the Board in that behalf

and every instrument to which the Seal shall be affixed shall be signed by a director and the Secretary of the Company or by a second Director or by such other person as the Board may appoint for the purpose.

ANNUAL RETURN

Annual Returns

Article 138 provides that

The Company shall comply with the provisions of Section 159 and 161 of the Act regarding the preparation and filing of Annual Return.

RESERVES

Reserves

Article 139 provides that

The Board shall, subject to Section 205 [2A] of the Act, from time to time, before recommending any dividend, set apart any and such portion of the profits of the Company as it thinks fit as Reserves to meet contingencies or for the liquidation of any debentures, debts or other liabilities of the Company, for equalization of dividends, for repairing, improving or maintaining the plant or any of the property of the Company and for such other purposes of the Company as the Board in its absolute discretion thinks conducive to the interests of the Company.

Investment of Reserves

Article 140 provides that

All moneys carried to the Reserves which shall nevertheless remain profits of the Company, subject due to provisions being made for actual loss or depreciation, for the payment of dividends and all other moneys of the Company, not immediately required for the purposes of the Company, subject to the provisions of section 370 and 372 of the Act, may be invested by the Board in or upon such investment or securities as it may select or may be used as working capital or may be kept at any Bank on deposit or otherwise as the Board may, from time to time, think proper.

Capitalization of Reserves

Article 141 provides that

The Company in General Meeting may, upon the recommendation of the Directors, resolve that any moneys, investments, or other assets forming part of the undivided profits of the Company, standing to the credit of the Reserves or any Capital Redemption Reserve Account, or in the hands of the Company and available for dividend or representing premiums received on the issue of share and standing to the credit of the Share Premium Account be capitalized and distributed amongst such of the members as would be entitled to receive the same if distributed by way of dividend and in the same proportion on the footing that they become entitled there to as capital and that all or any part of such capitalized funds be applied on behalf of such members in paying up in full any unissued shares, debentures or debenture stock of the Company which shall be distributed accordingly or towards payment of the uncalled liability on any issued share, and that such distribution or payment shall be accepted by such members in full satisfaction of their interest in the said capitalized sum. Provided that any sum standing to the credit of a share Premium Account or a Capital Redemption Reserve Account may for the purposes of this Article, only be applied in the paying up of unissued shares to be issued to members of the Company as fully paid bonus shares.

Surplus Moneys

Article 142 provides that

The Company in General Meeting may upon the recommendation of the Directors resolve that any surplus money arising from the realization of any capital assets of the Company or any investment representing the same or any other undistributed profits of the Company not subject to the charge for income tax, be distributed among the members on the footing that they receive the same as capital.

Fractional Certificates

Article 143 provides that

For the purpose of giving effect to any resolution under Article 141, 142, and 152, the Board may settle any difficulties which may arise in regard to the distribution as it thinks expedient and, in particular, it may issue fractional certificates, fix the value for distribution for any specific assets and determine that cash payments shall be made to the members upon the footing of the value so fixed in order to adjust the rights of all parties

and may vest such cash or specific assets in trustees upon such trusts for the person entitled to the dividend or capitalized fund as may seem expedient to the Board. Where required a proper contract shall be filed in accordance with section 75 of the Act and the Board may appoint any person to sign such contract on behalf of the persons entitled to the dividend or capitalized fund.

DIVIDENDS

Division of profits

Article 144 provides that

Subject to the rights of members entitled to shares, if any, with preferential or special rights attached thereto, the profits which the Company from time to time decides to distribute, in respect of any year other period shall be applied in the payment of a dividend on the Equity Shares of the Company, but so that a partly paid-up share shall only entitle the members in respect thereof to such proportion of the distribution upon a fully paid-up share as the amount paid thereon bears to the nominal amount of such share and where capital is paid up in advance of calls upon the footing that the same shall carry interest, such capital shall not whilst carrying interest, confer a right to participate in profits.

Declaration of Dividend

Article 145 provides that

The Company in general meeting may declare a dividend to be paid to the members according to their rights and interests in the profits and may, subject to the provisions of Sections 205 and 207 of the Act, fix the time for payment.

