



**26th Annual Report  
2010-2011**

FAZE THREE LIMITED

ANNUAL REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2011

SHAREHOLDER INFORMATION

1. Date of Annual General Meeting : Thursday, 29th September, 2011
2. Time and Venue : 10.30 a.m. at  
Survey No. 380/1  
Khanvel Silvassa Road, Dapada – 396 230  
Union Territory of Dadra & Nagar Haveli
3. Book Closure : Friday, 23rd September 2011 to  
Thursday, 29th September, 2011  
(Both Days inclusive)
4. Investors' Complaints may be addressed to : Corporate Office  
Faze Three Limited,  
1-2, Shiv Smriti Chambers,49-A,  
Dr. Annie Besant Road, Worli,  
Mumbai – 400 018  
Phone : 022 6660 4600  
Email: investors@fazethree.com

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## Board of Directors

Ajay Anand	Chairman & Managing Director
Sanjay Anand	Whole Time Director
Rashmi Anand	Whole Time Director
Vasudeva Rao	Director
Rajiv Rai Sachdev	Director

## Corporate Management

Ajay Anand	Managing Director
Rashmi Anand	Whole Time Director
Sanjay Anand	Whole Time Director

## Company Secretary

Martin Golla	Sr. VP-Legal & Company Secretary
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## Auditors

M/s Thakur Vaidyanath Aiyar & Co.  
Chartered Accountants, Mumbai.

## Solicitors

Vikram Philip & Associates

## Bankers

Canara Bank  
Allahabad Bank

## Registered Office

Survey No. 380/1, Khanvel Silvassa Road,  
Dapada -396230  
Union Territory of Dadra & Nagar Haveli

## Corporate Office

1-2, Shiv Smriti Chambers, 49-A, Dr. Annie  
Besant Road, Worli, Mumbai – 400 018.

## Works

1. Handloom & Made-ups Plant, Jatal Road, Anand Nagar, Panipat
2. Weaving & Made-Ups Plant Survey No. 380/1, Village Dapada, UTD&NH
3. Bathmat Plant Survey No. 356/1-2, Village Dadra, UTD&NH
4. Dye-House Plot No. 71, GIDC, Vapi Industrial Area, Pardi Distt. Valsad, Gujarat.

## Registrar & Share Transfer Agent

Sharex Dynamic (I) P Ltd,  
Unit-1, Luthra Industrial Premises,  
Andheri - Kurla Road, Safed Pool,  
Andheri (E) Mumbai – 400 072  
Tel.: 28515606 / 28515644  
www.sharexindia.com  
Email : sharexindia@vsnl.com

## Web-site

www.fazethree.com

## **NOTICE**

### **26TH ANNUAL GENERAL MEETING**

Notice is hereby given that the 26th Annual General Meeting of Faze Three Limited will be held at Survey No. 380/1, Khanvel Silvassa Road, Dapada - 396230 Union Territory of Dadra & Nagar Haveli on Thursday, 29th September, 2011 at 10.30 a.m. to transact the following business:

#### **ORDINARY BUSINESS:**

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2011 and the Profit & Loss Account for the year ended 31st March 2011 together with the Report of Directors' and Auditors thereon.
2. To appoint a Director in place of Mr. Vasudeva Rao, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors and fix their remuneration.

By order of the Board of Directors  
For **Faze Three Limited**

Place: Mumbai  
Date : 31.08.2011

**Martin Golla**  
**Sr. VP-Legal & Company Secretary**

#### **Notes:**

1. A MEMBER ENTITLED TO ATTEND & VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The instrument appointing a Proxy, in order to be effective, should be deposited with the Registered Office of the Company not less than 48 hours before the commencement of the meeting. Completion and return of the form of proxy will not prevent a member from attending the meeting and voting in person if he or she so wishes. A form of proxy is given at the end of the Annual Report.
3. The Register of Members and the Share Transfer Registers of the Company shall remain closed from 23rd September, 2011 to 29th September, 2011 (both days inclusive).
4. Members are requested to intimate any change in their address to the Registrars and Share Transfer Agent, Sharex Dynamic (I) Pvt. Ltd.
5. Documents referred to in any of the items in the Notice are available for inspection at the Registered Office of Company on any working day during Business Hours between 11.00 am to 1.00 pm
6. Queries on accounts and operations of the Company, if any, may please be sent to the Company seven days in advance of the meeting so that the answers may be made available at the meeting.
7. Members are requested to address all the correspondence/documents, invariably quoting their Registered Folio No. relating to the Equity Shares held by them, directly to our Registrar and Share Transfer Agent, Sharex Dynamic (I) Pvt. Ltd, Unit-1, Luthra Industrial Premises, Andheri Kurla Road, Safed Pool, Andheri (E), Mumbai-400 072.
8. Members are requested to bring their copy of this Annual Report to the Meeting.
9. Members/Proxies should bring the attendance slip duly filled in for attending the Meeting.
10. Brief resume of Mr. Vasudeva Rao, Director retiring by rotation, is given under the Corporate Governance Report.

By order of the Board of Directors  
For **Faze Three Limited**

Place: Mumbai  
Date: 31.08.2011

**Martin Golla**  
**Sr. VP-Legal & Company Secretary**

## DIRECTORS' REPORT

To the Members,

Yours Directors present the 26th Annual Report together with the Audited Statements of Accounts for the year ended March 31st 2011.

## FINANCIAL RESULTS

	(Rs. Lacs)	
	For the Year ended 31.03.2011	For the Year ended 31.03.2010
Sales	12323.96	12178.94
Other Income	2835.10	1626.88
<b>Profit Before Exceptional Items and Tax</b>	<b>451.74</b>	<b>484.82</b>
Less: Exceptional items	420.47	-
<b>Profit Before Tax</b>	<b>31.27</b>	<b>484.82</b>
Less: Provision for Taxation Current Tax	6.50	-
Less: Prior Period Charges	-	55.14
<b>Profit After Tax</b>	<b>24.77</b>	<b>429.67</b>
Balance brought forward from Previous Year	429.68	--
<b>Profit available for appropriation</b>	<b>454.44</b>	<b>429.67</b>
Balance carried over to the next year	454.44	429.67

## COMPANY OPERATIONS

During the year under review, the company has recorded a turnover of Rs. 12323.96 Lacs as against Rs. 12178.94 Lacs during the previous year. The revenue from other income stood at 2835.10 Lacs as against Rs. 1626.88 during the previous year. During the year under review, the Company has earned a profit before exceptional item and tax of Rs. 451.74 Lacs against previous year's profit of Rs. 484.82 Lacs. The profit after exceptional item of Rs. 420.47 Lacs and tax of Rs. 6.50 Lacs was Rs. 24.77 as against profit of Rs. 429.67 Lacs during the previous year.

The current year's performance was adversely affected on account of insolvency petition filed by the Company's wholly owned subsidiary in Germany viz. Pana Textil GmbH. Due to financial crisis in Europe and unfavorable market conditions, the subsidiary company has suffered enormous losses. Analyzing the European market conditions and to mitigate the further losses, the Board of Directors decided to file an insolvency petition in the German court.

Further, the Company has written-off the investments made and advances given to its wholly owned subsidiary companies viz. Faze Three Netherlands B. V. and Pana Textile GmbH. In the opinion of the Board of Directors Rs. 420.74 Lacs has been considered as write-off which has affected the profits of the Company.

## DIVIDEND

With a view to conserve the resources of the company, your Directors have not recommended any dividend.

## BUSINESS OUTLOOK

The crisis in European and US markets have adversely affected the turnover of the Company. Being an export oriented Company, the Company is looking for new international markets and is rigorously trying to expand its existing market base in US & UK. The Company is looking at Brazil as an upcoming market for the company's products. As a result, the company is able to cope with the current market crisis in US and European Markets and sustain its sales and profitability.

Further, the Company is planning to increase its manufacturing capacities by augmenting additional manufacturing facilities with improved technology. The Company has also taken initiatives to improve the efficiency of the operating plants by implementing various methods like restructuring of product and procedures, better quality inspection, achieving projected sales by which the company is able to optimize the utilization of production capacities and increase its profitability in the current year.

### **SUBSIDIARY COMPANY:**

The Ministry of Corporate Affairs has issued direction under section 212 (8) of the Companies Act, 1956 vide general circular No. 2/ 2011 dated February 8, 2011 and in accordance with the same, the Balance Sheet, the Profit and Loss Account and other documents of the subsidiary companies are not being attached with the Balance Sheet of the Company.

During the year under review, the wholly owned subsidiary of the Company of M/s Pana Textil GmbH has filed an insolvency petition in German Court. The German Court has accepted the petition and Insolvency Administrator has been appointed. The insolvency proceedings are in progress.

### **FIXED DEPOSITS**

Your Company has not accepted any deposits from public, and no amount of principal or interest was outstanding on the date of the Balance Sheet.

### **AUDITORS**

M/s Thakur Vaidyanath Aiyar & Co. Chartered Accountants, retire at the forthcoming Annual General Meeting and are eligible for re-appointment. The retiring Auditors have furnished a Certificate of their eligibility for re-appointment under section 224(1B) of the Companies Act, 1956 and have indicated their willingness to continue. Members are requested to appoint the auditors and fix their remuneration.

### **DIRECTORS**

Mr. Vasudeva Rao is a well-known Chartered Accountant having vast experience in the finance sector. He brings with him an experience of over 4 decades and has been of great help to the Company in advising on corporate matters.

The aforesaid Director is retiring at the forthcoming Annual General Meeting and being eligible offer himself for re-appointment. A Brief resume of the afore said director is forming the part of the corporate governance report.

Your directors recommend re-appointment of the said director.

### **PARTICULARS OF EMPLOYEE**

There are no employees drawing salary as required to be mentioned under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

### **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO**

The particulars required under Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 regarding energy conservation, technology absorption and expenditure R & D are furnished in Annexure to this Report.

### **DIRECTOR'S RESPONSIBILITY STATEMENT**

Pursuant to Section 217 (2AA) of the Companies (Amendment) Act, 2000, the Directors confirm that:

- (i) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) The directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- (iii) The directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provision of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) The directors had prepared the annual accounts on "going concern basis".

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## **CORPORATE GOVERNANCE**

A separate section on Corporate Governance is included in the Annual Report and the Certificate from the Company's auditors confirming the compliance of conditions on Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges is annexed thereto.

## **ACKNOWLEDGEMENT**

Your Directors wish to place on record their appreciation for the dedicated work put forth by the employees at all levels. The directors wish to thank all stakeholders, Company's Bankers, financial institutions and business associates for their continued support and valuable co-operation. The Directors also wish to express their gratitude to investors for the faith that they continue to repose in the Company.

For and on behalf of the Board

Place: Mumbai  
Date: 31.08.2011

**Ajay Anand**  
Chairman & Managing Director

**ANNEXURE TO DIRECTORS' REPORT**

Information pursuant to the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988 forming part of the Report of the Directors.

