



**28th Annual Report
2012-2013**

Board of Directors

Sanjay Anand	Whole Time Director
Rashmi Anand	Whole Time Director
Vasudeva Rao	Director
Rajiv Rai Sachdev	Director

Corporate Management

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

FAZE THREE LIMITED

ANNUAL REPORT FOR THE YEAR ENDED 31st MARCH, 2013

SHAREHOLDER INFORMATION

1. Date of Annual General Meeting : Monday, 30th September, 2013
2. Time and Venue : 11.30 a.m. at
Survey No. 380/1
Khanvel Silvassa Road, Dapada – 396 230
Union Territory of Dadra & Nagar Haveli
3. Book Closure : Monday, 23rd September, 2013 to
Monday, 30th September 2013
(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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NOTICE

28TH ANNUAL GENERAL MEETING

Notice is hereby given that the 28th Annual General Meeting of the Shareholders of Faze Three Limited will be held on Monday, 30th September, 2013 at 11.30 a.m. at Survey No. 380/1, Khanvel Silvassa Road, Dapada - 396230 Union Territory of Dadra & Nagar Haveli, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2013 and the Statement of Profit & Loss for the year ended 31st March 2013, together with the Reports of the Board 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 M/s Thakur Vaidyanath Aiyar & Co, Chartered Accountants as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

4. To consider and if thought fit, to pass with or without modification(s), the following resolution as Special Resolution:

“RESOLVED THAT pursuant to the provisions of sections 198, 269, 309, 310 and 311 and other applicable provisions, if any, of the Companies Act, 1956 (including any amendment or re-enactment thereof), and the laws prevailing for the time being and subject to the approval of the Central Government and as per the recommendations of Remuneration committee, the approval of the members of the Company be and is hereby accorded to the appointment of Mr. Sanjay Anand as Whole Time Director of the Company for the period of three years w.e.f 1st December 2012 on the terms and conditions including remuneration and perquisites as set out in the Explanatory Statement annexed to the Notice convening this Annual General Meeting, with liberty to the Board of Directors of the Company to alter and vary the terms and conditions of the said appointment and/or agreement in such manner and to such extent as may be agreed between the Board of Directors and Mr. Sanjay Anand.”

RESOLVED FURTHER THAT the Board be and is hereby authorised to do all acts and take all such steps as may be necessary, proper or expedient to give effect.

5. To consider and if thought fit, to pass with or without modification(s), the following resolution as Special Resolution:

“RESOLVED THAT pursuant to the provisions of sections 198, 269, 309, 310 and 311 and other applicable provisions, if any, of the Companies Act, 1956 (including any amendment or re-enactment thereof), and the laws prevailing for the time being and subject to the approval of the Central Government, if any, and as per the recommendations of Remuneration committee, the approval of the members of the Company be and is hereby accorded to the appointment of Mrs. Rashmi Anand as Whole Time Director of the Company for the period of three years w.e.f. 1st October 2013 on terms and conditions including remuneration and perquisites set out in the Explanatory Statement annexed to the notice convening this Annual General Meeting with liberty to the Board of Directors to alter and vary the terms and conditions of the said reappointment and/or agreement in such manner and to such extent as may be agreed between the Board of Directors and Mrs. Rashmi Anand.”

RESOLVED FURTHER THAT the Board be and is hereby authorised to do all acts and take all such steps as may be necessary, proper or expedient to give effect.

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

Place: Mumbai
Date : 30.05.2013

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. A form of proxy is given at the end of the Annual Report.
3. The relevant Explanatory Statements pursuant to section 173 of the Companies Act, 1956, are annexed hereto.
4. The Register of Members and the Share Transfer Registers of the Company shall remain closed from Monday 23rd September 2013 to Monday, 30th September, 2013 (both days inclusive).
5. Members are requested to inform any change in their address to the Registrar and the Share Transfer Agent, Sharex Dynamic (I) Pvt. Ltd.
6. 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
7. 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.
8. 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.
9. The Ministry of Corporate Affairs has taken a 'Green Initiative in Corporate Governance' by issuing circulars allowing paperless compliances by Companies through electronic mode. Further, in line with circular issued by the Securities and Exchange Board of India (SEBI) and consequent changes in the listing agreement, Companies can send Annual Report in electronic mode to Members who have registered their e-mail addresses for the purpose. Members who have not registered their e-mail address with the Company can now register on Company's website www.fazethree.com. Members of the Company, who have registered their e-mail address, are entitled to receive such communication in physical form, upon request.
10. The status of dividends remaining unclaimed / unpaid with the respective due dates of transfer to IEPF is provided at page No. 18 of this Annual Report. Members are requested to contact Company's Registrar and Share Transfer Agent, M/s. Sharex Dynamic (I) Pvt. Ltd. or Company for encashing the unclaimed dividends standing to the credit of their account.
11. The Securities and Exchange Board of India (SEBI) has mandated submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in demat form are, therefore, requested to submit PAN details to the Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to Registrar and Share Transfer Agent, Sharex Dynamic (I) Pvt. Ltd or to the Company.
12. Members are requested to bring their copy of this Annual Report to the Meeting.
13. Members/Proxies should bring the attendance slip duly filled in for attending the Meeting.
14. Brief resume of Mr. Vasudeva Rao, Director retiring by rotation, is given under the Corporate Governance Report.

ANNEXURE TO THE NOTICE

Explanatory statement Pursuant to Section 173 (2) of the Companies Act, 1956

Item No. 4

Mr. Sanjay Anand, a Graduate, has 25 years of vast experience in marketing of Home Furnishing Products. He is involved in day-to-day management, decision making and handles overall operations of the Company. Mr. Sanjay Anand was appointed as additional director in the year 1993 and then as Whole Time Director of the Company. He looks after the major textile unit of Faze Three Limited located at Panipat which has a turnover of more than Rs. 100 Crores. He also heads marketing department and actively involved in framing marketing policies and strategies, design development of various products of the Company.

The Board of Directors at their meeting held on 15.11.2012 and as recommended by the Remuneration Committee, resolved to appoint Mr. Sanjay Anand as Whole Time Director of the Company for a period of three years w.e.f 01.12.2012. The appointment is subject to the approval of members and the Central Government. The terms and conditions of his appointment are as follows:

1. Tenure of Appointment: 1st December 2012 to 30th November 2015.
2. Nature of Duties: The Whole Time Director shall, subject to the supervision and control of the Board of Directors, be entrusted with such powers of Management and duties as may, from time to time, be entrusted to her, by the Board.
3. Remuneration

(I) Salary

Monthly salary of Rs. 2,00,000/-.

The annual increments which will be effective from 1st April each year, will be decided by the Board and will be merit-based and take into account the Company's performance.

(ii) Perquisites

- (a) Commission: In addition to the above salary, commission payable to Mr. Sanjay Anand shall be any amount subject to a maximum of 0.30% of net profits of the Company in any financial year as may be determined by the Board of Directors or Committee thereof, every year.
- (b) Mr. Sanjay Anand is entitled to house maintenance allowance not exceeding Rs. 1,20,000/- p.m.
- (c) Reimbursement of medical expenses incurred for self and family subject to a ceiling of Rs. 2,500 per month.
- (d) Leave Travel Concession for self and family once in a year incurred in accordance with the rules of the Company.
- (e) Reimbursement of Club fees, subject to a maximum of two clubs, excluding life membership and admission fees.
- (f) Reimbursement of expenses on Books and Periodicals upto a maximum of Rs 500/- per month.
- (g) Annual Membership of two credit cards including one international card.
- (h) Group Personal Accident Insurance.
- (i) Mediciam Policy during the tenure of his employment would be taken out by the Company.
- (j) Contribution to the Provident Fund will not be included in the computation of the ceiling on perquisites to the extent these, either singly or put together, are not taxable under the Income Tax Act, 1961. Gratuity payable shall not exceed half a month's salary for each completed year of service.
- (k) One month's leave, as per the rules of the Company, on full pay, for every eleven months of service. Encashment of leave at the time of superannuation will not be included in the computation of the ceiling on perquisites.

- (l) A chauffer driven car, will be provided by the Company.
- (m) Provision for Telephone at residence, however personal long distance calls will be billed by the Company.
- (n) The said Mr. Sanjay Anand will be entitled to reimbursement of all entertainment, traveling, hotel and other expenses actually incurred for the purpose of business of the Company.

Other terms and conditions

- (a) He shall not be paid any sitting fees for attending Board/Committee meetings.
- (a) The Tenure will be subject to termination by 3 months' prior notice in writing on either side.

Memorandum of Interest

No Director, except Mr. Sanjay Anand, Mrs. Rashmi Anand and Mr. Rajiv Rai Sachdev is concerned or interested in the Resolution.

The draft Agreement between the Company and Mr. Sanjay Anand is available for inspection at the Registered Office of Company on any working day during Business hours between 11.00 am to 1.00 pm.

The Board recommends the passing of the Resolution as set out in the Notice convening the Meeting.

This explanation together with the accompanying Notice is to be regarded as an Abstract of Terms and Memorandum of Interest under Section 302 of the Companies Act, 1956.

Item No. 5

Mrs. Rashmi Anand is a Whole time Director of the Company. She is actively involved in the day-to-day management and administration of the Company.

Mrs. Rashmi Anand was appointed as Whole Time Director of the Company for a period of 3 years w.e.f 1st October 2010 and her term of appointment is expiring on 30th September 2013. The Board of Directors at their meeting held on 14th August 2013 resolved to appoint Mrs. Rashmi Anand as Whole Time Director for a period of 3 years w.e.f. 1st October 2013. The terms and conditions of his appointment are as follows:

1. **Tenure of Appointment:** October 1st 2013 to September 30th 2016.
2. **Nature of Duties:** The Whole Time Director shall, subject to the supervision and control of the Board of Directors, be entrusted with such powers of Management and duties as may, from time to time, be entrusted to her, by the Board.
3. **Remuneration**
 - (i) Salary
Monthly salary of Rs. 1,65,000/-
The annual increments which will be effective from 1st April each year, will be decided by the Board and will be merit-based and take into account the Company's performance.
 - (ii) Perquisites
 - (a) Mrs. Rashmi Anand is entitled to furnished accommodation or house rent allowance in lieu thereof not exceeding 60% of her basic salary.
 - (b) Reimbursement of medical expenses incurred for self and family subject to a ceiling of one month's salary for one year or three month's salary over a period of three years.
 - (c) Leave Travel Concession for self and family once in a year incurred in accordance with the rules of the Company.
 - (d) Reimbursement of Club fees, subject to a maximum of two clubs, excluding life membership and admission fees.
 - (e) Annual Membership of two credit cards including one international card.