Restrictions on amount of dividends

Article 146 provides that

No larger dividend shall be declared than is recommended by the Board, but the Company in general meeting may declare a smaller dividend.

Dividends out of profits only and not to carry interest

Article 147 provides that

Subject to the provisions of Section 208 of the Act, no dividend shall be payable except out of the profits of the Company or out of the moneys provided by the Central or State Government for the payment of the dividend in pursuance of any guarantee given by such Government and no dividend shall carry interest against the Company.

Profits

Article 148 provides that

The declaration of the Board as to the amount of the profits of the Company shall be conclusive.

Interim Dividends

Article 149 provides that

The Board may, from time to time, pay to the members such interim dividends as appear to the Board to be justified by the profits of the Company.

Debts may be deducted

Article 150 provides that

The Board may deduct from any dividend payable to any member all sums of money, if any presently payable by him to the Company on account of calls or otherwise in relation to the shares of the Company.

Dividend and call

Article 151 provides that

Any general meeting declaring a dividend may make a call on the members of such amount as the meeting fixes, but so that the call on each of member shall not exceed the dividend payable to him, and so that the call be made payable at same time as the dividend and the dividend may be set off against the call.

Dividend in cash

Article 152 provides that

No dividend shall be payable except in cash; provided that nothing in this article shall be deemed to prohibit the capitalization of profits or reserves of the Company for the purposes of issuing fully paid-up bonus shares or paying up any amount for the time being unpaid on the shares held by the members of the Company.

Effect of transfer

Article 153 provides that

A transfer of shares shall not pass the rights to any dividend declared thereon before the registration of the transfer by the Company.

To whom dividends Payable

Article 154 provides that

No dividend shall be paid in respect of any share except to member registered in respect of such share or to his bankers. But nothing contained in this Article shall be deemed to require the bankers of a member to make a separate application to the Company for the payment of the dividend.

Dividends to members registered jointly

Article 155 provides that

Any one of several persons who are members registered jointly in respect of such share may give effectual receipts for all dividends, bonuses and other payment in respect of such share.

Notice of Dividends

Article 156 provides that

Notice of any dividend, whether interim or otherwise, shall be given to the persons entitled to share therein in the manner hereinafter provided.

Payment by post

Article 157 provides that

Unless otherwise directed in accordance with Section 53 (2) of the Act, any dividend, interest or other moneys payable in cash in respect of a share may be paid by cheque or warrant sent through post to the registered address of the member or in case of members registered jointly, to the registered address of the member first named in the Register or to such person and such address as the member or members, as the case may be, may in writing direct, and every cheque or warrant so sent shall be made payable to the order of the person to whom it is sent.

Unclaimed dividends

Article 158 provides that

Any dividends remaining unpaid and unclaimed shall be regulated in accordance with the provisions of sections 205A and 205B of the Act or any statutory modification thereof.

INTEREST OUT OF CAPITAL

Interest out of Capital

Article 159 provides that

Where any shares are issued for the purpose for raising funds to defray the expenses of the construction of any works or buildings, or the provisions of any plan, which cannot be made profitable for a lengthy period, the Company may pay interest on so much of that share capital as is for the time being paid up for the period, at the rate and subject to the conditions and restrictions imposed by Section 208 of the Act and may charge the same to capital as part of the cost of construction of the work or building or the provision of plant.

BOOKS AND DOCUMENTS

Maintenance of Books of Accounts

Article 160 provides that

The Board shall cause to be kept in accordance with section 209 of the Act proper books of account with respect to:

- (a) All sums of money received and expended by the Company and the matters in respect of which the receipts and expenditures take place;
- (b) all sales and purchases of goods by the Company; and
- (c) the assets and the liabilities of the Company.

Location of Books of Accounts

Article 161 provides that

The books of account shall be kept at the office or at such other place or places in India as the Board may decide, and where the Board so decides, the Company shall, within seven days of the decision, file with the Registrar a notice in writing giving the full address of that other place. The books of account shall also be open to inspection by any Director during business hours provided that the books of account shall also be open to inspection by the Registrar or by any officer of Government authorised by the Central Government in this behalf.

