



**29th Annual Report
2013-2014**

Board of Directors

| | |
|-------------------|--|
| Ajay Anand | Managing Director |
| Sanjay Anand | Whole Time Director |
| Rashmi Anand | Whole Time Director (Resigned w.e.f 17.06.2014) |
| Vasudeva Rao | Director |
| Rajiv Rai Sachdev | Director |

Corporate Management

| | |
|--------------|---------------------|
| Ajay Anand | Managing Director |
| Sanjay Anand | Whole Time Director |

Company Secretary

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

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.
5. Dye-House Plot No. 657-658, Sector 29, Part II, HUDA, Panipat

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, 2014

SHAREHOLDER INFORMATION

1. Date of Annual General Meeting : Saturday, 27th September, 2014
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 : Saturday, 20th September, 2014 to
Saturday, 27th September, 2014
(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

29TH ANNUAL GENERAL MEETING

Notice is hereby given that the 29th Annual General Meeting of the Shareholders of Faze Three Limited (CIN L99999DN1985PLC000197) will be held on Saturday, 27th September, 2014 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 Statement of Profit and Loss for the year ended March 31, 2014, and the Balance Sheet as at that date, together with the Reports of the Board of Directors' and the Auditors' thereon.
2. To appoint a Director in place of Mr. Rajiv Rai Sachdev (DIN 00910936), who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors of the Company.

RESOLVED THAT pursuant to the provisions of Section 139 and other applicable provisions, if any, of the Companies Act, 2013 and the Rules framed there under, as amended from time to time and read with rules under the Companies (Audit and Auditors) Rules, 2014, the Company's Auditors, M/s Thakur Vaidyanath Aiyar & Co. Chartered Accountants (Firm Rgn. No. 000038N) who hold office up to the date of this Annual General Meeting but, being eligible, offer themselves for re-appointment, be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting (AGM) till the conclusion of the 30th Annual General Meeting of the Company (subject to ratification of their appointment at every AGM), at such remuneration as may be mutually agreed between the Board of Directors of the Company and the Auditors.

SPECIAL BUSINESS:

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

“RESOLVED that pursuant to the provisions of Sections 149, 152 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, Mr. Vasudeva Rao (holding DIN 00465479), Director of the Company be and is hereby appointed as an Independent Director of the Company to hold office for five consecutive years for a term up to 31st March, 2019.”

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

“RESOLVED that Mr. Ajay Anand (holding DIN 00373248), who was appointed as an Additional Director of the Company by the Board of Directors with effect from 1st October, 2013, in terms of Section 260 of the Companies Act, 1956 [corresponding to Section 161(1) of the Companies Act, 2013] and Article 126 (1) of the Articles of Association of the Company and whose term of office expires at the Annual General Meeting and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company.”

6. 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 Section 196, 197, 203 and any other applicable provisions of the Companies Act, 2013 and the rules made there under (including any statutory modification(s) or re-enactment thereof for the time being in force), read with Schedule V to the Companies Act, 2013 (corresponding to Sections 198, 269, 309 and any other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the Companies Act, 1956) and subject to the approval of Central Government or other Government authority/agency/board, if any, the consent of the shareholders of the Company be and is hereby accorded to the appointment of Mr. Ajay Anand (holding DIN 00373248) as Chairman & Managing Director of the Company for a period of Five years with effect from 1st April 2014, on the terms and conditions of appointment and remuneration as contained in the draft agreement, a copy whereof initialed by the Chairman for the purpose of identification is placed before the meeting, and the Board of Directors be and is hereby authorized to alter and vary such terms of

appointment and remuneration so as to not exceed the limits specified in Schedule V to the Companies Act, 2013 (corresponding to Schedule XIII to the Companies Act, 1956), as may be agreed to by the Board of Directors and Mr. Ajay Anand.”

FURTHER RESOLVED THAT the Board of Directors of the Company or any committee thereof be and is hereby authorized to do all such acts, deeds and things as in its absolute discretion it may think necessary, expedient or desirable; to settle any question or doubt that may arise in relation thereto in order to give effect to the foregoing resolution and to seek such approval/ consent from the government departments, as may be required in this regard.

7. 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 Section 196, 197, 203 and any other applicable provisions of the Companies Act, 2013 and the rules made there under (including any statutory modification(s) or re-enactment thereof for the time being in force), read with Schedule V to the Companies Act, 2013 (corresponding to Sections 198, 269, 309 and any other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the Companies Act, 1956) and subject to the approval of Central Government or other Government authority / agency / board, if any, the consent of the shareholders of the Company be and is hereby accorded to the appointment of Mr. Sanjay Anand (holding DIN 01367853) who was appointed as Whole Time Director of the Company by the Board of Directors w.e.f. 1st April 2014 for a period of Five years with effect from 1st April 2014, on the terms and conditions of appointment and remuneration as contained in the draft agreement, a copy whereof initialed by the Chairman for the purpose of identification is placed before the meeting, and the Board of Directors be and is hereby authorized to alter and vary such terms of appointment and remuneration so as to not exceed the limits specified in Schedule V to the Companies Act, 2013 (corresponding to Schedule XIII to the Companies Act, 1956), as may be agreed to by the Board of Directors and Mr. Sanjay Anand.”

FURTHER RESOLVED THAT the Board of Directors of the Company or any committee thereof be and is hereby authorized to do all such acts, deeds and things as in its absolute discretion it may think necessary, expedient or desirable; to settle any question or doubt that may arise in relation thereto in order to give effect to the foregoing resolution and to seek such approval/ consent from the government departments, as may be required in this regard.

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

“RESOLVED THAT in supersession of the resolution(s) passed earlier in this respect and pursuant to Section 180(1)(c) and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), the consent of the Company be and is hereby accorded to the Board of Directors for borrowing any sum or sums of money from time to time from any one or more of the Company’s bankers and / or from any one or more other persons, firms, bodies corporate or financial institutions, whether in India or abroad, and whether by way of loans, advances, credits, acceptance of deposits, banking and financial facilities, issue of debentures or other securities or otherwise and whether unsecured and secured by mortgage, charge, hypothecation or lien or pledge of the Company’s assets, licenses and properties, whether immovable or moveable or stock-in-trade (including raw materials, stores, spare parts and components in stock or in transit) and work-in-progress and all or any of the undertaking of the Company notwithstanding that the moneys to be borrowed together with moneys already borrowed by the Company (apart from temporary loans obtained from the Bankers of the Company in the ordinary course of business) will or may at any time exceed up to a sum of ₹ 300 Crores over and above the aggregate of the paid up capital of the Company and its free reserves that is to say, reserves not set apart for any specific purpose, and the Board of Directors (including any committee/s thereof) is hereby authorized to execute such debenture trust deeds or mortgage, charge, hypothecation, lien, promissory notes, deposit receipts and other deeds and instruments or writings containing such conditions and covenants as the Board may deem fit.”

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorized to do all such acts, deeds, matter and things as it may in its absolute discretion deem necessary, proper, or desirable so as to settle any question, difficulty, doubt that may arise in respect of the borrowing(s)

aforesaid and further to do all such acts, deeds and things and to execute all documents and writings as may be necessary, proper, desirable or expedient to give effect to this resolution.”

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

“RESOLVED THAT pursuant to Section 180 (1) (a) and other applicable provisions, if any, of the Companies Act, 2013, consent of the Company be and is hereby given to the Board of Directors of the Company (hereinafter referred to as “the Board” which term shall be deemed to include any Committee thereof) to create such charges, mortgages and hypothecations in addition to the existing charges, mortgages and hypothecations created by the Company, on such movable and immovable properties, both present and future, and in such manner as the Board may deem fit, together with power to take over the substantial assets of the Company in certain events in favour of banks/financial institutions, other investing agencies and trustees for the holders of debentures/bonds/other instruments to secure rupee/foreign currency loans and/or the issue of debentures whether partly/fully convertible or non-convertible and/or securities linked to Ordinary Shares/ 'A' Ordinary Shares and/or rupee/ foreign currency convertible bonds and/or bonds with share warrants attached (hereinafter collectively referred to as “Loans”) provided that the total amount of loans together with interest thereon, additional interest, compound interest, liquidated damages, commitment charges, premium on pre-payment or on redemption, costs, charges, expenses and all other monies payable by the Company in respect of the said Loans, shall not, at any time exceed ₹ 300 Crores or the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, whichever is higher”.

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

Place: Mumbai
Date : 14.08.2014

Martin Golla
Sr. VP-Legal & Company Secretary

Notes:

1. The information required to be provided under the Listing Agreement entered into with the Stock Exchanges, regarding the Directors who are proposed to be appointed/re-appointed and the relative Explanatory Statement pursuant to Section 102 of the Companies Act, 2013, in respect of the business under items 4 - 9 set out above are annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY, OR, WHERE THAT IS ALLOWED, ONE OR MORE PROXIES, TO ATTEND AND VOTE INSTEAD OF HIMSELF, AND THAT A PROXY NEED NOT BE A MEMBER. Pursuant to Section 105 of the Companies Act, 2013 and Rule 19 the Companies (Management & Administration) Rules, 2014, a person can act as a proxy on behalf of members not exceeding 50 and holding in the aggregate not more than 10% of the total share capital of the Company carrying voting rights. In case a proxy is proposed to be appointed by a member holding more than 10% of the total share capital of the Company carrying voting rights, then such proxy shall not act as a proxy for any other person or shareholder.
3. Proxies, in order to be effective, must be received at the Registered office of the Company at Survey No. 380/1, Khanvel Silvassa Road, Dapada – 396 195, UT of Dadra & Nagar Haveli, not less than forty-eight hours before the commencement of the AGM.
4. The Register of Members and Transfer Books of the Company will be closed from Saturday, 20th September 2014 to Saturday, 27th September, 2014 (both days inclusive).
5. Members are requested to furnish bank details, Email address, change of address etc. to Sharex Dynamic (I) Pvt. Ltd, Unit-1, Luthra Industrial Premises, Andheri Kurla Road, Safed Pool, Andheri (E), Mumbai-400 072, who are the Company's Registrar and Share Transfer Agents so as to reach them latest by Friday, September 19, 2014 in order to take note of the same. In respect of members holding shares in electronic mode, the details as would be furnished by the Depositories as at the close of the aforesaid date will be considered by the Company. Hence, Members holding shares in demat mode should update their records at the earliest.

6. In order to receive copies of Annual Reports and other communication through e-mail, Members are requested to register their e-mail addresses with the Company by sending an e-mail to investors@fazethree.com.
7. All documents referred to in the accompanying Notice and the Explanatory Statements are open for inspection at the Registered Office of the Company on all working days up to the date of the Annual General Meeting.
8. Members/Proxies should bring their attendance slips duly completed for attending the Meeting.
9. Pursuant to Section 205A(5) of the Companies Act, 1956 the unpaid dividends that are due for transfer to the Investor Education and Protection Fund are as follows:

| Year | Date of Declaration | For the year ended | Due for Transfer on |
|---------|---------------------|--------------------|---------------------|
| 2006-07 | 28.09.2007 | 31.03.2007 | 28.09.2014 |

Members who have not encashed their dividend warrants pertaining to the aforesaid years may approach the Company/its Registrar, for obtaining payments thereof atleast 20 days before they are due for transfer to the said fund.

10. Investor Grievance Redressal:

The Company has designated an exclusive e-mail ID viz. investors@fazethree.com to enable Investors to register their complaints, if any.