- (f) Group Personal Accident Insurance.
- (g) Medclaim Policy during the tenure of her employment would be taken out by the Company.
- (h) Contribution to the Provident Fund will not be included in the computation of the ceiling on perquisites to the extent these, either singly or put together, are not taxable under the Income Tax Act, 1961. Gratuity payable shall not exceed half a month's salary for each completed year of service.
- (i) One month's leave, as per the rules of the Company, on full pay, for every eleven months of service. Encashment of leave at the time of superannuation will not be included in the computation of the ceiling on perquisites.
- (j) A chauffeur driven car, will be provided by the Company.
- (k) Provision for Telephone at residence, however personal long distance calls will be billed by the Company.
- (l) The said Mrs. Rashmi Anand will be entitled to reimbursement of all entertainment, traveling, hotel and other expenses actually incurred for the purpose of business of the Company.

Other terms and conditions

- (a) She shall not be paid any sitting fees for attending Board/Committee meetings.
- (b) The Tenure will be subject to termination by 3 months' prior notice in writing on either side.

Memorandum of Interest

No Director, except Mr. Sanjay Anand, Mrs. Rashmi Anand and Mr. Rajiv Rai Sachdev is concerned or interested in the Resolution.

The draft Agreement between the Company and Mrs. Rashmi Anand is available for inspection at the Registered Office of Company on any working day during Business hours between 11.00 am to 1.00 pm

The Board recommends the passing of the Resolution as set out in the Notice convening the Meeting.

This explanation together with the accompanying Notice is to be regarded as an abstract of Terms and Memorandum of Interest under section 302 of the Companies Act, 1956.

By order of the Board of Directors
For Faze Three Limited

Place: Mumbai
Date: 30.05.2013

Martin Golla
Sr. VP-Legal & Company Secretary

DIRECTORS' REPORT

To the Members,

Yours Directors present the 28th Annual Report together with the Audited Statements of Accounts for the year ended March 31st 2013.

FINANCIAL RESULTS

Particulars	(Rs. Lacs)	
	For the Year ended 31.03.2013	For the Year ended 31.03.2012
Revenue from Operations (net)	18,880.50	18739.85
Other Income	525.28	1343.00
Profit before interest, tax, depreciation & amortization, finance cost and exceptional items	772.17	1103.40
Finance Cost/Interest	1469.99	2382.69
Depreciation & amortization expenses	489.87	1075.78
Exceptional items	917.30	4196.46
Profit/(Loss) Before Tax	(2104.99)	(6551.53)
Less: Tax Expenses		
Current Tax	-	-
Deferred Tax	45.96	304.91
Profit/ (Loss) After Tax	(2150.95)	(6856.44)

COMPANY OPERATIONS

During the year under review, the revenue from operations stood at Rs. 18,880.50 Lacs as against Rs. 18739.85 Lacs during the previous year. The revenue from other income stood at 525.28 Lacs as against Rs. 1343.00 during the previous year.

During the year under review, the Company earned a profit of Rs. 772.17 Lacs before interest, tax, depreciation & amortization, finance cost and exceptional items as against a profit of Rs. 1103.40 Lacs in the previous year. However, the Company has suffered a net loss of Rs. 2150.95 Lacs as against the loss of Rs. 6856.44 Lacs during the previous year.

The Company has made provisions for compensation payable on account of Corporate Guarantee of Rs. 484.35 Lacs given to Canara Bank in respect of the Wholly Owned Subsidiary M/s Pana Textil GmbH. It was reported in the previous year that the company had made provision for diminution in the value of investments in equity shares and 5% preference shares amounting to Rs. 486.98 Lacs in M/s V. R. Woodart Limited. During the year under review, the Company has made further provision of Rs. 60.88 Lacs for diminution in the value of investments in M/s V R Woodart Limited. The Company has also provided Foreign Exchange Loss on Revaluation of FCCB liability of Rs. 372.06 Lacs. The aforesaid liabilities have adversely affected the Company's profits.

DIVIDEND

In view of the losses reported by the Company, your Directors have not recommended any dividend.

BUSINESS OVERVIEW

The Indian textile sector is facing a difficult situation due to the slowdown in the major markets like US and Europe, which has affected demand for home furnishing products. Rising costs of production, uncertain prices of raw materials are also infecting the performance of the sector. All these factors affected the export performance of the industry.

The total textile exports during 2012-13 were valued at Rs 172494.71 Crores as against Rs 159570.55 Crores during the financial year 2011-12, registering an increase of 8.10 percent in rupee terms. In US dollar terms, the same was valued at US\$31705.53 million for the year 2012-13, as against US\$33310.21 million during the corresponding period of financial year 2011- 12 registering a decline of 4.82 percent.

The Government has been continually supporting the textiles exports sector through various provisions of the Foreign Trade Policy and the other policy initiatives to enable the sector to increase market share in the global textiles markets. The volatility in the European market during the calendar year 2012 affected severely India's Textile & Clothing exports to European Countries. The European textile market witnessed a negative growth of 13% during the calendar year 2012, resulting in a 1.3 billion shortfall of India's Textiles & Clothing exports to Euro Zone during the Calendar year 2012 over 2011.

The Company has sustained its sales growth, though the textile industry was under pressure due to decline in demand for products in the international market. The Company could distinguish itself due to its established position as a Value-Added product manufacturers and uphold the quality standards of our products to meet the international quality standards. The Company was able to cater to end-to-end solutions with innovation in products and meeting new trends required by the end users. The strong clientele base, quality product range and technological up-gradations made by the Company in previous year's have facilitated the Company to sustain the sales and could achieve operational profit of Rs. 772.17 Lacs during the 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 Financial Statements and other documents of the subsidiary companies are not being attached to the Financial Statements of the Company.

As reported last year, the Company's wholly owned subsidiary company viz. M/s Pana Textil GmbH has filed an insolvency petition in the German Court. The German court has completed the insolvency proceedings and the company is in the process of liquidation.

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 Finance & Accounting. He brings with him an experience of over 4 decades and has been of great help to the Company in advising on finance accounting and 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 above said director is forming the part of the corporate governance report.

The Company has made an application to the Central Government for re-appointment of Mr. Sanjay Anand as Whole Time Director of the Company, whose term of appointment was expired on 30.11.2012. The application has been made under Section 269, 198 and 309 of the Companies Act, 1956. The same is under process.

The Term of Appointment of Mrs. Rashmi Anand is expiring on 30.09.2013. The Board of Directors of the Company is recommending her re-appointment at the ensuing Annual General meeting subject to the Central Government approval.

REFERENCE TO BOARD FOR INDUSTRIAL AND FINANCIAL RECONSTRUCTION

The Company has filed a Reference under the provisions of Section 15A of the Sick Industrial (Special Provisions) Act, 1985 with Board for Industrial and Financial Reconstruction (BIFR) based on the Audited Financial Accounts of the Company for year ended 31.03.2012. BIFR has accepted the application and issued a Reference No. 48/2012. The said reference is pending before BIFR.

FOREIGN CURRENCY CONVERTIBLE BONDS

The Company had issued Foreign Currency Convertible Bonds of Rs. US\$ 8.00 million on 26.12.2006, which were due for redemption on 27.12.2011. The company could not redeem the said bonds on due date. The company has made relevant provisions regarding principal, interest and revaluation of liability in the Statement of Profit & Loss.

LEGAL SUITS

As reported last year, two winding petitions were filed against the Company in the Bombay High Court. During the year two more winding up petitions have been filed before the Bombay High Court by the suppliers of the Company viz. M/s Dipsi Chemicals Pvt. Ltd. and M/s. M. K. Enterprises. The proceedings of all four petitions are pending before the Hon'ble High Court and the Company is strongly contending the cases in the High Court.

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 of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in Annexure to this Report.

DIRECTOR'S RESPONSIBILITY STATEMENT

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".

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 place on record their deep appreciation to employees at all levels for their hard work, dedication and continued support.

The Board places on record its appreciation for the support and co-operation your Company has been receiving from its suppliers, buyers, vendors and others associated with the Company. The Directors also take this opportunity to thank all investors/stakeholders, Banks, Government and Regulatory Authorities for their continued support.

For and on behalf of the Board

Place: Mumbai
Date: 30.05.2013

Sanjay Anand **Rashmi Anand**
Whole Time Director Whole Time 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.
- Reduction in cost and time cycle, better effluent management.

(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:

	Particulars	For the year ended March 31st 2013	For the year ended March 31st 2012
A.	(i) Electricity		
	a) Purchased		
	Units (Lakhs)	80.03	72.28
	Total Cost (Rs. in Lakhs)	471.77	395.47
	Rate Per Unit (Rs.)	5.89	5.47
	b) Own Generation (Thru DG Set)		
	Units (Lakhs)	8.17	7.25
	Total Cost (Rs. in lakhs)	126.35	103.05
	Rate Per Unit (Rs.)	15.47	14.21
	(ii) Coal, Firewood, Rice Husk etc.		
	(Qty in Qntls in Lakhs)	1.64	1.49
	Total Cost (Rs. in Lakhs)	790.36	700.80
	Rate per Qntl. (Rs.)	482.94	470.34
B.	Foreign Exchange Earnings and Outgo (Rs. in Lakhs)		
	Total Foreign Exchange Earnings Earned	14926.20	15986.22
	Total Foreign Exchange Used	573.25	122.87

For and on behalf of the Board

Place: Mumbai
Date: 30.05.2013

Sanjay Anand Rashmi Anand
Whole Time Director Whole Time Director

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

OVERVIEW

The global economy is growing more slowly than expected. The World Economic Outlook has projected Global growth at 3.1 for 2013 and 3.8 percent for 2014. The underperformance is due to slower growth in major emerging market economies, a deeper recession in the Euro area, and a slower US expansion than expected. There is a major possibility of a longer growth slowdown in emerging market economies, especially given risks of lower potential growth, slowing credit, and possibly tighter financial conditions.

The Indian economy is experiencing one of the slowest growth years in nearly a decade. The Government and RBI have implemented various fiscal measures to revive growth. However, the impact of reforms has remained subdued till date. The Global economic uncertainties have also repressed growth. The drop in savings and investment has aggravated the current account and fiscal deficit scenario. Consequently, worsening macroeconomic environment particularly high inflation over the past couple of years and a depreciating rupee put a strain on domestic savings. With the RBI maintaining high rates, corporate borrowing costs escalated and consequently investments declined worsening growth furthermore.