Inspection by Member

Article 162 provides that

The Board shall, from time to time, determine whether and to what extent and at what times and places, and under what conditions the books of accounts and books and documents of the Company, other than those referred to in Article 185 or any of them, shall be open to the inspection of the members not being Directors, and no member, not being Director, shall be entitled to require or receive any information concerning the business, nor shall have any right of inspecting any books of account, or document of the Company except as conferred by law or authorised by the Board or by the company in General Meeting; and no member, not being a Director shall be entitled to require or receive any information concerning business, trading or customers of the Company or any trade secret or secret process used by the Company.

Books of Account to be preserved

Article 163 provides that

The books of account of the Company shall be preserved in good order for a period of not less than eight years from the date of incorporation of the Company and, after the said period of eight years, the books of account of the Company relating to a period of not less than eight years immediately preceding the current year shall be preserved in good order.

BALANCE SHEET AND ACCOUNTS

Balance Sheet and Profit and Loss Account

Article 164 provides that

At every Annual General Meeting the Board shall lay before the Company a Balance Sheet and Profit and Loss Account made up in accordance with the Provisions of Section 210 of the Act and such Balance Sheet and Profit and Loss Account shall comply with the requirements of Sections 210, 211, 212, 215 and 216 and of Schedule VI of the Act so far as they are applicable to the Company but, save as aforesaid, the Board shall not be bound to disclose greater details of the result or extent of the trading transactions of the Company than it may deem expedient.

Annual Report of Directors

Article 165 provides that

There shall be attached to every Balance Sheet laid before the Company a report by the Board in accordance with Section 217 of the Act.

Copies to be sent to members and others

Article 166 provides that

A copy of every Balance Sheet including the Profit and Loss Account, the Auditor's Report and every document required by law to be annexed or attached to the Balance Sheet or a statement containing the salient features of such documents in such form as may be prescribed pursuant to Section 219 of the Act, shall be sent to every member of the Company and to every Trustee for the holders of any debentures issued by the Company not less than 21 days before the date of the General Meeting at which such documents are to be laid.

Copies of Balance Sheet etc., to be filed

Article 167 provides that

The Company shall comply with Section 220 of the Act as to filing of copies of the Balance Sheet, Profit and Loss Account and documents required to be to be filed annexed or attached thereto with the Registrar.

AUDIT

Account to be audited annually

Article 168 provides that

At least once in every year the Books of Account of the Company shall be examined by one or more Auditors.

First Auditors

Article 169 provides that

The first Auditor or Auditors of the Company shall be appointed by the Board within 30 days of the date of registration of the Company and the Auditor or Auditors so appointed shall hold office until the conclusion of the first Annual General Meeting of the Company provided that (a) the Company may at a general meeting remove any such Auditor or all or any such Auditors and appoint in his or their places any other person or persons who have been nominated for appointment by any member of the Company of whose nomination notice has been given to the members of the Company not less than 14 days before the date of meeting and (b) if the Board fails to exercise its power under this article the Company in general meeting may appoint the first Auditor or Auditors.

Appointment and Remuneration of Auditors

Article 170 provides that

The company shall at each Annual General Meeting appoint an Auditor or Auditors to hold office from the conclusion of the meeting until the conclusion of the next Annual General Meeting and shall, within seven days of the appointment, give notice thereof to every Auditors so appointed. The appointment, remuneration, rights and duties of the Auditor or Auditors shall be regulated by Section 224 to 233 of the Act.

Audit of Accounts of Branch office of the Company

Article 171 provides that

Where the Company has a branch office the provisions of Section 228 of the Act shall apply.

Right of Auditor to attend General Meeting

Article 172 provides that

All notice and other communications, relating to any general meeting of the Company, which any member of the Company is entitled to have sent to him, shall also be forwarded to the Auditor of the Company, and the Auditor shall be entitled to attend any general meeting and to be heard at any General Meeting which he attends on any part of the business which concerns him as Auditor.

Auditor's Report to be read

Article 173 provides that

The Auditor's Report (including the Auditors' separate, special or supplementary report, if any) shall be read before the Company in general meeting and shall be open to inspection by every member of the Company.