**1. RESEARCH AND DEVELOPMENT (R & D)**

(i) Specific area in which R & D is carried out by the Company:

- Introduction of new products and improving the processes of existing products.
- Making new designs acceptable to international customers.

(ii) Benefits derived as a result of R & D activities:

- Product range extension
- Improvement of quality and yield
- Cost reduction leading to competitiveness
- Development of various designs as well as new products, with high standard in international market.
- Reduction in cost and time cycle, better effluent management and utilizing only indigenous products for offering finished products in export market.

(iii) Future Plan of Action

- Development of products for indigenous market.
- Substitute development of new designs for export of high value products, which are currently imported.
- Expanding the market by going in for diversification in the home product range.
- Developing new products range to have edge over others with high standards of quality and unique design to compete with other indigenous manufacturers to improve the export turnover base.

**2. CONSERVATION OF ENERGY**

The particulars with respect to Conservation of Energy etc. pursuant to the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 under section 217 (1) (e) of the Companies Act, 1956 are set out as under:

A.	(i) Electricity	For the year ended March 31 <sup>st</sup> 2011	For the year ended March 31 <sup>st</sup> 2010
	A) Purchased		
	Units (Lakhs)	67.80	51.39
	Total Cost (Rs. in Lakhs)	326.29	248.99
	Rate Per Unit (Rs.)	17.54	19.69
	B) Own Generation (Thru DG Set)		
	Units (Lakhs)	67.78	11.89
	Total Cost (Rs. in lakhs)	44.73	125.93
	Rate Per Unit (Rs.)	75.10	39.91
	(ii) Coal, Firewood, Rice Husk etc.		
	(Qty in Qntls)	142764.10	111489.80
	Total Cost (Rs. in Lakhs)	557.79	412.18
	Rate per Qntl. (Rs.)	788.28	809.68
B.	<b>Foreign Exchange Earnings and Outgo (Rs. in Lakhs)</b>	<b>31.3.2011</b>	<b>31.3.2010</b>
	Total Foreign Exchange Earnings Earned	11805.48	11127.00
	Total Foreign Exchange Used	124.14	49.12



## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### INDUSTRY OVERVIEW AND OUTLOOK

The textiles industry in India enjoys a distinctive position due to the pivotal role it plays by way of contribution to industrial output, employment generation and export earnings of the country. The industry currently contributes about 14 per cent to industrial production, 4 per cent to GDP, and 17 per cent to the country's export earnings, according to the Annual Report 2010-11 of the Ministry of Textiles. The industry accounts for nearly 12 per cent share of the country's total exports.

India is potentially one of the strongest emerging global destination for not only cotton bath and accent rugs but also synthetic and woolen product. Large Indian manufacturers have realized the potential of influencing a shift in the USD 400 million bath rug business. With the anticipated global shift of rug manufacturing to the East, India is currently among the first countries to have perceived this shift and already has world class manufacturing units in place with capacities matching the requirement of global retailers.

FTL's key export markets are US and UK, which together constitutes 79% of the total exports. To expand the markets in US and UK, FTL has increased its manufacturing capacities by optimum utilization of existing plant & machinery. With the Research & Development activities in design development, quality standardization and innovation in features of various products, the company is confident to create new markets to its products and to grab every new opportunity in the home textile segment.

### OPPORTUNITIES, CHALLENGES AND THREATS

The Union textile ministry's Technology Upgradation Fund Scheme (TUFS), discontinued in June 2010, has been relaunched in a restructured form. The revised scheme has been extended till March 31 2012. The scheme facilitates increased productivity, cost and waste reduction and improved quality across the value chain. To ensure optimum value addition across the chain, the scheme has been reintroduced to channelise the investments towards hitherto low-focus areas.

The interest subvention of 2% on pre and post shipment credit announced to support the exporters during the slowdown owing to the crisis came to an end in March 2011. However, the recent reports opined that the government is extending the same till March 2012. Further, DEPB scheme is also coming to an end on 30.09.2011 and exporters are hoping that the government would evolve an alternate scheme that would support exports.

Rising raw material costs and oil prices will also have an adverse effect on the exporters. The textile sector is facing the heat due to surging cotton and yarn prices. FTL is implementing various cost reduction strategies and cost control measures to face the adverse effects of high raw material cost. FTL is identifying the key areas where the measures can be implemented and cost can be controlled. The effective implementation of these measures will enable the company to face the global competition and offer its products at competitive prices.

### RISKS AND CONCERNS

The Company's business is subject to several risks and uncertainties. These are a result of the business environment in which the Company operates. Company's risk management acts as an effective tool in mitigating the various risks which our business is exposed to in the course of its operations.

**Operational Risk:** The Company's plants are in continuous production process, which are subject to production and operational risks viz. accidents, occurrence of fire, natural calamities etc. The Company has adequately insured all the plants and hired technical personnel for maintenance of plants on a day to day basis.

**Exchange Rate Risk:** The Company is an export house and 90% of its products are exported to US, Europe and other countries. It is exposed to foreign exchange fluctuation risk. The Company has framed its policies to minimize the risk by forward booking of dollar whenever it is necessary.

**Market and Product Risk:** The Company operates in single segment i.e. Home Furnishings and 90% of the products are marketed internationally. Global markets are very volatile and most importantly the changing trends and needs of customers. The in house designers are keeping themselves well versed with these changing trends, needs and preferences. They are engaged in the process of innovation of new products and launching technologically improved products under existing brands.

### **INTERNAL CONTROL SYSTEMS AND ITS ADEQUACY**

Faze Three's defined organizational structure, documented policy guidelines and adequate internal control ensure efficiency of operations, compliance with internal policies, applicable laws and regulations, protection of resources and assets and accurate reporting of financial transactions. The Company continuously upgrades these systems in line with the best available practices.

### **HUMAN RESOURCES / INDUSTRIAL RELATIONS**

The company is of the strong belief that the employees are the most vital resources giving the Company an edge over its competitors in the dynamic business environment. The company is bringing in new HR initiatives in line with the medium and long term business strategy. This has ensured a cordial and harmonious working environment at the plants/factories of the Company. Further the Company is taking all possible and prompt measures and is also reinventing itself, so as to keep pace and cope up with the ever-increasing competition. The work force of the Company has a fine blend of youth and seasoned experience.

### **ENVIRONMENTAL PERFORMANCE**

The Company is committed to improve the operational excellence along with improvement in environment performance and is highly sensitive to the emerging requirements of the environmental and the international buyers. The company's sustainability initiatives are aimed at providing pollution free environment and constantly endeavor to minimize the direct and indirect environmental impacts of its business operations.

### **CAUTIONARY STATEMENT**

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be forward looking statements within the meaning of the applicable corporate laws and regulations. It may be noted that the actual results may differ from what has been expressed or implied herein.

For and on behalf of the Board

Place: Mumbai  
Date: 31.08.2011

**Ajay Anand**  
Chairman & Managing Director

## REPORT ON CORPORATE GOVERNANCE

(Pursuant to Clause 49 of the Listing Agreement with Stock Exchange)

### THE REPORT & ITS APPLICABILITY

The Corporate Governance represents the value, ethical and moral framework under which business decisions are taken. Corporate Governance is the mechanism by which the values, principles, policies and procedures of the organization are inculcated and manifested. The essence lies in promoting and maintaining transparency, integrity and accountability throughout the organization.

### COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The company's philosophy on corporate governance is to achieve business excellence and to create and enhance the value for its Shareholders, employees, Banks & Financial Institution, creditors, customers and the Government thereby, to make a significant contribution to the social responsibility. FTL endeavors to achieve the highest levels of transparency, accountability, integrity and responsibility and continues to focus on good Corporate Governance, in line with local and global standards.

### COMPOSITION OF BOARD OF DIRECTORS

The Board comprises of an optimum combination of independent professionals as well as Company Executives having in-depth knowledge of the business of the Industry. The Board of directors consists of three Whole-time Directors and two non-executive, independent Directors.

None of the Directors hold directorships in more than the permissible number of companies under the relevant provisions. Further, none of the directors on the Board is a member of more than ten committees or Chairman of more than five committees.

During the financial year under review 12 Board Meetings were held on the following dates 19.04.2010, 29.04.2010, 14.05.2010, 07.06.2010, 31.07.2009, 13.08.2010, 26.08.2010, 24.09.2010, 15.11.2010, 06.12.2010, 15.02.2011, 28.03.2011.

The names of the Directors and the category to which they belong to, along with their attendance at Board Meetings during the period under review and at the last Annual General Meeting, and the number of directorships and committee memberships held by them in other companies are as herein below:-

Name of Director	Designation	Category	Attendance		Particulars of other Directorship, Committee membership / Chairmanship		
			Board Meeting	Last AGM	Director	Chairman	Member
Mr. Ajay Anand	Chairman & Managing Director	Promoter, Executive	11	Yes	2	--	2
Mrs. Rashmi Anand	Whole Time Director	Non-promoter Executive	12	No	--	--	--
Mr. Sanjay Anand	Whole Time Director	Non-promoter Executive	4	No	2	--	2
Mr. Vasudeva Rao	Director	Non-Executive & Independent	5	Yes	---	---	---
Mr. Rajiv Rai Sachdev	Director	Non-Executive & Independent	3	No	---	--	---

Appointment / Re-appointment of Directors:

- Mr. Vasudeva Rao is liable to retire by rotation, appointed as the director of the company.

**DETAILS OF DIRECTORS SEEKING APPOINTMENT AT THE ANNUAL GENERAL MEETING**

Particulars	Mr. Vasudeva Rao
Date of Birth	22.08.1939
Date of appointment	30.10.2002
Qualifications	Chartered Accountant
Expertise in specific functional area	Wide experience in the Finance & Accounting
Directorship held in other Public Companies	NIL
Membership/chairmanship of committees of other Public Companies	NIL

**AUDIT COMMITTEE**

The Company has a qualified and independent Audit Committee constituted in line with the provisions of clause 49 of the Agreement with the stock exchanges read with Section 292A of the Companies Act, 1956.

The committee is headed under the stewardship of Mr. Vasudeva Rao, a Chartered Accountant and an independent non-executive Director. Mr. Rajiv Rai Sachdev independent non-executive director is a member of the Committee, has requisite financial and management experience. Mr. Ajay Anand, Managing Director and Chairman of the Company is also a member of the Committee.

**The terms of reference are broadly as under:**

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
  - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956
  - b. Changes, if any, in accounting policies and practices and reasons for the same
  - c. Major accounting entries involving estimates based on the exercise of judgment by management
  - d. Significant adjustments made in the financial statements arising out of audit findings
  - e. Compliance with listing and other legal requirements relating to financial statements
  - f. Disclosure of any related party transactions
  - g. Qualifications in the draft audit report.
5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval
- 5A. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.

6. Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
8. Discussion with internal auditors any significant findings and follow up there on.
9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
10. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
12. To review the functioning of the Whistle Blower mechanism, in case the same is existing.
- 12A. Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate.
13. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

**Composition, Meetings and Attendance:**

Audit Committee met 5 times during the year on 14.05.2010, 13.08.2010, 26.08.2010, 15.11.2010 & 15.02.2011,

**Attendance :-**

S. No.	Name of the Member	Status	No. of Meetings held	No. of Meetings Attended
1.	Mr. Vasudeva Rao	Chairman	5	5
2.	Mr. Ajay Anand	Member	5	5
3.	Mr. Rajiv Rai Sachdev	Member	5	4

Mr. Martin Golla, Sr. VP- Legal and Company Secretary acts as the Secretary to the Committee.

**SHARE TRANSFER COMMITTEE**

The Share Transfer Committee headed by Mr. Rajiv Rai Sachdev, a Non-executive Independent Director and Mr. Vasudeva Rao and Mr. Sanjay Anand are the other members of the committee. The Committee looks into the matters of share transfers, transmissions, dematerialization, issue of duplicate share certificates and related matters.

Mr. Martin Golla, Sr. VP - Legal and Company Secretary acts as the Secretary to the Committee and is the Compliance Officer.

The Committee met 6 times during the financial year to consider the request for transfer and transmissions and the members were present at all the meetings.

**SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE:**

The Shareholders' / Investors' Grievance Committee comprises of Mr. Rajiv Rai Sachdev a Non-Executive Independent Director, as Chairman and Mr. Vasudeva Rao and Mr. Sanjay Anand are the other members of the Committee.

Mr. Martin Golla, Sr. VP - Legal and Company Secretary acts as the Secretary to the Committee and is the Compliance Officer.

The Committee met 5 times during the financial year and all the members were present at the meeting. The Company has not received any serious complaints and the routine complaints received were attended to promptly and no complaint as such is pending with the company.

**REMUNERATION COMMITTEE:-**

The Remuneration Committee consists of two Independent directors Mr. Vasudeva Rao and Mr. Rajiv Rai Sachdev . The Committee is headed by Mr. Vasudeva Rao.

The Committee is constituted to formulate and recommend to the Board from time to time, a compensation structure for whole-time members of the Board and managers.

The details of remuneration paid to Whole Time Directors during the year 2010-2011 is given as follows:(No sitting fees paid to the following directors)

Director	Designation	Remuneration (including all perquisites) Rs.	Service Contract
Mr. Ajay Anand	Chairman & Managing Director	3,456,000/-	3years
Mr. Sanjay Anand	Whole Time Director	1,764,500/-	3years
Mrs. Rashmi Anand	Whole Time Director	1,440,000/-	3years

The details of Sitting Fees paid to Non-Executive Directors during the year ended March 31st 2011 are as follows (The Non-Executive Directors are not entitled to any remuneration, whatsoever, except sitting fees): -

Sr. No.	Name of the Non-Executive Director	Sitting Fees (Rs.)
1	Mr. Vasudeva Rao	25,000/-
2	Mr. Rajiv Rai Sachdev	15,000/-

*Apart from sitting fees for the attending Board / Committee meetings, no other fees / compensation is paid to the Directors. Your Company does not have any stock option scheme for its Directors and employees.*

**GENERAL BODY MEETINGS:-**

Year	Location	Date	Time
2007-2008	Plot No. 146, Waghdhara Village Road , Dadra – 396 191 Union Territory of Dadra & Nagar Haveli	11 <sup>th</sup> December 2008	12.00 p.m.
2008-2009	Survey No.356/1-2, Village Dadra-396191 Union Territory of Dadra & Nagar Haveli	29 <sup>th</sup> August, 2009	12.00 p.m.
2009-2010	Survey No.356/1-2, Village Dadra-396191 Union Territory of Dadra & Nagar Haveli	29 <sup>th</sup> September, 2010	9.30 a.m.

- All the resolutions set out in the respective Notices were passed by the members. No postal Ballot was conducted during the year.
  - The following special resolutions were passed by the members during the previous three Annual General Meetings:
    - o The members passed a special resolution at the Annual General Meeting held on 11.12.2008 for appointment of Mr. G. G. Prabhu as Executive Director of the Company and approval of payment of remuneration.
    - o The members passed special resolution at the Annual general Meeting held on 29.08.2009 for payment of remuneration to the executive directors in view of inadequacy of profits during the year 2008-09.
    - o The Members passed a special resolution at the Annual General Meeting held on 29.09.2010 for re-appointment of Managing Director and Whole Time Directors for a period of three years and payment of remuneration
- \* Apart from the above, no other special resolution was passed in the aforesaid Annual General Meeting.

**Other Information:**

**a) Risk Management Framework:**

The Company has in place mechanism to inform Board of Directors about the Risk assessment and risk minimization procedures and periodical reviews to ensure that risk is controlled by the Management through the means of a properly laid-out framework.

**b) Code of Conduct:**

The Company has laid down a code of conduct for the Board of Directors and Senior Management personnel of the Company. The code of conduct is available on the website of the Company [www.fazethree.com](http://www.fazethree.com). The declaration of Chairman & Managing Director is given below:

To the Shareholders of Faze Three Limited  
 Sub: Compliances with Code of Conduct

I hereby declare that the Board of Directors and Senior Management Personnel have affirmed compliance with the Code of Conduct as adopted by the Board of Directors.

**Ajay Anand**  
Chairman & Managing Director

Mumbai, 31st August 2011

Chief Executive Officer (CEO) and Chief Financial Officer (CFO) certification, issued pursuant to the provisions of Clause 49 of the Listing Agreement:

To the Board of Directors of Faze Three Limited

Dear Sirs,

Sub: CEO/CFO Certificate

We have reviewed the financial statements, read with the cash flow statement of Faze Three Limited for the year ended March 31st 2011 and that to the best of our knowledge and belief, we state that:-

- (a) (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that may be misleading.
- (ii) these statements present a true and fair view of the Company's affairs and are in compliance with current accounting standards, applicable laws and regulations.
- (b) there are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or in violation of the Company's code of conduct.
- (c) we accept responsibility for establishing and maintaining internal controls for financial reporting. We have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and steps taken or proposed to be taken for rectifying these deficiencies.



- (d) we have indicated to the Auditors and the Audit Committee:
- (i) significant changes in the internal control over financial reporting during the year, if any;
  - (ii) significant changes in accounting policies made during the year, if any, and that the same have been disclosed in the notes to the financial statements; and
  - (iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Yours sincerely,

**Ajay Anand**  
Chairman & Managing Director

### **Prevention of Insider Trading :**

The Company has framed a code of conduct for Prevention of Insider Trading based on SEBI (Insider Trading) Regulations, 1992. This code is applicable to all Directors/Designated Employees. The code insures the prevention of dealing in Company's shares by persons having access to unpublished price sensitive information.

### **Disclosures :**

There are no materially significant transactions made by the Company with its promoters, Directors or Management, their subsidiaries or relatives etc. that may have potential conflict with the interest of the Company at large.

During the last three years, there were no strictures or penalties imposed by either SEBI or the Stock Exchanges or any statutory authority for non-compliance on any matter related to the Capital Markets.

The Company has a process in place that meets the objectives of the Whistle blower policy. The Board annually reviews the findings and action taken, if any, on matters initiated through this mode. In the opinion of the Board there are no cases where a person was denied access to the grievance process set up by the Company.

### **MEANS OF COMMUNICATION : -**

The Company publishes its annual, half yearly and the quarterly financial results in the following Newspapers:

- (i) DNA (English)
- (ii) Divya Bhaskar ( Gujarathi)

Company's results and official news releases, if any, are also displayed on the Company's website [www.fazethree.com](http://www.fazethree.com)

### **GENERAL SHAREHOLDER INFORMATION**

AGM Date, time and venue	Thursday, 29th September, 2011 10.30 a.m. Survey No. 380/1, Khanvel Silvassa Road, Village Dapada 396230 Union Territory of Dadra & Nagar Haveli
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### **Financial Calendar for 2011-12 (Tentative)**

2nd Quarter Results	Second week of November 2011
3rd Quarter Results	Second week of February 2012
4th Quarter Results	Second week of May 2012
Results for the year ending March 2012	Second week of August 2012

<b>DATE OF BOOK CLOSURE</b>	23rd September, 2011 to 29th September, 2011 (Both days inclusive)
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<b>LISTING ON STOCK EXCHANGES</b>	The Stock Exchange, Mumbai Luxembourg Stock Exchange
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<b>STOCK CODE</b>	530079 on The Stock Exchange, Mumbai 027941079 on Luxembourg Stock Exchange
<b>DEMAT ISIN No. FOR NSDL &amp; CDSL</b>	INE963C01033
<b>SHARE TRANSFER SYSTEM</b>	All the transfers received are processed by the Registrar & Transfer Agents and are approved by the Share Transfer Committee. Every effort is made to dispose off the Share Transfer / Transmission requests within 10 days of the receipts of the same.
<b>PLANT LOCATION</b>	<ol style="list-style-type: none"> <li>1. Handloom &amp; Made-Ups Plant Jatal Road, Anand Nagar, Panipat 132103 (Haryana)</li> <li>2. Weaving &amp; Made-Ups Plant Survey No. 380/1, Village Dapada, U.T.D &amp; N.H.</li> <li>3. Bathmat Plant Survey No. 356/1-2, Village Dadra, U.T.D &amp; N.H.</li> <li>4. Dye-House Plot No. 71, GIDC, Vapi Industrial Area, Pardi Distt. Valsad, Gujarat.</li> </ol>
<b>ADDRESS FOR COMMUNICATION</b>	<b>Corporate Office</b> FAZE THREE LIMITED 1-2, Shiv Smriti Chambers, 49-A, Dr. Annie Besant Road, Worli, Mumbai – 400 018. Phone 022 6660 4600
<b>DESIGNATED E-MAIL ID FOR SHAREHOLDERS</b>	investors@fazethree.com

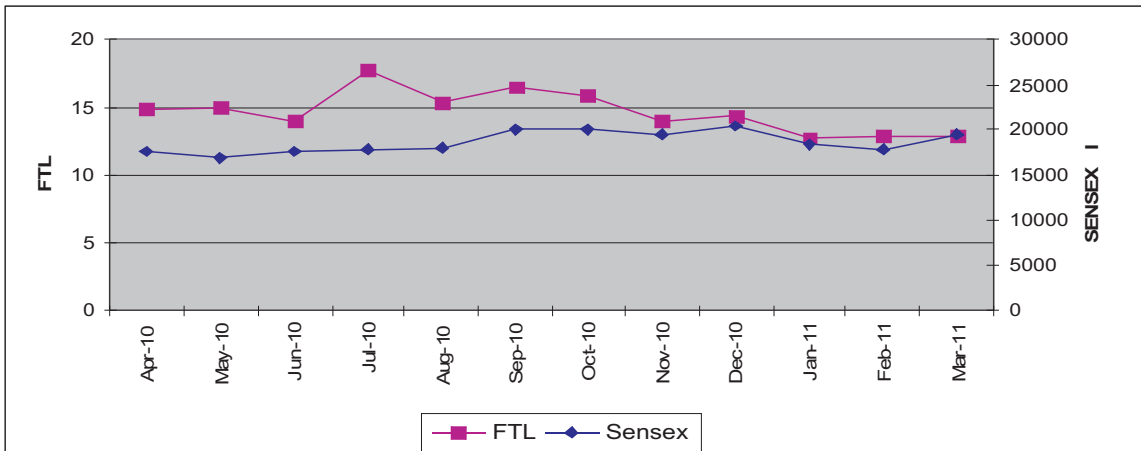
**Dividend Information:**

Pursuant to the provisions of Section 205A of the Companies Act, 1956, Dividend for the financial year ended 2004-2005 which remained unpaid or unclaimed will be transferred to the Investor Education and Protection Fund ('IEPF') constituted by the Central Government under Section 205C of the Companies Act, 1956 on 27.09.2012.