As major economies like US, Euro Zone and UK are under pressure, the Indian exports to these major economies have impacted due to the decreasing demand from US and Euro countries. In the first nine months of 2012-13, a 10% reduction in exports has been observed when compared to that over a similar period in the previous year. Moreover, the US economy is still under pressure, Euro Zone's growth is slower than expected, the global markets are very uncertain and exporters might find it more challenging. However, gradual recovery in Japanese economic conditions along with recent rebound in China's manufacturing sector is expected to improve trade conditions in the region.

INDUSTRY OVERVIEW AND OUTLOOK

The textile industry expects exporters' revenues to remain subdued on the back of the persistent economic slowdown in key export destinations of US and Europe and continuous deterioration in India's competitiveness in exports. However, to offset the impact, Indian exporters are diversifying into other geographies. The major markets for textiles exports are the US, which is showing recovery and Europe which is still witnessing weak economic growth. To reduce dependence on these markets, exporters are also exploring new opportunities in Latin America, Australia and Japan.

A stable outlook on cotton and synthetic textiles would require favorable policy environment, improvements in demand-supply position, continued stability in input costs and consequent improvement in margins/liquidity. It is unlikely that the sector's outlook will turn positive until fundamental issues such as power shortage, lack of technology and modern machinery and demand slowdown are resolved. However, foreign direct investment (FDI) in retail is an opportunity that would unleash demand in the long run and offset any slowdown in exports.

Although the textile industry is under pressure, Faze Three Limited is able to achieve Rs.176.75 Crores sales during the year. The Company could get good orders for its Bathmat products which forms 31% of the total turnover of the Company. FTL is also expecting good orders for its bathmat products in the current year as well.

The Company is focusing on exploring opportunities in Latin America through its marketing team in Brazil. The growth in US and European economies are sluggish and it is expected that growth will be slower. The Company is focusing on maintaining its sales growth in the current year as well. FTL is focusing on Optimal utilization of the resources available, by using technologically advanced machines to achieve optimum production mix. The Company is planning to expand its presence in international markets through offering qualitative and innovative products which satisfies the customer's preference and thus it will help the Company to increase its market base and in turn help the Company to achieve optimum utilization of its installed capacity as well as optimum product mix.

Further, the Company is also initiating research and development in developing new designed product, innovation in designs, shades, by offering organic products to capture untapped areas of Textile Industry. The Company is working on enhancing its R & D activities, wherein the main thrust will be developing new products and where by the existing infrastructure of the Company can be utilized to its optimum level without having to make new investments. The Company is actively touching base with new clients in international market, whereby the untapped territories can be explored leading to increase in overall performance of the Company.

OPPORTUNITIES, CHALLENGES AND THREATS

The demand for Indian textile products in the international markets has gradually reduced due to slow down in global markets. However, fall in the value of the rupee against the dollar has again brought the Indian textile sector back on the

global map. The industry hopes exports will be higher by 15-20 per cent in 2013-14. Textile export orders in the last few months have started to pick up due to the overall better sentiment in the US and the Euro zone, as well as the depreciation in the rupee.

The rupee has been one of the worst performing currencies, while the Chinese yuan has appreciated against the dollar, which has made Indian textiles more competitive in the international markets. Importers are now looking at India for exports, especially after the rupee fall. The rupee has witnessed a fall against the dollar in the last few months, while the Chinese currency, yuan has remained stable.

The government has notified various measures to boost textile exports, include extending a two percent interest subsidy scheme on handicrafts, handlooms, carpets and garments up to March 2014, which has been increased to 3% recently. Additional duty credit of two percent of freight on board value on export of certain knitwear apparel for 2013-14. The Government has also notified additional measures viz. continuation of the Technology Up-gradation Fund (TUF) Scheme, reduction in the base custom duty for imported textile machinery and parts from 7.5% to 5.0%.

The Company is well aware of the challenges, opportunities and constraints in which it has to perform and maintain its overall growth. The Company constantly monitors the fluctuations in cotton, yarn and other raw material prices and to procure raw material at competitive rates. The Company is looking at increasing its productivity by utilizing the existing capacities, product and design planning, implementation of techniques for reduction of wastes. The Company is also focusing on reduction in unit cost of production by elimination of wasteful and non-essential elements in the design of products and from techniques and practices carried out so as to offer products at competitive rate and to yield better margins.

Going forward, Faze Three with its well organized and competent team of workforce is ready to face the challenges in its growth path.

INTERNAL CONTROL SYSTEM

The Company has proper Internal Controls in place for safeguarding all its assets from unauthorized use or disposal. Adherence to Internal Control Systems is ensured by detailed Internal Audit program so that the assets are correctly accounted for and the business operations are conducted as per laid down policies and procedures.

The Company has an Audit Committee of the Board of Directors, which meets regularly to review, inter alia, risk management policies, adequacies of internal controls and the audit findings on the various functions of different segments of the business.

HUMAN RESOURCES / INDUSTRIAL RELATIONS

The industrial relations remained cordial throughout the year. The employees of the Company have extended a very productive co-operation in the efforts of the management to carry the Company to greater heights. Continuous training down the line is a normal feature in the Company to upgrade the skills and knowledge of the employees and workmen of the Company.

The Company has built a strong pool of talent by committed efforts to attract, transform and retain the best talent available. The Company has young and vibrant team of highly qualified professionals at all the levels of the Company. Significant emphasis is also laid on enhancing managerial and leadership qualities at senior management level to propel the Company towards stronger and more sustainable growth. The Company aims to continue and nurture the talent management process of the Company which is the back bone and essential to continue the exponential growth of the Company.

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. The Company does not undertake to make any announcement or update in case any of these forward looking statements become materially incorrect in future.

Place: Mumbai
Date: 30.05.2013

For and on behalf of the Board

Sanjay Anand
Whole Time Director

REPORT ON CORPORATE GOVERNANCE

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

The Company fully subscribes to the principles and spirit of Corporate Governance. The Company has adopted transparency, disclosure, accountability and ethics as its business practices. The management believes that these principles will enable it to achieve the long-term objectives and goals. As part of its Corporate Governance philosophy, the Company focuses its energies in safeguarding the interests of its stakeholders and utilising its resources for maximizing the benefits to them.

The Company constantly reviews its Corporate Governance policy to not only comply with the business, legal and social framework in which it operates but also to implement the best international practices in that regard. A report on compliance with the Code of Corporate Governance as prescribed by the Securities and Exchange Board of India and incorporated in the Listing Agreement with the Stock Exchange is given below.

COMPOSITION OF BOARD OF DIRECTORS

The Board of Directors consists of professionals drawn from diverse fields, who bring in a wide range of skills and experience to the Board. The Board comprises of Executive and Non-Executive Directors having in-depth knowledge of the business and Industry. The Board of directors consists of two Whole-time Directors and One Non-Executive, Independent Director and One Non-Executive, Non-Independent Director.

Board Membership & Terms:

The Non-Executive Directors are liable to retire by rotation and one third of the said directors retire every year and if eligible, offer themselves for re-appointment.

Board Meeting and Procedures:

During the financial year under review 11 Board Meetings were held on the following dates 16/04/2012, 15/05/2012, 03/07/2012, 09/08/2012, 14/08/2012, 20/09/2012, 15/11/2012, 14/01/2013, 15/02/2013, 07/03/2013 & 15/03/2013

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 public limited 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	Executive & Non-Independent	3	Yes	2	--	5
Mrs. Rashmi Anand	Whole Time Director	Executive & Non-Independent	11	Yes	---	--	---
Mr. Sanjay Anand	Whole Time Director	Executive & Non-Independent	11	No	1	---	2
Mr. Vasudeva Rao	Director	Non-Executive & Independent	6	Yes	---	---	---
Mr. Rajiv Rai Sachdev	Director	Non-Executive & Non-Independent	4	No	---	---	---

- *Mr. Ajay Anand resigned from the directorship w.e.f 5th July 2012

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.

Details Of Director Seeking Appointment / Re-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

Composition, Meetings and Attendance:

The Company has a qualified and independent Audit Committee constituted in line with the provisions of clause 49 of the Agreement with the stock exchange 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 non-executive non-independent director is a member of the Committee. Mr. Sanjay Anand, Whole-Time Director of the Company is also a member of the Committee.

Audit Committee met 5 times during the year on 15.05.2012, 09.08.2012, 14.08.2012, 15.11.2012 & 15.02.2013.

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	2
3.	Mr. Rajiv Rai Sachdev	Member	5	5
3.	Mr. Sanjay Anand	Member	5	3

* Mr. Ajay Anand resigned from the directorship w.e.f 5th July 2012

Mr. Martin Golla, Sr. VP- Legal and Company Secretary acts as the Secretary to 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.
2. Review with the management, the annual financial statements
3. Review of Related Party Transactions
4. Review of Company's financial and risk management policies
5. Review with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
6. Review with the management, the quarterly financial statements.
7. Recommend to the Board, the appointment, re-appointment or removal of the statutory auditor and the fixation of audit fees.

8. 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.
9. Reviewing with the Management, the Annual Financial Statements before submission to the Board.
10. Discussion with internal auditors any significant findings and follow up there on and in particular internal control weaknesses and reviewing the adequacy of internal audit function and
11. To review the functioning of the Whistle Blower mechanism.

SHARE TRANSFER COMMITTEE

The Share Transfer Committee headed by Mr. Rajiv Rai Sachdev, a non-executive non-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 non-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 4 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 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 2012-2013 is given as follows:(No sitting fees paid to the following directors)

Director	Designation	Remuneration (including all perquisites) & Gratuity Rs.	Service Contract
Mr. Ajay Anand	Chairman & Managing Director	*18,64,000/-	3 years
Mr. Sanjay Anand	Whole Time Director	19,25,400/-	3 years
Mrs. Rashmi Anand	Whole Time Director	1,440,000/-	3 years

*Rs. 10,00,000/- is towards gratuity paid to Mr. Ajay Anand, who has resigned w.e.f. 5th July 2012.

The details of sitting fees paid to Non-Executive Directors during the year ended March 31st 2013 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	30,000/-
2	Mr. Rajiv Rai Sachdev	20,000/-

Apart from sitting fees for 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.

Year	Location	Date	Time
2009-2010	Survey No.356/1-2, Village Dadra-396191 Union Territory of Dadra & Nagar Haveli	29th September, 2010	9.30 p.m.
2010-2011	Survey No. 380/1, Khanvel Silvassa Road, Dapada, Silvassa – 396 230 Union Territory of Dadra & Nagar Haveli	29th September, 2011	10.30 a.m.
2011-2012	Survey No. 380/1, Khanvel Silvassa Road, Dapada, Silvassa – 396 230 Union Territory of Dadra & Nagar Haveli	29th September, 2012	10.00 a.m.