Conclusiveness of Accounts

Article 174 provides that

Every Balance Sheet and Profit and Loss account when audited and adopted by the Company in general meeting shall be conclusive except as regards any error discovered therein within three months next after the adoption thereof. Whenever any such error is discovered within that period, the account shall forthwith be corrected and henceforth shall be conclusive.

NOTICE AND DOCUMENTS

Service of Notices on members

Article 175 provides that

- (1) A notice or other document may be given by the Company to any member either personally or by sending it by post to him to his registered address or (if he has no registered address in India) to the address, if any, (within India) supplied by him to the Company for the giving of notice to him.
- (2) Where a notice or other document is sent by post :
 - (a) Service thereof shall be deemed to have been effected by properly addressing, prepaying postage, and posting a letter containing the notice or document provided that where a member has intimated to the Company in advance that notices or documents should be sent to him under certificate of posting or by registered post with or without acknowledgment due and has deposited with the Company a sufficient sum to defray the expenses of doing so, service of the notice of document shall not be deemed to be effected unless it is sent in the manner as intimated by the member;
 - (b) such services shall be deemed to have been effected;
 - (i) in the case of notice of meeting at the expiration of forty eight hours after the letter containing the same is posted, and
 - (ii) in any other case, at the time at which the letter would be delivered in the ordinary course of post.

Notices to members who have not supplied addresses

Article 176 provides that

A notice or other document advertised in a newspaper circulating in the neighborhood of the office shall be deemed to be duly served, on the day on which the advertisement appears, on every member who has no registered address in India and has not supplied to the Company an address within India for the giving of notice to him. Any such member who has no registered address in India shall, if so required to do by the Company supply the Company with an address in India for the giving of notices to him.

Notices to members registered jointly

Article 177 provides that

A notice or other document may be served by the Company on the members registered jointly in respect of a share by giving the notice to the member named first in the Register in respect of the share.

Notices to persons entitled by transmissions

Article 178 provides that

A notice or other document may be served by the Company on the persons entitled to share, in consequence of the death or insolvency of a member, by sending it through the post in a prepaid letter addressed to the representatives of the deceased member, by name or by title, and to assignee; in the case of the insolvent, at the address in India supplied for the purpose by the person claiming to be so entitled, or until such an address has been so supplied, by giving the notice in any manner in which the same might have been given if the death or insolvency had not occurred.

Giving of Notices by advertisements

Article 179 provides that

Any notice required to be given by the Company to the members or any of them, and not expressly provided for by these Articles or by the Act, shall be sufficiently given if given by advertisement.

Advertisement of notice

Article 180 provides that

Any notice required to be, or which may be given by advertisement, shall be advertised once in one or more newspapers circulating in the neighborhood of the Office.

Date on which notice deemed to be served

Article 181 provides that

Any notice given by advertisement shall be deemed to have been given on the day on which the advertisement shall first appear.

Transferee etc., bound by prior notices

Article 182 provides that

Every person who, by operation of law, transfer or any other means, shall become entitled to any share be bound by every notice in respect of such shares duly given to the person from whom he derives his title to such share, until such time as his name and address are entered in the Register.

Notice valid though member deceased

Article 183 provides that

Any notice or document delivered or sent by post to or left at the registered address of any member in pursuance of these Articles shall, notwithstanding such members be then deceased and whether or not the Company has notice of his demise, whether registered solely or jointly with other persons, for all purposes of these presents be deemed to be sufficient service of such notice or document on his executors or administrators and all persons, if any, jointly interested with him in any such share.

Service of process in winding-up

Article 184 provides that

In the event of a winding up of the Company, every member of the Company who is not for the time being in the place where the office of the Company is located shall be bound, within eight weeks after the passing of an effective resolution to wind up the Company voluntarily, or the making of an order for the winding up of the Company, to serve notice in writing on the Company, stating the name of some householder residing in the neighborhood of the office upon whom all summons, notices, process, orders and judgments in relation to or under the winding up of the Company may be served, and, in default of such nomination, the Liquidator of the Company shall be at liberty, on behalf of such member, to appoint some such person. and service upon any such appointee whether appointed by the member or the Liquidator shall be deemed to be good personal service on such member for all purposes, and where the Liquidator makes on any such appointment he shall, with all convenient speed, give notice thereof to such member by advertisement in some daily newspaper circulating in the neighborhood of the office or by a registered letter sent by post and address to such member at his address as registered in the register and such notice shall be deemed to be served on the day on which the advertisement appears or the letter would be delivered in the ordinary course of the post. The provisions of the Article shall not prejudice the right of the Liquidator of the Company to serve any notice or other document in any other manner prescribed by these Articles.