11. E-voting

The businesses as set out in the Notice may be transacted through electronic voting system and the Company will provide a facility for voting by electronic means. In compliance with the provisions of Section 108 of the Act, read with Rule 20 of the Companies (Management and Administration) Rules, 2014 and Clause 35B of the Listing Agreement, the Company is pleased to offer the facility of voting through electronic means, as an alternate, to all its Members to enable them to cast their votes electronically. Please note that the voting through electronic means is optional for shareholders.

The Members, whose names appear in the Register of Members / list of Beneficial Owners as on Friday, September 19, 2014, i.e. the date prior to the commencement of book closure date are entitled to vote on the Resolutions set forth in this Notice. Eligible members who have acquired shares after the dispatch of the Annual Report may approach the Company for issuance of the User ID and Password for exercising their right to vote by electronic means.

The voting through electronic means will commence on Monday, September 22, 2014 at 10.00 a.m. and will end on Wednesday, September 24, 2014 at 10.00 a.m. The Members will not be able to cast their vote electronically envisaged herein above beyond the date and time mentioned above.

The Company has appointed Mr. Sanjay Dholakia, Practicing Company Secretary, (Membership No. FCS 2655), to act as the Scrutinizer for conducting the electronic voting process in a fair and transparent manner. Members are requested to follow the instructions below to cast their vote through e-voting:

- A. In case a Member receives an e-mail from NSDL (for Members whose e-mail addresses are registered with the Company/Depositories):
 - i. Open the e-mail and also open PDF file namely FTL-e-voting.pdf with your Client ID or Folio No. as password. The said PDF file contains your user ID and password for e-voting. Please note that the password is an initial password.
 - ii. Open the internet browser and type the following URL: <https://www.evoting.nsdl.com>.
 - iii. Click on Shareholder — Login.
 - iv. If you are already registered with NSDL for e-voting then you can use your existing user ID and password.
 - v. If you are logging in for the first time, please enter the user ID and password provided in the PDF file

attached with the e-mail as initial password.

- vi. The Password Change Menu will appear on your screen. Change to a new password of your choice, making sure that it contains a minimum of 8 digits or characters or a combination of both. Please take utmost care to keep your password confidential.
- vii. Once the e-voting home page opens, click on e-voting> Active Voting Cycles.
- viii. Select “EVEN” (E-Voting Event Number) of Faze Three Limited. Now you are ready for e-voting as Cast Vote page opens.
- ix. Cast your vote by selecting appropriate option and click on “Submit” and also “Confirm” when, prompted.
- x. Upon confirmation, the message “Vote cast successfully” will be displayed.
- xi. Once the vote on the resolution is cast, the Member shall not be allowed to change it subsequently.
- xii. Institutional shareholders (i.e. other than individuals, HUF, NRI, etc.) are required to send scanned copy (PDF/JPG format) of the relevant Board Resolution/Authority letter etc., together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail to sanjayrd65@yahoo.com, with a copy marked to evoting@nsdl.co.in.
- xiii. In case of any queries, you may refer the Frequently Asked Questions (FAQs) - Shareholders and e-voting user manual - Shareholders, available at the downloads section of www.evoting.nsd.com.

B. In case a Member receives physical copy of the Notice of AGM (for Members whose email addresses are not registered with the Company/ Depositories):

i. Initial password, is provided as below, in the enclosed ballot form:

| EVEN (E-Voting Event Number) | User ID | Password |
|------------------------------|---------|----------|
| | | |

ii. Please follow all steps from Sl. No. (ii) to Sl. No. (xiii) above, to cast vote.

The Scrutinizer shall, within a period not exceeding three working days from the conclusion of the e-voting period, unblock the votes in the presence of at least two witnesses not in the employment of the Company and make a Scrutinizer's Report of the votes cast in favour or against, if any, forthwith to the Chairman of the Company.

Members who do not have access to e-voting facility have been additionally provided the facility of voting on a Ballot form. They may send duly completed Ballot Form (enclosed with the Annual Report) to the Scrutinizer, Mr. Sanjay Dholakia, Practicing Company Secretary, (Membership FCS. 2655), at the Registered Office of the Company on or before the date of the Annual General Meeting or can carry the same to the Annual General Meeting venue and deposit in the Ballot box during the meeting.

Members have the option to request for physical copy of the Ballot Form by sending an e-mail to investors@fazethree.com by mentioning their Folio / DP ID and Client ID No.

A Member can opt for only one mode of voting i.e. either through e-voting or by Ballot. If a Member casts votes by both modes, then voting done through e-voting shall prevail and Ballot shall be treated as invalid.

The Scrutinizer will submit his report to the Chairman after completion of the scrutiny. The result of the voting on the Resolutions at the Meeting shall be announced by the Chairman or any other person authorized by him within two days of the meeting.

The results declared alongwith the Scrutinizer's report, will be posted on the Company's website and communicated to the Stock Exchanges.

ANNEXURE TO THE NOTICE

As required by Section 102 of the Companies Act, 2013, the following Explanatory Statement sets out material facts relating to the business under items 4-9 and of the accompanying Notice dated 14.08.2014.

Item No. 4

Mr. Vasudeva Rao is a Non-Executive Independent Director of the Company. He joined the Board of Directors of the Company in October 2002. Mr. Rao is Chairman of the Audit Committee and Remuneration Committee and holds membership in Share Transfer and Shareholders Grievances Committees.

Mr. Vasudeva Rao is a Chartered Accountant and is associated with the company since 2002 and he is having varied experience in accounts, finance and taxation. He advises Board regarding financial, accounting and taxation matters.

Mr. Vasudeva Rao is not a Director in any other Company in India. He does not hold by himself or for any other person on a beneficial basis, any shares in the Company. In terms of Section 149 and any other applicable provisions of the Companies Act, 2013, Mr. Vasudeva Rao is proposed to be appointed as an Independent Director for five consecutive years for a term upto 31st March, 2019. A notice has been received from a member proposing Mr. Vasudeva Rao as a candidate for the office of Director of the Company.

In the opinion of the Board, Mr. Vasudeva Rao fulfils the conditions specified in the Companies Act, 2013 and rules made thereunder for his appointment as an Independent Director of the Company.

The Board considers that his continued association would be of immense benefit to the Company and it is desirable to continue to avail services of Mr. Vasudeva Rao as an Independent Director. Accordingly, the Board recommends the resolution in relation to the appointment of Mr. Rao as an Independent Director for the approval by the shareholders of the Company.

Except Mr. Vasudeva Rao, being an appointee, none of the Directors and Key Managerial Personnel of the Company and their relatives are concerned or interested in the resolution set out at Item No. 4. This Explanatory Statement may also be regarded as a disclosure under Clause 49 of the Listing agreement with the Stock Exchange.

Item No. 5 & 6

Mr. Ajay Anand, Promoter, is associated with the Company since the inception of the Company. He was the Managing Director of Faze Three Limited till 5th July 2012 and then he resigned from the Board. On 1st October 2013, the Company appointed him as Additional Director of the Company.

Mr. Ajay Anand has diverse experience in textiles and home furnishing products. During his term, he was actively involved in day-to-day management and administration of the Company. With a drive of crating new brands, Mr. Ajay Anand had taken active interest in the launch of new products under the trademarks like Eazylon and Easydry which are successfully registered in United States. Under his guidance the company had grown immensely and was awarded the Silver Trophy by the Handloom Export Promotion Council, Ministry of Textile, Government of India for the year 2004-2005 and Gold Trophy for the year 2005-2006 & 2006-2007.

The Board of Directors at their meeting held on 1st April 2014 and as recommended by the Remuneration Committee, resolved to appoint Mr. Ajay Anand as Chairman & Managing Director of the Company for a period of Five years w.e.f 1st April, 2014, subject to the approval of members in the Annual general Meeting. The terms and conditions of his appointment are as follows.

1. Tenure of Appointment: 01.04.2014 – 31.03. 2019
2. Nature of Duties: The Managing Director shall, subject to the supervision and control of the Board of Directors, be entrusted with substantial powers of Management and shall also perform such duties as may, from time to time, be entrusted to him.
3. Remuneration

(i) Consolidated Salary

Monthly salary of ₹ 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. Ajay Anand shall be any amount subject to a maximum of 1% 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. Ajay Anand is entitled to furnished accommodation or house rent allowance in lieu thereof not exceeding 60% of his salary, gas, electricity, water, furnishings, domestic assistance of not more than two persons will be allowed.
- (c) 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.
- (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) Annual Membership of Two credit cards including one international card.
- (g) Group Personal Accident Insurance.
- (h) Mediciclaim Policy during the tenure of his employment would be taken out by the Company.
- (i) 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.
- (j) 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.
- (k) A chauffeur driven car, will be provided by the Company.
- (l) Provision for Telephone at residence, however personal long distance calls will be billed by the Company.
- (m) The said Mr. Ajay Anand will be entitled to reimbursement of all entertainment, traveling, hotel and other expenses actually incurred for the purpose of business of the Company.

4. Minimum Remuneration

Notwithstanding anything herein contained, where, in any financial year during the period of his office as Managing Director, the Company has no profits or its profits are inadequate, the Company may, subject to the requisite approvals, pay Mr. Ajay Anand remuneration by way of salary, allowances, perquisites not exceeding the maximum limits laid down in Section II of Part II of Schedule V to the Companies Act, 2013 (corresponding to Para 1 of Section II of Part II of Schedule XIII to the Companies Act, 1956), as may be agreed to by the Board of Directors and Mr. Ajay Anand.

Other terms and conditions

- (a) He 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, excepting Mr. Ajay Anand and Mr. Sanjay Anand, is concerned or interested in the Resolution.

The draft Agreement between the Company and Mr. Ajay 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 set out in the Notice convening the Meeting.

This Explanatory Statement together with the accompanying Notice may also be regarded as an abstract and memorandum under Section 302 of the Companies Act, 1956 and as a disclosure under Clause 49 of the Listing agreement with the Stock Exchange.

Item No. 7

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 1.12.2012. However, the Company could not regularize his appointment. The Board now proposes his fresh appointment as Whole Time Director w.e.f. 1st April 2014 and the said appointment is subject to the approval of members. The terms and conditions of his appointment are as follows.

1. Tenure of Appointment: 01.04. 2014 – 31.03.2019
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 ₹ 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 ₹ 1,20,000/- p.m.
- (c) Reimbursement of medical expenses incurred for self and family subject to a ceiling of ₹ 4,200 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 ₹ 500/- per month.
- (g) Annual Membership of Two credit cards including one international card.
- (h) Group Personal Accident Insurance.
- (i) Mediclaim 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.

5. Minimum Remuneration

Notwithstanding anything herein contained, where in any financial year during the period of his office as Managing Director, the Company has no profits or its profits are inadequate, the Company may, subject to the requisite approvals, pay Mr. Sanjay Anand's remuneration by way of salary, allowances, perquisites not exceeding the maximum limits laid down in Section II of Part II of Schedule V to the Companies Act, 2013 (corresponding to Para 1 of Section II of Part II of Schedule XIII to the Companies Act, 1956), as may be agreed to by the Board of Directors and Mr. Sanjay Anand.

Other terms and conditions

- (a) He 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.
- (c) Mr. Sanjay Anand, Whole Time Director will be liable to retire by rotation.

Memorandum of Interest

No Director, except Mr. Ajay Anand and Mr. Sanjay Anand 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 Explanatory Statement together with the accompanying Notice may also be regarded as an abstract and memorandum under Section 302 of the Companies Act, 1956 and as a disclosure under Clause 49 of the Listing agreement with the Stock Exchange.