- No postal Ballot was conducted during the year.
- The following special resolutions were passed by the members during the previous Annual General Meetings:
 - 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

Disclosures :

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. The declaration of Whole Time 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.

Mumbai, 30.05.2013

Sanjay Anand
Whole Time Director

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 2013 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.
- © 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, the 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,

Sanjay Anand
Whole Time 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 ensures the prevention of dealing in Company's shares by persons having access to unpublished price sensitive information.

Other 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.

The Company is in compliance with all mandatory requirements of clause 49 of the Listing Agreement. In addition, the Company has also adopted the non-mandatory requirements of constitution of the remuneration committee and establishing of Whistle Blower Mechanism.

MEANS OF COMMUNICATION :-

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

- (I) Times of India (English) - Surat Edition
- (ii) Economic Times (Gujarathi) - Gujarat Edition

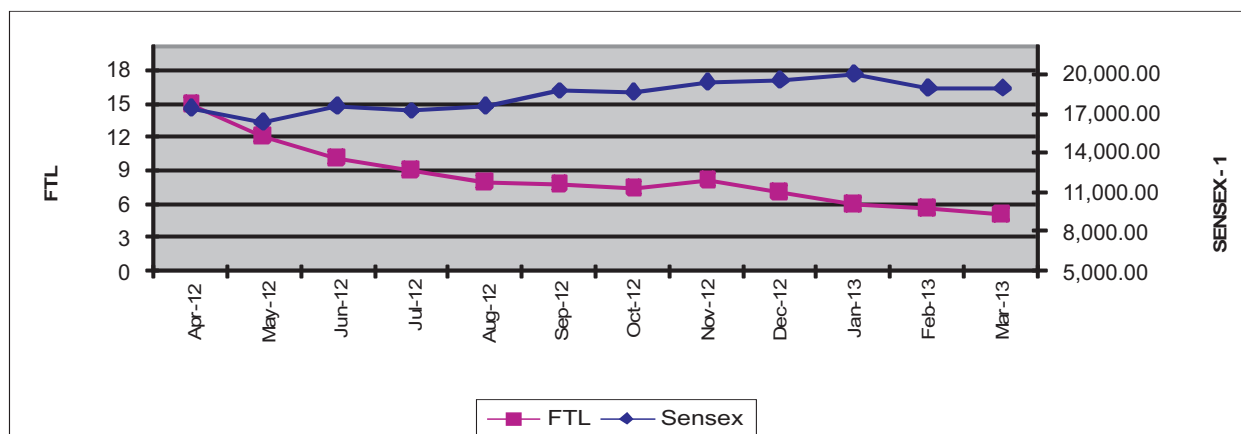
Company's results and official news releases, if any, are also displayed on the Company's website www.fazethree.com

GENERAL SHAREHOLDER INFORMATION

AGM Date, time and venue	30th September, 2013 11.30 a.m. Survey No. 380/1, Khanvel Silvassa Dapada -396 230 Union Territory of Dadra & Nagar Haveli
Financial Calendar for 2013-14 (Tentative)	
2nd Quarter Results	Second week of November 2013
3rd Quarter Results	Second week of February 2014
Audited Results for the year ending 31.03.2014	Last week of May 2014
Date Of Book Closure	23rd September, 2013 to 30th September, 2013 (Both days inclusive)
Listing On Stock Exchanges	Bombay Stock Exchange Luxembourg Stock Exchange
Stock Code	530079 on Bombay Stock Exchange 027941079 on Luxembourg Stock Exchange
Demat ISIN No. for NSDL & CDSL	INE963C01033
Share Transfer System	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 fifteen days of the receipts of the same. Provided the documents are complete and the shares under transfer are not dispute. However, if the transfer documents are in order, objections are communicated to the transferee within fifteen days from the date of receipt of the transfer documents.
Registrar & Share Transfer Agent	Sharex Dynamic (I) P Ltd, Unit-1, Luthra Industrial Premises, Andheri - Kurla Road, Safed Pool, Andheri (E) Mumbai – 400 072
Address For Communication	Corporate Office FAZE THREE LIMITED 1-2, Shiv Smriti Chambers, 49-A, Dr. Annie Besant Road, Worli, Mumbai – 400 018. Phone 022 6660 4600
Designated E-mail Id For Shareholders	investors@fazethree.com
Dividend Information:	
Pursuant to the provisions of Section 205A of the Companies Act, 1956, Dividend for the financial year ended 2005-2006 which remained unpaid or unclaimed is due for transfer to the Investor Education and Protection Fund ('IEPF') constituted by the Central Government under Section 205C of the Companies Act, 1956 in September 2013.	
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 2012	17.90	13.50	40,249	17,664.10	17,010.16
May 2012	16.84	11.50	29,943	17,432.33	15,809.71
June 2012	14.74	8.56	26,267	17,448.48	15,748.98
July 2012	10.98	9.00	10,498	17,631.19	16,598.48
August 2012	9.94	7.00	23,266	17,972.54	17,026.97
August 2012	9.69	7.20	18,598	18,869.94	17,250.80
October 2012	7.99	6.60	10,794	19,137.29	18,393.42
November 2012	8.13	6.85	18,600	19,372.70	18,255.69
December 2012	8.40	7.00	16,769	19,612.18	19,149.03
January 2013	7.83	5.95	25,659	20,203.66	19,508.93
February 2013	6.75	5.21	39,949	19,966.69	18,793.97
March 2013	6.24	4.57	34,719	19,754.66	18,568.43



Distribution of Shareholding as on March 31, 2013:-

Sr. No.	No. of Equity Shares held		Shareholders		Shareholding	
	From	To	Nos.	%	Nos.	%
1	Upto	100	1805	42.24	103296	0.85
2	101	200	562	13.15	97417	0.80
3	201	500	1342	31.41	419860	3.44
4	501	1000	281	6.58	227562	1.87
5	1001	5000	222	5.20	484535	3.98
6	5001	10000	19	0.44	139134	1.14
7	10001	100000	28	0.66	789402	6.48
8	100001 and above		14	0.33	9927591	81.45
	TOTAL		4273	100	12188797	100.00

Shareholding Pattern as on March 31, 2013

Category code	Category of Shareholder	Total no of shares	Percentage of Shareholding
(A) 1	Promoter and Promoter Group Holding Indian Promoters	6566744	53.88
	Sub Total (A)	6566744	53.88
(B)	Non Promoter Holding Institutions & Non Institutions		
(a)	Venture Capital Fund	250	0.001
(b)	Private Bodies Corporate	3332273	27.33
(c)	Individuals	2233528	18.32
(d)	Any Other (Clearing Member)	0	0.00
(e)	NRI	56002	0.45
	Total Non Promoter Holding	5622053	46.12
	GRAND TOTAL (A)+(B)	12188797	100.00

For and on behalf of the Board

Place: Mumbai
Dated: 30.05.2013

Sanjay Anand
Whole Time Director

AUDITOR'S CERTIFICATE 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 2013 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 that in case of the Composition of the Board the strength of Non-executive director is short by one director. The strength of Independent Director was short by two Directors till 5th July 2012 and thereafter till 31.03.2013 was short by one director. Further, in the case of Audit Committee the 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: 30.05.2013

C.V.PARAMESWAR
Partner
M.No.11541

INDEPENDENT AUDITORS' REPORT

To The Members
Faze Three Ltd
Mumbai

Report on the Financial Statement

We have audited the accompanying financial statements of FAZE THREE LIMITED ("the Company"), which comprise the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- b) In the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
- c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - 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 those books.;
 - c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account.;
 - d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
 - e) On the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - f) Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor it has issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

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

C.V.PARAMESWAR
PARTNER
M.No.11541

Place: Mumbai
Dated: 30th May 2013

ANNEXURE TO INDEPENDENT AUDITORS' REPORT

Referred to in paragraph 1 under the heading of 'Report on other legal and regulatory requirement' 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 off 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 loans from 2 Companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956. The maximum amount outstanding at any time during the year was ₹.150 Lacs, and the year end balance is ₹ 134 Lacs. The Company has granted loans to one Company listed in the Register maintained under Sec 301 of the Companies Act, 1956. The maximum amount outstanding at any time during the year was ₹ 0.04 Lacs, and the year end balance is ₹ nil Lacs.
 - (b) As per the information and explanations given to us, the rate of interest and the terms and conditions of the said loans wherever stipulated, 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. The Company has an Internal Audit System, which is commensurate with the size of the Company and the nature of its business.
- viii. We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act, and are of the opinion that prima facie, the

prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determine whether they are accurate or complete.

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 2013 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
Income tax	2007-2008	ITAT (Mumbai)	53.63

- x. The accumulated loss at the end of the financial year exceeded the Company's net worth. The Company has incurred cash loss during the year, and in the immediately preceding 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 had given a guarantee for loan taken by a subsidiary from bank. In our opinion the terms and conditions of the guarantee are not 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 been 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: 30th May 2013

BALANCE SHEET as at 31 March, 2013	Notes	As At 31st March 2013 [₹]	As At 31st March 2012 [₹]
EQUITY AND LIABILITIES			
Shareholders' funds			
(a) Share capital	3	121,887,974	121,887,974
(b) Reserves and surplus	4	<u>(456,658,747)</u>	<u>(241,563,121)</u>
		(334,770,773)	(119,675,147)
Non-current liabilities			
(a) Long-term borrowings	5	54,092,016	132,244,814
(b) Deferred tax liabilities (Net)	6	137,455,893	132,859,816
(c) Long-term provisions	7	<u>19,875,640</u>	<u>18,924,960</u>
		211,423,549	284,029,590
Current liabilities			
(a) Short-term borrowings	8	610,558,070	539,827,044
(b) Trade payables	9	341,233,406	305,792,167
(c) Other current liabilities	10	1,250,396,199	1,063,482,515
(d) Short-term provisions	11	<u>48,985,130</u>	<u>38,263,846</u>
		2,251,172,805	1,947,365,572
		2,127,825,580	2,111,720,016
ASSETS			
Non-current assets			
(a) Fixed assets			
(i) Tangible assets	12	795,531,720	832,316,889
(b) Non-current investments	13	2,108,955	8,239,993
(c) Long-term loans and advances	14	<u>26,107,901</u>	<u>70,398,235</u>
		823,748,576	910,955,117
Current assets			
(a) Inventories	15	728,298,509	700,836,386
(b) Trade receivables	16	329,476,341	302,928,486
(c) Cash and cash equivalents	17	64,873,024	53,096,171
(d) Short-term loans and advances	18	113,566,671	95,510,396
(e) Other current assets	18a	<u>67,862,459</u>	<u>48,393,460</u>
		1,304,077,004	1,200,764,899
		2,127,825,580	2,111,720,016
Total		2,127,825,580	2,111,720,016
Summary of significant accounting policies	2.1		