KEEPING OF REGISTERS AND INSPECTION

Registers etc., to be maintained by the Company

Article 185 provides that

The Company shall keep and maintain at the office, as required by Act, the following Registers:

- (1) A Register of Charges pursuant to Section 143 of the Act.
- (2) A Register of Members pursuant to Section 150 and, whenever the Company has more than fifty members, unless such Register of Members is in a form which itself constitutes an index, an index of members pursuant to Section 151 of the Act.
- (3) A Register of Debenture holders pursuant to Section 152 and whenever the Company has more than fifty Debenture holders unless such Register of Debenture holders itself constitutes and index of Debenture holders pursuant to Section 152 (2) of the Act.
- (4) A Register of Contracts pursuant to Section 301 of the Act.
- (5) A Register of Directors, Managing Director, Manager and Secretary pursuant to Section 303 of the Act.
- (6) A Register of Directors' Shareholdings pursuant to Section 307 of the Act.
- (7) A Register of Loans, etc. made by the Company to companies under the same management pursuant to Section 370 of the Act.
- (8) A Register of Investments made by the Company in shares and debentures of bodies corporate in the same group pursuant to section 372 to the Act.
- (9) A Register of Investments not held by the Company in its own name pursuant to Section 49 (7) of the Act.
- (10) A Register of Renewed and Duplicate certificates pursuant to Rule 7(2) of Companies (issue of share certificates) Rules 1960 or any statutory modification or reenactment thereof, and;
- (11) A Register of Minutes of every General Meeting of the Company,
- (12) A Register of Deposits under Section 58A of the Act.

Supply of copies of register etc.

Article 186 provides that

The company shall comply with the provisions of Section 39, 118, 163, 196, 219, 301, 302, 304, 307, 370 and 372 or any other provision of the Act as to the supplying of copies of the Registers, deeds, documents, instruments, returns, certificate and books therein mentioned to the person therein specified when so required by such persons, on payment of charges, if any, prescribed by the said sections.

Inspection of registers etc.

Article 187 provides that

When under any provisions of the Act any person, whether a member of the Company or not, is entitled to inspect any register, return, certificate, deed, instrument or document required to be kept or maintained by the company, the person so entitled to inspection shall be permitted to inspect the same during the hours of 10.30 a.m. to 12.30 p.m. or during such hours as the Directors may from time to time prescribe on such business day as the Act requires them to be open for inspection.

Closing of Register of members and debenture holders

Article 188 provides that

The Company may, after giving not less than seven days previous notice by advertisement in some newspaper circulating in the district of the office, close the Register of Members or the Register of Debenture holders, as the case may be for any period or periods not exceeding in the aggregate forty-five days in each year, but not exceeding thirty days at any one time.

RECONSTRUCTION

Reconstruction

Article 189 provides that

On any sale of the undertaking of the Company the Board or the Liquidators on a winding up may, if authorized by a Special Resolution, accept fully paid or partly paid up shares, debentures or securities of any other company whether incorporated in India or not, either then existing or to be formed for the purchase in whole or in part of the property of the Company and the Board (if the profits of the Company permit) or the Liquidators (in a winding up) may distribute such shares or securities, or any other property of the Company amongst the members without realisations or vest the same in trustees for them, and any special Resolution may provide for the distribution or appropriation of the cash, shares or other securities, benefit or property, otherwise than in accordance with the strict legal rights of the members or contributors of the Company, and for the valuation of any securities or property at such price in such manner as the meeting may approve and all holders of shares shall be bound to accept and shall be bound by any valuation so authorised and waive all rights in relation thereto, save only in case the Company is proposed to be or is in the course of being wound up, such statutory rights (if any) under Section 494 of the Acts as are incapable of being varied or excluded by these Articles.