Members who have not claimed the dividend for the above period are requested to claim the same at the earliest.

**Stock Market Data (BSE) :**

Month	Month's High Price	Month's Low Price	Volume	BSE Sensex High	BSE Sensex Low
April 2010	16.46	11.72	161545	18048	17277
May 2010	15.49	13.5	131573	17537	15960
June 2010	15.15	13.5	53320	17920	16318
July 2010	17.99	13.46	169129	18238	17396
August 2010	19.95	14.55	195546	18475	17820
September 2010	18.15	14.95	104501	20268	18027
October 2010	17.4	14.8	66494	20855	19769
November 2010	16.9	13.6	40873	21109	18955
December 2010	14.9	12.7	47818	20552	19075
January 2011	15.39	11.35	33119	20665	18038
February 2011	14.29	11	31027	18691	17296
March 2011	15.8	12.04	76170	19575	17792



Distribution of Shareholding as on March 31st, 2011:-

Sr. No.	No. of Equity Shares held		Shareholders		Shareholding	
	From	To	Nos.	%	Nos.	%
1	Upto 100		1961	42.31	112937	0.93
2	101	200	630	13.59	108650	0.88
3	201	500	1430	30.85	448612	3.68
4	501	1000	300	6.47	242145	1.99
5	1001	5000	238	5.13	494362	4.06
6	5001	10000	31	0.67	216561	1.78
7	10001	100000	31	0.67	798761	6.55
8	100001 and above		14	0.31	9766769	80.13
<b>TOTAL</b>			<b>4635</b>	<b>100</b>	<b>12188797</b>	<b>100.00</b>

Shareholding Pattern as on March 31st 2011

Category code	Category of Shareholder	Total no of shares	Percentage of Shareholding
(A) 1	<b>Promoter Holding</b>		
	Indian Promoters	<b>5358834</b>	<b>43.97</b>
<b>Total Promoter Holding</b>		<b>5358834</b>	<b>43.97</b>
(B)	<b>Non Promoter Holding</b>		
	<b>Institutions &amp; Non Institutions</b>		
	(a) Venture Capital Fund	250	0.001
	(b) Private Bodies Corporate	3466259	28.44
	(c) Individuals	3305522	27.12
	(d) Any Other (Clearing Member)	631	0.00
(e) NRI	57301	0.47	
<b>Total Non Promoter Holding</b>		<b>6829713</b>	<b>56.03</b>
<b>GRAND TOTAL (A)+(B)</b>		<b>12188797</b>	<b>100</b>

For and on behalf of the Board

Place: Mumbai  
Dated:31.08.2011

**Ajay Anand**  
Chairman & Managing Director

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## AUDITOR'S REPORT ON CORPORATE GOVERNANCE

### TO THE MEMBERS OF FAZE THREE LIMITED

#### **Auditor's Certificate on Compliance with the conditions of Corporate Governance under Clause 49 of The Listing Agreement**

To the Members of Faze Three Limited

We have examined the compliance of conditions of Corporate Governance by Faze Three Limited for the year ended 31st March 2011 as stipulated in Clause 49 of the Listing Agreement(s) of the said Company with the Stock Exchange(s) in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the guidance note on certification of Corporate Governance (as stipulated in clause 49 of the Listing Agreement) issued by Institute of Chartered Accountants of India and limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of conditions of corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of corporate governance as mentioned in the above-mentioned Listing Agreement(s), except in case of the Composition of Board where the Company's strength of Independent Director is short by one Director.

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

**For THAKUR, VAIDYANATH AIYAR & CO.**  
**Chartered Accountants**  
**Firm Rgn. No. 000038N**

**Place: Mumbai**  
**Date:31.08.2011**

**C.V.PARAMESWAR**  
**Partner**  
**M.No.11541**

## **AUDITOR'S REPORT**

To The Members  
Faze Three Ltd  
Mumbai

We have audited the attached Balance Sheet of Faze Three Limited, as at 31st March 2011 and also the Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of section 227 (4A) of the Companies Act 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to in Paragraph 1 above:
  - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
  - b. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of such books, and proper returns adequate for the purposes of our audit have been received from the units.
  - c. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
  - d. In our opinion, the Balance Sheet and the Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.

### **THAKUR, VAIDYANATH AIYAR & CO.**

- f. On the basis of written representations received from the Directors, as on 31st March, 2011 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2011 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- g. In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and Profit and Loss Account read together with the Accounting Policies and Notes thereon and in particular note No.11 in regard to Insolvency Proceedings of a Subsidiary, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view:
  - i. In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2011 and
  - ii. In the case of Profit and Loss Account, of the Profit for the year ended on that date.
  - iii. In the case of the Cash Flow statement, of the cash flows for the year ended on that date.

**For THAKUR VAIDYANATH AIYAR & CO.**  
**CHARTERED ACCOUNTANTS**  
**Firm Registration No. 000038N**

**C.V.PARAMESWAR**  
**PARTNER**  
**M.No.11541**

Place: Mumbai  
Dated: 31st August 2011

## ANNEXURE TO AUDITORS' REPORT

Referred to in paragraph 1 of our report of even date

- i. In respect of Fixed Assets
  - (a) The Company has maintained proper records showing full particulars including quantitative details and situation of its Fixed Assets.
  - (b) As explained to us the major Fixed Assets have been physically verified by the Management at reasonable intervals during the year. As per the information given to us no material discrepancy has been noticed on such verification.
  - (c) In our opinion, the Company has not disposed of substantial part of fixed assets during the year and the going concern status of the Company is not affected.
- ii. In respect of Inventories
  - (a) As informed to us, physical verification of inventories has been conducted by the Management at the end of the year.
  - (b) Based on the explanations given to us, in our opinion, the procedure of physical verification of inventory followed by the management is reasonable and adequate in relation to the size of the Company and the nature of its business.
  - (c) In our opinion, the Company is maintaining proper records of inventory and as explained to us, there were no material discrepancies noticed between the physical stocks and book record.
- iii. In respect of loans, Secured or Unsecured, granted or taken by the Company to / from Companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956:
  - (a) Based on the audit procedures applied by us and according to the information and explanations given to us, the Company has taken from Companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956 unsecured loan from 8 parties amounting to Rs. 473 Lakhs. The Company had granted loans to 2 Companies listed in the Register maintained under Sec 301 of the Companies Act, 1956 amounting to Rs. 702 Lakhs.
  - (b) As per the information and explanations given to us, rate of interest and the terms and conditions of the said loans taken / given, are not prima facie prejudicial to the interest of the Company.
  - (c) As explained to us no amount of principal and interest has become due during the year.
  - (d) In view of our comment in (c) above, Para 4(iii)(d) of the Order is not applicable to the Company.
- iv. In our opinion and according to the information and explanations given to us there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods. During the course of our audit, we have not observed any continuing failure to correct weaknesses in internal controls.
- v. In respect of transactions covered under Section 301 of the Companies Act, 1956
  - (a) In our opinion and according to the information and explanations given to us, the transactions that need to be entered in the Register maintained under section 301 of the Act have been so entered.
  - (b) In our opinion and according to the information & explanations given to us, the transaction made in pursuance of such contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi. The Company has not accepted any deposits from the public within the meaning of Sec 58A and 58AA of the Act and the Rules framed there under.
- vii. In our opinion, the Company has an Internal Audit System, which is commensurate with the size and nature of its business.
- viii. We have been informed that the Central Government has not prescribed maintenance of cost records under Section 209 (1)(d) of the Companies Act, 1956.

ix. In respect of Statutory dues

- (a) The company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investors Education and Protection Fund, Employees State Insurance, Income- Tax, Sales-Tax, Wealth- tax, Customs Duty, Excise Duty, Cess and other statutory dues with the appropriate authorities. According to the information and explanation given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31st March 2011 for a period of more than six months from the date they became payable.
- (b) According to the information and explanation given to us, the details of dues of income-tax which have not been deposited on account of dispute are given below:-

Particulars	Assessment years to which the matter pertains to	Forum where dispute is pending	Amount (Rs. In Lakhs)
Income tax	2003 2004	High Court	26.43
Income tax	2004-2005	ITAT (Mumbai)	20.99

- x. The Company did not have any accumulated losses at the end of the Financial year.
- xi. Based on our audit procedures and according to the information and explanations given to us we are of the opinion that the Company has not defaulted in repayment of dues to the financial institutions, banks or debenture holders.
- xii. In our opinion and according to the information and explanation given to us no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. The Company is not a chit fund or a nidhi / mutual benefit fund/ society. Therefore Para 4 (xiii) is not applicable to the Company.
- xiv. In our opinion, the company is not dealing or trading in shares, securities, debentures and other investments and hence, the requirements of para 4(xiv) of the Order are not applicable to the Company.
- xv. The Company has given a guarantee for loan taken by others from banks or financial institutions. In our opinion and according to the information and explanation given to us the terms and conditions thereof are not prima-facie prejudicial to the interest of the Company.
- xvi. According to information & explanation given to us, in our opinion, term loans availed by the company were, prima facie, applied by the company for the purpose for which the loans were obtained.
- xvii. On the basis of our examination & according to the information & explanations given to us, on an overall examination of the Balance Sheet of the Company, Funds raised on short term basis have, prima facie, not being used during the year for long term investments.
- xviii. The Company has not made any preferential allotment of shares during the year to parties and Companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- xix. The Company has not issued any debentures during the year and therefore para 4(xix) of the Order is not applicable to the Company.
- xx. The Company has not raised any money by way of public issue during the year.
- xxi. During the course of our examination of the books and records of the Company carried out in accordance with generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of any such case by the management.