Item No. 8 & 9

The members of the Company at their 22nd Annual General Meeting held on 28.09.2007 approved by way of an Ordinary Resolution under Section 293(1)(d) of the Companies Act, 1956 borrowings over and above the aggregate of paid up share capital and free reserves of the Company provided that the total amount of such borrowings together with the amounts already borrowed and outstanding at any point of time shall not be in excess of ₹ 100 Crores (Rupees one hundred crores). Section 180(1)(c) of the Companies Act, 2013 effective from 12th September, 2013 requires that the Board of Directors shall not borrow money in excess of the company's paid up share capital and free reserves, apart from temporary loans obtained from the company's bankers in the ordinary course of business, except with the consent of the company accorded by way of a special resolution. It is, therefore, necessary for the members to pass a Special Resolution under Section 180(1)(a) and 180(1)(c) and other applicable provisions of the Companies Act, 2013, as set out at Item No. 8 & 9 of the Notice, to enable to the Board of Directors to borrow money in excess of the aggregate of the paid up share capital and free reserves of the Company and to create mortgage, charge, hypothecation, pledge on moveables and immoveable properties of the company. Approval of members is being sought to borrow money upto ₹ 300 Crores in excess of the aggregate of the paid up share capital and free reserves of the Company and to create mortgage, charge, hypothecation, pledge on moveables and immoveable properties of the company. None of the Directors and Key Managerial Personnel of the Company and their relatives are concerned or interested, in the resolution set out at Item No. 8 & 9.

By order of the Board of Directors
For Faze Three Limited

Place: Mumbai
Date: 14.08.2014

Martin Golla
Sr. VP-Legal & Company Secretary

DIRECTORS' REPORT

To the Members,

Yours Directors present the 29th Annual Report of the Company together with its Audited Statement of Profit and Loss for the year ended March 31, 2014 and the Balance Sheet as on that date:

FINANCIAL RESULTS

| Particulars | (₹ Lacs) | |
|---|-------------------------------------|-------------------------------------|
| | For the Year ended 31.03.2014 | For the Year ended 31.03.2013 |
| Revenue from Operations (net) | 23068.95 | 18880.50 |
| Other Income | 253.37 | 525.28 |
| Profit before interest, tax, depreciation & amortization, finance cost and exceptional items | 2549.03 | 772.17 |
| Depreciation & amortization expenses | 494.49 | 489.87 |
| Finance Cost/Interest | 1475.66 | 1469.99 |
| Exceptional items | 716.79 | 917.30 |
| Profit/(Loss) Before Tax | (137.91) | (2104.99) |
| Less: Tax Expenses | | |
| Deferred Tax | 15.48 | 45.96 |
| Profit/ (Loss) After Tax | (153.39) | (2150.95) |

COMPANY OPERATIONS

The revenue from operations stood at ₹ 23,068.95 Lacs as against ₹ 18,880.50 Lacs during the previous year. The revenue from other income stood at ₹ 253.37 Lacs as against ₹ 525.28 Lacs during the previous year.

During the year under review, the Company earned a profit of ₹ 2,549.03 Lacs before interest, tax, depreciation & amortization, finance cost and exceptional items as against of ₹ 772.17 Lacs in the previous year. However, the Company has suffered a net loss of ₹ 153.39 Lacs as against the loss of ₹ 2,150.95 Lacs during the previous year.

The Company's revenue from Exports has increased from ₹ 15,589.73 Lacs to ₹ 19,135.22 Lacs, a significant growth of 23% from previous year.

DIVIDEND

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

PERFORMANCE REVIEW

The FY 2012-13 has been an extremely challenging year for the Company. The slow recovery of the US economy, continued crisis in the Euro-zone and the slowdown in the Chinese economy, especially low exports of textiles, have put pressure on the overall economy. These, coupled with the steep increase in input cost, labour cost and inflationary trends in the markets have adversely affected the industry as well as the Company. A weaker Rupee against the dollar has helped the company to have better sales realization against the export orders and reduced the impact of various challenges in the Industry. However, the increased cost of borrowings and provision for foreign exchange loss on revaluation of FCCB liabilities have adversely affected the company's profits.

BUSINESS OVERVIEW

The GDP growth in India during the year is estimated to have been around 4.7%. Inflation was at very high levels during the first half of the year, but has gradually come down to 6% by the end of the year. The Indian Rupee's recent depreciation against the US\$ has not been helpful in getting the economy back on growth path. However, the ushering in of a stable Government, post elections, has revived sentiments and lifted investor confidence which would pave the way for growth in the current financial year.

During the year 2013, the textile industry registered a growth of 13.91% in US\$ terms and 27.04% in Rupee terms. Textiles exports have touched US\$ 41.58 billion in 2013-14 as against US\$ 36.50 billion FY 2012-13. The share of textiles export in the Indian Exports Basket significantly increased from 12.15% to 13.26% in USD during 2013-14 as

against overall Indian export growth of 4.37%.

The Indian home furnishing industry is facing tough competition from China. However, the Industry has sustained itself through focus, primarily on value added products, which makes it popular and distinct across the global markets. With changing needs, innovations and also increasing customer demands, the home furnishing industry has expanded with many new players entering the market, but India still maintains its stronghold in the global home furnishing market.

In spite of the adverse market conditions prevailing in the global market and various businesses in which the Company operates, the overall performance of the Company during the year has significantly improved compared to that of the previous year. The overall sales of the company has increased by 24% and the exports have increased by 23% which is a noteworthy performance considering the subdued global textile markets. With the global economy expected to recover moderately, particularly on account of performance in some advanced economies, the economy and industry is looking forward to better growth prospects in 2014-15 and in turn the Company is expecting to sustain its growth and perform better in the current financial year.

SUBSIDIARY COMPANY:

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

As reported last year, the Company's wholly owned subsidiary company of 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.

DIRECTORS

Mr. Rajiv Rai Sachdev is a Non-Executive Non-Independent Director, retires at the ensuing Annual General Meeting of the Company, being eligible offer himself for re-appointment. A Brief resume of Mr. Rajiv Rai Sachdev is forming part of the Corporate Governance Report.

Mr. Ajay Anand is the one of Promoters of the Company. The Board of directors appointed him as Additional Director on the Board of the Company w.e.f. 1st October 2013 and appointed as Managing Director w.e.f. 1st April 2014.

The Board of Directors had re-appointed Mr. Sanjay Anand as Whole Time Director of the Company and the same was approved by the members of the Company at their meeting held on 29th September 2013. The Company had an application to the Central Government for payment of remuneration and the same was not been considered for approval and his re-appointment was not regularized. Hence, the Board of Directors has appointed Mr. Sanjay Anand as Whole time Director of the Company w.e.f. 1st April 2014 under the provisions of Section 196, 198, 203 and read with Schedule V of the Companies Act, 2013.

Mrs. Rashmi Anand , Whole Time Director of the Company resigned from the Board w.e.f. 17th June 2013. The Board wishes to place on record its appreciation for the contribution made by Mrs. Rashni Anand in the growth of the Company and wishes her the best for her future endeavors.

As per the provision of Section 149 and other applicable provisions, if any, of the Companies Act, 2013, Mr. Vasudeva Rao, is proposed to be appointed as Independent Directors of the Company for a period of five years effecting from 1st April 2014 to 31st March 2019.

Your approval for their appointment of aforesaid Directors have been sought in the Notice convening the Annual General Meeting of the Company.

AUDITORS

M/s Thakur Vaidyanath Aiyar & Co. Chartered Accountants, Firm Registration No. 000038N, retire at the forthcoming Annual General Meeting and are eligible for reappointment. The retiring Auditors have furnished a Certificate of their eligibility for re-appointment under section 139 (1) of the Companies Act, 2013 (corresponding to section 224 (1B) of Companies Act 1956) and have indicated their willingness to continue. Members are requested to appoint the auditors and fix their remuneration.

AUDITORS' REPORT:

The Auditors' Report to the Shareholders does not contain any reservation, qualification or adverse remark.

COST AUDITORS AND COST AUDIT REPORT:

Pursuant to the directives of the Central Government under the provisions of Section 148 of Companies Act 2013 (corresponding to section 233B of the Companies Act, 1956), qualified Cost Auditors have been appointed to conduct cost audits relating to several products manufactured by the Company.

REFERENCE TO BOARD FOR INDUSTRIAL AND FINANCIAL RECONSTRUCTION (BIFR)

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 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, four winding petitions were filed against the Company in the Bombay High Court. 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.

ACKNOWLEDGMENT

The Board places on record its deep appreciation of the devoted services of the loyal workers, executives and other staff of the Company, who have contributed to the performance and the Company's continued inherent strength. It also extends its gratitude to the Central and various State Governments, the investors, the bankers, financial institutions and district level authorities for the support extended to the Company from time to time. Shareholders' appreciation of the management's efforts expressed at the general meetings of the Company and otherwise, is a great fillip in the untiring effort for better performance year after year.

For and on behalf of the Board

Place: Mumbai
Date: 29.05.2014

Ajay Anand
Chairman & Managing Director

ANNEXURE TO DIRECTORS' REPORT

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

1. RESEARCH AND DEVELOPMENT (R & D)

- (I) Specific area in which R & D is carried out by the Company:
- Introduction of New Products and Improving the Processes of existing products.
 - Making new Designs acceptable to international customers.
- (ii) Benefits derived as a result of R & D activities:
- Product Range Extension
 - Improvement of Quality and yield
 - Cost reduction leading to competitiveness
 - Development of Various Designs as well as new products, with high standard in international market.
 - Reduction in Cost and Time cycle, better effluent management and utilizing only indigenous products for offering finished products in export market.
 - 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 31.03.2014 | For the year ended 31.03.2013 |
|----|--|----------------------------------|----------------------------------|
| A. | (i) Electricity | | |
| | a) Purchased | | |
| | Units (Lakhs) | 99.40 | 80.03 |
| | Total Cost (Rs. in Lakhs) | 623.16 | 471.77 |
| | Rate Per Unit (Rs.) | 6.27 | 5.89 |
| | b) Own Generation (Thru DG Set) | | |
| | Units (Lakhs) | 7.88 | 8.17 |
| | Total Cost (Rs. in lakhs) | 138.22 | 126.35 |
| | Rate Per Unit (Rs.) | 17.54 | 15.47 |
| | (ii) Coal, Firewood, Rice Husk etc. | | |
| | (Qty in Qntls in Lakhs) | 1.70 | 1.64 |
| | Total Cost (Rs. in Lakhs) | 854.54 | 790.36 |
| | Rate per Qntl. (Rs.) | 501.57 | 482.94 |
| B. | Foreign Exchange Earnings and Outgo (Rs. in Lakhs) | | |
| | Total Foreign Exchange Earnings Earned | 18917.25 | 14926.20 |
| | Total Foreign Exchange Used | 618.68 | 573.25 |

For and on behalf of the Board

Place: Mumbai
Date: 29.05.2014

Ajay Anand
Chairman & Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

ECONOMY OVERVIEW

The global economy started this year with financial market turbulence in US and Euro Zone and the conflict in the Ukraine. The global growth projection for 2014 has been marked down by 0.3 percent to 3.4 percent, reflecting both the legacy of the weak first quarter, particularly in the United States, and a less optimistic outlook for several emerging markets. With somewhat stronger growth expected in some advanced economies next year, the global growth projection for 2015 remains at 4 percent.