SECRECY

Secrecy

Article 190 provides that

Every Director, Auditor, Manager, Secretary, or Trustee for the Company, its members or debenture holders, members of a committee, officer, servant, agent, accountant or other person employed in or about the business of the Company shall, if so required by the Board or by the Managing Director before entering upon his duties, sign a declaration pledging himself to observe strict secrecy respecting all transactions of the Company with its customers and the state of accounts with individuals and in matters relating thereto, and shall by such declaration pledge himself not to reveal any of the matters which may come to his knowledge in the discharge of his duties except when required so to do by the Board or by any General meeting or by a court of law and except so far as may be necessary in order to comply with any of the provisions in these Articles contained.

Right of members to enter premises of the Company

Article 191 provides that

No member or other person (not being a Director) shall be entitled to enter upon the property of the Company to inspect or examine the premises or properties of the Company without the permission of the Board.

WINDING UP

Distribution of assets

Article 192 provides that

If the Company shall be wound up and the assets available for distribution among the members as such be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that as nearly as may be the losses shall be borne by the members in proportion to the capital paid-up or which ought to have been paid up at the commencement of the winding up on the shares held by them respectively. And if in a

winding up the assets available for distribution among the members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up tax excess shall be distributed among the members in proportion to the capital at the commencement of the winding up, paid-up or which ought to have been paid-up on the shares held by them respectively. But this Article is to be without prejudice to the rights of members registered in respect of shares issued upon special terms and conditions.

Distribution of assets in specie

Article 193 provides that

If the Company shall be wound up, whether voluntarily or otherwise, the liquidator may with the sanction of a special Resolution, divide among the members in specie or in kind, the whole or any part of the assets of the Company and may, with the like sanction, vest any part of the assets of the Company in Trustees upon such trusts for the benefit of the members, or any of them, as the liquidator, with the like sanction, shall think fit but so that no member shall be compelled to accept any shares or other securities whereon there is any liability.

INDEMNITY

Indemnity

Article 194 provides that

- (a) Subject to the provisions of Section 201 of the Act, every Director, Managing Director, Secretary or other officer of the Company or any person employed by the Company and any person appointed as Auditor, Legal Adviser shall be indemnified out of the funds of the Company against all liability incurred by him as such Director, Managing Director, Secretary, Officer, Employee, Auditor or legal Adviser by reason of any contract entered into or act or deed done by him as such.
- (b) Subject to the aforesaid every Director, Managing Director, Secretary or other officer or Employee of the Company shall be indemnified against any liability incurred by him in defending any proceedings whether civil or criminal in which judgment is given in his favour or in which he is acquitted or in connection with any application under Section 633 of the Act, in which relief is given to him by the Court.

Directors and Officers, not liable for acts of each other.

Article 195 provides that

Subject to the provisions of Section 201 of the Act no Director, Managing Director, Secretary or other officer of the Company shall be liable for the acts, receipts, neglects or defaults of any other Director or officer, or for joining in any receipt or other acts for conformity, or for any loss or expense happening to the other Company through insufficiency or deficiency of title to any property acquired by order of the Directors for or on behalf of the Company or for the insufficiency or deficiency of any security in or upon which any of the money of the Company shall be invested or for any loss or damage arising from the bankruptcy, insolvency or tortuous act of any person, company or corporation, with whom any moneys, securities or effects shall be entrusted, or deposited or for any loss occasioned by any error of judgment or oversight on his part, or for any other loss, damage or misfortune whatever-which shall happen in the execution of the duties of his office, or in relation thereto unless the same happens through his own dishonesty.

SECTION IX: OTHER INFORMATION
MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two years before the date of this Letter of Offer) which are or may be deemed material have been entered or to be entered into by our Company. Copies of these contracts and the documents may be inspected at the corporate office of our Company situated at A-26/3, Mohan Co-operative Industrial Estate, New Delhi – 110 044, India from 10.00 AM to 4.00 PM on working days from the date of this Letter of Offer until the Issue Closing Date.

Material Contracts to the Issue

1. Job Arrangement Letter dated August 29, 2006 for appointment of Ambit Corporate Finance Private Limited as Lead Manager to the Issue.
2. Memorandum of Understanding dated March 5, 2007 between our Company and Ambit Corporate Finance Private Limited.
3. Memorandum of Understanding dated March 2, 2007 executed by our Company with Registrar to the Issue.
4. Engagement Letter dated August 28, 2006 for appointment of AZB & Partners as Legal Advisors to the Issue.