**For THAKUR VAIDYANATH AIYAR & CO.**  
**CHARTERED ACCOUNTANTS**  
**Firm Registration No. 000038N**

**C.V.PARAMESWAR**  
**PARTNER**  
**M.No.11541**

Place: Mumbai  
 Dated: 31st August 2011

**BALANCE SHEET**  
**as at 31 March, 2011**

	Schedule	As At 31ST MARCH 2011 [Rupees]	As At 31ST MARCH 2010 [Rupees]
<b>I SOURCES OF FUNDS</b>			
1. Shareholder's Funds			
(a) Share Capital	I	121,887,974	121,887,974
(b) Reserves and Surplus	II	444,081,421	441,604,389
2. Loan Funds			
(a) Secured Loans	III	823,231,881	787,865,614
(b) Unsecured Loans	IV	491,211,469	466,067,994
3. Deferred Tax Liability for the year		102,367,993	102,367,992
		<u>1,982,780,738</u>	<u>1,919,793,963</u>
<b>II APPLICATIONS OF FUNDS</b>			
1. Fixed Assets	V		
(a) Gross Block		1,264,672,180	1,215,958,022
(b) Less: Depreciation		344,675,839	295,544,484
(c) Net Block		<u>919,996,341</u>	<u>920,413,538</u>
(d) Capital Work-in-progress		46,063,144	83,194,958
2. Investments	VI	56,937,269	58,343,149
3. Current Assets, Loans & Advances	VII		
Inventories		673,929,469	502,211,915
Sundry Debtors		375,897,202	367,133,589
Cash & Bank Balances		24,772,990	35,189,858
Loans & Advances		348,594,484	282,319,845
		<u>1,423,194,145</u>	<u>1,186,855,206</u>
Less: Current Liabilities			
Sundry Creditors	VIII	343,289,090	233,873,865
Other Liabilities		120,121,071	95,139,023
		<u>463,410,161</u>	<u>329,012,888</u>
Net Current Assets		<u>959,783,984</u>	<u>857,842,319</u>
		<u>1,982,780,738</u>	<u>1,919,793,963</u>
NOTES TO ACCOUNTS	XVII		

As per our report of even date.

**Thakur Vaidyanath Aiyar & Co.**  
Chartered Accountants  
Firm Rgn. No-000038N

**C. V. Parameswar**  
Partner  
M.No.: 11541

Place : Mumbai  
Dated : 31st August 2011

**For and on behalf of the Board**

**Ajay Anand**  
Managing Director

**Sanjay Anand**  
Whole Time Director

**Rashmi Anand**  
Whole Time Director

**Martin Golla**  
Sr. VP-Legal & Company Secretary



## 26th Annual Report 2010-2011



<b>PROFIT &amp; LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2011</b>	<b>Schedule</b>	<b>Current Year [Rupees]</b>	<b>Previous Year [Rupees]</b>
<b>INCOME</b>			
(a) Sales	IX	1,232,396,153	1,217,893,669
(b) Other Income	X	283,510,184	162,687,996
(C) Increase / (Decrease ) in Stocks	XI	94,587,653	60,643,944
		<b>1,610,493,990</b>	<b>1,441,225,609</b>
<b>EXPENDITURE</b>			
(a) Material Cost	XII	695,506,126	636,118,948
(b) Employees Cost	XIII	149,563,213	129,313,399
(c) Operating Expenses	XIV	337,242,080	247,854,607
(d) Admn. & Selling Expenses	XV	239,329,972	220,793,030
(e) Interest [Net]	XVI	87,587,881	106,964,219
(f) Depreciation	V	56,090,356	51,699,619
		<b>1,565,319,628</b>	<b>1,392,743,823</b>
<b>PROFIT / (LOSS ) BEFORE EXCEPTIONAL ITEMS AND TAX</b>		<b>45,174,362</b>	48,481,786
Exceptional Items (Refer Note No. 11 of Schedule XVII)		42,047,329	-
<b>PROFIT / (LOSS ) AFTER EXCEPTIONAL ITEMS</b>		<b>3,127,033</b>	48,481,786
<b>Provision for Taxation</b>			
Current Tax Liabilities ( Refer Note No. 2 of Schedule XVII )		650,000	-
Deffered Tax (Refer Note No.9 of Schedule XVII )		-	-
Prior Period Taxes		-	5,514,340
<b>PROFIT /(LOSS) AFTER TAX</b>		<b>2,477,033</b>	42,967,446
Add: Balance Brought Forward from Previous Year		42,967,446	-
Profit /(loss) available for appropriation		<b>45,444,479</b>	42,967,446
<b>APPROPRIATIONS :</b>			
Balance Carried to Balance Sheet		45,444,479	42,967,446
		<b>45,444,479</b>	42,967,446
<b>Earning per Share [Basic &amp; Diluted]</b>		<b>0.20</b>	3.53
<b>NOTES TO ACCOUNTS</b>	XVII		

As per our report of even date.

**Thakur Vaidyanath Aiyar & Co.**

Chartered Accountants  
Firm Rgn. No-000038N

**C. V. Parameswar**

Partner  
M.No.: 11541

Place : Mumbai  
Dated : 31st August 2011

**For and on behalf of the Board**

**Ajay Anand**  
Managing Director

**Sanjay Anand**  
Whole Time Director

**Rashmi Anand**  
Whole Time Director

**Martin Golla**  
Sr. VP-Legal & Company Secretary



**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2011**

	Year ended 31st March 2011	(Rs in Lakhs) Year ended 31st March 2010
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit before tax & extra ordinary items	451.74	484.82
Adjustments for:		
Depreciation	560.90	516.99
Interest(Net)	875.88	1079.64
Miscellaneous Exp w/off Invt	12.13	-
Loss/(Profit) on sale of Assets	(130.05)	(285.75)
Loss/(Profit) on sale of Investments	(21.11)	-
Operating profit before working capital changes	<u>1,749.50</u>	<u>1795.70</u>
Adjustments for :		
Trade & other receivables	(750.38)	276.04
Inventories	(1,717.18)	(978.59)
Trade payables	1,343.97	160.39
Cash generated from operations	<u>625.92</u>	<u>1253.54</u>
Direct taxes paid	(6.50)	-
Cash flow before extra ordinary items	619.42	1253.54
Extraordinary items	(420.47)	(55.14)
Net cash from operating activities	A <u>198.94</u>	<u>1198.40</u>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets & Capital Work in process	(252.69)	-
Sale of Fixed assets	197.33	352.28
Purchase of Investments	-	-
Sale of Investments	23.03	-
Loans	-	-
Depn Adj	-	-
Net cash used in investing activities	B <u>(32.33)</u>	<u>352.28</u>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Issue of Share capital including Share Premium	-	-
Borrowings (Net)	605.10	(268.58)
Interest(Net)	(875.88)	(1079.64)
Dividend paid, including Dividend Tax	-	-
Net cash from Financing activities	C <u>(270.78)</u>	<u>(1,348.22)</u>
CASH & CASH EQUIVALENTS(OPENING)	351.90	149.44
ADD: NET INCREASE/(DECREASE) IN CASH/ CASH EQUIVALENTS(A+B+C)	(104.17)	202.46
<b>CASH &amp; CASH EQUIVALENTS(CLOSING)</b>	<u>247.73</u>	<u>351.90</u>
(NOTE: Figures in bracket signifies 'Outflow')		

As per our report of even date.

**Thakur Vaidyanath Aiyar & Co.**  
Chartered Accountants  
Firm Rgn. No-000038N

**C. V. Parameswar**  
Partner  
M.No.: 11541

Place : Mumbai  
Dated : 31st August 2011

**For and on behalf of the Board**

**Ajay Anand**  
Managing Director

**Rashmi Anand**  
Whole Time Director

**Sanjay Anand**  
Whole Time Director

**Martin Golla**  
Sr. VP-Legal & Company Secretary

## 26th Annual Report 2010-2011



SCHEDULES TO THE ACCOUNTS FOR YEAR ENDED 31ST MARCH 2011	As At 31st March 2011 [Rupees]	As At 31st March 2010 [Rupees]
<b>SCHEDULE - I</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised :</b>		
1,70,00,000 (1,70,00,000) Equity Shares of Rs.10 Each	170,000,000	170,000,000
	<u>170,000,000</u>	<u>170,000,000</u>
<b>Issued, Subscribed &amp; Paid up</b>		
1,21,88,797 (1,21,88,797) Equity Shares of Rs.10 Each	121,887,974	121,887,974
	<u>121,887,974</u>	<u>121,887,974</u>
<b>SCHEDULE - II</b>		
<b>RESERVES &amp; SURPLUS</b>		
<b>Revaluation Reserve</b>		
Balance as per last balance sheet	-	18,743,876
Less : Depreciation on revalued amount of fixed assets.	-	329,081
Revaluation Reserve no longer required transferd to General Reserve.	-	18,414,795
	<u>-</u>	<u>-</u>
<b>Security Premium Account</b>		
Balance as per last balance sheet	31,273,767	31,273,767
	<u>31,273,767</u>	<u>31,273,767</u>
<b>General Reserve</b>		
Balance as per last balance sheet	314,031,484	295,616,689
Add: Revaluation Reserve	-	18,414,795
	<u>314,031,484</u>	<u>314,031,484</u>
<b>Capital Reserve</b>		
Balance as per last balance sheet	53,331,692	53,331,692
	<u>53,331,692</u>	<u>53,331,692</u>
<b>Profit &amp; Loss Account</b>		
	45,444,478	42,967,446
	<u>444,081,421</u>	<u>441,604,389</u>

SCHEDULES TO THE ACCOUNTS FOR YEAR ENDED 31ST MARCH 2011	As At 31st March 2011 [Rupees]	As At 31st March 2010 [Rupees]
<b>SCHEDULE - III</b>		
<b>SECURED LOANS</b>		
From Bank : ( Refer Note No.10 of Schedule XVII )		
Term Loan	267,275,262	232,393,346
Short Term Loan	-	17,300,000
Packing Credit	475,745,726	472,897,711
Cash Credit	921,776	2,032,278
Bills discounting	77,339,540	59,930,228
Other loans [Secured against hypothecation of Vehicles]	1,949,577	3,312,051
	<u>823,231,881</u>	<u>787,865,614</u>
<b>SCHEDULE - IV</b>		
<b>UNSECURED LOANS</b>		
8,000 1.5% Foreign Currency Convertible Bonds of USD 1,000 each, totalling to USD 8 Million	348,720,000	348,720,000
<b>Short term loans &amp; advances</b>		
From Company / Firms / Others	127,297,776	114,551,173
From Directors	15,193,693	2,796,821
	<u>491,211,469</u>	<u>466,067,994</u>