The government's initial estimates peg the growth in gross domestic product (GDP) at 4.9% in FY 13-14 . The new government outlined a 10-point plan to revive the Indian economy, prioritizing infrastructure and investment reform, the prompt resolution of inter-ministerial issues, efficient policy execution and government policy stability. Although the government budget released in July lacked detail on structural reform, greater political certainty should be more conducive to investment, supporting the expectation that infrastructure investment will pick up. The growth forecast in April is maintained at 5.5% for FY2014 but upgraded from 6.0% to 6.3% for FY2015 as anticipated reforms bear fruit.

India's GDP grew by 4.7% during FY13-14 and expected to be around at 5% in FY 14-15. The current GDP its slowest pace in the last ten years arising out of the sharp slowdown in investment, weakening consumption and declining exports. Inflation remained high, given supply side bottlenecks limiting the scope of monetary easing. The sharp decline of the rupee during the first half of the FY 13-14 further widened the current account deficit.

The Indian economy is anticipated to grow at 5% as compared to 4.7% in FY 13-14 with higher output in both industrial & agriculture sector and a rebound in exports. Main macroeconomic indicators like GDP, Foreign Trade, FDI etc influences the overall economic conditions of the Country.

INDUSTRY OVERVIEW AND OUTLOOK

During the year 2013, the country's textile and garment industry witnessed an increase of 15-20 per cent in exports. The industry is expected to touch US \$220 billion by 2020. The advancement of the textiles industry can be seen from the increased production of spun yarn which registered an increase of about 10 per cent during April-Oct 2013 and cloth production which grew by 2% during April-Oct 2013 in comparison to the same period of last year, on the back of increasing demand in developed economies such as the US and Euro Zone.

With the improving employment data in the US, the home furnishing sector is expected to benefit from the surge in the spending power of the US consumer. India home furnishing industry has registered a slow growth of 2.9% but with the increasing disposable income and changing consumer dynamics will lead to a growth in the furnishing market which will push the growth rate to 8% in the next five years. The industry has positive outlook due to booming hospitality, retail sector and easy availability of home furnishing loans.

According to "Indian Home Furnishing Market Forecast & Opportunities, 2018", with the increasing textile industry in the country, the furnishing market will continue to flourish. The home furnishing market is anticipated to witness demand from retail industry. By 2018, home furnishing market in India is expected to grow at CAGR of 8% by value to reach USD5.29 Billion. Global home furnishing market has witnessed ups and downs in the last few years due to 2009 euro crisis and its post economic crisis. The global market has been growing at a slower rate but with the rise in income of the consumers and changing lifestyle, the market is expected to grow at a higher rate in future.

OPPORTUNITIES, CHALLENGES AND THREATS

The flow of FDI into India is expected to stabilise the Rupee against the US Dollar making it possible for exporters to project a more dependable performance in terms of export earnings. The Indian industry catering to international buyers in the consumer goods segment prefer Indian suppliers who are Social Welfare Compliant and CTPAT Compliant. Faze Three Limited is complaint for Social as well as CTPAT compliance. The Government at the Centre is encouraging employment of more apprentice workers to meet the surge in demand for skilled workers. This is a welcome step in stabilising and ensuring a steady supply of skilled workforce. The monsoon season was expected with a word of caution as the rainfall predicated was below the usual average. However, the heavy late monsoon rains have made up for the shortfall which was anticipated before the onset of the season.

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.

RISKS AND CONCERNS

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

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

Exchange Rate Risk: The Company is an export house and 99% of its products are exported to US, UK, Europe and other countries. It is exposed to foreign exchange fluctuation risk. The Company has framed its policies to minimize the risk by forward booking of dollar whenever it is necessary.

Market and Product Risk: The Company operates in single segment i.e. Home Furnishings and 99% of the products are marketed internationally. Global markets are very volatile and most importantly the changing trends and needs of customers. The in house designers are keeping themselves well versed with these changing trends, needs and preferences. They are engaged in the process of innovation of new products and launching technologically improved products under existing brands.

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.

For and on behalf of the Board.

Place: Mumbai
Date: 14.08.2014

Ajay Anand
Chairman & Managing Director

REPORT ON CORPORATE GOVERNANCE

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

Company believes that to enhance stakeholder's value transparency, accountability and integrity are the three basic tools of Corporate Governance.

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 Executive Directors and One Non-Executive, Independent Director and One Non-Executive, Non-Independent Director.

The Executive Directors include Managing Director and Whole-time Director.

Board Membership & Terms:

The Non-Executive Non-Independent 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 12 Board Meetings were held on the following dates 29.04.2013, 30.05.2013, 21.06.2013, 14.08.2013, 06.09.2013, 01.10.2013, 14.11.2013, 19.11.2013, 09.12.2013, 13.01.2014, 14.02.2014 & 11.03.2014

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 | Promoter, Executive | 10 | No | 2 | -- | 5 |
| Mrs. Rashmi Anand* | Whole Time Director | Promoter, Executive | 2 | No | --- | -- | --- |
| Mr. Sanjay Anand | Whole Time Director | Non-promoter Executive | 8 | Yes | 1 | --- | 2 |
| Mr. Vasudeva Rao | Director | Non-Executive & Independent | 8 | Yes | --- | --- | --- |
| Mr. Rajiv Rai Sachdev | Director | Non-Executive & Non-Independent | 4 | No | --- | --- | --- |

* Mrs. Rashmi Anand resigned from the directorship w.e.f 17.06.2013

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 DIRECTORS SEEKING APPOINTMENT AT THE ANNUAL GENERAL MEETING

| Particulars | Mr. Ajay Anand | Mr. Sanjay Anand | Mr. Vasudeva Rao |
|---|-------------------------------------|-------------------------------------|---|
| Date of Birth | 16.10.1954 | 28.11.1961 | 22.08.1939 |
| Date of appointment | 01.04.2014 | 01.04.2014 | 30.10.2002 |
| Qualifications | Graduate | Graduate | Chartered Accountant |
| Expertise in specific functional area | Wide experience in Textile Industry | Wide experience in Textile Industry | Wide experience in Accounts, Finance & Taxation |
| Directorship held in other Public Companies | 2 | 1 | NIL |
| Membership/chairmanship of committees of other Public Companies | 5 | 2 | 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 exchanges.

The committee is headed under the stewardship of Mr. Vasudeva Rao, a Chartered Accountant and a Non-Executive Independent Director. Mr. Rajiv Rai Sachdev Non-Executive, Non-Independent Director is a member of the Committee. The committee chairman and members have requisite financial and management experience. Mr. Sanjay Anand, Whole-Time Director of the Company is also a member of the Committee.

Audit Committee met 4 times during the year on 30.05.2013, 14.08.2013, 14.11.2013 & 15.02.2014.

Attendance :-

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

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. Overview 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, transmissions and dematerialization 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 a Non-Executive, Independent Director.

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 2013-2014 is given as follows: (No sitting fees paid to the following directors)

| Director | Designation | Remuneration (including all perquisites) Rs. | Service Contract |
|-------------------|------------------------------|--|------------------|
| Mr. Ajay Anand | Chairman & Managing Director | - | 5 years |
| Mr. Sanjay Anand | Whole Time Director | - | 5 years |
| Mrs. Rashmi Anand | Whole Time Director | - | 3 years |

- Remuneration was not payable to the Directors as per Schedule XIII of the Companies Act, 1956.

The details of Sitting Fees paid to Non-Executive Directors during the year ended March 31st 2014 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 | 40,000/- |
| 2. | Mr. Rajiv Rai Sachdev | 20,000/- |

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

GENERAL BODY MEETINGS:-

| Year | Location | Date | Time |
|-----------|---|---------------------|------------|
| 2010-2011 | Survey No.356/1-2, Village Dadra-396191 Union Territory of Dadra & Nagar Haveli | 29th August, 2011 | 9.30 p.m. |
| 2011-2012 | Survey No.356/1-2, Village Dadra-396191 Union Territory of Dadra & Nagar Haveli | 29th September 2012 | 10.30 a.m. |
| 2012-2013 | Survey No. 380/1, Khanvel Silvassa Road, Dapada, Silvassa – 396 230 Union Territory of Dadra & Nagar Haveli | 30th September 2013 | 11.30 a.m. |

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

- o The Members Passed a Special Resolution at the Annual General meeting held on 29.09.2013 for reappointment of Mr. Sanjay Anand as Whole Time Director of the Company and to pay him remuneration as per schedule XIII of the Companies Act 1956.

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 Chairman & Managing Director is given below:

To the Shareholders of Faze Three Limited

Sub: Compliance with Code of Conduct

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

Ajay Anand

Mumbai, 29.05.2014

Chairman & Managing 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 2014 and that to the best of our knowledge and belief, we state that:-

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

Yours sincerely,

Ajay Anand

Chairman & Managing Director

Prevention of Insider Trading :

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

Others Disclosures :

- (i) All related party transactions have been entered into in the ordinary course of business and were placed periodically before the audit committee in summary form. There were no material individual transactions with related parties which were not in the normal course of business, required to be placed before the audit committee and that may have potential conflict with the interest of the Company at large. All individual transactions with related parties or others were on an arm's length basis. Transactions with related parties as per requirements of Accounting Standard (AS) 18 – 'Related Party Information' are disclosed in Note No. 29 to the Financial Statements.
- (ii) All Accounting Standards mandatorily required have been followed without exception in preparation of the financial statements.
- (iii) No money was raised by the Company through any public issue, rights issue, preferential issue, etc. in the last financial year.
- (iv) The Board has appointed one Managing Director and one Whole-time Director on the Board whose appointment and remuneration has been fixed by the Board and reviewed/approved by the Remuneration Committee, subject to the approval of members at this Annual General Meeting.
- (v) Management Discussion and Analysis forms part of the Annual Report to the shareholders and it includes discussion on matters as required under the provisions of clause 49 of the Listing Agreement with Stock Exchanges.
- (vi) There were no material financial & commercial transactions by Senior Management as defined in Clause 49 of the Listing Agreement where they have any personal interest that may have a potential conflict with the interests of the Company at large requiring disclosure by them to the Board of Directors of the Company.
- (vii) No penalties or strictures have been imposed on the Company by Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets during the last three years. 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.
- (viii) The Company has a process in place that meets the objectives of the Whistle blower policy. The Board annually reviews the findings and action taken, if any, on matters initiated through this mode. In the opinion of the Board there are no cases where a person was denied access to the grievance process set up by the Company.