The Accompanying notes are an integral part of the financial statements

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 : 30th May, 2013

For and on behalf of the Board

Rashmi Anand

Whole Time Director

Sanjay Anand

Whole Time Director

Martin Golla

Sr. VP-Legal & Company Secretary

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Statement of Profit & Loss For The Year Ended 31st March 2013	Notes	For the Year Ended 31st March 2013 (₹)	For the Year Ended 31st March 2012 (₹)
Income			
Revenue from operations	19	1,898,960,038	1,876,264,810
Less : Excise duty on domestic sales		(10,909,705)	(2,280,047)
Other income	20	52,528,748	134,300,057
Total Revenue (I)		<u>1,940,579,081</u>	<u>2,008,284,820</u>
Expenses			
Cost of materials consumed	21	1,024,158,465	882,644,989
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade [(Increase) / decrease]	22	(64,422,693)	73,191,573
Employee benefits expense	23	175,749,146	184,317,408
Other expenses	26	727,877,006	757,790,640
Total (II)		<u>1,863,361,924</u>	<u>1,897,944,610</u>
Profit before interest, tax, depreciation and amortisation, Finance Costs and Exceptional items (EBIDTA) (I) - (II)		77,217,157	110,340,210
Depreciation and amortization expense	25	48,987,171	107,578,027
Finance costs	24	146,998,858	238,268,683
Exceptional items	27	91,730,676	419,646,220
Profit / (loss) before tax but after interest, depreciation and amortisation and Exceptional items		(210,499,549)	(655,152,719)
Tax Expenses			
Current tax		-	-
Deferred tax Originated / (Reversed)		4,596,077	30,491,823
Total Tax Expense		<u>4,596,077</u>	<u>30,491,823</u>
Profit/(Loss) for the period from continuing operations (A)		<u>(215,095,626)</u>	<u>(685,644,543)</u>
Profit/(loss) from discontinuing operations		-	-
Tax expense of discontinuing operations		-	-
Profit/(loss) from Discontinuing operations (after tax) (B)		<u>-</u>	<u>-</u>
Profit/(Loss) for the period (A + B)		<u>(215,095,626)</u>	<u>(685,644,543)</u>
Earnings per equity share [nominal value of share ₹10]			
Basic		(17.65)	(56.25)
Diluted		(17.65)	(56.25)
Summary of significant accounting policies	2.1		

The Accompanying notes are an integral part of the financial statements

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 : 30th May, 2013

For and on behalf of the Board

Rashmi Anand

Whole Time Director

Sanjay Anand

Whole Time Director

Martin Golla

Sr. VP-Legal & Company Secretary

Cash Flow Statement For The Year Ended 31st March 2013

(₹ in Lacs)

	Year ended 31st March 2013	Year ended 31st March 2012
Profit before tax from continuing operations	(2,105.00)	(6,551.53)
Non-cash adjustment to reconcile profit before tax to net cash flows		
Depreciation / amortization from continuing operation	489.87	599.17
Impairment / other write off of tangible assets pertaining to continuing operation	-	476.61
Provision for diminution in value of investments	60.89	486.98
Unrealized foreign exchange loss	1,153.67	727.02
Interest Expense	1,469.99	2,382.69
Interest Income	(120.24)	(136.88)
Exceptional items (refer note 27) and other trade write offs	917.31	4,196.46
Profit / Loss on sale of Asset	(39.95)	(4.83)
Operating profit before working capital changes	1,826.54	2,175.69
Movements in Working Capital :		
Increase / (decrease) in trade payables	354.41	1,229.77
Increase / (decrease) in Long term provisions	9.51	178.82
Increase / (decrease) in short term provisions	107.21	(8.77)
Increase / (decrease) in current liabilities	715.46	4,725.69
(Increase) / decrease in trade receivables	(265.48)	(875.05)
(Increase) / decrease in inventories	(274.62)	(269.07)
(Increase) / decrease in long term loans and advances	442.90	87.63
(Increase) / decrease in short term loans and advances	(180.56)	1,420.64
(Increase) / decrease in other current assets	(194.69)	295.29
Direct taxes paid (net of refunds)	-	-
Exceptional Items	(917.31)	(4196.46)
Net Cash flow from / (used in) operating activities (A)	1,623.38	4,764.18
Cash Flow From Investing Activities		
Purchase of Fixed Assets, CWIP and capital advances	(161.41)	(244.13)
Proceeds from Sale of Fixed assets	79.34	49.98
Purchase of non current Investments	-	-
Proceeds of sale / maturity Investments	0.42	-
Interest received	120.24	136.88
Net cash flow from / (used in) investing activities (B)	38.60	(57.28)

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Cash Flow Statement For The Year Ended 31st March 2013 (Contd.)

(₹ in Lacs)

	Year ended 31st March 2013	Year ended 31st March 2012
Cash flow from Financing Activities		
Proceeds from issuance of share capital	-	-
Proceeds from Long term borrowings (net)	-	-
Repayment of Long term borrowings	(781.53)	(674.29)
Proceeds from short term borrowings	707.31	-
Repayment of short term borrowings	-	(1,366.69)
Interest paid	(1,469.99)	(2,382.69)
Net cash flow from / (used in) Financing activities (C)	(1,544.21)	(4,423.66)
Net increase / (decrease) in cash and cash equivalents (a+b+c)	117.77	283.23
Cash and cash equivalents at the beginning of the year	530.96	247.73
Cash and cash equivalents at the end of the year	<u>648.73</u>	<u>530.96</u>

Components of Cash and cash equivalents

Cash on hand	3.71	3.44
With Banks		
On current accounts	71.39	282.01
On deposit account	569.65	214.80
EEFC Account	1.04	26.76
Unpaid dividend account	2.94	3.95
Total cash and cash equivalents (note 17)	<u>648.73</u>	<u>530.96</u>

As per our report of even date.

Thakur Vaidyanath Aiyar & Co.

Chartered Accountants

Firm Rgn. No-000038N

For and on behalf of the Board

C. V. Parameswar

Partner

M.No.: 11541

Rashmi Anand

Whole Time Director

Sanjay Anand

Whole Time Director

Place : Mumbai

Dated : 30th May, 2013

Martin Golla

Sr. VP-Legal & Company Secretary

Notes Forming Part of Financial Statements

1. Corporate Information

Faze Three Limited (the company) is a public company domiciled in India and incorporated under the provisions of the Indian Companies Act, 1956. The company's equity shares are listed for trading on Bombay Stock Exchange. The company is engaged in manufacturing of Home furnishing products.

2. Basis of Accounting

The Financial statements have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP). The financials are prepared under the historical cost convention on an accrual basis and to comply in all material respects with the Accounting Standards notified under the Companies (Accounting Standard) Rules, 2006 (as amended) to the extent applicable and relevant provisions of the Companies Act, 1956.

2.1 Summary of Significant Accounting policies:

a. Presentation and disclosure of financial statements

The revised schedule VI notified under the Companies Act, 1956, is applicable to the Company, for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed in preparation of financial statements. However, it has significant impact on presentation and disclosures made in financial statements.

b. Use of estimates

The preparation of financial statements in conformity with the Indian GAAP requires estimates and assumptions to be made that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, as of the date of the reporting period. These estimates are based on management's best knowledge of current events and actions, uncertainty about these assumptions could result in outcomes different from the estimates. Difference between actual results and estimates are recognised in the period in which results are known or materialized.

c. Tangible and Intangible Fixed Assets

Fixed Assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The cost comprises of purchase price, borrowing cost if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use.

Intangible assets are considered as such only if amount involved are significant.

d. Depreciation on Tangible fixed assets

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 re-valued assets, depreciation is charged on re-valued amount. While depreciation on original cost is charged to the Profit and Loss Account, on the re-valued amount it is adjusted against the Revaluation Reserve. Loom accessories, which are of replacement in nature, are expensed.

e. Borrowing costs

Borrowing costs include interest, amortisation of ancillary costs incurred in connection with arranging the borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

f. Impairment of tangible fixed assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the

Notes Forming Part of Financial Statements (Contd.)

company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) net selling price and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

After impairment depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

g. Government grants and subsidies

Grants and subsidies from the government are recognized when there is reasonable assurance that (i) the company will comply with the conditions attached to them, and (ii) the grant/ subsidy will be received.

When the grant or subsidy relates to revenue, it is recognized as income on a systematic basis in the statement of profit and loss over the periods necessary to match them with the related costs, which they are intended to compensate. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the useful life of the related asset.

Where the company receives non-monetary grants, the asset is accounted for on the basis of its acquisition cost. In case a non-monetary asset is given free of cost, it is recognized at a nominal value.

Government grants of the nature of promoter's contribution are credited to capital reserves and treated as a part of the shareholders' funds.

h. Investments

Investments, which are readily realizable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investment. All other investments are classified as long term investments.

Current Investments are carried in the financial statements at lower of cost and fair 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.

i. Inventories

a) Raw materials are valued at cost or net realizable value whichever is lower, b) Work in process are valued at cost, c) Finished products are valued at cost or net realizable value whichever is lower. 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 location and includes allowable overheads based on normal level of activity and excise duty where applicable.

j. 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. The following specific recognition criteria must also be met before revenue is recognized.

Sale of goods

Revenue from sale of goods is recognized when all the significant risks and rewards of ownership of goods have been passed to the buyer, usually on delivery of the goods. Domestic sales are inclusive of excise duty.

Interest

Interest income is recognized on a time proportion basis taking into account outstanding and the

Notes Forming Part of Financial Statements (Contd.)

applicable interest rate. Interest income is included under the head “other income” in the statement of profit and loss.

k. Foreign Currency Transaction

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 on the date of the transaction.