**SCHEDULES TO THE ACCOUNTS Contd.  
SCHEDULE - V  
FIXED ASSETS**

PARTICULARS	Rate of Dep.	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		AS AT 1st Apr 2010	ADDITIONS	TRANSFERS	AS AT 31st Mar 2011	AS AT 1st Apr 2010	ADJ. ON ITEMS SOLD/TRANFRD	FOR THE YEAR	TO REVALU. RESERVE	AS AT 31st Mar 2011	AS AT 31st Mar 2010
									RESERVE		
LAND - FREEHOLD		56,036,193	2,532,000	-	58,568,193		-	-	-	58,568,193	56,036,193
LAND - LEASE HOLD		12,185,987	-	-	12,185,987		-	-	-	12,185,987	12,185,987
BUILDING	3.34%	377,335,591	6,868,359	8,428,373	375,775,577	78,853,631	2,768,159	12,465,348	-	88,550,821	298,481,959
PLANT & MACHINERY	4.75%	614,715,671	45,081,008	-	659,821,677	134,994,520	33,147,860	3,379,798	-	168,167,377	479,721,152
FURNITURE & FIXTURES	6.33%	47,630,349	2,560,460	-	50,190,809	23,240,616		357,865	-	26,620,414	24,389,733
OFFICE EQUIP	4.75%	7,104,640	520,145	44,292	7,580,494	2,270,817		1,281,938	-	2,628,681	4,833,824
COMPUTER	16.21%	17,720,383	614,228		18,334,611	14,834,768		2,119,902	-	16,116,707	2,885,615
ELECTRICAL INSTAL	4.75%	44,785,475	1,157,883		45,943,358	14,899,500		3,327,747	-	17,019,402	29,885,975
VEHICLES	25.89%	38,443,734	2,590,127	5,283,168	35,750,693	26,450,631	4,215,839	9,898	-	25,562,540	11,993,102
FIRE HYDRANT SYSTEMS	4.75%		520,782		520,782	-		9,898		9,898	-
TOTAL		1,215,958,022	62,444,992	13,755,833	1,264,672,180	295,544,484	6,983,998	56,090,356		344,675,839	920,413,539
PREVIOUS YEAR		1,163,535,632	92,439,922	40,017,533	1,215,958,022	256,013,026	12,497,244	51,699,619	329,081	295,544,484	920,413,538

Note : Regrouping / Reclassification of previous year figures have been done in case of certain items in one of the plants to make them comparable with the classification of assets at other plants.

**SCHEDULES TO THE ACCOUNTS Contd.**

	As At 31st March 2011 [Rupees]	As At 31st March 2010 [Rupees]
<b>SCHEDULE - VI</b>		
<b>INVESTMENTS (NON TRADE) (AT COST) LONG TERM</b>		
Unit Trust of India - 6.75% US 64 Bonds 424 (424) units bonds	42,400	42,400
<b>Quoted</b>		
Canara Bank NIL (5500) Equity shares of Rs.10 each Market Value Rs.NIL/- (Rs.22,56,925/-)	-	192,500
<b>V. R. Woodart Ltd</b> 14,56,612 (14,56,612) Equity shares of Rs.10 each Market Value Rs. 1,24,67,100/- (Rs.1,72,60,852/-)	11,669,869	11,669,869
<b>Unquoted</b>		
V. R. Woodart Ltd 4,52,000 (4,52,000) 5% Non-Cumulative Preference Shares of Rs.100 each fully paid up	45,200,000	45,200,000
Saraswat Co-operative Bank Ltd 2500 (2500) Equity shares of Rs.10 each fully paid up	25,000	25,000
<b>Investment in Foreign Subsidiary</b>		
Faze Three Netherlands BV, Netherlands (Wholly owned) NIL ( 20,000 ) Equity share of Euro 1.00 each	-	1,213,380
	<u>56,937,269</u>	<u>58,343,149</u>
<b>SCHEDULE - VII</b>		
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b>CURRENT ASSETS :</b>		
<b>STOCK IN TRADE</b>		
[ At cost/ Estimated cost or at lower of cost or net realisable value (As certified by Director ) as the case may be]		
Raw Materials	272,512,462	208,749,836
Work in process	108,796,947	76,382,277
Finished Goods	268,685,923	206,512,940
Stores, Spares & Packing Materials	18,631,974	8,037,569
Dyes & Chemicals	5,302,163	2,529,293
	<u>673,929,469</u>	<u>502,211,915</u>
<b>SUNDRY DEBTORS :</b>		
(Unsecured Considered Good )		
*Over Six months	34,608,368	11,015,288
Others :	341,288,834	358,315,397
	<u>375,897,202</u>	<u>369,330,686</u>
Less : Provision for doubtful debts	-	2,197,097
<b>*(Includes Rs.297.88 Lacs due from Insolvency Administrator of Pana Textil GmbH and Claimed)</b>	<u>375,897,202</u>	<u>367,133,589</u>

**SCHEDULES TO THE ACCOUNTS Contd.**

	As At 31st March 2011 [Rupees]	As At 31st March 2010 [Rupees]
<b>CASH &amp; BANK BALANCES :</b>		
Cash on Hand	264,189	816,105
Balance with Scheduled Bank :		
On Current Account	19,493,071	22,164,389
On EEFC Account	2,642	226,997
On Deposit Account	5,013,088	11,982,367
	<u>24,772,990</u>	<u>35,189,858</u>
<b>LOANS &amp; ADVANCES :</b>		
Advances recoverable in cash or in kind or for value to be recd. (Unsecured - Considered Good * +)	317,986,011	
Other deposits	12,475,151	
	<u>330,461,162</u>	
Less : Provision for doubtful advances	-	
	<u>330,461,162</u>	267,345,477
Advance Income Tax (Net of Provisions)	18,133,322	14,974,368
Branch / Divisions	-	-
	<u>348,594,484</u>	
	<u>1,423,194,145</u>	<u>1,186,855,207</u>

(\*Includes Rs. 701.82 lacs (Rs. 648.00 lacs) being loan advanced to joint venture company M/s. Aunde India Ltd a company under the same management. & Rs. Nil (Rs. 65.03) to M/s. Faze Three Netherlands BV, a wholly owned subsidiary.)

(+ Includes Rs. 400 Lacs due from Insolvency Administrator of Pana Textil GmbH and Claimed)

**SCHEDULE - VIII**

**CURRENT LIABILITIES AND PROVISIONS**

**CURRENT LIABILITIES**

Sundry Creditors			
: Micro, Small & Medium Enterprises (Refer Note 5 on Schedule XVII)	-		
: Others	343,289,090		
Other Liabilities	120,121,071	463,410,161	329,012,889
		<u>463,410,161</u>	<u>329,012,889</u>

**SCHEDULES TO THE ACCOUNTS Contd.**

	As At 31st March 2011 [Rupees]	As At 31st March 2010 [Rupees]
<b>SCHEDULE - IX</b>		
<b>SALES</b>		
Export	1,187,179,527	1,172,209,444
Local	45,216,626	45,684,225
	<b><u>1,232,396,153</u></b>	<b><u>1,217,893,669</u></b>
<b>SCHEDULE - X</b>		
<b>OTHER INCOME</b>		
Export Incentives	191,857,174	111,847,204
Dividend	5,000	5,000
Job work Income	34,392,254	19,745,457
Insurance Claim Received	18,694,995	-
Profit on Sale of Investment	2,110,957	-
Profit on Sale of Assets	12,749,253	28,575,140
Foreign Exchange Gain	23,700,551	2,515,195
	<b><u>283,510,184</u></b>	<b><u>162,687,996</u></b>
<b>SCHEDULE - XI</b>		
INCREASE / DECREASE IN STOCK :		
Closing Stock		
- Finished Goods	268,685,923	206,512,940
- Work In Progress	108,796,947	76,382,277
	<b><u>377,482,870</u></b>	<b><u>282,895,217</u></b>
Opening Stock		
Less : - Finished Goods	206,512,940	165,565,557
Less : - Work In Progress	76,382,277	56,685,716
	<b><u>282,895,217</u></b>	<b><u>222,251,273</u></b>
	<b><u>94,587,653</u></b>	<b><u>60,643,944</u></b>
<b>SCHEDULE - XII</b>		
<b>MATERIALS</b>		
CONSUMPTION OF RAW MATERIALS :		
Opening Stock	208,749,836	171,792,752
Add : Purchases	759,268,752	673,076,032
	<b><u>968,018,588</u></b>	<b><u>844,868,784</u></b>
Less : Closing Stock	272,512,462	208,749,836
	<b><u>695,506,126</u></b>	<b><u>636,118,948</u></b>
<b>SCHEDULE - XIII</b>		
<b>EMPLOYEES COST</b>		
Salaries & Wages	129,138,930	111,860,077
Contribution to Provident Fund & ESIC	8,809,490	6,739,989
Staff Welfare Expenses	11,614,793	10,713,333
	<b><u>149,563,213</u></b>	<b><u>129,313,399</u></b>

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### SCHEDULES TO THE ACCOUNTS Contd.

	As At 31st March 2011 [Rupees]	As At 31st March 2010 [Rupees]
<b>SCHEDULE - XIV</b>		
<b>OPERATING EXPENSES :</b>		
Excise Duty	2,307,916	235,205
Sewing, Stitching, Processing & Finishing Charges	189,871,165	123,790,445
Fabric Printing Charges	448,657	682,848
Repairs & Maintenance :		
Plant & Machinery	9,215,975	7,942,581
Buildings	1,942,002	2,530,153
Others	4,307,767	3,659,679
Power and Fuel	106,222,048	85,895,844
Stores & Spares Consumed	22,211,668	22,578,958
Loom Accessories	714,882	538,894
	<b>337,242,080</b>	<b>247,854,607</b>
<b>SCHEDULE - XV</b>		
<b>ADMINISTRATIVE AND SELLING EXPENSES :</b>		
Rent Rates & Taxes	7,964,635	4,338,375
P.F Administration Charges	363,655	210,598
Auditors Remuneration	456,671	432,600
Travelling & Conveyance Expenses	15,716,469	14,925,327
Legal & Professional Fees	13,771,237	8,936,045
Insurance	4,108,850	6,345,573
Miscellaneous Expenses	62,199,765	51,761,426
Directors Sitting Fees	52,000	90,000
Clearing & Forwarding Expenses	68,622,016	59,508,701
Packing Material Expenses	52,882,819	53,530,889
Business Promotion Expenses	1,237,542	1,473,787
Other Selling & Distribution Expenses	11,954,313	19,239,710
	<b>239,329,972</b>	<b>220,793,030</b>
<b>SCHEDULE - XVI</b>		
<b>INTEREST [NET]</b>		
Interest Paid to Bank	56,795,133	77,957,565
Interest - Others	38,913,625	42,677,489
(Includes Rs.341260/- ( Rs.2739945/-) to Directors)		
	<b>95,708,758</b>	<b>120,635,053</b>
Less : Interest Received	8,120,877	13,670,834
	<b>87,587,881</b>	<b>106,964,219</b>



## SCHEDULE XVII

### NOTES TO ACCOUNTS

#### 1. SIGNIFICANT ACCOUNTING POLICIES:

##### a) BASIS OF ACCOUNTING

The financial statements are prepared on accrual basis and in accordance with requirement of Companies Act, 1956.