MEANS OF COMMUNICATION : -

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

- (i) 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
 27th September, 2014 11.30 a.m.
 Survey No. 380/1, Khanvel Silvassa
 Dapada-396230
 Union Territory of Dadra & Nagar Haveli

Financial Calendar for 2014-15 (Tentative)

2nd Quarter Results
 Second week of November 2014

3rd Quarter Results
 Second week of February 2015

Audited Results for the year ending March 2015
 Last week of May 2015

DATE OF BOOK CLOSURE
 20th September, 2014 to 27th September, 2014
 (Both days inclusive)

LISTING ON STOCK EXCHANGES
 The Bombay Exchange
 Luxemburg Stock Exchange

STOCK CODE
 530079 on Bombay Stock Exchange
 027941079 on Luxemburg 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

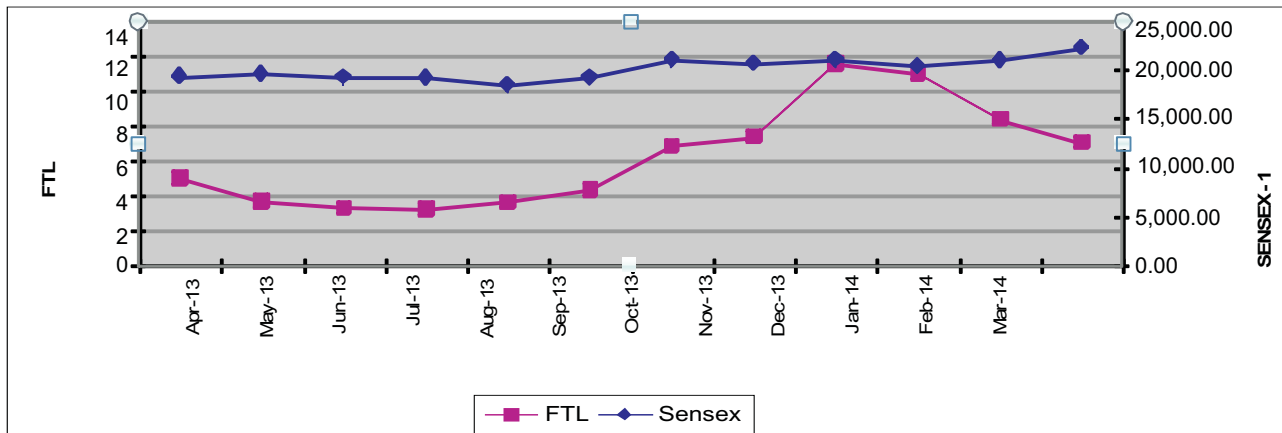
Dividend Information:

Pursuant to the provisions of Section 205A of the Companies Act, 1956, Dividend for the financial year ended 2006-2007 which remained unpaid or unclaimed will be transferred to the Investor Education and Protection Fund ('IEPF') constituted by the Central Government under Section 205C of the Companies Act, 1956 on 28.09.2014.

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 |
|---------------|--------------------|-------------------|----------|
| April 2013 | 5.46 | 5.07 | 4,691 |
| May 2013 | 4.82 | 3.75 | 28,048 |
| June 2013 | 3.58 | 3.40 | 1,256 |
| July 2013 | 3.32 | 3.32 | 1,152 |
| August 2013 | 3.71 | 3.71 | 4,519 |
| August 2013 | 4.41 | 4.41 | 2,619 |
| October 2013 | 7.16 | 6.94 | 53,033 |
| November 2013 | 7.47 | 7.47 | 9,519 |
| December 2013 | 11.94 | 11.64 | 1,33,281 |
| January 2014 | 11.65 | 11.07 | 7,286 |
| February 2014 | 11.49 | 8.46 | 41,303 |
| March 2014 | 8.04 | 7.14 | 71,111 |



Distribution of Shareholding as on March 31, 2014:-

| Sr. No. | No. of Equity Shares held | | Shareholders | | Shareholding | |
|---------|---------------------------|--------|--------------|------------|-----------------|---------------|
| | From | To | Nos. | % | Nos. | % |
| 1 | Upto | 100 | 1784 | 42.21 | 101064 | 0.83 |
| 2 | 101 | 200 | 561 | 13.27 | 97387 | 0.80 |
| 3 | 201 | 500 | 1325 | 31.35 | 415181 | 3.41 |
| 4 | 501 | 1000 | 274 | 6.48 | 220953 | 1.81 |
| 5 | 1001 | 5000 | 219 | 5.18 | 480705 | 3.94 |
| 6 | 5001 | 10000 | 21 | 0.50 | 149624 | 1.23 |
| 7 | 10001 | 100000 | 28 | 0.66 | 796292 | 6.53 |
| 8 | 100001 and above | | 14 | 0.33 | 9927591 | 81.45 |
| | TOTAL | | 4226 | 100 | 12188797 | 100.00 |

Shareholding Pattern as on March 31, 2014

| 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 | 3324595 | 27.28 |
| (c) | Individuals | 2239388 | 18.37 |
| (d) | Any Other (Clearing Member) | 2779 | 0.02 |
| (e) | NRI | 55041 | 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: 29.05.2014

Ajay Anand
Chairman & Managing 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 2014 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, and based on the representation made by the management, 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 Independent Director is short by one Director throughout the year. Further, in the case of Audit Committee the strength of independent director was short by one director till 30.09.2013 and thereafter the strength of Independent Director is short by two directors.

We 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: 29.05.2014

C.V.PARAMESWAR
Partner
M.No.11541

INDEPENDENT AUDITOR'S REPORT

To the Members of
FAZE THREE LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of FAZE THREE LIMITED ("the Company"), which comprise the Balance Sheet as at March 31, 2014, 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 notified under the Companies Act, 1956 ("the Act") read with the general circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013 and in accordance with the Accounting principles generally accepted in India. 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, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. 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, 2014;
- 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 general circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013;
 - e) On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For THAKUR VAIDYANATH AIYAR & CO.
Chartered Accountants
Firm Reg. No. 000038N

C V Parameswar
Partner
M. No. 11541

Place: Mumbai
Date: 29th May, 2014

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 records.
- iii. In respect of loans, Secured or Unsecured, granted or taken by the Company to / from Companies, firms or other parties covered 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 not granted any loans, secured or unsecured, to Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
 - (b) In view of our comment in (a) above Clause 4(iii) (b) (c) and (d) of the Order are not applicable to the Company.
 - (c) The Company has taken an interest free loan from one Company covered in the register maintained under section 301 of the Act. The maximum amount outstanding at any time during the year was Rs.123 lacs and the year end balance is Rs.46 lacs.
 - (d) As per the information and explanation given to us the terms and conditions of the said loan taken by the Company is not prima facie prejudicial to the interest of the Company.
 - (e) As explained to us, no amount of principal has become due during the year.
- 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 thereunder.
- 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 Cost records 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 explanations given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31st March 2014 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 not incurred cash loss during the year. However in the immediately preceding Financial year, the Company had incurred cash losses.
- 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 a loan taken by a subsidiary from a bank. In our opinion the terms and conditions of the guarantee are not prejudicial to the interest of the Company.
- xvi. According to the information and explanations 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 VAIDYANATHAIYAR & CO.
Chartered Accountants
Firm Reg. No. 000038N

Place: Mumbai
Date: 29th May, 2014

C V Parameswar
Partner
M. No. 11541

| BALANCE SHEET as at 31 March, 2014 | Notes | As At 31st March 2014 [₹] | As At 31st March 2013 [₹] |
|---|--------------|--|--|
| EQUITY AND LIABILITIES | | | |
| Shareholders' funds | | | |
| (a) Share capital | 3 | 121,887,974 | 121,887,974 |
| (b) Reserves and surplus | 4 | (471,997,974) | (456,658,747) |
| | | <u>(350,110,000)</u> | <u>(334,770,773)</u> |
| Non-current liabilities | | | |
| (a) Long-term borrowings | 5 | 58,155,732 | 54,092,016 |
| (b) Deferred tax liabilities (Net) | 6 | 139,004,106 | 137,455,893 |
| (c) Other Long Term Liabilities | 7 | 153,535,578 | 146,156,819 |
| (d) Long-term provisions | 8 | 23,546,476 | 19,875,640 |
| | | <u>374,241,892</u> | <u>357,580,368</u> |
| Current liabilities | | | |
| (a) Short-term borrowings | 9 | 716,694,756 | 610,558,070 |
| (b) Trade payables | 10 | 424,940,145 | 341,233,406 |
| (c) Other current liabilities | 11 | 1,270,306,624 | 1,104,239,379 |
| (d) Short-term provisions | 12 | 70,448,413 | 48,985,130 |
| | | <u>2,482,389,938</u> | <u>2,105,015,985</u> |
| Total | | <u><u>2,506,521,830</u></u> | <u><u>2,127,825,580</u></u> |
| ASSETS | | | |
| Non-current assets | | | |
| (a) Fixed assets | 13 | | |
| (i) Tangible assets | | 765,779,480 | 795,531,720 |
| (b) Non-current investments | 14 | 2,308,955 | 2,108,955 |
| (c) Long-term loans and advances | 15 | 49,223,260 | 26,107,901 |
| | | <u>817,311,695</u> | <u>823,748,576</u> |
| Current assets | | | |
| (a) Inventories | 16 | 889,909,203 | 728,298,509 |
| (b) Trade receivables | 17 | 459,604,791 | 329,476,341 |
| (c) Cash and cash equivalents | 18 | 96,593,672 | 64,873,024 |
| (d) Short-term loans and advances | 19 | 111,507,249 | 113,566,671 |
| (e) Other current assets | 19a | 131,595,220 | 67,862,459 |
| | | <u>1,689,210,135</u> | <u>1,304,077,004</u> |
| Total | | <u><u>2,506,521,830</u></u> | <u><u>2,127,825,580</u></u> |
| Significant accounting policies and other notes | 1 to 39 | | |

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 : 29th May 2014

For and on behalf of the Board

Ajay Anand

Managing Director

Sanjay Anand

Whole Time Director

Martin Golla

Sr. VP-Legal & Company Secretary

29th Annual Report 2013-2014



| Statement of Profit & Loss For The Year Ended 31st March 2014 | Notes | For the Year Ended 31st March 2014 (₹) | For the Year Ended 31st March 2013 (₹) |
|--|---------|--|--|
| Income | | | |
| Revenue from operations | 20 | 2,364,989,804 | 1,898,960,038 |
| Less : Excise duty on domestic sales | | (58,095,020) | (10,909,705) |
| Other income | 21 | 25,336,849 | 52,528,748 |
| Total Revenue (I) | | <u>2,332,231,633</u> | <u>1,940,579,081</u> |
| Expenses | | | |
| Cost of materials consumed | 22 | 1,058,220,049 | 1,024,158,465 |
| Changes in inventories of finished goods, work-in-progress and Stock-in-Trade [(Increase) / decrease] | 23 | 29,064,129 | (64,422,693) |
| Employee benefits expense | 24 | 209,198,553 | 175,749,146 |
| Other expenses | 27 | 780,846,110 | 727,877,006 |
| Total (II) | | <u>2,077,328,841</u> | <u>1,863,361,924</u> |
| Profit before interest, tax, depreciation and amortisation, Finance Costs and Exceptional items (EBIDTA) (I) - (II) | | 254,902,793 | 77,217,157 |
| Depreciation and amortization expense | 26 | 49,448,575 | 48,987,171 |
| Finance costs | 25 | 147,566,393 | 146,998,858 |
| Exceptional items | | 71,678,838 | 91,730,676 |
| Profit / (loss) before tax but after interest, depreciation and amortisation and Exceptional items | | <u>(13,791,014)</u> | <u>(210,499,549)</u> |
| Tax Expenses | | | |
| Current tax | | - | - |
| Deferred tax Originated / (Reversed) | | 1,548,213 | 4,596,077 |
| Total Tax Expense | | <u>1,548,213</u> | <u>4,596,077</u> |
| Profit/(Loss) for the period from continuing operations (A) | | <u>(15,339,227)</u> | <u>(215,095,626)</u> |
| Profit/(loss) from discontinuing operations | | - | - |
| Tax expense of discontinuing operations | | - | - |
| Profit/(loss) from Discontinuing operations (after tax) (B) | | - | - |
| Profit/(Loss) for the period (A + B) | | <u>(15,339,227)</u> | <u>(215,095,626)</u> |
| Earnings per equity share [nominal value of share ₹ 10] | | | |
| Basic | | (1.26) | (17.65) |
| Diluted | | (1.26) | (17.65) |
| Significant accounting policies and other notes | 1 to 39 | | |