Conversion

Foreign currency monetary items are retranslated using the exchange rate prevailing at the reporting date. Non-monetary items, which are measured in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of transaction. Non –monetary items, which are measured at fair value or other similar valuation denominated in a foreign currency, are translated using the exchange rate at the date when such value was determined. The exchange differences arising on restatement of monetary items are recognized as income or as expenses in the period in which they arise in the statement of profit and loss.

l. Retirement and other employee benefits

Retirement benefit in the form of provident fund and family pension fund is a defined contribution scheme and is charged to the statement of profit and loss. The company has no other obligation, other than the contribution payable to the provident fund and family pension fund.

m. Income taxes

Tax expense comprise of current and deferred tax. Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-Tax Act, 1961 enacted in India and tax laws prevailing in the respective tax jurisdiction where the company operates. The tax rate and tax laws used to compute the amount due are those that are enacted or substantively enacted, at the reporting date.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rate and the tax laws enacted or substantively enacted at the reporting date.

Deferred tax liabilities are recognized for all taxable timing differences. Deferred tax assets are recognized for deductible timing differences 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 realized. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is a virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

Minimum alternate tax(MAT) paid in the year is charged to the statement of profit and loss as current tax. The company recognized MAT credit available as an assets only to the extent that there is convincing evidence that the company will be charged normal income tax during the specified period i.e., the period for which MAT credit is allowed to be carried forward to the next year in which company recognises MAT credit as an assets in accordance with the Guidance Note on Accounting for credit available in respect of Minimum Alternate Tax under the Income Tax Act, 1961, the said assets is created by way of credit to the statement of Profit & loss and shown as “MAT Credit Entitlement.” The company reviews the “MAT Credit Entitlement” assets at each reporting date and writes down the asset to the extent the company does not have convincing evidence that it will pay normal tax during the specified period.

Notes Forming Part of Financial Statements (Contd.)

n. Segment reporting

The company has a single reportable segment.

o. Earnings per share

Basic earnings per share are calculated by dividing the net profit and loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events such as bonus issue, bonus elements in right issue, share split, and reverse shares split (consolidation of shares) that have changed the number of equity shares outstanding without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and weighted average number of share outstanding during the period is adjusted for the effects of all dilutive potential equity shares.

p. Provisions

Provisions are recognized when there is a present obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligations and reliable estimate can be made of the amount of obligation. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimate.

q. Contingent liabilities / Assets

Claims against the company where the possibility of outflow of resources is remote in the settlement of obligation are not disclosed as contingent liabilities. Contingent liabilities are not recognised but are disclosed and contingent assets are neither recognised nor disclosed in the financial statements.

r. Cash and cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

s. Current and Non-current

All Assets and liabilities are presented as current or non-current as per the company's normal operating cycle and other criteria set out in the revised schedule VI of the Companies Act, 1956. Based on the nature of products and the time between the acquisition of assets of processing and the realisation, the company has ascertained its operating cycle as 12 months for the purpose of current / non-current assets / liabilities.

t. Measurement of EBITDA

As permitted by the Guidance note on the revised schedule VI to the Companies Act, 1956, the company has elected to present earnings before interest, tax, depreciation and amortization (EBITDA) as a separate line item on the face of the statement of the profit & loss. The company measured EBITDA on the basis of Profit & loss for continuing operation. In its measurement, the company does not include depreciation and amortization expense, finance costs, exceptional items and tax expense.

Notes Forming Part of Financial Statements (Contd.)

3. Share Capital

Particulars	31st March 2013		31st March 2012	
	Number	₹	Number	₹
Authorised				
Equity Shares of ₹ 10/- each	17,000,000	170,000,000	17,000,000	170,000,000
Issued, Subscribed & Fully paid up				
Equity Shares of ₹ 10/- each	12,188,797	121,887,974	12,188,797	121,887,974

a. Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

Particulars	31st March 2013		31st March 2012	
	Number	₹	Number	₹
Equity Shares of ₹ 10/- each				
Shares outstanding at the beginning of the year	12,188,797	121,887,974	12,188,797	121,887,974
Shares Issued during the year	-	-	-	-
Shares bought back during the year	-	-	-	-
Shares outstanding at the end of the year	12,188,797	121,887,974	12,188,797	121,887,974

b. Terms/rights attached to Equity Shares.

The Company has only one class of Equity Shares having a par value of ₹ 10/- per share. All the Equity Shares rank pari passu in all respect.

c. The company has not issued bonus shares and shares for consideration other than cash nor the company has bought back any shares during the period of five years immediately preceding the reporting date.

d. Details of shareholders holding more than 5% shares in the Company.

Name of Shareholder	31st March 2013		31st March 2012	
	No. of Shares held	% of Holding in the class	No. of Shares held	% of Holding in the class
Equity Shares of ₹ 10/- each fully paid				
Ajay Anand	2,964,209	24.32	2,964,209	24.32
Ajay Anand (HUF)	662,500	5.44	662,500	5.44
Instyle Investments Pvt. Ltd.	2,394,625	19.65	2,394,625	19.65
Whitley Willows Overseas Ltd	1,638,297	13.44	1,638,297	13.44

As per records of the company, including its register of shareholders / members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

Notes Forming Part of Financial Statements (Contd.)

4. Reserves & Surplus

Particulars	31st March 2013	31st March 2012
	₹	₹
a. Capital Reserves	53,331,692	53,331,692
b. Securities Premium Account	31,273,767	31,273,767
c. General Reserve	314,031,484	314,031,484
d. Surplus / (deficit) in statement of profit & loss		
Balance as per last financials	(640,200,064)	45,444,479
Loss for the current year	(215,095,626)	(685,644,543)
Net Deficit in the statement of profit and loss	(855,295,690)	(640,200,064)
Total reserves and surplus	(456,658,747)	(241,563,121)

5. Long Term Borrowings

Particulars	31.03.2013	31.03.2012	31.03.2013	31.03.2012
	Non Current Portion	₹	Current Maturities	₹
Secured				
(a) Term loans				
from banks (Refer Note No. 5.1)	52,576,658	125,929,839	71,699,000	73,744,000
(b) Other Loans	1,515,358	6,314,975	2,255,550	4,888,997
(Against Hypothecation of Vehicles)				
	54,092,016	132,244,814	73,954,550	78,632,997

Note No.5.1

The term loan is 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)

Term loans from Canara bank included above carries interest of (BPLR + 0.25 bps) to (BPLR + 1.25 bps). The same Loan was taken from FY 2002 and is repayable in quarterly installments by FY 2015. Some of the loans included above fall under Technology Up gradation Fund Scheme of Ministry of Textiles (TUFS) which are eligible for a interest subsidy of 500 bps.

Term loans from Allahabad bank included above carries interest of (Base Rate + 450 bps). The same Loan was taken from FY 2010 and is repayable in quarterly installments by 2017. Other Loans are repayable in monthly installments by 2014. There is no default in repayment of the term loans.

6. Deferred tax liabilities (Net)

Particulars	31st March 2013	31st March 2012
	₹	₹
Difference in WDV between Books of Accounts and Income tax records	137,455,893	132,859,816
	137,455,893	132,859,816

Notes Forming Part of Financial Statements (Contd.)

7. Long Term Provisions

Particulars	<u>31st March 2013</u> ₹	<u>31st March 2012</u> ₹
Provision for employee benefits		
Gratuity	19,875,640	18,924,960
	<u>19,875,640</u>	<u>18,924,960</u>

Note no. 7.1 - 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. As done in the previous year, the company has provided gratuity as per Payment of Gratuity Act, 1972 on a full liability basis and hence short term maturities on gratuity provisions have not been segregated.

8. Short Term Borrowings

Particulars	<u>31st March 2013</u> ₹	<u>31st March 2012</u> ₹
Loans repayable on demand from banks (secured) (refer note 8.1)	610,558,070	539,827,044
	<u>610,558,070</u>	<u>539,827,044</u>

Note No.8.1

Packing Credit Foreign Currency (PCFC) and Packing Credit Rupees (PCRS) is 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).

PCFC and PCRS facilities are from Canara Bank carrying interest rate of (LIBOR + 350 bps) for PCFC facility and 11.00 % for PCRS facility from Allahabad Bank. However, PCRS facility is eligible for interest subvention of 2 %.

9. Trade Payables

Particulars	<u>31st March 2013</u> ₹	<u>31st March 2012</u> ₹
Trade Payables (including acceptances) (refer note 36 for details of dues to micro and small enterprises.)	341,233,406	305,792,167
	<u>341,233,406</u>	<u>305,792,167</u>

Trade payables include some amounts due to parties covered under AS 18, refer note 28.

Notes Forming Part of Financial Statements (Contd.)

10. Other Current Liabilities

Particulars	31st March 2013	31st March 2012
	₹	₹
(a) Current maturities of Term Loan	71,699,000	73,744,000
(b) Current maturities of Other loan	2,255,550	4,888,997
(c) Foreign Currency Convertible Bonds (Refer note 10.1)	689,207,389	597,641,506
(d) Invocation of Corporate Guarantee (Refer note 10.2)	341,077,441	287,090,224
(e) Other liabilities (Refer Note 10.3)	146,156,819	100,117,788
	1,250,396,199	1,063,482,515

Note No.10.1 Foreign Currency Convertible Bonds

The current outstanding of principal value of Foreign Currency Convertible Bonds have become due for redemption on 27th Demember, 2011 and were not redeemed on that date. These Bonds have redemption premium and interest payable which has been provided in the books of accounts.

Note no. 10.2 - Invocation of Corporate Guarantee

The Company had given Corporate Guarantee to Canara Bank London in respect of its German subsidiary namely Pana Textil Gmbh to the extent of 4 Mln Euros. The liability payable to Bank in case of the guarantee being invoked on crystallisation of the amount has been provided in the books of account.

Note no. 10.3 - Includes an amount of ₹. 42.43 Mln (PY ₹. 44.61 Mln) temporary book overdraft. There are no amounts due to be transferred to Investor Education and Protection Fund (IEPF).