##### b) FIXED ASSETS:

- a. Fixed Assets are stated at cost less accumulated depreciation. The Company capitalizes all cost relating to the acquisitions and installation of fixed assets.
- b. Capital work in progress includes all cost relating to the capital expenditure incurred on the projects

##### c) DEPRECIATION:

Depreciation on original cost has been provided under the Straight Line Method in the manner and at the rates prescribed by Schedule XIV to the Companies Act, 1956 except for Motor Vehicles, which is charged on Written Down Value. method. In the case of revalued asset, depreciation is charged on revalued amount. While depreciation on original cost is charged to the Profit and Loss Account, on the revalued amount it is adjusted against the Revaluation Reserve.

Loom accessories, which are of replacement in nature, are expensed.

##### d) INVESTMENTS:

Investments are considered as long term and are accordingly stated at cost. Provision for diminution if any, in the value of long-term investments is made, if such decline is other than temporary.

##### e) INVENTORIES:

- (a) Raw Materials are valued at cost or net realizable value whichever is lower.
- (b) Work-in-processes are valued at cost.
- (c) Finished Products are valued at Cost or net realizable value whichever is lower.
- (d) Cost is ascertained on a weighted average basis.

Cost of work in process and finished products comprises expenditure incurred in the normal course of business in bringing such inventories to its present locations and includes allocable overheads based on normal level of activity and excise duty where applicable.

##### f) SALES:

Sales are inclusive of Excise Duty.

##### g) FOREIGN CURRENCY TRANSACTIONS:

Foreign currency transactions are translated into Indian Currency at the exchange rate prevailing on the date of transaction. Other monetary assets / liabilities are valued at the rate prevailing on the date of balance sheet. The gain / losses resulting from the settlement of these transactions are recognized in the Profit and Loss Account.

##### h) RETIREMENT BENEFITS:

Company's contribution to Provident Fund and Family Pension Fund is defined contribution plan and is charged to Profit and Loss Account. There are no other obligations other than the contribution payable to the Recognised Provident Fund.

The Company has covered its Gratuity Liability with Life Insurance Corporation of India and the contribution as advised are made to LIC based on the actuarial valuation carried out by LIC.

The company does not have scheme for encashment of earned leave.

**i) EARNING IN FOREIGN EXCHANGE:**

F.O.B. value of Exports is worked out based on total exports sales less freight and insurance charges incurred thereon.

**j) CONTINGENT LIABILITIES:**

Liabilities which are of contingent nature are disclosed by way of Notes and such liabilities, which are likely to mature, are provided for.

**k) TAXES ON INCOME:**

Current tax is determined as the amount of tax payable in respect of taxable income for the period. Deferred tax is recognized, subject to the consideration of prudence in respect of deferred tax assets, on timing differences, being the difference between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

**NOTES TO FINANCIAL STATEMENTS :**

2. The Company has made provision for tax u/s 115JB of the Income tax Act 1961.

3. Contingent Liabilities:

Year ended	Year ended
31.03.2011	31.03.2010
Rupees	Rupees

Bills Discounted

40,314,152	59,930,228
------------	------------

Bank Guarantees

2,625,000	2,625,000
-----------	-----------

Foreign / Inland Letter of Credits

15,474,581	42,016,276
------------	------------

Corporate Guarantee in respect of Loan of Euro 4 Mln. ( Pr. Yr. Euro 4 Mln.) granted by Canara Bank London to subsidiary Pana Textil GmbH The said gurantee has been invoked and liability if any will be crystallized on completion of insolvency proceedings of Pana Textil GmbH.

252,440,000	241,800,000
-------------	-------------

4. Estimated amount of contracts remaining to be executed on capital account and not provided for

5,025,200	8,641,875
-----------	-----------

5. From the records available with the Company, dues to micro, small and medium enterprises amount to Rs. NIL- (Rs. NIL/-). There are no micro, small and medium enterprises to whom the Company owes a sum exceeding Rs. 1,00,000/- and which is outstanding for more than 30 days.

Year ended	Year ended
31.03.2011	31.03.2010
Rupees	Rupees

6. Managerial Remuneration:

To Managing Director and Whole-time Directors:

Salaries & Allowances

66,60,500	7,318,710
-----------	-----------

Company's Contribution to Provident Fund

28,080	28,080
--------	--------

Due to inadequacy of profits as per section 349 of the Companies Act, 1956 no commission is payable.

7. Auditors' remuneration:

(Excluding service tax)	(Including service tax)
----------------------------	----------------------------

Statutory Audit Fees

350,000	330,000
---------	---------

Tax Audit Fees

75,000	55,000
--------	--------

Certification Fees

-	27,500
---	--------

Out of Pocket Expenses reimbursed

31,671	20,100
--------	--------

<b>456,671</b>	<b>432,600</b>
----------------	----------------

8. Additional information pursuant to paragraph 3,4(c) and 4(d) of Part II of Schedule VI of the Companies Act, 1956.

	Year ended 31.03.2011 Rupees	Year ended 31.03.2010 Rupees
(A) Details of Registered and Installed Capacities, Actual Production:		
Installed Capacity Mtrs *	3,000,000	3,000,000
Pcs **	2,400,000	2,400,000
Actual Production Mtrs *	1,557,598	1,304,056
Pcs **	855,695	1,533,253

NOTES:

- (1) \*The above details relates to Dapada factory  
(2) \*\*The above details relates to Dadra factory  
(3) The above details are not stated for Panipat Factory as it is not applicable.

(B) Turnover:

Class of Goods:

Cotton Handloom Products, Durries, Made ups, Cushion  
Covers, Carpets etc.

1,232,396,153 1,217,893,669

(C) Item wise Breakup of opening & closing stock

**Opening Stock:**

Fabrics / Made-ups

206,512,940 165,565,557

Others (for resale)

-

**Closing Stock:**

Fabrics / Made-ups

268,685,923 206,512,940

Others (for resale)

-

(D) Raw Material/Intermediate

products Consumed:

	Year ended 31.03.2011		Year ended 31.03.2010	
	Qty	Amount	Qty	Amount
	Kgs.	Rs.	Kgs.	Rs.
Yarn	5,468,892	631,985,160	5,393,135	605,768,429
Other Raw Materials and Intermediate products		63,520,967		67,307,603

(E) Value of imported and indigenous Raw Materials/Intermediate Products, Stores & Spares consumed and their percentage to total consumption.

1. Raw material/Intermediate Products

Imported

20,908,562 3.01 49,854,742 7.41

Indigenous

674,597,564 96.99 623,221,290 92.59

2. Stores & Spares				
Imported	1,645,577	7.41	1,919,211	8.50
Indigenous	20,566,092	92.59	20,659,747	91.50
(F) CIF Value of Imports				
(a) Capital Goods	1,845,457		-	
(b) Others	22,554,139		51,773,953	
(G) Expenditure in Foreign Currency:				
Traveling and other expenses	8,004,788		49,11,857	
Professional Fees	4,409,582		-	
(H) Earnings in Foreign Exchange:				
FOB Value of Exports	1,180,542,741		1,112,700,743	
(i) The relevant information regarding turnover, opening stock and closing stock of Cotton Handloom, Products, Durries, Made ups, Cushion Covers, Carpets etc., Home /auto Fabrics, Made-ups, other traded products etc. is given only in aggregate and no breakup thereof is given as the items are too numerous to be conveniently grouped.				
(ii) Consumption includes adjustments for shortages/excess etc., and the effects of reduction of inventory to realizable value.				
(iii) Quantities of consumption, production, opening and closing stock of fabrics is in meters and in pieces while that of raw material and other materials are in Kilograms.				

9. Deferred Tax

	Year ended 31.03.2011 Rupees	Year ended 31.03.2010 Rupees
Major components of Deferred tax Assets and Deferred Tax Liabilities		
<b>Deferred Tax Liabilities</b>		
Difference between Book Value of Depreciable Assets as per books of account and Written Down Value as per Income Tax Act	12,553,679	11,324,000
<b>Deferred Tax Assets</b>		
Unabsorbed loss	12,553,679	11,324,000
Deferred Tax Liability/ Assets	-	-
Deferred Tax Liability as at 01.04.2011	102,367,993	102,367,992
Net Incremental Liability charged to Profit & Loss Account	-	-
(Deferred Tax assets has been considered only to the extent of the Deferred Tax Liabilities as at 31/03/2011 as a matter of prudence)		

10. Secured Loan:

**Security:**

a) **Term Loan**

**Canara Bank / Allahabd Bank**

Secured by paripasu charge by way of EMT of Land & Building and Hypothecation of specific Plant & Machineries and other movable fixed assets in respect of the expansion / new projects as prime security and collaterally secured by way of extension of the first charge on the existing fixed assets of the company excluding office property at Worli. The office property at Worli is exclusively charged to Canara Bank. (Comprising built up area 1983 sq.ft)



**b) Packing Credit / Bill Discounting.**

**Canara Bank / Allahabad Bank**

Secured by way of hypothecation of Current Assets (Raw Materials, WIP, Finished Goods, Spares & Stores and Goods meant for exports, Book Debts etc) as prime security and collaterally secured by extension of the charge on the Fixed Assets of the company excluding Office property at Worli. The office property at Worli is exclusively charged to Canara Bank. (Comprising built up area 1983 sq.ft)

**c) Cash Credit**

**Canara Bank**

Secured by way of hypothecation of Current Assets (Raw Materials, WIP, Finished Goods, Spares & Stores and Goods meant for exports, Book Debts etc) as prime security and collaterally secured by extension of the charge on the Fixed Assets of the company excluding Office property at Worli. The office property at Worli is exclusively charged to Canara Bank. (Comprising built up area 1983 sq.ft)

**11. Exceptional Items**

Exceptional item of Rs 420.47 Lacs represents amount written off relating to Pana Textil GmbH which is a subsidiary of Faze Three Netherlands B. V. holding 76% interest, which in turn is a subsidiary of Faze Three Limited.

Due to European recession, declining sales and losses of Pana Textil GmbH, Board of Directors of Faze Three Ltd (The holding company), after due discussion and deliberation and in the face of continued adverse conditions in the European markets has concluded that there is no possibility of viably continuing the business activities in Pana Textil GmbH.

On 4th August 2010 Pana Textil GmbH applied for insolvency in the German Court and liquidation proceeding are in progress. Consequent to insolvency proceedings, the company has made claims with the insolvency Administrator of Pana Textil GmbH to the extent of Rs. 1,130.16 Lacs and (subject to approval of Reserve Bank Of India) the board of directors are of the opinion that Rs 420.47 Lacs is not recoverable hence written off. Further shortfall if any of the above claims will be written off on the final outcome of the insolvency proceedings.

**Particulars of Exceptional Items**

**For the Year ended  
31st March 2011**

a) Advances to Wholly owned Subsidiary	<b>Rs. 6,503,446.17</b>
b) Investment in Wholly owned Subsidiary	<b>Rs. 1,213,380.00</b>
c) Advances to Pana Textil GmbH	<b>Rs. 34,330,503.00</b>

Advances to Pana Textil GmbH represents liabilities of Pana Textil GmbH taken over by Faze Three Ltd ( the holding Company) consequent to invoking of Standby letter of Credit issued by Allahabad Bank in favour of Punjab National Bank London.