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 : 29th May 2014

For and on behalf of the Board

Ajay Anand

Managing Director

Sanjay Anand

Whole Time Director

Martin Golla

Sr. VP-Legal & Company Secretary

Cash Flow Statement For The Year Ended 31st March 2014

(₹ in Lacs)

| | Year ended 31st March 2014 | Year ended 31st March 2013 |
|--|-------------------------------|-------------------------------|
| Profit before tax from continuing operations | (137.91) | (2,105.00) |
| Non-cash adjustment to reconcile profit before tax to net cash flows | | |
| Depreciation / amortization from continuing operation | 494.49 | 489.87 |
| Provision for diminution in value of investments | - | 60.89 |
| Interest Expense | 1475.66 | 1,469.99 |
| Interest Income | (85.82) | (120.24) |
| Exceptional items (refer note 28) and other trade write offs | 716.79 | 917.31 |
| Profit / Loss on sale of Asset | (1.37) | (39.95) |
| Operating profit before working capital changes | 2461.84 | 672.87 |
| Movements in Working Capital : | | |
| Increase / (decrease) in trade payables | 837.07 | 354.41 |
| Increase / (decrease) in Long term provisions | 36.71 | 9.51 |
| Increase / (decrease) in short term provisions | 214.63 | 107.21 |
| Increase / (decrease) in current liabilities | 1660.67 | 1,408.74 |
| (Increase) / decrease in trade receivables | (1301.28) | (265.48) |
| (Increase) / decrease in inventories | (1616.11) | (274.62) |
| (Increase) / decrease in long term loans and advances | (231.15) | 442.90 |
| (Increase) / decrease in short term loans and advances | 20.59 | (180.56) |
| (Increase) / decrease in other current assets | (637.33) | (194.69) |
| Increase /(Decrease) in Long Term Liabilities | 73.79 | 460.40 |
| Direct taxes paid (net of refunds) | - | - |
| Exceptional Items | (716.79) | (917.31) |
| Net Cash flow from / (used in) operating activities (A) | 802.64 | 1,623.38 |
| Cash Flow From Investing Activities | | |
| Purchase of Fixed Assets, CWIP and capital advances | (209.95) | (161.41) |
| Proceeds from Sale of Fixed assets | 14.36 | 79.35 |
| Purchase of Investments | (2.00) | - |
| Proceeds of sale / maturity Investments | - | 0.42 |
| Interest received | 85.82 | 120.24 |
| Net cash flow from / (used in) investing activities (B) | (111.77) | 38.60 |

Cash Flow Statement (Contd.)

(₹ in Lacs)

| | Year ended 31st March 2014 | Year ended 31st March 2013 |
|--|-------------------------------|-------------------------------|
| Cash flow from Financing Activities | | |
| Proceeds from issuance of share capital | - | - |
| Proceeds from Long term borrowings (net) | 40.64 | - |
| Repayment of Long term borrowings | - | (781.53) |
| Proceeds from short term borrowings | 1061.37 | 707.31 |
| Repayment of short term borrowings | - | - |
| Interest paid | (1475.66) | (1,469.99) |
| Net cash flow from / (used in) Financing activities (C) | (373.66) | (1,544.21) |
| Net increase / (decrease) in cash and cash equivalents (a+b+c) | 317.21 | 117.77 |
| Cash and cash equivalents at the beginning of the year | 648.73 | 530.96 |
| Cash and cash equivalents at the end of the year | <u>965.94</u> | <u>648.73</u> |
| Components of Cash and cash equivalents | | |
| Cash on hand | 10.23 | 3.70 |
| With Banks | | |
| On current accounts | 106.82 | 71.39 |
| On deposit account | 846.43 | 569.65 |
| EEFC Account | 0.76 | 1.04 |
| Unpaid dividend account | 1.70 | 2.94 |
| Total cash and cash equivalents (note 18) | <u>965.94</u> | <u>648.73</u> |

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 : 29th May 2014

For and on behalf of the Board

Ajay Anand
 Managing Director

Sanjay Anand
 Whole Time Director

Martin Golla
 Sr. VP-Legal & Company Secretary

Notes Forming Part of Financial Statements for the year ended 31st March 2014

1. Corporate Information

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

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 amounts 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

Notes Forming Part of Financial Statements for the year ended 31st March 2014

impaired. If any indication exists, or when annual impairment testing for an asset is required, the 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, subsidies and Export Incentives

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.

Export incentives are accounted for on accrual basis.

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 recognise 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.

Notes Forming Part of Financial Statements for the year ended 31st March 2014

Interest

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

Notes Forming Part of Financial Statements for the year ended 31st March 2014

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.

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 share holders (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 EBIDTA

As permitted by the Guidance note on the revised schedule VI to the Company 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 for the year ended 31st March 2014

3. Share Capital

| Particulars | 31st March 2014 | | 31st March 2013 | |
|--|-------------------|--------------------|-------------------|--------------------|
| | Number | ₹ | Number | ₹ |
| Authorised | | | | |
| Equity Shares of ₹ 10/- each | 17,000,000 | 170,000,000 | 17,000,000 | 170,000,000 |
| | 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 |
| Total Issued, Subscribed & Fully paid up | 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 2014 | | 31st March 2013 | |
|---|-----------------|-------------|-----------------|-------------|
| | Number | ₹ | Number | ₹ |
| 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 preceeding the reporting date.

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

| Name of Shareholder | 31st March 2014 | | 31st March 2013 | |
|--|--------------------|---------------------------|--------------------|---------------------------|
| | 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 for the year ended 31st March 2014

4. Reserves & Surplus

| Particulars | 31st March 2014 | 31st March 2013 |
|--|----------------------|----------------------|
| | ₹ | ₹ |
| 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 | (855,295,690) | (640,200,064) |
| Loss for the current year | (15,339,227) | (215,095,626) |
| Net Deficit in the statement of profit and loss | (870,634,916) | (855,295,690) |
| Total reserves and surplus | (471,997,974) | (456,658,747) |

5. Long Term Borrowings

| Particulars | 31.03.2014 | 31.03.2013 | 31.03.2014 | 31.03.2013 |
|---|---------------------|-------------------|--------------------|-------------------|
| | ₹ | ₹ | ₹ | ₹ |
| | Non Current Portion | | Current Maturities | |
| Secured | | | | |
| (a) Term loans | | | | |
| from banks | 57,034,003 | 52,576,658 | 37,377,505 | 71,699,000 |
| (b) Long term maturities of finance Lease / obligations (Against Hypothecation of Vehicles) | 1,121,729 | 1,515,358 | 2,245,752 | 2,255,550 |
| | 58,155,732 | 54,092,016 | 39,623,257 | 73,954,550 |

Note No.5.1

The term loan is secured by pari passu 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 + .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 Upgradation 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 2016. Other Loans are repayable in monthly installments by 2014. There is no default in repayment of the term loans.

Terms and conditions of Long Term maturities of finance lease / obligations

| Particulars | Loan 1 | Loan 2 | Loan 3 | Loan 4 |
|----------------------------|-----------------|------------------|---------------|-------------------|
| Period of Maturity | 15th March 2015 | 24th April 2019 | 1st July 2016 | 1st November 2016 |
| Number of installments due | 12 | 60 | 28 | 32 |
| Amount of Installments due | 37513 | 15111 | 43315 | 16200 |
| Rate of Interest | 10.74% | 10.75% | 9.61% | 10.28% |
| Name of the Financier | ICICI Bank | Corporation Bank | ICICI Bank | ICICI Bank |

Notes Forming Part of Financial Statements for the year ended 31st March 2014

6. Deferred tax liabilities (Net)

| Particulars | <u>31st March 2014</u> | <u>31st March 2013</u> |
|--|---------------------------|---------------------------|
| | ₹ | ₹ |
| Difference in WDV between Books of Accounts and Income tax records | 139,004,106 | 137,455,893 |
| | <u>139,004,106</u> | <u>137,455,893</u> |

7. Other Long Term Liabilities

| Particulars | <u>31st March 2014</u> | <u>31st March 2013</u> |
|---------------------------------------|---------------------------|---------------------------|
| | ₹ | ₹ |
| Other Deposits and retentions payable | 153,535,578 | 146,156,819 |
| | <u>153,535,578</u> | <u>146,156,819</u> |

8. Long Term Provisions

| Particulars | <u>31st March 2014</u> | <u>31st March 2013</u> |
|---------------------------------|--------------------------|--------------------------|
| | ₹ | ₹ |
| Provision for employee benefits | | |
| Gratuity | 23,546,476 | 19,875,640 |
| | <u>23,546,476</u> | <u>19,875,640</u> |

Note No.8.1

Note no. 8.1 - Short term maturities on gratuity provision have not been segregated. 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.

9. Short Term Borrowings

| Particulars | <u>31st March 2014</u> | <u>31st March 2013</u> |
|---|---------------------------|---------------------------|
| | ₹ | ₹ |
| Loans repayable on demand from banks (secured) (refer note 9.1) | 716,694,756 | 610,558,070 |
| | <u>716,694,756</u> | <u>610,558,070</u> |

Note No.9.1

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 10.70 % for PCRS facility from Allahabad Bank. However, PCRS facility is eligible for interest subvention of 3 %

Working Capital Loan is availed as PCFC/ PCRS. PCFC is availed in US Dollars and the same has been restated at rate prevailing on 31st March 2014

Notes Forming Part of Financial Statements for the year ended 31st March 2014**10. Trade Payable**

| Particulars | <u>31st March 2014</u> ₹ | <u>31st March 2013</u> ₹ |
|--|-----------------------------|-----------------------------|
| Trade Payable (including acceptances) (refer note 37 for details of dues to micro and small enterprises. | 424,940,145 | 341,233,406 |
| | <u>424,940,145</u> | <u>341,233,406</u> |
| Includes amounts due to parties covered under AS 18 refer note 29 | | |

11. Other Current Liabilities

| Particulars | <u>31st March 2014</u> ₹ | <u>31st March 2013</u> ₹ |
|--|-----------------------------|-----------------------------|
| (a) Current maturities of Term Loan | 37,377,505 | 71,699,000 |
| (b) Current maturities of finance lease obligations | 2,245,752 | 2,255,550 |
| (c) Foreign Currency Convertible Bonds (Refer note 11.1) | 819,225,103 | 689,207,389 |
| (d) Invocation of Corporate Gaurantee (Refer note 11.2) | 363,336,600 | 341,077,441 |
| (e) Other liabilities | 48,121,664 | - |
| | <u>1,270,306,624</u> | <u>1,104,239,379</u> |

Note No.11.1 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. 11.2 - 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 4.4 Mln Euros. The said guarantee had been invoked and the liability payable to the Bank has been provided in the books of account. (Refer note 28)

12. Short Term Provisions

| Particulars | <u>31st March 2014</u> ₹ | <u>31st March 2013</u> ₹ |
|--|-----------------------------|-----------------------------|
| (a) Provision for employee benefits | | |
| Salary & Reimbursements | 13,527,264 | 11,907,781 |
| Contribution to PF and other funds | 912,968 | 628,195 |
| (b) Others | | |
| Professional Tax Payable | 34,051 | 31,201 |
| Service Tax Payable | 1,427,649 | 1,163,342 |
| TDS Payable | 2,247,207 | 2,029,308 |
| Expenses Payable | 45,914,205 | 31,216,766 |
| Sales Tax Payable | 1,408,730 | 1,224,110 |
| Others | 4,976,339 | 784,427 |
| | <u>70,448,413</u> | <u>48,985,130</u> |