11. Short Term Provisions

Particulars	31st March 2013	31st March 2012
	₹	₹
(a) Provision for employee benefits		
Salary & Reimbursements	11,907,781	9,747,430
Contribution to PF and other funds	628,195	904,021
(b) Others		
Professional Tax Payable	31,201	23,712
Service Tax Payable	1,163,342	263,126
TDS Payable	2,029,308	3,008,155
Expenses Payable	31,216,766	22,710,721
Sales Tax Payable	1,224,110	1,097,171
Others	784,427	509,510
	48,985,130	38,263,846

Notes Forming Part of Financial Statements (Contd.)
12. Tangible Fixed Assets

Tangible assets particulars	Gross block			Accumulated depreciation and impairment					Net block	
	Balance as at 1st April, 2012	Additions	Disposals	Balance as at 31st March, 2013	Balance as at 1st April, 1st April,	Depreciation/ amortisation expense for the year	Eliminated on disposal of assets	Impairment Provision recognised in statement of profit and loss	Balance as at 31st March, 2013	Balance as at 31st March, 2012
(a) Land Freehold Leasehold	59,176,718 13,085,987	4,921,113 -	- -	64,097,831 13,085,987	- -	- -	- -	- -	64,097,831 13,085,987	59,176,718 13,085,987
(b) Buildings Owned	383,842,359	2,647,466	-	386,489,825	112,298,606	11,862,556	-	-	262,328,662	271,543,753
(c) Plant and Equipment Owned	663,717,799	4,495,854	3,249,089	664,964,564	235,262,461	28,705,508	1,249,979	-	402,246,574	425,746,605
(d) Furniture and Fixtures Owned	52,857,676	1,197,035	-	54,054,711	31,829,546	2,552,072	-	-	19,673,093	21,019,289
(e) Vehicles Owned	37,286,690	1,579,146	8,129,610	30,736,226	27,766,669	2,715,716	6,189,578	-	6,443,419	9,520,023
(f) Office equipment Owned	7,874,427	819,727	-	8,694,154	3,000,935	406,341	-	-	5,286,878	4,880,768
(g) Computer Owned	18,720,775	436,947	-	19,157,722	17,316,443	1,060,266	-	-	781,013	1,404,332
(h) Electrical Installation Owned	46,499,859	43,858	-	46,543,717	23,713,099	1,662,211	-	-	21,168,407	25,497,057
(i) Fire Hydrants Owned	473,688	-	-	473,688	31,331	22,500	-	-	419,857	442,357
Total	1,283,535,978	16,141,146	11,378,699	1,288,298,425	451,219,089	48,987,171	7,439,556	-	492,766,705	832,316,889
Previous year	1,264,672,180	24,412,926	5,549,128	1,283,535,978	344,675,840	59,917,399	1,034,778	47,660,628	451,219,089	832,316,889

Note 12.1

The value of Intangible assets are negligible and immaterial, hence, have not been separately classified.

Notes Forming Part of Financial Statements (Contd.)

13. Non-current investments

Particulars	<u>31st March 2013</u> ₹	<u>31st March 2012</u> ₹
Non Trade Investments (At Cost)		
Preference Shares (unquoted) 452,000 (4,52,000) 5% Non-cumulative preference shares of ₹ 100 each fully paid up of V. R. Woodart Ltd. (Associate)	45,200,000	45,200,000
Less : diminution in value of investment provided on the above in accordance with AS-13. (refer note 13. 1)	45,200,000	45,200,000
	-	-
Unit trust of India - 6.75% US 64 Bonds 424 units	-	42,400
Equity shares (unquoted) (At Cost)		
Saraswat Co-op Bank Ltd. (2500 equity shares of ₹ 10 each, fully paid up)	25,000	25,000
Greater Bombay Co-operative Bank Limited (40 equity shares of ₹ 25 each, fully paid up)	1,000	1,000
Equity shares (quoted)		
V. R. Woodart Ltd. (Associate) (1,456,612 equity shares of ₹ 10 each, fully paid up) (Market Value as on 31st March 2013 : ₹ 2,082,955)	11,669,869	11,669,869
Less: diminution in value of investment provided on the above in accordance with AS-13. (Refer Note 13.1 and note 27)	9,586,914	3,498,276
Aggregate value of Quoted Investments ₹ 2,082,955	2,082,955	8,171,593
Aggregate value of Unquoted Investments ₹ 26,000	2,108,955	8,239,993

Note No.13.1

The diminution in value of the said investment is provided in accordance with AS - 13.

14. Long Term Loans and Advances

Particulars	<u>31st March 2013</u> ₹	<u>31st March 2012</u> ₹
Capital advances		
Unsecured, considered good	396,999	42,330,909
Security Deposits		
Unsecured, considered good	6,891,835	8,169,018
Advance Income tax (net of provision)		
Unsecured, considered good	18,819,067	19,898,308
	<u>26,107,901</u>	<u>70,398,235</u>

15. Inventories (valued at lower of cost and net realizable value)

Particulars	<u>31st March 2013</u> ₹	<u>31st March 2012</u> ₹
Raw Materials and components	324,317,148	363,069,799
Work-in-progress	106,378,540	94,922,665
Finished goods	262,335,450	209,368,632
Stores and spares	19,627,883	19,942,024
Dyes and Chemicals	15,639,488	13,533,266
	<u>728,298,509</u>	<u>700,836,386</u>

Notes Forming Part of Financial Statements (Contd.)
16. Trade Receivables

Particulars	31st March 2013	31st March 2012
	₹	₹
Unsecured, considered good		
Trade receivables outstanding for a period exceeding six months from the date they are due for payment	37,396,623	44,589,556
Others	292,079,718	258,338,930
	329,476,341	302,928,486

17. Cash and Cash Equivalents

Particulars	31st March 2013	31st March 2012
	₹	₹
Balances with banks	7,139,275	28,200,958
Cash on hand	370,473	344,451
Bank deposits with Less than 12 months maturity (Refer Note 17.1)	56,964,650	21,480,020
Bank balance on EEFC account	104,276	2,675,629
Unclaimed dividend account	294,350	395,113
	64,873,024	53,096,171

Note No.17.1

The amounts in Bank deposits above include margin money deposit of ₹. 3.63 Mln. (PY ₹. 4.10 Mln.) for issue of letters of Credit and bank guarantee held with Canara Bank.

18. Short-term loans and advances

Particulars	31st March 2013	31st March 2012
	₹	₹
Staff Advances	2,410,672	2,915,461
Advance to Suppliers	6,965,674	12,056,717
Claims Recoverable	2,250,288	6,339,407
Prepaid Expenses	1,751,002	2,664,967
Excise/ Service Tax/ Cenvat	62,791,232	40,774,318
Interest Receivable	10,174,025	8,098,025
Others	27,223,778	22,661,501
	113,566,671	95,510,396

18a. Other Current Assets

Particulars	31st March 2013	31st March 2012
	₹	₹
Export Incentive receivable	67,862,459	48,393,460
	67,862,459	48,393,460

Notes Forming Part of Financial Statements (Contd.)

19. Revenue from operations

Particulars	<u>31st March 2013</u>	<u>31st March 2012</u>
	₹	₹
Sales		
Exports	1,558,973,201	1,601,141,741
Domestic	208,623,071	158,430,092
Other Operating revenues (Export Incentives)	120,454,061	114,412,930
	<u>1,888,050,333</u>	<u>1,873,984,763</u>

20. Other income

Particulars	<u>31st March 2013</u>	<u>31st March 2012</u>
	₹	₹
Interest Income	12,024,472	13,688,332
Insurance Claim received	-	8,458,386
Job work Income	20,852,289	95,306,085
Miscellaneous income	15,657,296	16,363,954
Profit on sale of Assets	3,994,691	483,300
	<u>52,528,748</u>	<u>134,300,057</u>

21. Cost of materials consumed

Particulars	<u>31st March 2013</u>	<u>31st March 2012</u>
	₹	₹
Inventory at the beginning of the year	376,603,065	272,512,462
Add: Purchases	987,512,036	986,735,592
Less: Inventory at the end of the Year	339,956,636	376,603,065
Cost of material and components consumed (Refer Note 21.1)	<u>1,024,158,465</u>	<u>882,644,989</u>

21.1 Cost of material includes the cost of yarn ₹ 877.66 Mln (PY ₹ 787.86 Mln) and Others ₹ 146.5 Mln (PY ₹ 94.78 Mln).

22. Changes in Inventories of Finished Goods, Work-in-progress and Stock-in-trade

Particulars	<u>31st March 2013</u>	<u>31st March 2012</u>
	₹	₹
Inventory at the end of the year	368,713,990	304,291,297
Inventory at the beginning of the Year	304,291,297	377,482,870
Changes in inventories of finished goods work-in-progress and stock-in-trade	<u>64,422,693</u>	<u>(73,191,573)</u>

23. Employee Benefits Expense

Particulars	<u>31st March 2013</u>	<u>31st March 2012</u>
	₹	₹
Salaries and incentives	151,765,458	144,687,060
Contributions to - Provident Fund, E.S.I.C. and other funds	8,334,306	8,958,489
Other expenses and provisions	15,649,382	30,671,859
	<u>175,749,146</u>	<u>184,317,408</u>

Notes Forming Part of Financial Statements (Contd.)
24. Finance Costs

Particulars	<u>31st March 2013</u>	<u>31st March 2012</u>
	₹	₹
Interest expense	121,863,796	105,900,531
Bank Charges	25,135,062	23,623,494
Redemption Premium on Foreign Currency Convertible Bond	-	108,744,658
	<u>146,998,858</u>	<u>238,268,683</u>

25. Depreciation and amortization expense

Particulars	<u>31st March 2013</u>	<u>31st March 2012</u>
	₹	₹
Depreciation on tangible assets	48,987,171	107,578,027
	<u>48,987,171</u>	<u>107,578,027</u>

26. Other Expenses

Particulars	<u>31st March 2013</u>	<u>31st March 2012</u>
	₹	₹
Sewing, Stitching, Processing & Finishing Charges	129,708,857	130,672,132
Power & Fuel	137,890,780	119,968,339
Clearing and Forwarding expenses	63,101,625	65,757,579
Repairs & Maintenance:		
Plant & Machinery	14,560,817	9,459,105
Building	4,786,498	2,767,429
Other Manufacturing Expenses	54,788,018	24,943,328
Rent, Rates & Taxes	12,344,972	8,050,776
Stores and spares consumed	12,649,026	31,836,738
Audit Fees (refer note 26.1)	569,379	633,744
Miscellaneous expenses (refer note 30)	124,873,262	246,132,822
Travelling, Vehicle & Conveyance expenses	15,852,808	18,034,375
Legal & Professional Fees	19,775,925	12,303,527
Insurance Charges	5,572,812	3,390,439
Foreign Exchange fluctuation loss (net)	115,367,485	72,702,392
Selling & Distribution Expenses	8,871,986	6,144,179
Excise duty	7,162,756	4,993,736
	<u>727,877,006</u>	<u>757,790,640</u>

26.1 Details of Payments to the Auditor

Particulars	<u>31st March 2013</u>	<u>31st March 2012</u>
	₹	₹
as auditor	350,000	350,000
for taxation matters	80,000	130,150
for certification	120,000	120,000
for reimbursement of expenses	19,379	33,594
	<u>569,379</u>	<u>633,744</u>

Notes Forming Part of Financial Statements (Contd.)