**12.** Accounts of Faze Three Netherlands B. V. a wholly owned subsidiary have not been considered for the purpose of Consolidation as the entire investments made in this subsidiary is fully provided for.

**13. Segmental Reporting :**

In accordance with the Accounting Standard - 17 on " Segment Reporting ", issued by the Institute of Chartered Accountants of India, the Company has only one segment i.e manufacturing of home furnishing items.

**14. Related Party Disclosures**

**a) List of Related Parties Relationship**

**Name of the party**

1. V R Woodart Limited	Associate
2. Aunde India Limited	Associate
3. Instyle Investments Pvt. Ltd.	Associate

4.	Pana Textil GmbH	Subsidiary		
5.	Faze Three Netherlands B. V.	Subsidiary		
6.	Joint Producers Pvt.Ltd.	Associate		
7.	Ajay Anand (HUF)	Associate		
8.	Trimurti Films Pvt Ltd	Associate		
<b>b)</b>	<b>Key Management Personnel</b>			
1.	Mr. Ajay Anand	Chairman & Managing Director		
2.	Mrs. Rashmi Anand	Whole-time Director		
3.	Mr. Sanjay Anand	Whole-time Director		
<b>c)</b>	<b>Relatives of Key Management Personnel</b>			
	Vishnu Anand	Son of Mr. Ajay Anand		
	Ms. Rohina Anand	Daughter of Mr. Ajay Anand		
<b>d)</b>	<b>Related Party Transaction</b>			
			<b>Year ended</b>	<b>Year ended</b>
			<b>31.03.2011</b>	<b>31.03.2010</b>
<b>1</b>	<b>Purchase of goods</b>			
	Aunde India Ltd		<b>16,133,729</b>	11,760,321
<b>2</b>	<b>Sale of goods</b>			
	Aunde India Ltd		<b>30,612,402</b>	19,006,932
	Pana Textil GmbH		<b>14,154,458</b>	15,527,942
<b>3</b>	<b>Job work Income</b>			
	Aunde India Ltd		<b>27,418,115</b>	22,010
<b>4</b>	<b>Sales of DEPB License</b>			
	Aunde India Ltd		<b>NIL</b>	924,417
<b>5</b>	<b>Interest paid</b>			
	Aunde India Ltd		<b>NIL</b>	3,900,000
	Ajay Anand		<b>313,644</b>	2,894,367
	Instyle Investments Pvt. Ltd		<b>516,164</b>	151,027
	Ajay Anand (HUF)		<b>227,836</b>	115,398
	Vishnu Anand		<b>60,000</b>	57,600
	Rashmi Anand		<b>27,616</b>	34,619
	Rohina Anand		<b>33,140</b>	NIL
<b>6</b>	<b>Loan Received</b>			
	Instyle Investments Pvt. Ltd.		<b>13,000,000</b>	NIL
	Ajay Anand		<b>11,482,280</b>	NIL
	V. R. Woodart Ltd		<b>2,500,000</b>	7,560,519
	Rohina Anand		<b>5,000,000</b>	NIL
	Ajay Anand (HUF)		<b>7,000,000</b>	NIL
	Rashmi Anand		<b>3,500,000</b>	NIL
<b>7</b>	<b>Loan Repaid</b>			
	Instyle Investments Pvt.Ltd.		<b>39,556</b>	NIL
	Ajay Anand		<b>2,500,000</b>	NIL
	Rohina Anand		<b>150,000</b>	NIL
	Vishnu Anand		<b>1,093</b>	NIL
	V R Woodart Ltd.		<b>765,530</b>	NIL

<b>8 Interest Received</b>		
Aunde India Ltd	<b>5,940,000</b>	5,940,000
<b>9 Lease Rent Paid</b>		
Rohina Anand	<b>600,000</b>	600,000
<b>10 Salary Paid</b>		
Rohina Anand	<b>240,000</b>	240,000
Ashok Anand	<b>835,100</b>	837,600
<b>11 Managerial Remuneration</b>		
Ajay Anand	<b>3,456,000</b>	3,446,710
Rashmi Anand	<b>1,440,000</b>	1,440,000
Sanjay Anand	<b>1,764,500</b>	1,287,000
G. G. Prabhu	<b>NIL</b>	1,145,000
<b>12 Balances at the year ended</b>	<b>31.03.2011</b>	<b>31.03.2010</b>
Pana Textil GmbH	<b>69,787,683 Dr *</b>	32,609,886 Dr
Instyle Investments Pvt. Ltd.	<b>13,523,785 Cr</b>	47,177 Cr
Ajay Anand	<b>11,605,761 Cr</b>	2,623,481 Cr
V. R. Woodart Ltd	<b>4,643,193 Cr</b>	2,908,723 Cr
Rohina Anand	<b>4,879,826 Cr</b>	NIL
Ajay Anand (HUF)	<b>7,315,314 Cr</b>	110,262 Cr
Rashmi Anand	<b>3,587,932 Cr</b>	63,078 Cr
Vishnu Anand	<b>636,414 Cr</b>	583,507 Cr
Trimurti Films Pvt Ltd	<b>1,100,000 Cr</b>	1,100,000 Cr
Joint Producers Pvt Ltd	<b>397,099 Dr</b>	397,099 Dr
* After Write off of Rs. 34,330,503/- during the year (Previous Year NIL)		
<b>15 Earning Per Share</b>		
Earning per share computed in accordance with Accounting Standard 20: " Earning Per Share "		
Basic Earnings Per Share		
Profit after tax as per Accounts is Rs.	<b>2,477,033</b>	42,967,446
Number of Shares	<b>12,188,797</b>	12,188,797
<b>Basic and Diluted EPS ( Rs.)</b>	<b>0.20</b>	3.53
16	Company does not have scheme for encashment of earned leave. The Company contributes to the Government Provident Fund Scheme towards provident fund dues of its employees. Short term employees benefits are recognized as an expense at the undiscounted amount in the profit & loss account of the year in which the related services are rendered.	
17	The Company had a fire at one of the plants during the previous year causing damage to stocks, plant and machinery and building. Insurance claims were lodged with the Insurers, and Insurance Company approved a claim of Rs.2,59,58,386/- out of which Rs.1,75,00,000/- is received during the year and is shown under the head Other Income..	
18	Previous period's figures have been regrouped / reclassified wherever necessary, to make them comparable with current period's figures.	

**19. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE****I REGISTRATION DETAILS:**

Registration No.	:	L99999DN1985PLC000197
State Code		04
Balance Sheet		31st March 2011 (Rs. In Thousand)

**II CAPITAL RAISED DURING THE YEAR : (Rs.in Thousands)**

Public Issue	:	Nil
Rights Issue	:	Nil
Private Placement	:	Nil
Bonus Issue	:	Nil

**III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS:**

Total Liabilities	:	1982781
Total assets	:	1982781

**SOURCES OF FUNDS:**

Paid up Capital	:	121888
Reserves & Surplus	:	444081
Secured Loans	:	823231
Unsecured Loans	:	491211
Deferred Tax	:	102368

**APPLICATION OF FUNDS:**

Net Fixed Assets	:	919996
Investments	:	56937
Net Current Assets	:	959783
Misc. Expenditure	:	NIL
Accumulated Losses	:	NIL

**IV PERFORMANCE OF THE COMPANY:**

Turnover [incl. Other Income]	:	1515906
Total Expenditure	:	1565320
Profit/(Loss) Before Exceptional Items and Tax	:	45174
Profit/(Loss) After Tax	:	2477
Earning Per Share (Rs.)	:	0.20
Dividend Rate	:	-

**V GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF COMPANY [AS PER MONETARY TERMS]:**

Item Code No. [ITC Code]	Product Description
5514 / 5209	Woven Fabrics
5703	Carpets and Floor coverings

As per our report of even date.

**Thakur Vaidyanath Aiyar & Co.**Chartered Accountants  
Firm Rgn. No-000038N**C. V. Parameswar**Partner  
M.No.: 11541Place : Mumbai  
Dated : 31st August 2011**For and on behalf of the Board****Ajay Anand**  
Managing Director**Sanjay Anand**  
Whole Time Director**Rashmi Anand**  
Whole Time Director**Martin Golla**  
Sr. VP-Legal & Company Secretary





**FAZE THREE LIMITED**  
 Regd. Office: Survey No. 380/1, Khanvel Silvassa Road, Dapada – 396230 Union Territory  
 of Dadra & Nagar Haveli  
**26th Annual General Meeting**

<b>Folio No.</b> <b>No. of Shares:</b>
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**ATTENDANCE SLIP**

I certify that I am registered shareholder/Proxy for the Registered Shareholder of the Company. I hereby record my presence at the 26th Annual General Meeting of FAZE THREE LIMITED held on Thursday, 29th September, 2011 at Survey No. 380/1, Khanvel Silvassa Road, Dapada - 396230, Union Territory of Dadra & Nagar Haveli at 10.30 a.m.

Full Name of the Member  
 (as registered with the Company)

Full name of the Proxy

DP ID :		CLIENT ID :	
---------	--	-------------	--

Regd Folio No.

No. of Shares

Signature of the Shareholder/Member/Proxy

**Notes:**

1. Shareholders/Joint Shareholders, Proxies are requested to bring the attendance slips with them. Duplicate slips will not be issued at the entrance of the Auditorium.
2. Please bring your copy of the Annual Report to the Meeting venue.
3. Please avoid being accompanied by Non-members and Children.

**FAZE THREE LIMITED**

Regd. Office: Survey No. 380/1, Khanvel Silvassa Road, Dapada – 396230 Union Territory of  
 Dadra & Nagar Haveli  
**PROXY FORM**

I/We \_\_\_\_\_ of \_\_\_\_\_  
 being a member of FAZE THREE LIMITED hereby appoint \_\_\_\_\_ of \_\_\_\_\_  
 \_\_\_\_\_ or failing him \_\_\_\_\_ of \_\_\_\_\_  
 \_\_\_\_\_ or failing him \_\_\_\_\_ of \_\_\_\_\_  
 \_\_\_\_\_ as my/our proxy to vote for me/us and on my/our behalf at the 26th Annual General Meeting of the Company to be held on Thursday, 29th September, 2011 at Survey No. 380/1, Khanvel Silvassa Road, Dapada - 396230, Union Territory of Dadra & Nagar Haveli at 10.30 a.m. and at any adjournment thereof.

DP ID :		CLIENT ID :	
---------	--	-------------	--

Signed by the said  
 Date :

Affix Re. 1/- Revenue Stamp	Folio No.
	No. of Shares

**Note:** The Proxy form must be deposited at the Registered Office of the Company not less than 48 hours before the meeting. A Proxy need not be a member.

**BOOK-POST**

**To,**

***If undelivered please return to :***

**FAZE THREE LIMITED**

Corporate Office

1-2, Shiv Smriti Chambers,

49-A, Dr. Annie Basant Road, Worli,

Mumbai - 400 018.