Notes Forming Part of Financial Statements for the year ended 31st March 2014
13. Tangible Fixed Assets

| Tangible assets particulars | Gross block | | | Accumulated depreciation and impairment | | | | Net block | | |
|-----------------------------------|-------------------------------|-------------------|-------------------|---|-------------------------------|---|----------------------------------|---|--------------------------------|--------------------------------|
| | Balance as at 1st April, 2013 | Additions | Disposals | Balance as at 31st March, 2014 | Balance as at 1st April, 2013 | 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, 2014 | Balance as at 31st March, 2013 |
| (a) Land Freehold Leasehold | 64,097,831 13,085,987 | 5,842,700 - | - - | 69,940,531 13,085,987 | - - | - - | - - | - - | 69,940,531 13,085,987 | 64,097,831 13,085,987 |
| (b) Buildings Owned | 38,64,89,825 | 3,934,948 | - | 390,424,773 | 124,161,161 | 11,992,409 | - | - | 254,271,203 | 262,328,662 |
| (c) Plant and Equipment Owned | 66,497,9427 | 2,243,476 | 923,104 | 666,299,799 | 262,717,991 | 29,150,589 | 432,343 | - | 374,863,562 | 402,246,574 |
| (d) Furniture and Fixtures Owned | 54,054,711 | 1,703,386 | - | 55,758,097 | 34,381,619 | 3,031,094 | - | - | 18,345,385 | 19,673,093 |
| (e) Vehicles Owned | 30,736,226 | 4,261,809 | 1,880,900 | 33,117,135 | 24,292,807 | 2,294,942 | 1,073,199 | - | 7,602,585 | 6,443,419 |
| (f) Office equipment Owned | 8,679,291 | 1,461,934 | - | 10,141,225 | 3,407,277 | 468,719 | - | - | 6,265,230 | 5,286,878 |
| (g) Computer Owned | 19,157,722 | 826,041 | - | 19,983,763 | 18,376,710 | 807,968 | - | - | 799,085 | 781,013 |
| (h) Electrical Installation Owned | 46,543,717 | 196,772 | - | 46,740,489 | 25,375,310 | 1,668,232 | - | - | 19,696,948 | 21,168,407 |
| (i) Fire Hydrants Owned | 473,688 | 523,731 | - | 997,419 | 53,831 | 34,622 | - | - | 908,965 | 419,857 |
| Total | 1,288,298,425 | 20,994,797 | 2,804,004 | 1,306,489,218 | 492,766,705 | 49,448,575 | 1,505,542 | - | 765,779,480 | 795,531,720 |
| Previous year | 1,283,535,978 | 16,141,146 | 11,378,699 | 1,288,298,425 | 451,219,089 | 48,987,171 | 7,439,556 | - | 795,531,720 | 795,531,720 |

Note 13.1

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

Notes Forming Part of Financial Statements for the year ended 31st March 2014

14. Non-current investments

| Particulars | <u>31st March 2014</u> ₹ | <u>31st March 2013</u> ₹ |
|---|-----------------------------|-----------------------------|
| Non Trade Investments (At Cost) | | |
| Preference Shares (unquoted) | | |
| 452,000 (452,000) 5% Non-cumulative preference shares of ₹ 100 each fully paid up of V. R. Woodart Ltd. | 45,200,000 | 45,200,000 |
| Less : diminution in value of investment provided on the above in accordance with AS-13. (refer note 14. 1) | 45,200,000 | 45,200,000 |
| | - | - |
| Equity shares (unquoted) | | |
| 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 |
| Investment in Mutual Fund - Canara Robeco Mutual Fund - Equity Plan | 200,000 | |
| Equity shares (quoted) | | |
| V. R. Woodart Ltd. (1,456,612 equity shares of ₹ 10 each, fully paid up) (Market Value as on 31st March 2014 : ₹ 2,286,881) | 11,669,869 | 11,669,869 |
| Less: diminution in value of investment provided on the above in accordance with AS-13. (refer note 14. 1) | 9,586,914 | 9,586,914 |
| | 2,082,955 | 2,082,955 |
| | <u>2,308,955</u> | <u>2,108,955</u> |

Note No.14.1

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

15. Long Term Loans and Advances

| Particulars | <u>31st March 2014</u> ₹ | <u>31st March 2013</u> ₹ |
|--|-----------------------------|-----------------------------|
| a. Capital advances | | |
| Unsecured, considered good | 21,504,354 | 396,999 |
| b. Security Deposits | | |
| Unsecured, considered good | 7,273,766 | 6,891,835 |
| c. Advance Income tax (net of provision) | | |
| Unsecured, considered good | 20,445,140 | 18,819,067 |
| | <u>49,223,260</u> | <u>26,107,901</u> |

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

| Particulars | <u>31st March 2014</u> ₹ | <u>31st March 2013</u> ₹ |
|---------------------------------|-----------------------------|-----------------------------|
| a. Raw Materials and components | 508,951,491 | 324,317,148 |
| b. Work-in-progress | 103,260,018 | 106,378,540 |
| c. Finished goods | 236,389,843 | 262,335,450 |
| d. Stores and spares | 26,470,034 | 19,627,883 |
| e. Dyes and Chemicals | 14,837,817 | 15,639,488 |
| | <u>889,909,203</u> | <u>728,298,509</u> |

Notes Forming Part of Financial Statements for the year ended 31st March 2014

17. Trade Receivables

| Particulars | <u>31st March 2014</u> ₹ | <u>31st March 2013</u> ₹ |
|--|-----------------------------|-----------------------------|
| Unsecured, considered good | | |
| Trade receivables outstanding for a period exceeding six months from the date they are due for payment | 27,845,610 | 37,396,623 |
| Others - Refer note 29 | 431,759,181 | 292,079,718 |
| | <u>459,604,791</u> | <u>329,476,341</u> |

18. Cash and cash equivalents

| Particulars | <u>31st March 2014</u> ₹ | <u>31st March 2013</u> ₹ |
|--|-----------------------------|-----------------------------|
| a. Balances with banks | 10,682,184 | 7,139,275 |
| b. Cash on hand | 1,022,936 | 370,473 |
| c. Bank deposits with Less than 12 months maturity | 84,642,820 | 56,964,650 |
| d. Bank balance on EEFC account | 75,847 | 104,276 |
| e. Unclaimed dividend account | 169,885 | 294,350 |
| | <u>96,593,672</u> | <u>64,873,024</u> |

19. Short-term loans and advances

| Particulars | <u>31st March 2014</u> ₹ | <u>31st March 2013</u> ₹ |
|-----------------------------|-----------------------------|-----------------------------|
| Staff Advances | 1,521,188 | 2,410,672 |
| Advance to Suppliers | 8,982,837 | 6,965,674 |
| Claims Recoverable | 2,249,493 | 2,250,288 |
| Prepaid Expenses | 2,504,663 | 1,751,002 |
| Excise/ Service Tax/ Cenvat | 50,990,131 | 62,791,232 |
| Interest Receivable | 6,448,806 | 10,174,025 |
| Others | 38,810,131 | 27,223,778 |
| | <u>111,507,249</u> | <u>113,566,671</u> |

19a. Other Current Assets

| Particulars | <u>31st March 2014</u> ₹ | <u>31st March 2013</u> ₹ |
|-----------------------------|-----------------------------|-----------------------------|
| Export Incentive receivable | 131,595,220 | 67,862,459 |
| | <u>131,595,220</u> | <u>67,862,459</u> |

Notes Forming Part of Financial Statements for the year ended 31st March 2014**20. Revenue from operations**

| Particulars | <u>31st March 2014</u> ₹ | <u>31st March 2013</u> ₹ |
|--|-----------------------------|-----------------------------|
| Sales | | |
| Exports | 1,913,522,065 | 1,558,973,201 |
| Domestic | 248,029,427 | 208,623,071 |
| Other Operating revenues (Export Incentives) | 145,343,292 | 120,454,061 |
| | <u><u>2,306,894,784</u></u> | <u><u>1,888,050,333</u></u> |

21. Other income

| Particulars | <u>31st March 2014</u> ₹ | <u>31st March 2013</u> ₹ |
|---|-----------------------------|-----------------------------|
| Interest Income | 8,581,707 | 12,024,472 |
| Job work Income | 10,612,120 | 20,852,289 |
| Miscellaneous income | 5,990,748 | 15,657,296 |
| Gain arising from foreign exchange difference | 14,976 | - |
| Profit on sale of Assets | 137,299 | 3,994,691 |
| | <u><u>25,336,849</u></u> | <u><u>52,528,748</u></u> |

22. Cost of materials consumed

| Particulars | <u>31st March 2014</u> ₹ | <u>31st March 2013</u> ₹ |
|---|-----------------------------|-----------------------------|
| Inventory at the beginning of the year | 339,956,636 | 376,603,065 |
| Add: Purchases | 1,242,052,721 | 987,512,036 |
| Less: Inventory at the end of the Year | 523,789,308 | 339,956,636 |
| Cost of material and components consumed (Refer note 22.1) | <u><u>1,058,220,049</u></u> | <u><u>1,024,158,465</u></u> |

22.1 Cost of material includes the cost of yarn ₹ 905.21 Mln (P.Y. ₹ 877.66 Mln) and others ₹.153.01 Mln (P.Y. ₹ 146.5 Mln).

23. Changes in inventories of finished goods, work-in-progress and Stock-in-Trade

| Particulars | <u>31st March 2014</u> ₹ | <u>31st March 2013</u> ₹ |
|---|-----------------------------|-----------------------------|
| Inventory at the end of the year | 339,649,861 | 368,713,990 |
| Inventory at the beginning of the Year | 368,713,990 | 304,291,297 |
| Changes in inventories of finished goods work-in-progress and Stock-in-Trade | <u><u>(29,064,129)</u></u> | <u><u>64,422,693</u></u> |

24. Employee Benefits Expense

| Particulars | <u>31st March 2014</u> ₹ | <u>31st March 2013</u> ₹ |
|--|-----------------------------|-----------------------------|
| Salaries and incentives | 181,570,157 | 151,765,458 |
| Contributions to - Provident fund , E.S.I.C. and other funds | 11,773,288 | 8,334,306 |
| Other expenses and provisions | 15,855,108 | 15,649,382 |
| | <u><u>209,198,553</u></u> | <u><u>175,749,146</u></u> |

Notes Forming Part of Financial Statements for the year ended 31st March 2014

25. Finance Costs

| Particulars | <u>31st March 2014</u> | <u>31st March 2013</u> |
|------------------|------------------------|------------------------|
| | ₹ | ₹ |
| Interest expense | 118,795,414 | 121,863,796 |
| Bank Charges | 28,770,979 | 25,135,062 |
| | <u>147,566,393</u> | <u>146,998,858</u> |

26. Depreciation and amortization expense

| Particulars | <u>31st March 2014</u> | <u>31st March 2013</u> |
|---------------------------------|------------------------|------------------------|
| | ₹ | ₹ |
| Depreciation on tangible assets | 49,448,575 | 48,987,171 |
| | <u>49,448,575</u> | <u>48,987,171</u> |