27. Exceptional items

The Company had given Corporate Guarantee to Canara Bank, London in respect of its German subsidiary namely Pana Textil GmbH to the extent of 4 Mln Euros. This subsidiary is in the process of being wound up. Based on the status of the insolvency proceedings, the Company has during the year, provided a further sum of ₹ 54.21 Mln towards its liability. Apart from aforesaid it also includes foreign exchange loss on account of restatement of FCCB liability and diminution in value of investments made in an associate company in accordance with Accounting Standard – 13 (AS – 13).

28. Related party disclosures

A) Related parties where control exists

Relationship	Name / Entity
Associates	V R Woodart Limited Aunde India Limited Instyle Investments Pvt. Ltd Ajay Anand (HUF) Trimurti Films Pvt Ltd Joint Producers Pvt Ltd Madhyam Vinimay Pvt. Ltd. ARR Bath & Home Pvt Ltd
Key Management personnel	Ajay Anand (Managing Director, Resigned w.e.f 5.7.2012) Rashmi Anand (Whole Time Director) Sanjay Anand (Whole Time Director)

B) Related parties with whom transactions have taken place

Relationship	Name / Entity
Son of Rashmi Anand	Vishnu Anand
Daughter of Rashmi Anand	Rohina Anand
Brother of Sanjay Anand	Ashok Anand
Brother of Rashmi Anand	Rajiv Rai Sachdev

Related Party Transactions

a. Sale / purchase of goods and services

	Year ended	Sale of goods	Sale of services	Purchase of goods	Purchase of services	Amount owed to related parties
AUNDE India Limited	March 2013	Nil	207,757,178	25,900,262	1,029,600	Nil
	March 2012	16,948,789	95,306,085	20,563	Nil	Nil
ARR Bath & Home Pvt. Ltd.	March 2013	2,390,455	324,000	Nil	Nil	Nil
	March 2012	Nil	Nil	Nil	Nil	Nil

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 2013
b. Loans and interest payments

Name	Loans Received	Loan Repaid /Adjusted	Loan given	Loan Refund / Received	Interest Received	Interest Paid	Balance at year end
KMP							
Rashmi Anand	- (PY Nil)	- (PY 3,587,932)	- (PY Nil)	- (PY Nil)	- (PY Nil)	- (PY 470,547)	- (PY Nil)
KMP- Relative							
Ajay Anand	- (PY Nil)	- (PY 11,605,761)	- (PY Nil)	- (PY Nil)	- (PY Nil)	- (PY 1,091,178)	- (PY Nil)
Vishnu Anand	- (PY 2,700,000)	- (PY 3,336,414)	- (PY Nil)	- (PY Nil)	- (PY 6,831,000)	- (PY 397,999)	- (PY Nil)
Rohina Anand	- (PY Nil)	- (PY 4,879,826)	- (PY Nil)	- (PY Nil)	- (PY Nil)	- (PY 514,543)	- (PY Nil)
Ajay Anand HUF	- (PY Nil)	- (PY 7,315,314)	- (PY Nil)	- (PY Nil)	- (PY Nil)	- (PY 820,831)	- (PY Nil)
Associates							
Aunde India Ltd	- (PY 59,400,000)	- (PY Nil)	- (PY Nil)	- (PY Nil)	- (PY 6,831,000)	- (PY Nil)	- (PY Nil)
Instyle Investments Pvt Ltd	- (PY 700,000)	- (PY 14,223,785)	- (PY Nil)	- (PY Nil)	- (PY Nil)	- (PY 1,706,346)	- (PY Nil)
V.R.Woodart Ltd	- (PY 10,046,698)	1,595,407 (PY 3,847,565)	- (PY Nil)	- (PY Nil)	- (PY Nil)	- (PY Nil)	12,298,856 (PY 13,894,263)
Trimurti Films Pvt Ltd	- (PY Nil)	- (PY Nil)	- (PY Nil)	- (PY Nil)	- (PY Nil)	- (PY Nil)	1,100,000 (PY 1,100,000)
Joint Producers Pvt Ltd	- (PY 1,800,000)	- (PY 1,402,901)	4,000 (PY Nil)	4,000 (PY Nil)	- (PY Nil)	- (PY 167,615)	- (PY Nil)
Madhayam Vinimay Pvt Ltd	- (PY Nil)	- (PY Nil)	- (PY Nil)	- (PY Nil)	- (PY Nil)	- (PY Nil)	- (PY Nil)

c. Remuneration to key managerial personnel

Particulars	31st March 2013	31st March 2012
	₹	₹
Rashmi Anand	1,440,000	1,440,000
Sanjay Anand	1,925,400	3,702,473
	3,365,400	5,142,473

d. Other transaction

Lease rent of ₹ 600,000 (PY ₹ 600,000) has been paid to Rohina Anand for rent of premises, salaries have been paid to Ajay Anand ₹ 864,000 for three months (PY ₹ 3,456,000) and gratuity ₹ 1,000,000 (PY Nil) and to Ashok Anand ₹ 907,200 (PY ₹ 898,100). Apart from sale/purchase of goods and services ₹ 31,375 is paid to Aunde India Limited for reimbursement of expenses.

29. Contingent liabilities

Particulars	31st March 2013 ₹	31st March 2012 ₹
(i) Contingent Liabilities		
Claims against the company not acknowledged as debt	1,961,016	-
Guarantees and Letter of Credit	30,986,946	23,976,300
Other money for which the company is contingently liable	39,954,813	43,103,420
(ii) Commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for	-	-
Uncalled liability on shares and other investments partly paid	-	-
Other commitments (specify nature)	-	-

30. Miscellaneous expenses under Note 26 'Other Expenses' mainly includes net w/offes of ₹ 61.04 Mln (PY ₹ 151.65 Mln), Security expenses ₹ 4.12 Mln (PY ₹ 5.14 Mln), Repairs-Others ₹ 6.31 Mln (PY ₹ 6.73 Mln), Loss on sale of Assets ₹ 0.43 Mln (PY ₹ 0.43 Mln), etc.

31. Value of imports calculated on CIF basis

Particulars	31st March 2013 ₹	31st March 2012 ₹
Raw materials	20,936,981	10,200,578
Stores and spares	2,020,090	2,783,654
Capital goods	-	-
	22,957,071	12,984,232

32. Expenditure in Foreign currency

Particulars	31st March 2013 ₹	31st March 2012 ₹
Travelling and conveyance	1,573,119	6,774,744
Interest	52,786,666	3,476,869
Professional fees	2,965,732	2,036,133
	57,325,517	12,287,746

33. Imported and indigenous raw materials, components and spare parts consumed

Particulars	% of Total consumption 31st March 2013	Value 31st March 2013	% of Total consumption 31st March 2012	Value 31st March 2012
	₹	₹	₹	₹
Raw materials				
Imported	2.04	20,936,981	1.16	10,200,578
Indigenous	97.96	1,003,221,484	98.84	872,444,411
Total	100	1,024,158,465	100	882,644,989
Spare parts				
Imported	15.97	2,020,090	8.74	2,783,654
Indigenous	84.03	10,628,936	91.26	29,053,084
Total	100	12,649,026	100	31,836,738

34. Earnings in Foreign currency

Particulars	<u>31st March 2013</u>	<u>31st March 2012</u>
	₹	₹
Exports at F.O.B value	1,492,619,927	1,598,621,741

35. Going Concern

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. The management believes that it is appropriate to prepare these financial statements on 'going concern' basis, for the following reasons:

- a) The company has not made operating losses during the year. Besides, there are sufficient orders on hand pending execution. The management is fully seized of the matter and is of the view that going concern assumption holds true and that the company will be able to discharge its liabilities in the normal course of business.
- b) As the Networth of the company was eroded in the previous year, it became mandatory under section 15(1) of the Sick Industrial Companies (Special Provisions) Act, 1985 to file a reference to BIFR for revival and rehabilitation of the company. Accordingly, the company has filed reference with BIFR on 23-08-2012 which has been registered by BIFR on 04-09-2012.

36. There are no outstanding dues to small and medium enterprises as defined under MSMED Act, 2006.

37. Debit / Credit balances are subject to confirmation and reconciliation.

38. Previous period figures

The Company has reclassified previous year figures to conform to this year's classification.

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 : 30th May 2013

For and on behalf of the Board

Rashmi Anand
 Whole Time Director

Sanjay Anand
 Whole Time Director

Martin Golla
 Sr. VP-Legal & Company Secretary

28th Annual Report 2012-2013



FAZE THREE LIMITED
Regd. Office: Survey No. 380/1, Khanvel Silvassa Road, Dapada –396230
Union Territory of Dadra & Nagar Haveli
28th Annual General Meeting

Folio No.
No. of Shares:

ATTENDANCE SLIP

I certify that I am registered shareholder/Proxy for the Registered Shareholder of the Company. I hereby record my presence at the 28th Annual General Meeting of FAZE THREE LIMITED held on Monday, 30th September, 2013 at Survey No. 380/1, Khanvel Silvassa Road, Dapada - 396230, Union Territory of Dadra & Nagar Haveli at 11.30 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 28th Annual General Meeting of the Company to be held on Monday, 30th September, 2013 at Survey No. 380/1, Khanvel Silvassa Road, Dapada - 396230, Union Territory of Dadra & Nagar Haveli at 11.30 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.

October 3, 2013

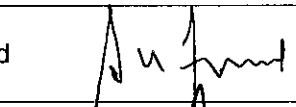


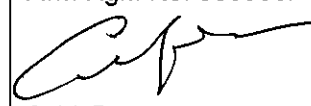

Corporate Relationship Department,
The Bombay Stock Exchange Limited,
New Trading Wing,
Rotunda Building, P J Towers,
Dalal Street, Fort,
Mumbai – 400 001.

Dear Sirs,

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Sub: Form A – Annual Audit Report enclosed
Ref: Faze Three Limited (STOCK CODE: 530079)

FORM A

1	Name of the company	FAZE THREE LIMITED.
2	Annual financial statements for the quarter Ended	31 st March, 2013
3	Type of Audit observation	Un-qualified / Matter of Emphasis: No
4	Frequency of observation	Whether appeared first time: NA Repetitive : NA / since how long period: NA
5	Signed by- • Whole Time Director	Sanjay Anand 
	• DGM Finance	Nitin Panchal 
	• Audit Committee Chairman	Vasudeva Rao 
	• Auditor of the company	Thakur Vaidyanath Aiyar & Co. Chartered Accountants Firm Rgn. No. 000038N  C. V. Parameswar Partner M. N. 11541 

We request you to kindly take the same on record.

Thanking you,

Yours faithfully,
For Faze Three Limited


(Martin Golla)
Sr. VP-Legal & Company Secretary