Material Documents

1. Our Memorandum and Articles of Association as amended till date.
2. Resolutions of the Board dated June 30, 2006, January 22, 2007, August 14, 2007 and August 27, 2007 in relation to this Issue and other related matters.
3. Resolutions of the Board of Directors for appointment and remuneration of our whole-time Directors.
4. Report of the Auditors dated August 14, 2007, prepared as per Indian GAAP and mentioned in Letter of Offer and letters from the auditors dated August 14, 2007 including the Statement of Tax Benefits.
5. Copies of annual reports of our Company for the past five financial years.
6. Applications dated March 9, 2007 and March 9, 2007 for in-principle listing approval addressed to BSE and NSE, respectively.
7. Letters dated March 21, 2007 from BSE and March 28, 2007 from NSE granting in-principle listing approval
8. Consents of Auditors, Bankers to the Company, Lead Manager, Registrar to the Issue, Banker to the Issue, Legal Advisor, Directors of our Company, Company Secretary and Compliance Officer, as referred to, in their respective capacities
9. Tripartite Agreement between NSDL, our Company and the Registrar to the Issue dated November 26, 1999.
10. Tripartite Agreement between CDSL, our Company and the Registrar to the Issue dated January 24, 2000.
11. Due diligence certificate dated March 8, 2007, to SEBI from Ambit Corporate Finance Private Limited.
12. SEBI observation letter CFD/DIL/ISSUES/MKS/99805/2007 dated July 27, 2007 and in-seraitim reply to the same dated September 5, 2007.
13. Shareholders Agreement dated May 8, 2006 between Federal Mogul Holding Limited, Anil Nanda and Joint Investment Private Limited. Amended and Restated Shareholders Agreement dated September 25, 2006 between Federal Mogul Holding Limited, Anil Nanda and Joint Investment Private Limited.
14. Securities Purchase Agreement dated May 8, 2006 between Federal Mogul Holding Limited, Anil Nanda and Joint Investment Private Limited.

Any of the contracts or documents mentioned in this Letter of Offer may be amended or modified at any time if so required in the interest of our Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

DECLARATION

To the best of the Company's knowledge, no statement made in this Letter of Offer contravenes any of the provisions of the Companies Act and the rules made thereunder, and all legal requirements connected with the said issue as also the guidelines, instructions etc., issued by SEBI, the Government and any other competent authority in this behalf have been duly complied with.

Since the date of the last financial statement disclosed in the Letter of Offer, there have been no circumstances that materially and adversely affect or are likely to affect the trading or profitability of the Company or the value of its assets or its ability to pay its liabilities within the next 12 months except as stated under the paragraph Management Discussions and Analysis on page 253.

The Company accepts no responsibility for statements made otherwise than in this Letter of Offer or in the advertisement or any other material issued by or at the instance of the Company and that anyone placing reliance on any other source of information would be doing so at their own risk.

We hereby certify to our knowledge that all the disclosures contained in this Letter of Offer are true and correct in all material respects.

Yours faithfully

For Federal-Mogul Goetze (India) Ltd.

Name: **Mr. Charles B. Grant**

Designation: Chairman and Non-Executive Director

Place: Michigan, United States of America

Name: **Mr. Rustin Murdock**

Designation: Managing Director & Chief Financial Officer

Place: New Delhi, India

Name: **Mr. Charles H. Polzin**

Designation: Non-Executive Director

Place: Michigan, United States of America

Name: **Mr. Mukul Gupta**

Designation: Independent Director

Place: New Delhi, India

Name: **Mr. Rainer Jueckstock**

Designation: Non-Executive Director

Place: Frankfurt, Germany

Name: **Mr. Vishvjeet Kanwarpal**

Designation: Independent Director

Place: New Delhi, India

Name: **Mr. Rajan Luthra**

Designation: Financial Controller and Company Secretary

Place: New Delhi, India

Date: October 11, 2007

Enclosure: Composite Application Form

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