27. Other Expenses

| Particulars | <u>31st March 2014</u> | <u>31st March 2013</u> |
|---|------------------------|------------------------|
| | ₹ | ₹ |
| Sewing, Stitching, Processing & Finishing Charges | 158,398,459 | 129,708,857 |
| Power & Fuel | 172,686,075 | 137,890,780 |
| Clearing and Forwarding expenses | 84,784,640 | 63,101,625 |
| Repairs & Maintenance: | | |
| Plant & Machinery | 12,393,206 | 14,560,817 |
| Building | 5,155,078 | 4,786,498 |
| Other Manufacturing Expenses | 86,757,415 | 54,788,018 |
| Rent, Rates & Taxes | 19,796,156 | 12,344,972 |
| Stores and spares consumed | 10,453,232 | 12,649,026 |
| Audit Fees (refer note 27.1) | 620,720 | 569,379 |
| Miscellaneous expenses (refer note 31) | 66,831,651 | 124,873,262 |
| Travelling, Vehicle & Conveyance expenses | 15,174,301 | 15,852,808 |
| Legal & Professional Fees | 17,676,563 | 19,775,925 |
| Insurance Charges | 3,817,279 | 5,572,812 |
| Foreign Exchange fluctuation loss (net) | 78,977,678 | 115,367,485 |
| Selling & Distribution Expenses | 9,136,604 | 8,871,986 |
| Excise duty | 38,187,053 | 7,162,756 |
| | <u>780,846,110</u> | <u>727,877,006</u> |

27.1 Details of Payments to the auditor

| Particulars | <u>31st March 2014</u> | <u>31st March 2013</u> |
|----------------------------------|------------------------|------------------------|
| | ₹ | ₹ |
| a. as auditor | 350,000 | 350,000 |
| b. for taxation matters | 80,000 | 80,000 |
| c. for certification | 120,000 | 120,000 |
| d. for reimbursement of expenses | 70,720 | 19,379 |
| | <u>620,720</u> | <u>569,379</u> |

Notes Forming Part of Financial Statements for the year ended 31st March 2014

28. Exceptional items

The Company had given Corporate Guarantee to Canara Bank, London in respect of its German subsidiary namely Pana Textil GmbH ('Pana') to the extent of principal amount of 4.4 Mln Euros and further dues as may accrue on that account. This subsidiary is in the process of being wound up. The said liability being a foreign exchange liability is re-stated as on reporting date based on prevailing rate of Euros. The said corporate guarantee is invoked by the Bank on the company and the final amount is in the process of being crystallized which is subject to receipt of proceeds from the liquidator of Pana and discussions between the company and the bank.

29. Related party disclosures

A) Related parties where control exists

| Relationship | Name / Entity |
|--------------------------------|--|
| Associates | VR Woodart Limited Aunde India Limited Ajay Anand (HUF) Instyle Investments Pvt. Ltd. |
| Key Management personnel (KMP) | Ajay Anand (Additional Director w.e.f.1/10/13) Rashmi Anand (Whole Time Director till 17.06.2013) Sanjay Anand (Whole Time Director) |

B) Related parties with whom transactions have taken place

| Relationship | Name / Entity |
|------------------------|---------------|
| Son of Ajay Anand | Vishnu Anand |
| Daughter of Ajay Anand | Rohina Anand |

Related Party Transactions**a. Sale / purchase of goods and services**

| | Year ended | Sale of goods | Sale of services | Lease Rental Income | Purchase of goods | Lease Rent Expenses | Purchase of Services | Amt owed to related parties |
|---------------------|------------|---------------|------------------|---------------------|-------------------|---------------------|----------------------|-----------------------------|
| Aunde India Limited | March 2014 | 431,420 | 242,302,628 | 2,877,840 | 120,315 | Nil | Nil | Nil |
| | March 2013 | Nil | 207,757,178 | Nil | 25,900,262 | Nil | 1,029,600 | Nil |

Notes Forming Part of Financial Statements for the year ended 31st March 2014

b. Loans and interest payments

| Name | Loans Received | Loan Repaid/ Adjusted | Loan given | Loan Refund Received | Interest received | Interest Paid | Balance at year end |
|-------------------|----------------|------------------------------|----------------|----------------------|-------------------|----------------|-------------------------------|
| Associates | | | | | | | |
| V.R.Woodart Ltd | - (PY Nil) | 7,706,795 (PY 15,95,407) | - (PY Nil) | - (PY Nil) | - (PY Nil) | - (PY Nil) | 4,592,061 (PY 12,298,856) |

c. Remuneration to key managerial personnel

| Particulars | 31st March 2014 ₹ | 31st March 2013 ₹ |
|--------------|----------------------|----------------------|
| Ajay Anand | Nil | 1,864,000 |
| Rashmi Anand | Nil | 1,440,000 |
| Sanjay Anand | Nil | 1,925,400 |
| Total | Nil | 5,229,400 |

d. Other transactions

Lease rent of ₹ 600,000 (PY ₹ 600,000) has been paid to Rohina Anand for rent of premises. Apart from sale/purchase of goods and services ₹ 531,406 (PY ₹ 31,375) is paid to Aunde India Limited for reimbursement of Expenses.

30. Contingent Liabilities

| Particulars | 31st March 2014 ₹ | 31st March 2013 ₹ |
|--|----------------------|----------------------|
| (i) Contingent Liabilities | | |
| (a) Claims against the company not acknowledged as debt | 2,729,559 | 1,961,016 |
| (b) Guarantees and Letter of Credit | 18,318,192 | 30,986,946 |
| (c) Other money for which the company is contingently liable | 21,532,908 | 39,954,813 |
| (d) Legal charges and other expenses / dues on account of liquidation of Pana Textil GmbH | 60,000,000 | Nil |
| (ii) Commitments | | |
| (a) Estimated amount of contracts remaining to be executed on capital account and not provided for | - | - |
| (b) Uncalled liability on shares and other investments partly paid | - | - |
| (c) Other commitments (specify nature) | - | - |

Notes Forming Part of Financial Statements for the year ended 31st March 2014

31. Miscellaneous expenses under note 27 'Other Expenses' mainly includes net-write offs of ₹ 12.18 Mln (PY ₹ 61.04 Mln), Security expenses ₹ 6.43 Mln (PY ₹ 4.12 Mln), Repairs-Others ₹ 6.75 Mln (PY ₹ 6.31 Mln), Loss on sale of Assets ₹ Nil (PY ₹0.43 mln), etc.

32. Value of imports calculated on CIF basis

| Particulars | 31st March 2014 | 31st March 2013 |
|-------------------|-------------------|-------------------|
| | ₹ | ₹ |
| Raw materials | 22,444,226 | 20,936,981 |
| Stores and spares | 2,445,435 | 2,020,090 |
| | 24,889,661 | 22,957,071 |

33. Expenditure in Foreign currency

| Particulars | 31st March 2014 | 31st March 2013 |
|---------------------------|-------------------|-------------------|
| | ₹ | ₹ |
| Travelling and conveyance | 1,709,166 | 1,573,119 |
| Interest | 58,338,876 | 52,786,666 |
| Professional fees | 1,820,282 | 2,965,732 |
| | 61,868,324 | 57,325,517 |

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

| Particulars | % of Total consumption | Value | % of Total consumption | Value |
|----------------------|------------------------|-----------------|------------------------|-----------------|
| | 31st March 2014 | 31st March 2014 | 31st March 2013 | 31st March 2013 |
| | | ₹ | | ₹ |
| Raw materials | | | | |
| Imported | 2.12 | 22,444,226 | 2.04 | 20,936,981 |
| Indigenous | 97.88 | 1,035,775,823 | 97.96 | 1,003,221,484 |
| Total | 100 | 1,058,220,049 | 100 | 1,024,158,465 |
| Spare parts | | | | |
| Imported | 23.39 | 2,445,435 | 15.97 | 2,020,090 |
| Indigenous | 76.61 | 8,007,797 | 84.03 | 10,628,936 |
| Total | 100 | 10,453,232 | 100 | 12,649,026 |

35. Earnings in Foreign currency

| Particulars | 31st March 2014 | 31st March 2013 |
|------------------------|-----------------|-----------------|
| | ₹ | ₹ |
| Exports at F.O.B value | 1,891,724,500 | 1,492,619,927 |

Notes Forming Part of Financial Statements for the year ended 31st March 2014

36. 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 / resolve its liabilities in the normal course of business.
- b) As the Net worth of the company was eroded in the previous years, 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.

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

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

39. 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 : 29-05-2014

For and on behalf of the Board

Ajay Anand

Managing Director

Sanjay Anand

Whole Time Director

Martin Golla

Sr. VP-Legal & Company Secretary



FAZE THREE LIMITED
CIN L99999DN1985PLC000197

Regd. Office:. Survey No. 380/1, Khanvel Silvassa Road, Dapada –396230, Union Territory of Dadra & Nagar Haveli
29th Annual General Meeting

| | |
|-------------------------------|--|
| Folio No./DP ID/Client ID No. | |
| No. of Shares Held | |

ATTENDANCE SLIP

I/We record my/our presence at the 29th Annual General Meeting to be held will be held on Saturday, 27th September, 2014 at 11.30 a.m. at Survey No. 380/1, Khanvel Silvassa Road, Dapada - 396230 Union Territory of Dadra & Nagar Haveli

Name of The Shareholder / Proxy _____
(in Block Letters)

Signature of The Shareholder / Proxy _____

NOTE:

You are requested to sign and handover this slip at the entrance of the meeting venue.

FAZE THREE LIMITED
CIN L99999DN1985PLC000197

Regd. Office:. Survey No. 380/1, Khanvel Silvassa Road, Dapada –396230, Union Territory of Dadra & Nagar Haveli
29th Annual General Meeting

[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

| | | | |
|------------------------|---|-------|--|
| CIN | L99999DN1985PLC000197 | | |
| Name of the company | FAZE THREE LIMITED | | |
| Registered office | Survey No. 380/1, Khanvel Silvassa Road, Dapada - 396230 Union Territory of Dadra & Nagar Haveli | | |
| Name of the member (s) | | | |
| Registered address | | | |
| E-mail Id | | | |
| Folio No/ Client Id | | DP ID | |

I/We, being the member (s) of shares of the above named company, hereby appoint.

Name _____

Address _____

E-mail Id _____ Signature _____

OR FAILING HIM

Name _____

Address _____

E-mail Id _____ Signature _____

OR FAILING HIM

Name _____

Address _____

E-mail Id _____ Signature _____

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 29th Annual General Meeting to be held on Saturday, 27th September, 2014 at 11.30 a.m. at Survey No. 380/1, Khanvel Silvassa Road, Dapada - 396230 Union Territory of Dadra & Nagar Haveli and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolution No.: RESOLUTIONS

| | For | Against |
|---|-----|---------|
| 1. Adoption of Financial Statements for the year ended 31st March, 2014 | | |
| 2. Re-appointment of Mr. Rajiv Rai Sachdev who retires by rotation. | | |
| 3. Appointment of M/s Thakur Vaidyanath Aiyar & Co. Chartered Accountants as Auditors and fixing their remuneration. | | |
| 4. Appointment of Mr. Vasudeo Rao as an Independent Director of the Company | | |
| 5. Regularisation of Mr. Ajay Anand as Director of the Company | | |
| 6. Appointment of Mr. Ajay Anand as Managing Director. | | |
| 7. Appointment of Mr. Sanjay Anand as Whole Time Director | | |
| 8. Borrowing in excess of paid up capital & free reserves | | |
| 9. To create mortgage, hypothecation, pledge against the properties of the company | | |

Signed this..... day of..... 2014

Signature of Shareholder: / Signature of Proxy holder(s):

Affix
Revenue
Stamp

Note: This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.